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

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2019 Annual Report

Important Notice

I. The Board, supervisory committee and directors, supervisors and senior management of the Company warrant that this 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 25th meeting of the fourth session of the Board of the Company. 8 out of nine eligible directors attended the meeting in person. Li Dong, a director, asked for leave due to business appointment, and appointed Gao Song, a director, to act as his proxy and vote on behalf of him at the meeting.

III. KPMG has issued a standard unqualified independent auditor's report to the Company under the Hong Kong Standards on Auditing, in connection with the Company's 2019 financial statements prepared under International Financial Reporting Standards.

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 statements contained in this report.

V. The Board proposed the payment of a final dividend in cash of RMB1.26 per share (inclusive of tax) for the year 2019 based on the total registered share capital on the equity registration date of the implementation of the equity distribution. The profit distribution proposal is subject to the approval by shareholders at the general meeting. According to the total share capital of 19,889,620,455 shares of the Company as at 31 December 2019, the final dividend totals RMB25,061 million (inclusive of tax).

VI. Change in the scope of consolidated financial statements: A joint venture company was established with the equities and assets of the relevant coal-fired power generation companies separately contributed by the Company and GD Power, and the relevant equities and assets of the contribution have been completed on 31 January 2019. Since the date of the completion, the assets and liabilities of relevant power plants contributed by the Company and the profit and loss subsequent to 31 January 2019 will not be consolidated to the consolidated financial statements of the Company.

VII. Is there any situation of non-operating appropriation of funds by controlling shareholder(s) and its subsidiaries?: No

VIII. Is there any situation of violation of decision-making procedures for external guarantee provision?: No

IX. 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.

X. Warning on Major Risks: Impacted by the supply and demand of coal and power generation and the adjustment to industrial policies, the Group is exposed to some uncertainties on achieving the business targets for 2020. In addition, investors please note that the Company has disclosed risks including market competition, industrial policies, environmental protection and production safety, etc. in the section headed "Directors' Report".

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Section I Definitions

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

China Shenhua/the Company	China Shenhua Energy Company Limited
The Group	The Company and its subsidiaries
China Energy/Shenhua Group Corporation	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), the new name of Shenhua Group Corporation Limited (神華集團有限責任公司)
China Energy Group/ Shenhua Group	China Energy and its subsidiaries (excluding the Group)
China Guodian	China Guodian Group Co., Ltd. (中國國電集團有限公司)
Guodian Group	China Guodian and its subsidiaries
GD Power	GD Power Development Co., Ltd.
Shendong Coal	Shenhua Shendong Coal Group Co., Ltd.
Shendong Power	Shenhua Shendong Power Co., Ltd.
Zhunge'er Energy	Shenhua Zhunge'er Energy Co., Ltd.
Shuohuang Railway	Shuohuang Railway Development Co., Ltd.
Railway Transportation	Shenhua Railway Transportation Co., Ltd. (renamed as Shenhua Railway Equipment Co., Ltd. in January 2020)
Trading Group	Shenhua Trading Group Limited
Huanghua Harbour Administration	Shenhua Huanghua Harbour Administration Co., Ltd.
Baoshen Railway	Shenhua Baoshen Railway Group Co., Ltd.
Baotou Energy	Shenhua Baotou Energy Co., Ltd.
Baotou Coal Chemical	Shenhua Baotou Coal Chemical Co., Ltd.
Shenbao Energy	Shenhua Baorixile Energy Co., Ltd.

Tianjin Coal Dock	Shenhua Tianjin Coal Port Dock Co., Ltd.
Zhuhai Coal Dock	Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd.
Sichuan Energy	Shenhua Sichuan Energy Co., Ltd.
Fujian Energy	Shenhua Fujian Energy Co., Ltd.
Shenhua Finance Company	Shenhua Finance Co., Ltd.
EMM Indonesia	PT.GH EMM INDONESIA
Zhunge'er Power	Power-generating division controlled and operated by Zhunge'er Energy
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Taishan Power	Guangdong Guohua Yudean Taishan Power Co., Ltd.
Cangdong Power	Hebei Guohua Cangdong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.

Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Jiujiang Power	Shenhua Guohua Jiujiang Power Co., Ltd.
Huizhou Thermal	Guohua Huizhou Thermal Power Branch of China Shenhua
Beijing Gas-fired Power	Shenhua Guohua (Beijing) Gas-fired Power Co., Ltd.
Shouguang Power	Shenhua Guohua Shouguang Power Generation Company Limited
Liuzhou Power	Shenhua Guohua Guangtou (Liuzhou) Power Generation Co., Ltd.
Fuping Thermal Power	Fuping Thermal Power Plant of Shenhua Shendong Power Co., Ltd.
Shenhua Lease Company	Shenhua (Tianjin) Finance Lease Co., Ltd.
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves
Joint Venture Company/ Beijing GD Power	the joint venture company co-established by the Company and GD Power with their respective holding of equities and assets of the relevant coal-fired power generation companies, i.e. Beijing GD Power Co., Ltd
BOOT Scheme	the "Build-Own-Operate-Transfer" 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 the HKEx
China Accounting Standards for Business Enterprises	the latest Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the related application guidance, interpretations and other related requirements
International Financial Reporting Standards	International Financial Reporting Standards issued by the International Accounting Standards Board
Articles of Association	Articles of Association of China Shenhua Energy Company Limited
EBITDA	profit for the year + net finance costs + income tax + depreciation and amortization – share of results of associates
Gearing ratio	total liabilities/total assets
Total debt to total debt and total equity ratio	[long-term interest bearing debt + short term interest bearing debt (including notes payable)]/[long term interest bearing debt + short-term interest bearing debt (including notes payable) + total equity]
Shanghai-Hong Kong Stock Connect	A mutual access and connect mechanism for transactions in stock markets between SSE and HKEx
Shenzhen-Hong Kong Stock Connect	A mutual access and connect mechanism for transactions in stock markets between Shenzhen Stock Exchange and HKEx
RMB	Renminbi unless otherwise specified

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
Short Name of Chinese Name of the Company	中國神華
English Name of the Company	China Shenhua Energy Company Limited
Abbreviation/Short Name 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 1804/1814	(8610) 5813 1804/1814
E-mail	1088@shenhua.cc	ir@shenhua.cc

	Board and Supervisory Committee Affairs and Investor Relations Department 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 1804/1814	(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 Media for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Internet website designated by CSRC for publishing annual report	http://www.sse.com.cn and http://www.hkex.com.hk
Annual report is available at	SSE, Board and Supervisory Committee Affairs and Investor Relations Department of the Company and Hong Kong Office of the Company

V. BASIC INFORMATION ON SHARES

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

VI. OTHER RELEVANT INFORMATION

Auditor engaged by the Company (the PRC)	Name	KPMG Huazhen LLP
	Office Address	8th, Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing
	Signing Auditors	Zhang Nan, Wang Xia
Auditor engaged by the Company (Hong Kong)	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
	Signing Auditors	Guen Kin Shing
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

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

	Unit	**At the end of 2019**	At the end of 2018	Increase/ decrease at the end of 2019 as compared with the end of 2018 %
Total assets	RMB million	**563,083**	591,626	(4.8)
Total liabilities	RMB million	**142,865**	182,789	(21.8)
Total equity	RMB million	**420,218**	408,837	2.8
Equity attributable to equity holders of the Company	RMB million	**356,077**	331,693	7.4
Total share capital at the end of the period	RMB million	**19,890**	19,890	0.0

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

Unit: RMB million

	Net profit attributable to equity holders of the Company		Net assets attributable to equity holders of the Company	
	2019	2018	**At the end of 2019**	At the end of 2018
Under China Accounting Standards for Business Enterprises	**43,250**	43,867	**351,928**	327,763
Adjustments for:				
Simple production maintenance, safety production and other related expenditure	**(1,543)**	1,665	**4,149**	3,930
The separation and transfer cost of "Special payables for water/power/gas supply and property management"	**0**	(1,395)	**0**	0
Under International Financial Reporting Standards	**41,707**	44,137	**356,077**	331,693

Explanation on differences in domestic and overseas accounting standards:

1. Pursuant to the relevant regulations of the related government authorities in the PRC, the Group accrued provisions for simple production maintenance, safety production and other related expenditures, recognised as expenses in profit or loss and separately recorded as a specific reserve in shareholders' equity. 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.

2. In 2018, in accordance with the Notice of the Office of the State Council on the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance Regarding the Guidelines Related to the Separation and Transfer of "Water/Power/Gas Supply and Property Management" in the Employee Living Areas of the State-owned Enterprises (Guo Ban Fa [2016] No. 45) (《國務院辦公廳轉發國務院國資委、財政部關於國有企業職工家屬區"三供一業"分離移交工作指導意見的通知》(國辦發[2016]45號)), the Group separated its "functions of water, power and heat (gas) supply and property management" in the employee living areas of the Group and transferred to a professional enterprise or institution for socialized management. In accordance with the regulations of the relevant authorities of the Chinese government, the transferred assets in relation to the "water/power/gas supply and property management" and certain expenses in relation to the transfer shall be offset against the equity. While under the International Financial Reporting Standards, the transferred assets and related expenses shall be recognised as current profits and losses.

IX. MAJOR FINANCIAL DATA OF EACH QUARTER OF 2019

Unit: RMB million

	First quarter (January – March)	Second quarter (April – June)	Third quarter (July – September)	Fourth quarter (October – December)
Revenue	57,011	59,354	61,484	64,022
Profit for the period attributable to equity holders of the Company	12,865	11,375	12,010	5,457
Net cash generated from operating activities	30,964	10,079	15,714	6,349

1. 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 the HKEx in June 2005 and on the SSE in October 2007. The Group is principally engaged in the production and sale of coal and electricity, railway, port and shipping transportation, and coal-to-olefins businesses.

In terms of sales, the Group is the largest listed coal company in China and globally with the sales volume of coal reaching 447.1 million tonnes and commercial coal production volume reaching 282.7 million tonnes in 2019. The Company possesses high-quality coal resources in Shendong Mines, Zhunge'er Mines, Shengli Mines and Baorixile Mines, etc. On 31 December 2019, the Company had coal reserves of 29.99 billion tonnes and recoverable coal reserves of 14.68 billion tonnes under the PRC Standard; the marketable coal reserve of 8.02 billion tonnes under the JORC Standard. The Group controls and operates large-scale and high capacity clean coal-fired power generators, the Group controls and operates power generators with an installed capacity of 31,029MW by the end of 2019, with a total power output dispatch reaching 144.04 billion kWh in 2019. The Group controls and operates a network of concentric transportation railways around the major coal production bases in western Shanxi, northern Shaanxi and southern Inner Mongolia as well as "Shenshuo – Shuohuang Line", a major channel for coal transportation from western to eastern China, and it has controlled and operated railways with a total length of approximately 2,155 km. The transportation turnover of the self-owned railway in 2019 reached 285.5 billion tonne km. The Group also controls and operates a number of ports and docks (approximately 270 million tonnes/year vessel loading capability in aggregate), such as Huanghua Port, possesses the shipping transportation team comprising its own vessels with approximately 2.18 million tonnes of loading capacity and conducts coal-to-olefins businesses with approximately 0.6 million tonnes/year of operation and production capacity. The Company's technology in coal exploitation and production safety has secured a leading position in the global market, and that of clean coal-fired power generation and heavy-loaded railway transportation has secured a leading position in the domestic market.

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

For industry conditions in which the Company operates, please refer to the section "Directors' Report" in the report.

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

With approval at the first extraordinary general meeting of the Company in 2018, a joint venture company was established with the equities and assets of the relevant coal-fired power generation companies separately contributed by the Company and GD Power. The transaction was settled on 31 January 2019. (Please refer to the H share and A share announcements of the Company dated 31 January 2019 and 1 February 2019 respectively.)

As of 31 December 2019, the total assets of the Group amounted to RMB563,083 million, representing an decrease of 4.8% as compared with that at the end of last year; the equity attributable to equity holders of the Company amounted to RMB356,077 million, representing an increase of 7.4% as compared with that at the end of last year. The total offshore assets of the Group (including Hong Kong, Macau and Taiwan) amounted to RMB28,479 million, representing 5.1% to total assets, which are mainly composed of the coal mine and power generation assets in Indonesia and other countries, and assets from U.S. dollar-denominated bonds issued in Hong Kong, the PRC.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The core competitiveness of the Group is mainly:

(I) **Unique operation and profitability model:** The Group has a large and efficient operation of coal and power generation business, and possesses a large-scale integrated transportation network consisting of railways, ports and ships, forming a core competitive advantage of integrated development of coal, power, transportation and coal-to-chemical industry, one-stop operation of production, transportation and sales, in-depth cooperation and effective synergy among various industrial sectors.

In 2019, the Company further promoted the in-depth supply-side structural reform, strengthened resource organization and transportation management, and fully developed its advantages of coal-power-transportation synergic effect and unified operation, leading to the continued strengthening of the overall competitiveness.

(II) **Coal reserve:** The Group possesses an abundant pool of high-quality coal resources which are suitable for modern high-output and high-efficient mining. As of the end of 2019, among the coal mining rights possessed and controlled by the Group, the coal resources are 29.99 billion tonnes and recoverable coal reserves 14.68 billion tonnes under the PRC Standard; the marketable coal reserves are 8.02 billion tonnes under the JORC Standard. The coal reserves of the Group is among the top of listed coal companies in China.

(III) **Management team focusing on principal business and advanced business concepts:** The management team of China Shenhua has profound knowledge and management experience in the industry, attaches great importance to enhancement of the Company's capabilities in value creation, conducts operation with a focus on the principal businesses of the Company, and persistently focuses on clean generation, transportation and conversion in the energy sector.

(IV) **Industrial technology and innovation capabilities:** China Shenhua strengthens its industrial technology and innovation capabilities continuously. The Company's technology in coal green exploitation and production safety has secured a leading position in the global market, and that of clean coal-fired power generation and heavy-loaded railway transportation has secured a leading position in domestic market, basically establishing a unified operation model of technology and resources and a technological innovation-driven development model comprising scientific decision-making, systematic management, research and development, and transformation of achievements.

In 2019, the Group concentrated on research and development of coal mine equipment, ecological enhancement of coal-fired power base, application of intelligent technology, and research on emission reduction technology for power plants, etc. During the reporting period, China Shenhua was granted a total of 556 patents, including 155 invention patents.

Section IV Chairman's Statement

Dear Shareholders,

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

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

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

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

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

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

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

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

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

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

Wang Xiangxi
Chairman
27 March 2020

Section V Directors' Report

Overview of China Shenhua's Operating Results for the Year of 2019

Table 1 Business Targets for 2020

		Target for 2020	Actual amount in 2019	Change %
Commercial coal production	100 million tonnes	2.68	2.827	(5.2)
Coal sales	100 million tonnes	4.03	4.471	(9.9)
Gross power generation	billion kWh	145.1	153.55	(5.5)
Revenue	RMB100 million	2,163	2,418.71	(10.6)
Cost of sales	RMB100 million	1,484	1,649.79	(10.0)
Selling, general and administrative expenses (including R&D) and net finance costs	RMB100 million	143	126.92	12.7
Change in unit production costs of self-produced coal		Year-on-year increase of around 8%	Year-on-year increase of 16.1%	

Table 2 Financial Indicators

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

Table 3 Results of Each Segment

	Coal 2019 RMB million	Coal 2018 RMB million	Power 2019 RMB million	Power 2018 RMB million	Railway 2019 RMB million	Railway 2018 RMB million	Port 2019 RMB million	Port 2018 RMB million	Shipping 2019 RMB million	Shipping 2018 RMB million	Coal chemical 2019 RMB million	Coal chemical 2018 RMB million	Unallocated items 2019 RMB million	Unallocated items 2018 RMB million	Eliminations 2019 RMB million	Eliminations 2018 RMB million	Total 2019 RMB million	Total 2018 RMB million
Revenue from external customers	173,471	160,845	52,484	88,176	6,464	5,877	652	733	1,813	837	5,327	5,840	1,660	1,793	-	-	241,871	264,101
Inter-segment revenue	23,925	44,346	142	276	33,237	33,272	5,274	5,391	1,484	3,252	-	-	1,153	970	(65,215)	(87,507)	-	-
Sub-total of segment revenue	197,396	205,191	52,626	88,452	39,701	39,149	5,926	6,124	3,297	4,089	5,327	5,840	2,813	2,763	(65,215)	(87,507)	241,871	264,101
Segment cost of sales	(157,224)	(156,143)	(40,540)	(72,408)	(20,641)	(19,915)	(3,064)	(3,511)	(2,913)	(3,232)	(4,693)	(4,901)	(33)	(30)	64,129	86,463	(164,979)	(173,677)
Segment profit/(loss) from operations	33,188	43,262	9,779	12,720	17,360	17,695	2,536	2,325	232	723	311	751	1,960	1,758	(1,086)	(1,037)	64,280	78,197
	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million
Segment total assets	224,344	228,641	148,754	222,941	128,578	129,353	22,197	23,735	6,516	7,058	9,202	9,821	449,806	416,213	(426,314)	(446,136)	563,083	591,626
Segment total liabilities	(108,449)	(109,845)	(109,730)	(158,033)	(56,774)	(56,341)	(8,285)	(10,094)	(397)	(636)	(3,346)	(1,816)	(188,866)	(191,617)	332,982	345,593	(142,865)	(182,789)

Table 4 Operation Data

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

Table 5 Commercial coal production Volume

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

Table 6 Power Business

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

Table 7 Cost of Sales of Coal Segment

	2019 Cost RMB million	2019 Volume million tonnes	2019 Unit cost RMB/tonne	2018 Cost RMB million	2018 Volume million tonnes	2018 Unit cost RMB/tonne	Change in unit cost %
Cost of coal purchased	53,831	162.3	331.7	56,321	160.2	351.6	(5.7)
Production cost of self-produced coal	38,377	284.8	134.8	34,911	300.7	116.1	16.1
Materials, fuel and power	7,458	284.8	26.2	6,922	300.7	23.0	13.9
Personnel expenses	7,686	284.8	27.0	6,389	300.7	21.2	27.4
Repairs and Maintenance	2,680	284.8	9.4	2,661	300.7	8.8	6.8
Depreciation and amortization	4,961	284.8	17.4	5,573	300.7	18.5	(5.9)
Others	15,592	284.8	54.8	13,366	300.7	44.6	22.9
Cost of coal transportation	52,497			52,881			
Other operating costs	3,720			4,007			
Taxes and surcharges	8,799			8,023			
Total cost of sales	157,224			156,143			

Table 8 Cost of Sales of Power Segment

	2019 Cost RMB million	2019 Power output dispatch 100 million kWh	2019 Unit cost RMB/ mWh	2018 Cost RMB million	2018 Power output dispatch 100 million kWh	2018 Unit cost RMB/ mWh	Change in unit cost %
Cost of power output dispatch	39,785	1,440.4	276.2	70,652	2,675.9	264.0	4.6
Materials, fuel and power	28,739	1,440.4	199.5	53,192	2,675.9	198.8	0.4
Personnel expenses	2,371	1,440.4	16.5	4,522	2,675.9	16.9	(2.4)
Repairs and Maintenance	1,956	1,440.4	13.6	2,730	2,675.9	10.2	33.3
Depreciation and amortization	5,319	1,440.4	36.9	8,139	2,675.9	30.4	21.4
Others	1,400	1,440.4	9.7	2,069	2,675.9	7.7	26.0
Other operating costs	51			569			
Taxes and surcharges	704			1,187			
Total cost of sales	40,540			72,408			

Table 9 Domestic Coal Sales Volume

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

Table 10 Capital Expenditure Plan for 2020

	Plan for 2020 RMB100 million	Completion in 2019 RMB100 million
Coal segment	56.1	52.91
Power segment	121.5	68.28
Transportation segment	114.5	72.58
Including: Railway	99.4	69.90
Port	15.0	2.38
Shipping	0.1	0.30
Coal chemical segment	16.1	1.42
Others	10.1	0.02
Total	318.3	195.21

Table 11 Cost of Sales of Transportation and Coal Chemical Segments

	Railway 2019 RMB million	Railway 2018 RMB million	Railway Change %	Port 2019 RMB million	Port 2018 RMB million	Port Change %	Shipping 2019 RMB million	Shipping 2018 RMB million	Shipping Change %	Coal Chemical 2019 RMB million	Coal Chemical 2018 RMB million	Coal Chemical Change %
Cost of internal transportation business	16,087	15,907	1.1	2,493	2,847	(12.4)	1,290	2,604	(50.5)	/	/	/
Materials, fuel and power	2,459	2,545	(3.4)	366	383	(4.4)	255	379	(32.7)	2,244	2,560	(12.3)
Personnel expenses	4,043	3,565	13.4	352	310	13.5	1	6	(83.3)	333	323	3.1
Repairs and Maintenance	3,642	3,482	4.6	334	271	23.2	22	50	(56.0)	387	327	18.3
Depreciation and amortization	3,879	3,782	2.6	791	790	0.1	114	188	(39.4)	852	863	(1.3)
External transportation charges	913	889	2.7	/	/	/	752	1,745	(56.9)	/	/	/
Others	1,151	1,644	(30.0)	650	1,093	(40.5)	146	236	(38.1)	176	89	97.8
Cost of external transportation business	3,013	2,843	6.0	271	345	(21.4)	1,620	625	159.2	/	/	/
Sub-total cost of prime business	19,100	18,750	1.9	2,764	3,192	(13.4)	2,910	3,229	(9.9)	3,992	4,162	(4.1)
Other operating costs	1,119	722	55.0	113	132	(14.4)	/	/	/	549	560	(2.0)
Taxes and surcharges	422	443	(4.7)	187	187	–	3	3	–	152	179	(15.1)
Total cost of sales	20,641	19,915	3.6	3,064	3,511	(12.7)	2,913	3,232	(9.9)	4,693	4,901	(4.2)

Table 12 Coal Sales Price

	2019 Sales volume million tonnes	2019 Percentage to total sales volume %	2019 Price (excluding tax) RMB/tonne	2018 Sales volume million tonnes	2018 Percentage to total sales volume %	2018 Price (excluding tax) RMB/tonne	Change Sales volume %	Change Price (excluding tax) %
Total sales volume/average price (excluding tax)	447.1	100.0	426	460.9	100.0	429	(3.0)	(0.7)
(I) Classify by contract pricing mechanism								
Annual long-term agreement	215.8	48.3	381	220.5	47.8	381	(2.1)	–
Monthly long-term agreement	180.4	40.4	480	158.9	34.5	511	13.5	(6.1)
Spot commodity	50.9	11.3	426	81.5	17.7	401	(37.5)	6.2
(II) Classify by internal and external customers								
Sales to external customers	389.9	87.2	432	353.6	76.7	441	10.3	(2.0)
Sales to internal power segment	53.0	11.9	387	103.2	22.4	393	(48.6)	(1.5)
Sales to internal coal chemical segment	4.2	0.9	363	4.1	0.9	360	2.4	0.8

Table 13 Coal Resources Reserve

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

Table 14 Seaborne Coal at Ports

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

Table15 Railway Cargo Transportation Turnover

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

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

Table 16 Shipping Volume

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

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

主要資產分佈圖 Assets Distribution Map

2019

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. 新街台格廟勘查區（前期工作階段） Xinjie Taigemiao 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7號 Java 7

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. 神華天津煤碼頭 Shenhua Tianjin Coal Dock
- D3. 珠海煤碼頭 Zhuhai Coal Dock

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

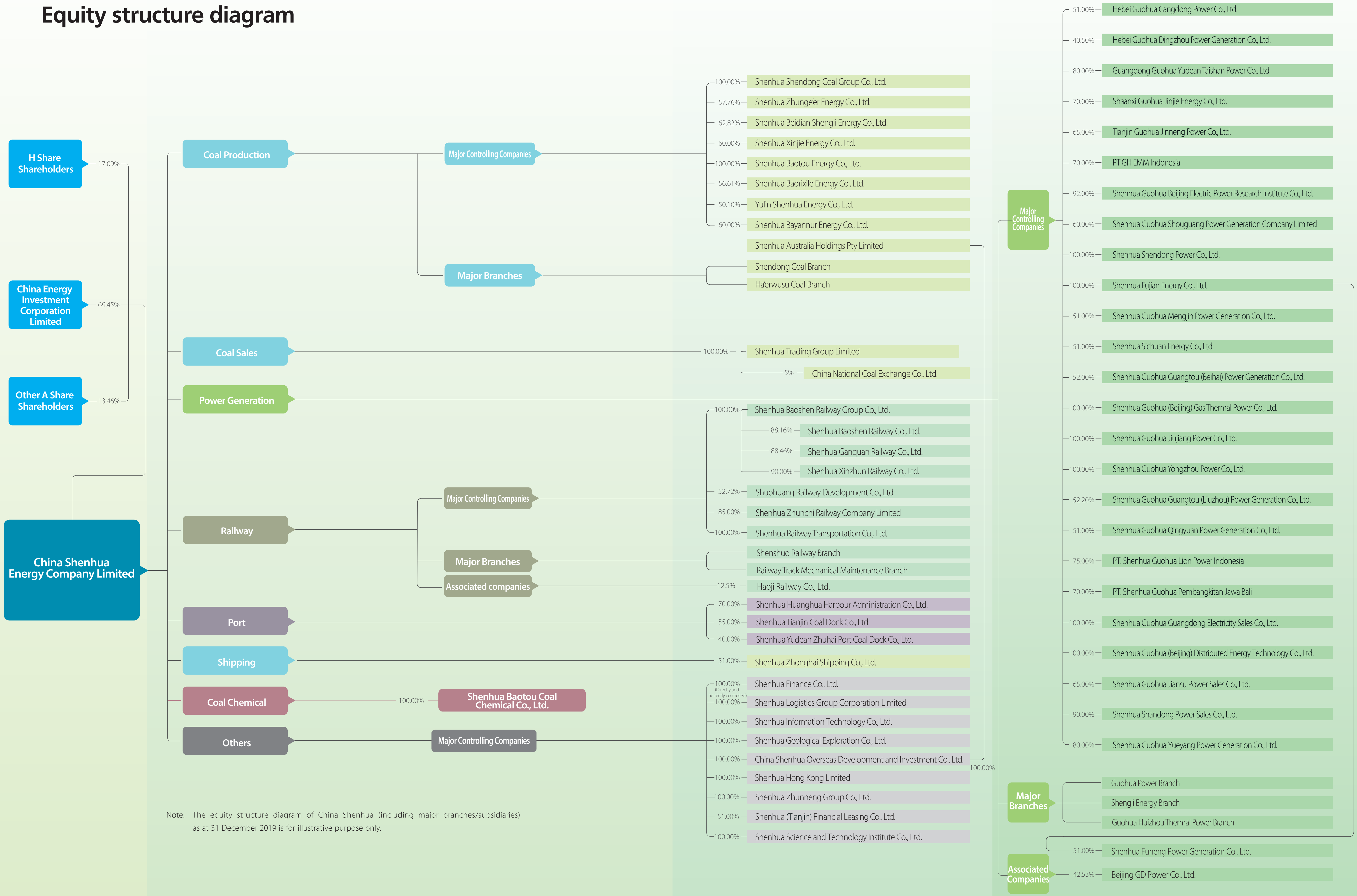
註：① 於2019年12月31日之分佈圖，僅做示意
② 以審圖號GS(2016)2887號地圖為基礎編制

Note: ① This map as at 31 December 2019 is for illustrative purpose only.
② Prepared on the basis of the map with the approval number of "GS(2016)2887.

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
- 准班輪航線 Quasi-liner Shipping Route

Equity structure diagram



Note: The equity structure diagram of China Shenhua (including major branches/subsidiaries) as at 31 December 2019 is for illustrative purpose only.

I. DISCUSSION AND ANALYSIS ON OPERATION RESULTS

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

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

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

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

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

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

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

II. MAJOR OPERATION RESULTS DURING THE REPORTING PERIOD

(I) Analysis on principal business

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

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

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

Unit: RMB million

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

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

1. Revenue and costs

(1) Factors affecting the revenue

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

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

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

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

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

(2) Analysis of costs

Unit: RMB million

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

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

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

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

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

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

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

(3) *Major Business segments*

The major business model of the Group is the integrated coal industry chain: i.e. coal production → coal transportation (railway, port and shipping) → conversion of coal (power and coal chemical), and there are business intercourses between each segment. The percentages of profits (before elimination on consolidation) from operations of coal, power, transportation and coal chemical segments of the Group changed from 56%, 16%, 27% and 1% in the 2018, to 52%, 15%, 32% and 1% in 2019 respectively.

The revenue and cost of sales of the following business segments are the data before eliminations on consolidation of each segment. For details of the cost of each segment, please refer to the "Operation results by business segment" in this section.

Major business segments in 2019 (before eliminations on consolidation)

Business segment	Revenue RMB million	Cost of sales RMB million	Gross profit margin %	Increase/ decrease in revenue as compared with previous year %	Increase/ decrease in cost of sales as compared with previous year %	Increase/ decrease in gross profit margin as compared with previous year
Coal	197,396	157,224	20.4	(3.8)	0.7	Decreased by 3.5 percentage points
Power	52,626	40,540	23.0	(40.5)	(44.0)	Increased by 4.9 percentage points
Railway	39,701	20,641	48.0	1.4	3.6	Decreased by 1.1 percentage points
Port	5,926	3,064	48.3	(3.2)	(12.7)	Increased by 5.6 percentage points
Shipping	3,297	2,913	11.6	(19.4)	(9.9)	Decreased by 9.4 percentage points
Coal chemical	5,327	4,693	11.9	(8.8)	(4.2)	Decreased by 4.2 percentage points

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

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

(5) *Major customers*

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

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

(6) *Major suppliers*

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

2. Other items of consolidated statement of profit or loss

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

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

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

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

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

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

3. Research and development expenditure

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

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

4. Cash flow

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

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

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

(3) Net cash used in financing activities: net cash used in financing activities in 2019 recorded a year-on-year decrease of 16.9%, which was mainly attributable to the year-on-year decrease in the amount of debt repaid as well as the decrease in payment of interest and dividends of minority shareholders during the reporting period.

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

☐ Applicable ✔ Not applicable

(III) Analysis on Assets and Liabilities

1. Assets and Liabilities

Unit: RMB million

Items	Amount at the end of the year	Percentage of total assets at the end of the year %	Amount at the end of the previous year	Percentage of total assets at the end of the previous year %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Exploration and evaluation assets	484	0.1	951	0.2	(49.1)	Decrease in the recognised mining right assets of the Watermark project in Australia arising from the provision for impairment
Right-of-use assets	18,690	3.3	N/A	N/A	N/A	Lease right-of-use assets recognised due to application of new lease standard of the Group
Interests in associates	40,539	7.2	10,047	1.7	303.5	Investment in the Joint Venture Company recognised by the Company
Fair value changes on investments in equity instruments at fair value through other comprehensive income	1,789	0.3	811	0.1	120.6	Addition of investment in Central State-Owned Enterprises Poverty Regional Industrial Investment Fund Co., Ltd. by the Company
Other non-current assets	54,006	9.6	29,456	5.0	83.3	Increase in loans issued and purchases of treasury bonds by Shenhua Finance Company, and commercial operation of Indonesia Jawa Power Project adopting BOOT Scheme was commenced during the reporting period, recognising the amount of concession receivables
Lease prepayments	0	0.0	16,425	2.8	(100.0)	Lease prepayments were reclassified to right-of-use assets due to application of new lease standard of the Group
Inventories	12,053	2.1	9,967	1.7	20.9	Increase in coal inventory and spare parts
Accounts and bills receivables	10,436	1.9	13,055	2.2	(20.1)	Decrease in notes received and maturity of a portion of bills receivable, as well as decrease in the sales receivables for the power generation business
Prepaid expenses and other current assets	86,524	15.4	54,702	9.2	58.2	Increase in interbank certificates of deposit held by Shenhua Finance Company

Items	Amount at the end of the year	Percentage of total assets at the end of the year %	Amount at the end of the previous year	Percentage of total assets at the end of the previous year %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Cash and cash equivalents	**41,827**	**7.4**	61,863	10.5	(32.4)	Increase in banks' wealth management products, treasury bonds and interbank certificates of deposit held by the Group at the end of the reporting period
Assets classified as held for sale	**0**	**0.0**	83,367	14.1	(100.0)	Completion of the settlement of the Subject Assets for establishing the Joint Venture Company
Short-term borrowings	**4,172**	**0.7**	5,772	1.0	(27.7)	Maturity and repayment of a portion of short-term borrowings
Bonds due within 1 year	**3,488**	**0.6**	0	0.0	N/A	Certain US bonds due within 1 year
Lease liabilities due within 1 year	**198**	**0.0**	N/A	N/A	N/A	Lease liability due within 1 year recognised due to application of new lease standard of the Group
Income tax payable	**2,727**	**0.5**	4,213	0.7	(35.3)	Increase in income tax paid by part of subsidiaries and branches during the reporting period
Contract liabilities	**4,784**	**0.8**	3,404	0.6	40.5	Increase in proceeds received in advance for the sales of coal from the coal business
Liabilities associated with assets classified as held for sale	**0**	**0.0**	29,914	5.1	(100.0)	Completion of the settlement of the liabilities associated with the Subject Assets for establishing the Joint Venture Company
Long-term borrowings	**36,943**	**6.6**	46,765	7.9	(21.0)	Maturity and repayment of a portion of long-term borrowings
Bonds	**3,460**	**0.6**	6,823	1.2	(49.3)	Reclassification of US bonds due within 1 year to non-current liabilities due within 1 year
Lease liabilities	**623**	**0.1**	N/A	N/A	N/A	Lease liability recognised due to application of new lease standard of the Group
Non-controlling shareholders' interests	**64,141**	**11.4**	77,144	13.0	(16.9)	Reduction in minority shareholders' interests in the power generation segment upon completion of the settlement of the Subject Assets for establishing the Joint Venture Company

2. Restrictions on main assets

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

Unit: RMB million

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

(IV) Operation results by business segment

1. Coal segment

(1) Production, operation and construction

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

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

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

Unit: million tonnes

Change of Production Volume of Commercial Coal in 2019

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

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

In 2019, the Group's coal exploration expenses (which were incurred before the conclusion of feasibility study and represented the expenses related to exploration and evaluation of coal resources) amounted to approximately RMB12 million (2018: RMB18 million), which was mainly attributable to the relevant expenses of Watermark Coal Project in Australia. The Group's relevant capital expenditure of mining development and exploration amounted to approximately RMB2,175 million (2018: RMB4,141 million), which was mainly attributable to the expenditure on the preliminary development of Taigemiao District of Xinjie Mining Area, the expenditure related to coal mining for Shengli Mines, Baorixile Mines and Shendong Mines, and relevant expenditure for acquisition of land and use rights acquisition of fixed assets.

The Group has independently operated railway collection and distribution channels. These channels are centralised and distributed in the rim of self-owned core mines, and can transport coal in the core mines. Please see "Railway segment" in this section for details of operation of self-owned railways of the Group.

(2) Sales of coal

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

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

The Group expanded procurement and sales channels for coal and improved operating results through Shenhua Coal Trading Network (https://www.e-shenhua.com) developed by itself. In 2019, the coal sales volume of the Group through Shenhua Coal Trading Network reached approximately 14.7 million tonnes.

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1 Data source: China Coal Transportation & Sale Society

The Group implemented three unified pricing mechanisms, namely, the pricing mechanisms for annual long-term contracts, monthly long-term contracts and spot commodity, for all internal and external customers. In 2019, the average coal sales price of the Group was RMB426 per tonne (tax exclusive) (2018: RMB429 per tonne (tax exclusive)), representing a year-on-year decrease of 0.7%.

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

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

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

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

① By contract pricing mechanisms

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

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

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

② By internal and external customers

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

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

③ By sales regions

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

(3) Production safety

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

Efforts in ensuring safe coal production are detailed in the 2019 ESG Report of the Company.

(4) Environmental protection

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

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

Measures taken by the coal segment of the Company for environmental protection are detailed in the 2019 ESG Report of the Company.

(5) Coal resources

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

Unit: '00 million tonnes

Mines	**Coal reserve (under the PRC Standard)**	**Recoverable coal reserve (under the PRC Standard)**	**Marketable coal reserve (under the JORC Standard)**
Shendong Mines	158.1	90.5	46.3
Zhunge'er Mines	38.5	30.8	20.1
Shengli Mines	20.1	13.7	2.0
Baorixile Mines	13.7	11.5	11.8
Baotou Mines	0.5	0.3	0.0
Xinjie Mines (under exploration rights permit to Taigemiao North Area)	64.2	–	–
Others	4.8	–	–
Total	299.9	146.8	80.2

Notes:

1. As of 31 December 2019, the marketable coal reserve of Baotou Mines under the JORC Standard was 2,398 thousand tonnes.

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

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

No.	Mines	Major types of coal	Calorific value of major commercial coal products *kcal/kg*	Sulphur content *%*	Ash content *average, %*
1	Shendong Mines	Long flame coal/non-caking coal	4,800–6,000	0.2–1.0	5–25
2	Zhunge'er Mines	Long flame coal	4,300–5,200	0.3–0.8	10–25
3	Shengli Mines	Lignite	2,900–3,100	0.4–0.8	20–25
4	Baorixile Mines	Lignite	3,400–3,700	0.2–0.5	12–16
5	Baotou Mines	Non-caking coal	3,000–3,300	0.3–0.6	50–55

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

(6) Operating results

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

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

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

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

③ Unit production cost of self-produced coal

Unit: RMB/tonne

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

Other costs consist of the following three components: (1) expenses directly related to production, including coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for 59%; (2) auxiliary production expenses, accounting for 22%; (3) land requisition and surface subsidence compensation, environmental protection expenses and tax, accounting for 19%.

④ Cost of coal purchased from third parties

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

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

2. Power segment

(1) Production and operations

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

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

1 Data source: China Electricity Council

(2) Power consumption and power tariffs

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

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

(3) Installed capacity

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

Unit: MW

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

1 Data source: China Electricity Council

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

No.	**Company/power plant**	**Location of generating unit**	**Installed capacity increased/ (decreased)** *MW*
1	Shenhua Guohua International Power Company Limited	Tianjin, Hebei, Liaoning, Inner Mongolia	(7,470)
2	Inner Mongolia Guohua Hulunbei'er Power Generation Co., Ltd.	Inner Mongolia	(1,200)
3	Shangwan Thermal Power Plant of Shenhua Shendong Power Co., Ltd.	Inner Mongolia	(300)
4	Salaqi Power Plant of Shenhua Shendong Power Co., Ltd.	Inner Mongolia	(600)
5	Shenhua Guohua (Zhoushan) Power Generation Co., Ltd.	Zhejiang	(910)
6	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.	Zhejiang	(780)
7	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	Zhejiang	(4,520)
8	Jiangsu Guohua Chenjiagang Power Co., Ltd.	Jiangsu	(1,320)
9	Guohua Taicang Power Co., Ltd.	Jiangsu	(1,260)
10	Guohua Xuzhou Power Generation Co., Ltd.	Jiangsu	(2,000)
11	Shenhua Guohua Ningdong Power Generation Co., Ltd.	Ningxia	(1,320)
12	Ningxia Guohua Ningdong Power Generation Co., Ltd.	Ningxia	(660)
13	Baode Shendong Power Generation Co., Ltd.	Shanxi	(270)
14	Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd.	Shanxi	(700)
15	Xinjiang Midong Thermal Power Plant of Shenhua Shendong Power Co., Ltd.	Xinjiang	(600)
16	Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd.	Xinjiang	(700)
17	Shenwan Energy Company Limited	Anhui	(5,920)
18	Gangue Power Plant of Shenhua Zhunge'er Energy Co., Ltd.	Inner Mongolia	(300)
19	Fujian Jinjiang Thermal Power Co., Ltd.	Fujian	10
Total			(30,820)

(4) Utilisation rate of power generation equipment

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

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

(5) Environmental protection

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

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

For detailed information on environmental protection in the power segment, please refer to the 2019 ESG report of the Company.

1 Data source: China Electricity Council

(6) Market Transaction of Power

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

(7) Operation results of the power sales business

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

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

(8) Capitalised Expenses

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

(9) Operation results

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

		2019	2018	Change %	Main reasons for changes
Revenue	RMB million	**52,626**	88,452	(40.5)	Exclusion of revenue and cost related to contributed assets of the Company from the scope of the Group upon completion of the transaction for establishing Joint Venture Company on 31 January 2019
Cost of sales	RMB million	**40,540**	72,408	(44.0)	
Gross profit margin	%	**23.0**	18.1	Increased by 4.9 percentage points	The increase in average selling price of power was greater than the unit selling cost and cost of contributed asset were no longer consolidated to the Group, resulting in significant drop in the costs of other business
Profit from operations	RMB million	**9,779**	12,720	(23.1)	
Profit margin from operations	%	**18.6**	14.4	Increased by 4.2 percentage points	

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

Unit: RMB million

	Revenue from sale of power			Cost of sale of power				
Power type	**2019**	2018	Change %	**2019**	**Percentage to total costs of 2019** **%**	2018	Percentage to total costs of 2018 %	Change in 2019 over 2018 %
Coal-fired power	**49,125**	83,798	(41.4)	**37,411**	**94.1**	67,389	95.4	(44.5)
Gas-fired power	**2,338**	3,201	(27.0)	**2,282**	**5.7**	3,179	4.5	(28.2)
Hydro power	**156**	150	4.0	**91**	**0.2**	78	0.1	16.7
Wind power	**0**	0	N/A	**1**	**0.0**	6	0.0	(83.3)
Total	**51,619**	87,149	(40.8)	**39,785**	**100.0**	70,652	100.0	(43.7)

The Group's cost of sale of power is mainly comprised of such costs as raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation and other costs. The unit cost of power output dispatch of the Group in 2019 was RMB276.2/mWh (2018: RMB264.0/mWh), representing a year-on-year increase of 4.6%. The increase was mainly due to the increase in depreciation and amortisation costs arising from the decrease in power sales volume and increase in maintenance fees.

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

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

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

3. Railway segment

(1) Overview of production and operations

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

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

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

(2) Progress of projects

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

(3) Operation results

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

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

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

4. Port segment

(1) Production and operations

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

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

(2) Operation results

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

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

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

5. Shipping segment

(1) Production and operations

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

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

(2) Operation results

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

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

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

6. Coal chemical segment

(1) Production and operations

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

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

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

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

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

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

(2) *Operation results*

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

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

(3) Unit production cost of main products

	2019		2018		Change	
	Production volume	Unit production cost	Production volume	Unit production cost	Production volume	Unit production cost
	Thousand tonnes	RMB/tonne	Thousand tonnes	RMB/tonne	%	%
Polyethylene	**319.4**	**5,857**	317.1	5,905	0.7	(0.8)
Polypropylene	**296.3**	**5,759**	300.3	5,759	(1.3)	0.0

(V) Regional operation analysis

Unit: RMB million

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

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

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

In 2019, the Group proactively responded to the promotion of the "Belt and Road Initiative", conducted international operation stably to promote the construction and operation of overseas projects. The No. 1 unit of Guohua Indonesia Java No. 7 Project was put into commercial operation in December 2019, which symbolised that Indonesia's highly efficient environmental protection power station with the largest installed capacity, the highest parameters, the most advanced technology and the best indicators has been officially put into operation, adding a new energy landmark to Indonesia, the first place of "Maritime Silk Road". The Guohua Sumsel EMM Coal-fired Power Project (Phase I) (2 × 150MW) in Indonesia has been under safe and stable operation for seven consecutive years without unplanned operation suspension. In 2019, the project obtained three awards, including "Independent Power Generation Enterprise of the Year (Indonesia)", "Technology Innovation Award of the Year (Indonesia)" and "Environmental Protection Promotion and Renovation Award of the Year (Indonesia)". All 29 gas wells of the shale gas project in Pennsylvania, the US, were put into operation, and produced a satisfactory economic return. The Watermark Open-pit Coal Mine Project in Australia has put more efforts in pre-construction work. The approval of feasibility research of the Russia Zhassul project was completed and its preliminary design was initiated. Other external projects are in progress under the principle of stability and prudence.

(VI) Analysis on Investments

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

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

1. Material investment in equity interest

The Joint Venture Company was established with the equities and assets of the relevant coal-fired power generation companies separately contributed by the Company and GD Power. For details, please refer to the H-shares announcement dated 31 January 2019 and the A-shares announcement dated 1 February 2019 of the Company.

2. Material investment in non-equity interest

☐ Applicable ✔ Not applicable

3. Financial assets at fair value

As at the end of the reporting period, the financial assets at fair value through profit or loss of the Group were banks' wealth management products due within one year of the Company, thermal coal futures, and the derivative financial instruments of Shenhua Lease Company to hedge against the US dollar-denominated liabilities. By the end of 2019, the fair value of derivative financial instruments amounted to RMB101 million.

As at the end of the reporting period, the financial assets at fair value through other comprehensive income of the Group were the non-tradable equity investments amounting to RMB1,789 million held by the Group that have no significant impact on the investee. In 2019, the changes in fair value of other investments in equity instruments before income tax amounted to RMB2 million.

Details regarding the amounts of and changes in the financial assets at fair value of the Group in 2019 are as follows:

Unit: RMB million

Name of items	Opening balance at the beginning of the period	Closing balance at the end of the period	Change for the current period	Change of profit for the current period
Banks' wealth management products	30,000	33,334	3,334	702
Interbank certificates of deposit	2,447	0	(2,447)	53
Forward foreign exchange contracts	5	31	26	26
Futures trading	0	70	70	0
Other investments in equity instruments	811	1,789	978	0
Total	33,263	35,224	1,961	781

4. Investment in derivatives

(1) Thermal coal futures

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

(2) USD debt hedging

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

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

VII. Disposal of material assets and equity interest

☐ Applicable ✔ Not applicable

VIII. Analysis on major holding and associated companies

1. Major subsidiaries

Unit: RMB million

No.	Company	Registered capital	Total assets	Net assets	Net profit attributable to the equity holders of the parent company			
		As at 31 December 2019			2019	2018	Change %	Main reasons for changes
1	Shendong Coal	4,989	32,673	24,189	12,945	15,397	(15.9)	Decrease in production volume of part of the mine
2	Shuohuang Railway	5,880	40,680	33,680	7,601	7,492	1.5	
3	Jinjie Energy	2,278	11,346	9,035	3,211	3,241	(0.9)	
4	Zhunge'er Energy	7,102	40,752	33,248	2,769	3,146	(12.0)	
5	Trading Group	1,889	16,598	6,027	2,514	2,850	(11.8)	
6	Huanghua Harbour Administration	6,790	14,260	10,664	1,391	1,213	14.6	
7	Shenhua Finance Company	5,000	118,243	8,183	1,077	947	13.7	
8	Baotou Energy	2,633	7,017	5,958	963	1,165	(17.3)	Decrease in production volume of part of the mine
9	Shenbao Energy	1,169	7,604	5,849	935	1,274	(26.6)	Adjustment to the applicable corporate income tax rate to 25% from 15%
10	Railway Transportation	5,003	22,005	7,695	838	965	(13.2)	

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

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

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

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 solely be used for the credit business of China Shenhua and its subsidiaries and branches, and 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.

(1) Governance of Shenhua Finance Company

A. Board of directors

No.	Members of the board at the end of the reporting period	Position
1	Liu Chunfeng	Chairman
2	Mei Xueyan	Vice chairman
3	Zhang Ying	Executive director
4	Xu Shancheng	Non-executive director
5	Du Shengli	Independent director
6	Zhang Donghui	Employee director

Mr. Liu Chunfeng has served as chairman of Shenhua Finance Company since July 2019. Possessing 25 years of experience in finance management, Mr. Liu served as deputy general manager and chief financial officer of China Shenhua Coal Liquefaction and Chemical Company Limited from November 2011 to November 2016, deputy general manager of the finance department of Shenhua Group Corporation from November 2016 to May 2018, director and deputy secretary of the finance sharing center of China Energy from May 2018 to May 2019, and has served as deputy director (director level) of the finance industry operation and management center of China Energy since May 2019.

Ms. Mei Xueyan, vice chairman, has served as a director of Shenhua Finance Company since January 2005, the general manager of Shenhua Finance Company since July 2006, the secretary to the Party Committee of Shenhua Finance Company since August 2014 and the deputy secretary to the Party Committee (general manager level) of Shenhua Finance Company since January 2017, the vice chairman and deputy secretary to the Party Committee (general manager level) of Shenhua Finance Company since February 2018, and the vice chairman and secretary to the Party Committee of Shenhua Finance Company since October 2018 and the first level business director of Shenhua Finance Company since September 2019. Ms. Mei Xueyan had worked on capital planning, finance investment and internal control at the headquarters of China Construction Bank for eight years.

Mr. Zhang Ying, executive director, joined Shenhua Finance Company in 2000 and has served as a deputy general manager of Shenhua Finance Company since November 2011. Working at Shenhua Finance Company for many years, Mr. Zhang Ying is familiar with the business of Shenhua Finance Company and possesses extensive management experience.

Mr. Xu Shancheng, non-executive director, serves concurrently as the chief financial officer of the Company. Please refer to the section headed "Directors, Supervisors, Senior Management and Employees" of this report for his biographical details.

Mr. Du Shengli, independent director, is an associate professor of Tsinghua University School of Economics and Management. He has multiple years of experience in capital operation management and corporate financial operation, group management control and performance evaluation, corporate governance and financial company management, state-owned assets supervision and state-owned enterprise operation, and multiple years of experience as independent director.

Ms. Zhang Donghui, employee director, participates in the decision-making of Shenhua Finance Company through meetings of the board of directors.

The board of Shenhua Finance Company Limited operates in accordance with the Articles of Association of Shenhua Finance Company Limited. Any resolution passed at the board meetings of Shenhua Finance Company will only be valid if consent is obtained from two-thirds or more of directors present at the meeting, at which more than one-half of all directors shall be present.

In 2019, the board of Shenhua Finance Company convened a total of four meetings.

B. Board Committees

The board of Shenhua Finance Company has three board committees, namely the Related Party Transaction Control Committee, Risk Management Committee and Audit Committee.

(A) Related Party Transaction Control Committee

The Related Party Transaction Control Committee is responsible for administration over the related party/connected transactions of the company, including identification, statistics, forecasts, reporting, limit management and recommendations in respect of the related party/connected transactions. In 2019, the Related Party Control Transaction Committee convened one meeting.

(B) Risk Management Committee

The Risk Management Committee is responsible for assisting the board of Shenhua Finance Company to review the company's overall target of risk management, risk management policies, risk management procedures and internal control processes, and monitor and assess the risk management endeavors of relevant senior management members and the risk management function. In 2019, the Risk Management Committee convened a total of two meetings.

(C) Audit Committee

The Audit Committee is responsible for advising the internal audit of the company and providing advice and consultation for board decision-making. In 2019, the Audit Committee convened a total of two meetings.

(2) Risk Management and Internal Control

A. Risk Management

In 2019, Shenhua Finance Company carried out risk management related works in a smooth and orderly manner, with no occurrence of material risk events. The company mainly accomplished the following six risk management related works: 1 comprehensive risk investigation to find problems in internal control and risk management; 2 further improvement of corporate governance mechanism and promotion of the level of risk management refinement; 3 continuous legal compliance on an on-going basis to promote the legal and stable development of each business; 4 quarterly risk analysis to ensure that the relevant risks can be prevented or controllable; 5 promotion of the mechanism establishment of risk management at executive level and optimization of comprehensive risk management system mechanism; 6 good performance of duties of the risk management committee with completion of each risk management task.

B. Internal Control

In 2019, Shenhua Finance Company continued to optimise its internal control system by conducting an independent and comprehensive assessment of the soundness, rationality and effectiveness of the internal control system as a whole, which was conducive for the company to achieve such internal control objectives as legal compliance of its operation and management, asset security, truthfulness and completeness of financial reports and relevant information, improvement of operational efficiency and operating results, and implementation of corporate development strategies. The company also analysed objectively the current status of the internal control system and made timely improvement to meet the demands for corporate development.

(3) Deposits and Loans of Shenhua Finance Company during the reporting period

A. Total deposits and loans at the end of the reporting period

Unit: RMB million

	As at 31 December 2019	As at 31 December 2018	Change %
Balance of deposits	**109,920**	86,129	27.6
Balance of loans	**43,003**	34,945	23.1
Of which: balance of guaranteed loans	**0**	0	/

B. Balance of deposits and borrowings of the top ten customers

(a) Balance of deposits of the top ten customers

Unit: RMB million

No.	**Name of customer**	**As at 31 December 2019**
1	China Shenhua Energy Company Limited	**77,316**
2	China Energy Wuhai Energy Company Limited	**4,699**
3	China Energy Group Coke Company Limited	**4,346**
4	China Energy Investment Corporation Limited	**3,196**
5	China Shenhua Coal Liquefaction and Chemical Company Limited	**2,433**
6	Beijing Guohua Power Company Limited	**2,427**
7	Shenhua Guoneng Group Co., Ltd.	**2,200**
8	China Energy Ningxia Coal Industry Group Co., Ltd.	**1,774**
9	China Shenhua International Construction Company Limited	**1,642**
10	Guohua Energy Investment Company Limited	**1,565**

Note: Data of all companies were consolidated with their subsidiaries except China Energy Investment Corporation Limited, which was based on itself as a legal person.

(b) Balance of loans of the top ten customers

Unit: RMB million

No.	Name of customer	As at 31 December 2019
1	Shenhua Zhunchi Railway Company Limited	6,640
2	China Energy Group Ningxia Coal Industry Group Co., Ltd.	5,000
3	Shenhua Xinzhun Railway Co., Ltd.	3,450
4	Shenhua Bayannur Energy Co., Ltd.	2,125
5	China Energy Investment Corporation Limited	2,000
6	State Grid Energy Hami Coal and Electricity Co., Ltd.	1,960
7	Shenhua Yili Energy Co., Ltd.	1,774
8	Huangda Railway Company Limited	1,500
9	Shenhua Yulin Energy Chemical Company Limited	1,500
10	Guohua Xuzhou Power Generation Company Limited	1,390

C. Approval of loans during the reporting period

Unit: RMB million

Item	2019
Amount of contracted loans	24,188
Amount of granted loans (including discounted assets) *Note*	16,162
Of which: amount of guaranteed loans (including discounted assets)*Note*	0
Amount of rejected loans	0

Note: The amount of granted loans refers to the balance as at 31 December 2019 of the loans granted in the current year in connection with the loans contracts signed in 2019.

(IX) Structured Vehicle Controlled by the Company

☐ Applicable ✔ Not applicable

(X) Environmental Policies and Performance

The Group is committed to the sustainability of the environment and communities in which it operates by complying with the requirements of laws and regulations such as the Environmental Protection Law and deeply implementing the green development concept. The Group endeavors to promote the coal clean mining, clean transportation and clean conversion and adopts effective measures to achieve efficient use of resources, energy saving and waste reduction.

The Group attaches great importance to tackling climate change. In 2019, the Group carried out climate change risk identification and included it into the comprehensive risk management system. It actively implemented energy conservation and emission reduction and heat supply technology renovation, reduced the coal consumption of power supply to save energy. It launched carbon emission control and transaction management training in batches and all of its carbon emission control and enterprises carried out the carbon emission inventory in 2018, submitted the emission report, supplementary data sheet and other documents to the ecological environment department in a timely manner, and cooperated with the third parties to complete the investigation. Its emission control enterprises in the pilot area carried out transactions in accordance with the rules of the pilot market, and complete the clearing and agreement performance in a timely manner. The "100,000t level whole-flow demonstration project of capture and storage of carbon dioxide" operated by Jinjie Energy Plant achieved stage progress.

Please refer to the 2019 ESG Report of the Company for the information in respect of environmental protection of the Company.

(XI) Compliance with Relevant Laws and Regulations

So far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that are related to the business and operation of the Group in 2019. There was no material breach of or non-compliance with the applicable laws and regulations by the Group.

(XII) Relationship with Stakeholders

For details of remuneration and training of the Group's employees, please refer to the section headed "Directors, Supervisors, Senior Management and Employees".

The Group attaches great emphasis on good relationships with customers, suppliers and other business partners to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business updates with them when appropriate. For details, please refer to the 2019 ESG Report of the Company.

In 2019, there was no material dispute between the Group and its customers, suppliers and other business partners.

(XIII) Subsequent Events

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

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

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

(I) Competition and Development Trend in the Industry

1. Macro economy

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

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

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

2. Market environment of the coal industry

(1) Thermal coal market in the PRC

Review of 2019

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

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

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

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

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

Prospects for 2020

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

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

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

(2) Thermal coal market in the Asia Pacific region

Review of 2019

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

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

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

Prospects for 2020

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

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

3. Market environment of the power industry

Review of 2019

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

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

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

Prospects for 2020

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

(II) Development Strategy of China Shenhua

The Company implemented the Xi Jinping socialism ideal with Chinese characteristics in the new era, fully carried out the new development and high-quality development concept to actively serve the energy safety new strategy of "four reform and one cooperation", and strived to build an innovation, guidance and value based enterprise, push forward the clean, integrated, refined, intelligent and international development of the Company, and achieved first-class safety, first-class quality, first-class efficiency, first-class technology, first-class talent, first-class brand and first-class Party construction with the overall development strategy requirements of "One target, Three Model and Five Strategies and Seven First-class" of China Energy Group and the objective of "Establishing a world first-class Energy Listed Company with Competitiveness World Around".

(III) Business Targets for 2020

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

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

The explanation of conditions under which the Company's profit attributable to equity holders of the Company in the first quarter of 2020 is expected to reach a year-on-year change of 50% or above:

☐ Applicable ✔ Not applicable

(IV) Capital expenditure plan for 2020

Unit: RMB100 million

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

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

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

The capital expenditure plans of the Group in 2020 are subject to the development of business plans (including potential acquisitions), progress of capital projects, market conditions, outlook for future operation environment and the obtaining of the requisite permissions and approval documents. Unless required by laws, the Company shall not assume any responsibilities for updating the data of its capital expenditure plans. The Company intends to finance its capital expenditures by cash generated from operating activities, short-term and long-term borrowings, and other debt and equity financing.

(V) Major risks faced and countermeasures

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

1. Risk of macroeconomic fluctuations

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

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

2. Risk of safety production and environmental protection

The Group has established the production safety targets of "preventing serious work-related accidents and general accidents, striving to reduce cases of minor and serious injuries, creating long-term mechanism for production and work safety". Although the Group has been sustaining stable performance in safe production for its coal mines, there are uncertainties in the course of safe production. Given the facts that national policies on energy-saving and environmental protection have been further tightened, that local standards on ultra-low emissions are even stricter than national standards, that operating costs of enterprises are increased due to the levy of environmental tax, and that the demand for better ecological environment puts more stringent requirements on the development and operation of enterprises, the constraints on energy-saving, emission reduction and environmental protection are further imposed on the Group.

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

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

3. Risks of changes in industry policies

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

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

4. Risk of international operations

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

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

5. **Risk of market competition**

In 2019, the domestic coal market featured with stable supply and demand, steady increase in utilisation rate of coal production capacity, and the increase in effective production capacity of coal. As reforms of the electricity market accelerated, the proportion of power transactions continued to increase; the market competition intensified, and the transaction size and price were uncertain. The state has increased the construction of cross-provincial coal transportation railway channels, and local coal transportation railways have been putting into operation or under expansion. The coal transportation capacity will be gradually released, and the transportation formats tends to be diversified.

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

6. **Risk of project management**

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

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

7. Risk of integrated operations

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

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

8. Risk of natural disasters

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

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

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

IV. REASONS AND CASES OF FAILURE TO DISCLOSE PURSUANT TO GUIDELINES BY THE COMPANY DUE TO NON-APPLICATION OF GUIDELINES OR SPECIAL REASONS

☐ Applicable ✔ Not applicable

V. PERFORMANCE OF THE BOARD AND ITS SPECIAL COMMITTEES

Please refer to the section headed "Corporate Governance and Corporate Governance Report" of this report.

VI. OTHERS

Please see the section headed "Significant Events" for donations, dividends and management contracts; please see the section headed "Directors, Supervisors, Senior Management and Employees" for permitted indemnity provision, interests of directors and supervisors in significant transactions, arrangements or contracts.

Section VI Significant Events

I. PROFIT DISTRIBUTION PLAN

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

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

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

(II) Profit distribution scheme/plan

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

	Dividend per 10 shares (inclusive of tax)	Amount of cash dividend (inclusive of tax)	Net profit attributable to equity holders of the Company in the consolidated financial statements of the respective dividend year in accordance with China Accounting Standards for Business Enterprises	Percentage to the net profit attributable to equity holders of the Company in the consolidated financial statements
	RMB	*RMB million*	*RMB million*	*%*
Final dividend for year 2019 (Proposed)	12.6	25,061	43,250	57.9
Final dividend for year 2018	8.8	17,503	43,867	39.9
Final dividend for year 2017	9.1	18,100	45,037	40.2
Distribution for special dividend in the year 2017	25.1	49,923	N/A	N/A

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

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

2. The above final dividend plan for year 2019 is in compliance with the requirement of the Articles of Association and endorsed by the independent directors and approved by the Board. When recommending the plan for year 2019, the Board has attended to and considered the opinions and concerns of the shareholders of the Company. The Company will hold the 2019 annual general meeting on Friday, 29 May 2020 to consider the relevant resolutions, including the above dividend plans as proposed by the Board.

3. The final dividend for year 2019, which is denominated and declared in RMB, will be paid in RMB to holders of the Company's A shares, including holders of the Company's A shares through the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect (hereinafter referred to as the "Northbound Shareholders") and holders of the Company's H shares through the Southbound Trading Link (including Shanghai and Shenzhen markets, hereinafter referred to as the "Southbound Shareholders"). Dividends to holders of the Company's H shares, except the Southbound Shareholders, are paid in HKD. The dividend paid in HKD is calculated according to the exchange rate based on the average benchmark rate of RMB against HKD, as published by the Bank of China five business days preceding the date of declaration of such dividend.

In accordance with the preliminary arrangement of profit distribution plan for year 2019 and annual general meeting of the Company, the final dividend for year 2019 for the Company's H shareholders are estimated to be distributed on or about 31 July 2020.

4. **Pursuant to the Articles of Association:**

(1) After the SSE is closed in the afternoon on Wednesday, 29 April 2020, the shareholders of A shares of the Company and the proxies of shareholders as registered in the China Securities Depository and Clearing Corporation Limited Shanghai Branch are entitled to attend and vote at the 2019 annual general meeting of the Company;

(2) According to the relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and market practice adopted for final dividend distribution for A shares, the Company will publish a separate announcement on implementation of equity distribution in respect of the distribution of final dividend for year 2019 to holders of A shares after the 2019 annual general meeting to determine the record date, ex-rights date and dividend distribution date for the distribution of final dividend for year 2019 to holders of A shares.

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

		Temporary closure of the register of members			
No.	Corresponding Rights	First Day (inclusive)	Last Day (inclusive)	The last day for registering members	The Company's share registrar for H shares
1	Attending and voting at the 2019 annual general meeting	29 April 2020 (Wednesday)	29 May 2020 (Friday)	28 April 2020 (Tuesday) 4:30 p.m.	Computershare Hong Kong Investor Services Limited
2	Entitled to the final dividend for year 2019	6 June 2020 (Saturday)	12 June 2020 (Friday)	5 June 2020 (Friday) 4:30 p.m.	Computershare Hong Kong Investor Services Limited

6. In accordance with the Enterprise Income Tax Law of the PRC and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends. The Company shall withhold and pay enterprise income tax in respect of the final dividend for year 2019 of the Company for the non-resident enterprise shareholders whose name would appear on the register of members for H shares of the Company on 12 June 2020.

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

If the individual shareholders of the H shares who are Hong Kong or Macau residents or residents of the countries which have an agreed tax rate of 10% with China, the Company shall withhold individual income tax at a rate of 10%. If the individual shareholders of the H shares are residents of countries which have an agreed tax rate of less than 10% with China, the Company shall withhold individual income tax on behalf of them in accordance with relevant provisions required by the Announcement of the State Administration of Taxation in relation to the Administrative Measures on

Preferential Treatment Entitled by Non-resident Taxpayers under Tax Treaties (No. 35 Announcement of the State Administration of Taxation in 2019). If the individual shareholders of the H shares are residents of countries which have an agreed tax rate of over 10% but less than 20% with China, the Company shall withhold the individual income tax at the agreed actual rate. In case the individual shareholders of the H shares are residents of countries which have not entered into any tax agreement with China, or the agreed tax rate with China is 20% or otherwise, the Company shall withhold the individual income tax at a rate of 20%.

The Company shall use the registered address (hereinafter referred to as "registered address") as recorded in the register of members of H shares on 12 June 2020 as the criterion in determining the residence of the individual shareholders of H shares who are entitled to receive the final dividend for year 2019 of the Company, and withhold and pay individual income tax accordingly. If the residence of the individual shareholders of H shares is inconsistent with the registered address, such shareholders shall notify the Company's share registrar for H shares at or before 4:30 p.m. on 5 June 2020 with the relevant evidence at Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

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

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

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

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

II. PERFORMANCE OF COMMITMENT

Background of Commitment	Type of Commitment	Party Making the Commitment	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
Commitment in relation to initial public offering	Non-competition undertaking	China Energy	The two parties entered into "Non-competition Agreement" on 24 May 2005 and a "Supplemental Agreement to the Existing Non-Competition Agreement" on 1 March 2018. As an integrated platform which was 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 utilization of coal products; development and management of coal products; railway transportation; port transportation; the industry and systematic service related to the business aforementioned) whether inside or outside of the PRC, and granted the Company options and pre-emptive 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

To further formulate the performance of the Non-competition Agreement, 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 public. The Company disclosed that it will commence the acquisition of 14 assets of Shenhua Group and its subsidiaries ("Original Undertaking Assets") before 30 June 2019 (submitting the asset acquisition proposal to the internal competent authorities of China Shenhua for approval procedure). 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. The Company did not make any acquisitions of assets in 2019.

Being the parent company subsequent to the restructuring, China Energy merged with China Guodian by the way of absorption. As approved in the ninth board meeting of the fourth session of the Board and 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.

Pursuant to the Supplemental Agreement to the Existing Non-competition Agreement, within five years after the completion of China Energy merging with China Guodian 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 commence the acquisition before 30 June 2019 as stated in the 2014 Non-Competition Undertakings. The retained business refer to (1) original committed 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 held by China Guodian which directly or indirectly compete with the core businesses of the Company (excluding the relevant assets that China Guodian undertook to inject into its subsidiary Inner Mongolia Pingzhuang Energy Co., Ltd., in 2007). For details, please refer to the H share announcement of the Company dated 1 March 2018 and the A shares announcement of the Company dated 2 March 2018.

III. APPROPRIATION OF FUNDS AND PROGRESS OF THE COLLECTION DURING THE REPORTING PERIOD

☐ Applicable ✔ Not applicable

IV. AUDIT OPINIONS AND OTHER EXPLANATIONS

(I) Explanation from the Board and the Supervisory Committee for the "non-standard audit report" issued by the auditors

☐ Applicable ✔ Not applicable

(II) The Company's analysis and explanation about the reasons for and impact of changes in accounting policies, accounting estimates or accounting method

According to "Notice of the Revision of Accounting Standards for Business Enterprises No. 21 – Leases" (Caikuai [2018] No. 35) issued by the Ministry of Finance and International Financial Reporting Standards 16 – Leases, the Group recognised the right-of-use assets and lease liabilities for all leases other than short-term leases and low-value asset leases, and the depreciation and interest expenses were accrued separately. In accordance with the transition provisions of the above newly revised leasing standards, the Group adjusted the amount of related items in the consolidated financial statements at the beginning of 2019 based on the cumulative impact of the first implementation date, and did not adjust the comparable period information. As at 1 January 2019, right-of-use assets and lease liabilities were recognised as RMB17,352 million and RMB927 million, respectively. As at 31 December 2019, the balance of right-of-use assets and lease liabilities were RMB18,690 million and RMB821 million, respectively.

The revision of other standards and the change in interpretation of accounting standards did not have a material impact on the financial position and operating results of the Group during the reporting period.

(III) The Company's analysis and explanation about the reasons for and impact of correction to material previous errors

☐ Applicable ✔ Not applicable

V. APPOINTMENT AND REMOVAL OF AUDITORS

Name of Domestic Auditors of the Company	KPMG Huazhen LLP
Remuneration of Domestic Auditors of the Company *(RMB million)*	7.15
Term of Auditing of Domestic Auditors of the Company *(year)*	1
Name of International Auditors of the Company	KPMG
Remuneration of International Auditors of the Company *(RMB million)*	1.40
Term of Auditing of International Auditors of the Company *(year)*	1

On 21 June 2019, KPMG Huazhen LLP and KPMG were appointed as the domestic and international (Hong Kong) auditors of the Company respectively for 2019 at the Company's 2018 Annual General Meeting. Saved as disclosed above, the Company did not replace auditors in any year of the last three years.

	Name	Remuneration
Internal Control Auditor	KPMG Huazhen LLP	RMB0.95 million

In 2019, the above two auditors did not serve as the external auditors of subsidiaries of the Company and did not provide non-audit services to the Company and its controlled subsidiaries.

VI. INSOLVENCY OR RESTRUCTURING RELATED MATTERS

☐ Applicable ✔ Not applicable

VII. MATERIAL LITIGATION AND ARBITRATION

☐ Applicable ✔ Not applicable

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 31 December 2019, the Group was the plaintiff, defendant or the party of certain non-material litigations and arbitration. The management of the Company believes that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

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

☐ Applicable ✔ Not applicable

IX. EXPLANATION FOR CREDIT OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

☐ Applicable ✔ Not applicable

After enquiring National Enterprise Credit Information Publicity System, 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.

X. THE SHARE OPTIONS INCENTIVE PLAN, EMPLOYMENT STOCK OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE SITUATION OF THE COMPANY AND THEIR IMPACTS

☐ Applicable ✔ Not applicable

XI. MATERIAL RELATED/CONNECTED TRANSACTIONS

(I) Related/Connected transactions during the daily operation

Pursuant to the requirements under the "Guidelines of SSE on Connected 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, as to ensure the related/connected transactions conduct in accordance with the terms of framework agreement.

As approved at the 2018 first extraordinary general meeting, the Company and China Energy Group have entered into a Mutual Coal Supply Agreement and a Mutual Supplies and Services Agreement with a revision of annual caps for mutual agreement for the year of 2018 and 2019 in light of the merger of China Guodian by China Energy by the way of absorption, as well as the satisfaction of the needs of additional daily related/connected transaction arising from the Joint Venture Company consisting of equities and assets of the relevant coal-fired power generation companies held by the Company and GD Power. For details, please refer to the H share announcement of the Company dated 27 April 2018 and the A shares announcement of the Company dated 28 April 2018.

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 and the annual caps of transactions contemplated under the connected/related party transactions mentioned above for each year from 2020 to 2022 on 22 March 2019.

As of the end of the reporting period, continuing related/connected transaction agreements entered into by the Company include:

1. **Non-exempt continuing related/connected transactions between the Group and China Energy Group**

The related/connected transactions are beneficial for the Company to obtain a reliable and quality-assured provision of materials and services, lower operation risks and costs; and Shenhua Finance Company, over which the Company has controls, provides financial services to the Group, China Energy and its subsidiaries so that it can fully leverage on its functions as an internal financing platform and capital management platform, and to further control risks and increase income.

A. Mutual Coal Supply Agreement

On 24 March 2016, the Company and China Energy entered into the Mutual Coal Supply Agreement. The Mutual Coal Supply Agreement is effective from 1 January 2017 and will expire on 31 December 2019. Pursuant to the Mutual Coal Supply Agreement, the Group and China Energy Group mutually sells and supplies various types of coal.

The supply price under the Mutual Coal Supply Agreement is the product of the unit price RMB/tonne multiplied by the actual weight. The unit price of coal shall be determined by both parties after arm's length negotiations with reference to the then market price and conditions and the following factors, provided that the transaction terms shall not be less favourable than those provided by independent third parties:

(1) The national industrial policy as well as industry and market conditions in the PRC;

(2) The specified guidelines issued by NDRC setting out the coal purchase prices (if any);

(3) The current transacted coal prices of the local coal exchange or market in the PRC, i.e., the coal price with same quality that is offered to or offered by independent third parties under normal market conditions and normal commercial terms in the same or nearby regions. For local spot coal price, reference is generally made to (i) the spot price index of the local coal exchange or market in Bohai-rim region or nearby provinces as published on China Coal Market Website (www.cctd.com.cn) organised by China Coal Transportation & Sale Society in the PRC; (ii) the sale price of local large-scale coal enterprises as published by each coal industry website (if any); and/or (iii) price quotation of a few enterprises with comparable quality, quantity and location (if any). If any price quotation(s) of one or more other enterprises are obtained, the Company will adopt the most favourable price obtained; For certain types of coal, the Company might not be able to receive any quotation(s) of enterprises with comparable quality, quantity and location. In case the Company is able to obtain a relevant quotation with comparable quality, quantity and location, then the Company would be able to obtain a comparable quotation and adopt the best price available;

(4) The quality of the coal (including the estimated calorific value of coal as required by different coal-fired power generating units);

(5) The quantity of coal; and

(6) The transportation fees.

On 22 March 2019, the Company and China Energy entered into the new Mutual Coal Supply Agreement. The new Mutual Coal Supply Agreement is effective from 1 January 2020 to 31 December 2022. The Group and China Energy Group will supply coals to each other under the new Mutual Coal Supply Agreement.

The supply price under the new Mutual Coal Supply Agreement is the product of the unit price RMB/tonne multiplied by the actual weight. The unit price of coal shall be determined by both parties after arm's length negotiations with reference to the then market price and conditions and the following factors, provided that the transaction terms shall not be less favourable than those provided by independent third parties:

(1) The national industrial policy as well as industry and market conditions in the PRC;

(2) The specified guidelines issued by NDRC setting out the coal purchase prices (if any);

(3) The current transacted coal prices of the local coal exchange or market in the PRC, i.e., the coal price with same quality that is offered to or offered by independent third parties under normal market conditions and normal commercial terms in the same or nearby regions. For local spot coal price, reference is generally made to (i) the spot price index of the local coal exchange or market in Bohai-rim region or nearby provinces as published on China Coal Market Website (www.cctd.com.cn) organised by China Coal Transportation & Sale Society in the PRC; (ii) the sale price of local large-scale coal enterprises as published by each coal industry website (if any); and/or (iii) price quotation of a few enterprises with comparable quality, quantity and location (if any);

(4) The quality of the coal (including the estimated calorific value of coal as required by different coal-fired power generating units);

(5) The quantity of coal; and

(6) The transportation fees.

B. Mutual Supplies and Services Agreement

On 24 March 2016, the Company entered into the Mutual Supplies and Services Agreement with China Energy. The Mutual Supplies and Services Agreement is effective from 1 January 2017 and will expire on 31 December 2019. Pursuant to the Mutual Supplies and Services Agreement, the Group and China Energy Group mutually sells and provides various types of products and services.

The pricing of the products and services provided under the Mutual Supplies and Services Agreement shall be determined in accordance with the general principles and in the order of the section below:

(a) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government guided price;

(b) Tender and bidding price: where tender and bidding process is necessary under applicable laws and regulations, the price will be ultimately determined in accordance with the tender and bidding process;

(c) Market price: the price of the same or similar products or services provided by an independent third party during its ordinary course of business on normal commercial terms. The management shall consider at least two comparable deals with independent third parties for the same period when determining whether the price for any product or service transaction under this Agreement is the market price; and

(d) Agreed price: to be determined by adding a reasonable profit margin over a reasonable cost. The management shall consider at least two comparable deals with independent third parties for the same period when determining the reasonable profit of any product or service transaction under this Agreement.

In addition to the above, for certain types of product or service, specific pricing policy is adopted as follows:

(a) Rail transportation: price prescribed by NDRC or other related government competent authorities;

(b) Construction: where tender and bidding process is necessary under applicable laws and regulations, the price ultimately determined in accordance with the tender and bidding process; where tender and bidding process is not necessary under applicable laws, the market price;

(c) Oil products: government-guided price;

(d) Alternative power generation: price prescribed by NDRC or other related government competent authorities;

(e) Hardware and software equipment and related services: market price (including tender and bidding price);

(f) Chemical products: market price;

(g) Production equipment and spare parts, office products: market price;

(h) Tendering services: price prescribed by NDRC;

(i) Technical consulting services: agreed price with a profit margin of approximately 10%;

(j) Information technology services: The parties negotiate and agree on the service price within the scope of budget, which is reviewed by professional institution(s) with pricing reviewing qualification according to relevant national and industrial rules and regulations on construction pricing, pricing mechanism and fee standards, with reference to the market customs of the information technology industry, actual standards and market price, taking into account the actual condition of the Company's information technology construction;

(k) Logistics and support services and training services: agreed price (cost plus a profit margin of approximately 5%);

(l) Social security and pension management services and staff data recording services: agreed price (cost plus a profit margin of approximately 5%); and

(m) Various daily administrative services to the headquarters of China Energy (exclusive of financial management and services): agreed price (cost plus a profit margin of approximately 5%).

On 22 March 2019, the Company and China Energy entered into the new Mutual Supplies and Services Agreement. The new Mutual Supplies and Services Agreement is effective from 1 January 2020 to 31 December 2022. The Group and China Energy Group will supply products and provide services to each other under the new Mutual Supplies and Services Agreement.

The pricing of the products and services provided under the new Mutual Supplies and Services Agreement shall be determined in accordance with the general principles and in the order of the section below:

(a) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government guided price;

(b) Tender and bidding price: where tender and bidding process is necessary under applicable laws and regulations, the price will be ultimately determined in accordance with the tender and bidding process;

(c) Market price: the price of the same or similar products or services provided by an independent third party during its ordinary course of business on normal commercial terms. The management shall consider at least two comparable deals with independent third parties for the same period when determining whether the price for any product or service transaction under this Agreement is the market price; and

(d) Agreed price: to be determined by adding a reasonable profit margin over a reasonable cost. The management shall consider at least two comparable deals with independent third parties for the same period when determining the reasonable profit of any product or service transaction under this Agreement.

In addition to the above, for certain types of product or service, specific pricing policy is adopted as follows:

(a) Rail transportation: price prescribed by NDRC or other related government competent authorities;

(b) Construction: where tender and bidding process is necessary under applicable laws and regulations, the price ultimately determined in accordance with the tender and bidding process; where tender and bidding process is not necessary under applicable laws, the market price;

(c) Oil products: government-guided price;

(d) Alternative power generation: price prescribed by NDRC or other related government competent authorities;

(e) Hardware and software equipment and related services: market price (including tender and bidding price);

(f) Chemical products: market price;

(g) Production equipment and spare parts, office products: market price;

(h) Tendering services: price prescribed by NDRC;

(i) Technical consulting services: agreed price with a profit margin of approximately 10%;

(j) Information technology services: The parties negotiate and agree on the service price within the scope of budget, which is reviewed by professional institution(s) with pricing reviewing qualification according to relevant national and industrial rules and regulations on construction pricing, pricing mechanism and fee standards, with reference to the market customs of the information technology industry, actual standards and market price, taking into account the actual condition of the Company's information technology construction;

(k) Logistics and support services and training services: agreed price (cost plus a profit margin of approximately 5%);

(l) Social security and pension management services and staff data recording services: agreed price (cost plus a profit margin of approximately 5%); and

(m) Various daily administrative services to the headquarters of China Energy (exclusive of financial management and services): agreed price (cost plus a profit margin of approximately 5%).

C. Financial Services Agreement

On 24 March 2016, the Company entered into the Financial Services Agreement with China Energy. The Financial Services Agreement is effective from 1 January 2017 and will expire on 31 December 2019. In accordance with the Financial Services Agreement, the Company provided relevant financial services to China Energy Group through Shenhua Finance Company.

The pricing policy of the Financial Services Agreement is as follows:

(1) the interest rates for deposits placed by members of China Energy Group with Shenhua Finance Company shall be in compliance with relevant regulations of the PBOC and with reference to the benchmark deposit rate (if any) regularly promulgated by the PBOC, interest rates determined by major commercial banks for the same type of deposit provided to members of China Energy Group, and shall be determined on normal commercial terms;

(2) the interest rates for loans granted by Shenhua Finance Company to members of China Energy Group shall be in compliance with relevant regulations of the PBOC and with reference to the benchmark lending rate (if any) regularly promulgated by the PBOC, interest rates determined by the major commercial banks for the same type of loan provided to members of China Energy Group, and shall be determined on normal commercial terms; and

(3) the service fees charged by Shenhua Finance Company for the provision of the financial services to members of China Energy Group shall be determined according to the fee rates fixed by the PBOC or the CBRC, and if such fixed fee rates are not available, the service fees shall be with reference to the fee rates charged by major commercial banks for comparable financial services provided to members of China Energy Group, and shall be determined on normal commercial terms.

The Company has entered into a new Financial Services Agreement with China Energy on 22 March 2019, with effect from 1 January 2020 to 31 December 2022. Pursuant to the new Financial Services Agreement, the Company has agreed to provide, through Shenhua Finance Company, financial services to Members of China Energy Group, and the China Energy Group has agreed to provide, at the request of the Group and through Shenhua Finance Company, entrustment loans to the Group.

The pricing policy of the new Financial Services Agreement is as follows:

(1) Subject to compliance with the terms and conditions under the Financial Services Agreement, Shenhua Finance Company is appointed as one of the financial institutions to provide financial services to members of China Energy Group. Members of China Energy Group, as they may consider appropriate, may seek (additional) financial services from financial institutions other than Shenhua Finance Company;

(2) the interest rates for deposits placed by members of China Energy Group with Shenhua Finance Company shall be in compliance with relevant regulations of the PBOC and with reference to the benchmark deposit rate (if any) regularly promulgated by the PBOC, interest rates determined by major commercial banks for the same type of deposit provided to members of China Energy Group, and shall be determined on normal commercial terms;

(3) the interest rates for loans granted by Shenhua Finance Company to members of China Energy Group shall be in compliance with relevant regulations of the PBOC and with reference to the benchmark lending rate (if any) regularly promulgated by the PBOC, interest rates determined by the major commercial banks for the same type of loan provided to members of China Energy Group, and shall be determined on normal commercial terms; and

(4) the service fees charged by Shenhua Finance Company for the provision of the financial services to members of China Energy Group shall be determined according to the fee rates fixed by the PBOC or the CBRC, and if such fixed fee rates are not available, the service fees shall be with reference to the fee rates charged by major commercial banks for comparable financial services provided to members of China Energy Group, and shall be determined on normal commercial terms.

2. Non-exempt continuing connected transactions between the Group and other parties

D. Transportation Service Framework Agreement between the Company and Taiyuan Railway Bureau

Taiyuan Railway Bureau is the parent company of Daqin Railway, which is a substantial shareholder of 10% shareholding or above of Shuohuang Railway Company, a significant subsidiary of the Company under the Hong Kong Listing Rules. Therefore, Taiyuan Railway Bureau is a connected person of the Company under the Hong Kong Listing Rules, and the Transportation Service Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

In order to secure coal transportation service for the Group, the Company entered into the Transportation Service Framework Agreement with Taiyuan Railway Bureau on 24 March 2016. The Transportation Service Framework Agreement is effective from 1 January 2017 and will expire on 31 December 2019.

The pricing of the services under the new Transportation Service Framework Agreement shall be agreed in the implementation agreements, but shall be determined in accordance with the general principles and order below:

(1) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular service, such service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price shall be agreed within the range of the government guided price.

(2) Tender and bidding price: where tender and bidding process is necessary under applicable laws, regulations and rules, the price ultimately determined in accordance with the tender and bidding process.

(3) Market price: shall be determined according to the normal commercial terms and the following basis: the price of the same or similar services provided by an independent third party during the ordinary course of business on normal commercial terms. The management shall consider at least two comparable transactions with independent third party for the same period when determining whether the price for any transaction under the Agreement is market price.

(4) Agreed price: shall be determined by adding a reasonable profit over a reasonable cost. The management shall consider at least two comparable transactions with independent third party for the same period when determining the reasonable profit of any transaction under the Agreement.

In addition to the above, for certain type of service, specific pricing policy is adopted as follows:

(1) Transportation and related services provided by the Taiyuan Railway Bureau Group to the Group: price prescribed by NDRC or other related government authorities.

(2) Rolling stock leasing and other related services provided by the Group to the Taiyuan Railway Bureau Group: price prescribed by NDRC or other related government authorities.

(3) Railway track maintenance and other related services provided by the Group to the Taiyuan Railway Bureau Group: the price is negotiated and agreed by the parties on the basis of the unit price that the Taiyuan Railway Bureau Group agreed with third parties in the previous year or the same year.

E. Continuing Connected Transactions Framework Agreement between the Company and China Railway

China State Railway Group Co., Ltd. (formerly known as China Railway Corporation, hereinafter referred to as "China Railway") is a controlling shareholder of regional railway bureau including Taiyuan Railway Bureau, therefore China Railway constituted a connected person of the Company under the Hong Kong Listing Rules. Therefore, the Continuing Connected Transactions Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

On 26 December 2018, the Company and Taiyuan Railway Bureau on behalf of China Railway entered into a Continuing Connected Transaction Framework Agreement. The Continuing Connected Transactions Framework Agreement came into effect on the signing date and valid until 31 December 2019. In accordance with the Continuing Connected Transactions Framework Agreement, the Group, China Railway and its subsidiaries (excluding Taiyuan Railway Bureau and its subsidiaries) (the "China Railway Group") have agreed to provide transportation service, supply coal and provide other products and services to the Group, in which excluded rolling stock usage, overhaul services, equipment supply, business consulting, technical services, and railway track maintenance services.

The pricing of the transactions under the Continuing Connected Transactions Framework Agreement shall be agreed in the implementation agreements, but shall be determined in accordance with the general principles and order of this section:

(a) The price of transportation service mutually provided by the China Railway Group and the Group shall be determined in the following priority:

(i) the prices as determined by the government;

(ii) if the prices are not specified by the government, the prices will be determined in accordance with the pricing standards and rules of national railways within the guidance prices set by the government;

(iii) if the prices are not specified by the government and the government has not set applicable guidance prices, the prices shall be determined in accordance with the applicable industry price settlement rules;

(iv) except for applying the prices specified by the government, the guidance prices set by the government and the industry settlement rules, if there are comparable market prices or pricing standards, priority shall be given to such market prices or pricing standards as reference to determine the prices upon negotiation;

(v) if none of the above-mentioned pricing standards is available, the prices shall be determined with reference to the prices of non-connected transactions between the connected parties and independent third parties;

(vi) if neither comparable market prices nor prices of non-connected transactions are available for reference, the prices shall be determined upon negotiation according to the aggregate of the total actual costs for providing the relevant services, reasonable profits and taxes and additional charges paid.

(b) The price of coal mutually supplied by the China Railway Group and the Group is the product of the unit price RMB/tonne multiplied by the actual weight. The unit price of coal shall be determined by both parties after arm's length negotiations with reference to the market price and conditions and the following factors, provided that the transaction terms shall not be less favourable than those provided by independent third parties:

(i) the national industrial policy as well as industry and market conditions in the PRC;

(ii) the specified guidelines issued by NDRC setting out the coal purchase prices (if any);

(iii) the current transacted coal prices of the local coal exchange or market in the PRC, i.e., the coal price with comparable quality that is offered to or offered by independent third parties under normal market conditions and normal commercial terms in the same or nearby regions. For local spot coal price, reference is made to (i) the spot price index of the local coal exchange or market in Bohai-rim region or nearby provinces as published on the website of 中國煤炭市場網(www.cctd.com.cn) organised by China Coal Transportation& Sale Society (《中國煤炭運銷協會》) in the PRC; (ii) the sale price of local large coal enterprises as published by each coal industry website (if any); and/or (iii) price quotation of one or more other enterprises with comparable quality, quantity and location (if any);

(iv) the quality of the coal;

(v) the quantity of coal; and

(vi) the estimated transportation fees.

(c) The price of other products and services mutually provided by the China Railway Group and the Group shall be determined in accordance with the general principles and order of this section:

(i) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price;

(ii) Tender and bidding price: where tender and bidding process is necessary under applicable laws, regulations and rules, the price shall be ultimately determined in accordance with the tender and bidding process;

(iii) Market price: The price will be determined as same as or similar to products or services provided by an independent third party during its ordinary course of business on normal commercial terms. The management shall consider at least two comparable deals with independent third parties for the same period when determining whether the price for any product or service transaction under this Agreement is the market price; and

(iv) Agreed price: to be determined by adding a reasonable profit margin over a reasonable cost. The management shall consider at least two comparable deals with independent third parties for the same period when determining the reasonable profit of any product or service transaction under this Agreement.

In addition to the above, for certain types of product or service, specific pricing policy is adopted as follows:

(i) Rolling stock usage: agreed price (cost plus a profit margin of approximately 5%).

(ii) Overhaul services and railway track maintenance services: the price is negotiated and agreed by the parties on the basis of the unit price that the China Railway Group agreed with third parties in the previous year or the same year.

(iii) Equipment supply: tender and bidding price.

(iv) Business consulting and technical services: market price.

The Company has entered into the new Continuing Connected Transactions Framework Agreement with Taiyuan Railway Bureau which acts for and on behalf of China Railway on 28 October 2019, including the transactions under aforementioned D. Transportation Service Framework Agreement and E. Continuing Connected Transactions Framework Agreement. The new Continuing Connected Transactions Framework Agreement is effective from 1 January 2020 to 31 December 2022. Under the new Continuing Connected Transactions Framework Agreement, the Group and China Railway Group will provide transportation services, supply coals and provide other products and services to each other.

The pricing of the transactions under the new Continuing Connected Transactions Framework Agreement shall be agreed in the implementation agreements, but shall be determined in accordance with the general principles and order of this section:

(a) The price of transportation service mutually provided by the China Railway Group and the Group shall be determined in the following priority:

   (i) the prices as determined by the government;

   (ii) if the prices are not specified by the government, the prices will be determined in accordance with the pricing standards and rules of national railways within the guidance prices set by the government;

   (iii) if the prices are not specified by the government and the government has not set applicable guidance prices, the prices shall be determined in accordance with the applicable industry price settlement rules;

   (iv) except for applying the prices specified by the government, the guidance prices set by the government and the industry settlement rules, if there are comparable market prices or pricing standards, priority shall be given to such market prices or pricing standards as reference to determine the prices upon negotiation;

   (v) if none of the above-mentioned pricing standards is available, the prices shall be determined with reference to the prices of non-connected transactions between the connected parties and independent third parties;

(vi) if neither comparable market prices nor prices of non-connected transactions are available for reference, the prices shall be determined upon negotiation according to the aggregate of the total actual costs for providing the relevant services, reasonable profits and taxes and additional charges paid.

(b) The price of coal mutually supplied by the China Railway Group and the Group is the product of the unit price RMB/tonne multiplied by the actual weight. The unit price of coal shall be determined by both parties after arm's length negotiations with reference to the market price and conditions and the following factors, provided that the transaction terms shall not be less favourable than those provided by independent third parties:

(i) the national industrial policy as well as industry and market conditions in the PRC;

(ii) the specified guidelines issued by NDRC setting out the coal purchase prices (if any);

(iii) the current transacted coal prices of the local coal exchange or market in the PRC, i.e., the coal price with comparable quality that is offered to or offered by independent third parties under normal market conditions and normal commercial terms in the same or nearby regions. For local spot coal price, reference is made to (i) the spot price index of the local coal exchange or market in Bohai-rim region or nearby provinces as published on the website of 中國煤炭市場網(www.cctd.com.cn) organised by China Coal Transportation& Sale Society (《中國煤炭運銷協會》) in the PRC; (ii) the sale price of local large coal enterprises as published by each coal industry website (if any); and/or (iii) price quotation of one or more other enterprises with comparable quality, quantity and location (if any);

(iv) the quality of the coal;

(v) the quantity of coal; and

(vi) the estimated transportation fees.

(c) The price of other products and services mutually provided by the China Railway Group and the Group shall be determined in accordance with the general principles and order of this section:

(i) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price;

(ii) Tender and bidding price: where tender and bidding process is necessary under applicable laws, regulations and rules, the price shall be ultimately determined in accordance with the tender and bidding process;

(iii) Market price: The price will be determined as same as or similar to products or services provided by an independent third party during its ordinary course of business on normal commercial terms. The management shall consider at least two comparable deals with independent third parties for the same period when determining whether the price for any product or service transaction under this Agreement is the market price; and

(iv) Agreed price: to be determined by adding a reasonable profit margin over a reasonable cost. The management shall consider at least two comparable deals with independent third parties for the same period when determining the reasonable profit of any product or service transaction under this Agreement.

In addition to the above, for certain types of product or service, specific pricing policy is adopted as follows:

(i) Rolling stock usage: market price.

(ii) Overhaul services and railway track maintenance services: the price is negotiated and agreed by the parties on the basis of the unit price that the China Railway Group agreed with third parties in the previous year or the same year.

(iii) Equipment supply: tender and bidding price.

(iv) Business consulting and technical services: agreed price (cost plus a profit margin of approximately 5%).

The agreements A to C above are daily related transactions under the Shanghai Listing Rules, while the agreements A to E above are continuing connected transactions under the Hong Kong Listing Rules.

3. Implementation of and review opinions on the non-exempt continuing related/connected transactions

In 2019, the implementation of the agreements A to E above is set out in the table below. In particular, the total amount of related/connected transactions for sale of products and provision of services by the Group to China Energy Group under the Mutual Coal Supply Agreement and the Mutual Supplies and Services Agreement amounted to RMB60,805 million, representing 25.1% of the revenue of the Group during the reporting period.

		Provision of products and services by the Group t0 related/connected persons and other inflows			Purchase of products and services from related/connected persons by the Group and other outflows		
No.	Name of agreement	Prevailing transaction cap *RMB million*	Transaction amount during the reporting period *RMB million*	Proportion in the same type of transactions *%*	Prevailing transaction cap *RMB million*	Transaction amount during the reporting period *RMB million*	Proportion in the same type of transactions *%*
A	Mutual Coal Supply Agreement	65,500	52,238	31.0	24,500	10,130	18.7
B	Mutual Supplies and Services Agreement	13,000	8,567	–	23,500	3,150	–
	including: (1) Products		6,922	11.9		1,322	2.0
	(2) Services		1,645	12.1		1,828	7.1
D	Transportation Service Framework Agreement	1,700	–	–	17,000	4,259	26.4
E	Continuing Connected Transactions Framework Agreement	6,921	1,931	1.1	10,178	5,226	3.6

No.	Name of Agreement		Transaction item	Prevailing transaction cap *RMB million*	Transaction amount during the reporting period *RMB million*
C	Financial Services Agreement	(1)	Total amount in relation to the provision of 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	4,550	–
		(2)	Annual total transaction amount of bill acceptance and discount services	10,400	266
		(3)	Maximum daily balance (including interests accrued thereon) of deposits placed by members of China Energy Group	65,000	43,764
		(4)	Maximum daily balance of loans, consumption credit, buyer's credit and financial leasing (including relevant accrued thereon) granted to members of China Energy Group	32,500	25,278
		(5)	Maximum daily balance (including interests accrued thereon) of entrusted loans granted by China Energy and its subsidiaries to the Company and/or its subsidiaries through Shenhua Finance Company	13,000	913
		(6)	Annual total fee charged for providing the members of China Energy Group with consultancy, agency, settlement, transfer, investment, lease finance, letter of credit, online banking, entrusted loan, guarantee, acceptance of bill and other financial services	267	22

The above continuing related/connected transactions were in the ordinary course of business of the Company, and were strictly in compliance with procedures of review and approval by independent directors and independent shareholders as well as disclosure requirements.

The independent non-executive directors of the Company have confirmed to the Board of the Company that they have reviewed the transactions contemplated under the agreements A to E above and are of the view that (1) those transactions were entered into in the ordinary course of business of the Group; (2) those transactions were on normal commercial terms or better terms; and (3) those transactions were conducted according to the agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

KPMG, the international auditors of the Company, have reviewed the continuing connected transactions under the agreements A to E above and issued a letter to the Board, indicating that they were not aware of any matter for which they would consider that the continuing connected transactions above (1) were not approved by the Board; (2) were not conducted according to the Company's pricing policy in terms of all material aspects; (3) were not conducted according to the terms of the relevant agreements in terms of all material aspects; and (4) incurred an aggregate amount for the year ended 31 December 2019 that had exceeded the annual caps disclosed in the Company's announcements on the continuing connected transactions.

23 types of related party transactions were disclosed in Note 43 of the financial statements for the year 2019 prepared by the Company under the International Financial Reporting Standards. According to the Hong Kong Listing Rules, except for the transactions under item (ii) "income from entrusted loans" and the transactions in relation to the purchase of coal from associates of the Group under item (vi) "ancillary and social services", item (x) "purchase of coal" and item (xvi) "other income", all of the other related party transactions disclosed in Note 43 constituted connected transactions under the Hong Kong Listing Rules and were required to be disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules in respect of disclosure of the above connected transactions and continuing connected transactions.

(II) Related transactions regarding acquisition and disposal of assets or equity

☐ Applicable ✔ Not applicable

(III) Material related transactions regarding joint external investments

On 31 January 2019, the Company and GD Power completed the transaction of establishing a Joint Venture Company, in which the equity interests and assets of the relevant coal-fired power companies were contributed by them respectively. For details, please refer to the H-shares announcement dated 31 January 2019 and the A-shares announcement dated 1 February 2019 of the Company.

As approved at the first 2018 extraordinary general meeting, Shenhua Lease Company, a subsidiary of China Shenhua, will continue to provide financial lease services to the assets contributed by Shenhua. Provision of services related to finance lease by Shenhua Lease Company to the assets contributed by China Shenhua will constitute one-off related/connected transactions of the Company.

As of 31 December 2019, balance of lease services to the assets contributed by Shenhua provided by Shenhua Lease Company amounted to RMB175.84 million.

(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 Group		
		Opening balance	Amount incurred	Closing balance	Opening balance	Amount incurred	Closing balance
China Energy and its subsidiaries	Controlling shareholders and its subsidiaries	–	175.84	175.84	873.85	–	873.85
Other related parties	Others	487.42	(3.60)	483.82	–	–	–
Total		487.42	172.24	659.66	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 a subsidiary of China Energy Group, and the Group took long-term and short-term loans from China Energy Group and performed internal decision procedures in accordance with relevant requirements.
Repayment of debts and liabilities between related parties	Currently, the principal and interests of the above entrusted loans, finance leasing receivables and borrowings are repaid in a normal manner in accordance with the repayment schedule.
Undertakings related to debts and liabilities between related parties	N/A
Impacts of debts and liabilities between related parties on the operating results and financial position of the Company	The above entrusted loans and borrowings are beneficial to the normal commencement of relevant project construction and production operation of the Company and have no material impact on the operating results and financial position of the Company.

XII MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Trust, contracting and leasing

☐ Applicable ✔ Not applicable

During the reporting period, the Company did not enter into or have any management and administration contracts in respect of the whole or any material part of the business of the Company.

(II) Guarantees

Unit: RMB million

1. Guarantee provided by the Company to external parties (excluding guarantee granted to its subsidiaries)

Guarantor	Relationship between the guarantor and the listed company	Guaranteed	Amount guaranteed	Date of provision of guarantee (execution date of agreement)	Beginning date of guarantee	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
Shenbao Energy	Controlling subsidiary	Hulunbei'er Liangyi Railway Company Limited	89.35	2008.08.30	2008.08.30	2029.08.29	Joint and several liability guarantee	No	No	0	No	No	N/A
Shendong Coal	Wholly-owned subsidiary	Yulin Zhugaita Coal Cargo Transportation Co., Ltd.	0	2017.06.13	2017.06.13	2019.06.12	Joint and several liability guarantee	Yes	No	0	No	No	N/A
Zhuhai Coal Dock	Controlling subsidiary	Zhuhai Port Co., Ltd.	56.82	2018.06.13	2018.06.13	2027.09.30	Joint and several liability guarantee	No	No	0	Yes	No	N/A
Zhuhai Coal Dock	Controlling subsidiary	Guangdong Yudean Farnon Investment Co., Ltd.	56.82	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)	(87.51)
Total balance of guarantee at the end of the reporting period (A) (excluding guarantee provided to its subsidiaries)	202.99

2. Guarantee provided by the Company and its subsidiaries for the benefit of its subsidiaries

Total amount of guarantee provided for the benefit of subsidiaries during the reporting period	119.34
Total balance of guarantee provided for the benefit of subsidiaries at the end of the reporting period (B)	7,026.20

3. Total amount of guarantee (including guarantee for the benefit of its subsidiaries)

Total amount of guarantee (A+B)	7,229.19
Proportion of total amount of guarantee to the net assets attributable to equity holders of the Company at the end of the year under China Accounting Standards for Business Enterprises in 2018 (%)	2.1
Including:	
Amount of guarantee provided for the benefit of shareholders, de facto controller and their related parties (C)	0
Amount of guarantee directly or indirectly provided for the benefit of parties with a gearing ratio in excess of 70% (D)	7,115.55
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)	7,115.55
Description of the potential joint and several repayment liability for outstanding guarantee	Please refer to below
Description of guarantee	Please refer to below

Note: The balance of guarantee provided by the subsidiary to external parties of 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.

As at the end of the reporting period, the total balance of the amount of guarantee provided by the Group amounted to RMB7,229.19 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, for the benefit of 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 RMB49.60 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 31 December 2019, Liangyi Railway Company had a gearing ratio of 140%.

(2) As at the end of the reporting period, the guarantee provided by Shendong Coal, a wholly-owned subsidiary of the Company, to external parties was as follows: as stipulated in the Guarantee Agreement on Maximum Guarantee entered into on 13 June 2017, Shendong Coal, as one of the guarantors, provided joint and several liability guarantee to Yulin Zhugaita Coal Cargo Transportation Co., Ltd. (of which Shendong Coal owns 33% of the shares) based on equity proportion for the debts under a facility agreement. The major credit guaranteed was the debts due to the creditor with a maximum balance of RMB400 million from 2017 to 2019. The guarantee above has been approved at the 19th meeting of the third session of the board of directors of the Company on 28 October 2016.

As of 31 December 2019, the Guarantee Agreement has expired and the guarantee liability of Shendong Coal was discharged accordingly.

(3) 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 SPD 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 31 December 2019, Zhuhai branch of SPD Bank granted a loan of RMB284 million to Coal Dock, the principal and interest of which being repaid in a regular basis.

(4) 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 RMB7,026.20 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 USD1.0 billion bonds by China Shenhua Overseas Capital Co., Ltd., its wholly-owned subsidiary, and Shenhua Funeng Power Co., Ltd. of which the Company indirectly held 51% shares provided guarantees to its controlling subsidiaries.

For the details of the opinions of the independent Directors, please refer to the relevant reports disclosed in conjunction with the report.

(III) Entrusted cash asset management

1. Entrusted wealth management

(1) General status of entrusted wealth management

Unit: RMB million

Type of products	Source of funding	Maximum Balance Note	Outstanding ending balance	Overdue uncollectible amount
Banks' wealth management products	Own fund	33,200	33,200	0

Note: Maximum balance refers to the daily highest balance of the entrusted wealth management of such type of the Group in 2019.

(2) 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	Annualized rate of return	Actual profit gained for 2019	Amount of principal redeemed 2019	Whether it has been through legal procedures
1	China Shenhua	China Development Bank	Banks' wealth management products	5,000	25 December 2018	30 June 2019	Own fund	Fixed income assets such as bonds and management plans for assets	One-off payment of principal with accrued interest upon expiry	3.80%	133.6	5,000	Yes
2	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	5,000	21 December 2018	25 June 2019	Own fund	Fixed income assets such as bonds and management plans for assets	One-off payment of principal with accrued interest upon expiry	3.45%	87.5	5,000	Yes
3	China Shenhua	China Construction Bank	Banks' wealth management products	8,000	25 December 2018	25 June 2019	Own fund	Various types of bonds, repurchases, interbank deposits, etc., in interbank bond markets	One-off payment of principal with accrued interest upon expiry	3.45%	137.6	8,000	Yes

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	Annualized rate of return	Actual profit gained for 2019	Amount of principal redeemed 2019	Whether it has been through legal procedures
4	China Shenhua	Agricultural Bank of China	Banks' wealth management products	9,000	27 December 2018	25 June 2019	Own fund	Government bonds, financial bonds, central bank bills, etc., and other investment instruments with fixed income	One-off payment of principal with accrued interest upon expiry	3.40%	150.9	9,000	Yes
5	China Shenhua	Industrial Bank (China)	Banks' wealth management products	3,000	26 December 2018	26 June 2019	Own fund	Money market instruments, fixed-income short-term investment instruments, trust plans and asset management plans of brokers, etc.	One-off payment of principal with accrued interest upon expiry	3.90%	58.3	3,000	Yes
6	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	5,000	26 September 2019	02 April 2020	Own fund	High-liquidity assets including bonds and deposit	One-off payment of principal with accrued interest upon expiry	3.50%	–	Not yet due	Yes
7	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 deposit	One-off payment of principal with accrued interest upon expiry	3.15%	–	Not yet due	Yes
8	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-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.70%	–	Not yet due	Yes
9	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%	–	Not yet due	Yes
10	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-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.80%	–	Not yet due	Yes

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	Annualized rate of return	Actual profit gained for 2019	Amount of principal redeemed 2019	Whether it has been through legal procedures
11	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-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.70%	–	Not yet due	Yes
12	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%	–	Not yet due	Yes
13	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	500	2 December 2019	01 March 2020	Own fund	Bonds and money market instrument assets, non-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.70%	–	Not yet due	Yes
14	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-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.60%	–	Not yet due	Yes
15	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%	–	Not yet due	Yes
16	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%	–	Not yet due	Yes
17	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-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.80%	–	Not yet due	Yes
18	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-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.55%	–	Not yet due	Yes

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	Annualized rate of return	Actual profit gained for 2019	Amount of principal redeemed 2019	Whether it has been through legal procedures
19	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-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.55%	–	Not yet due	Yes
20	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%	–	Not yet due	Yes
21	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-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.85%	–	Not yet due	Yes

Notes: 1. The amount of entrusted wealth management under items 1, 2 and 6 of the above table represents the aggregate amount of the same wealth management products purchased by the Company from China Development Bank and Industrial and Commercial Bank of China, respectively, for multiple times, and the "initial date" is the starting date of the first wealth management product, while the "expiry date" is the termination date of the last wealth management product.

2. As of 27 March 2020, the wealth management products of items 8, 10, 11, 13, 14, 17-19, 21 in the above table have expired, and the Company has recovered all the principals.

As of the end of 2019, the total outstanding principal amount of entrusted wealth management products of the Group amounted to RMB33,200 million, which, under the precondition of guarantee of safety and liquidity, mainly consisted of banks' wealth management products which purchased in order to reasonably rise the capital revenue in the short term. The Group did not have any failure of redeeming or cashing principal when due and no provision for impairment for the above wealth management products has been made.

2. Entrusted loans

(1) General status of entrusted loans

Unit: RMB million

Type of products	Source of funding	Maximum balance in 2019 [Note]	Outstanding ending balance	Overdue uncollectible amount
Entrusted loans	Own fund	457.4	420.0	37.4

Note: Maximum balance in 2019 refers to the daily highest balance of the entrusted loans of such type of the Group in 2019.

(2) Individual entrusted loan

Unit: RMB million

Borrower	Relationship with the Group	Trustee	Amount of entrusted loans	Initial date of entrusted loans	Expiry date of entrusted loans	Maturity	Source of funding	Capital flow	Determination of remuneration	Interest rate	Actual gain 2019	Amount of principal redeemed 2019	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
Inner Mongolia Yili Chemical	joint stock company	Bank of China	420.0	29 December 2017	29 December 2020	3 years	Own fund	Replacement of loans	Settlement of interest on quarterly basis	4.75%	20.2	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 Inner Mongolia Yili Chemical Industry Co., Ltd. ("Inner Mongolia 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 31 December 2019, 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. The part of entrusted loans has been offset in the consolidated financial statements of the Group.

XIII. FULFILLING THE WORK OF SOCIAL RESPONSIBILITY

(I) Poverty alleviation

1. Targeted poverty alleviation plan

The Group has intensified the implementation of the Opinions of the State Council on 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 "Tibet, Tibetan ethnic areas in the provinces of Sichuan, Yunnan, Gansu, and Qinghai and Kashi Prefecture, Hotan Prefecture, Kizilsu Kirghiz Autonomous Prefecture and Akesu Prefecture in South Xinjiang, and Liangshan Prefecture, Sichuan, Nujiang Prefecture, Yunnan and Linxia Prefecture, Gansu", which are extremely poverty-stricken areas and old 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, and also helped rural poor people live a wealthy life with enough food and clothes and access to compulsory education, basic health care and housing. Key indicators of public services in poverty-stricken areas are close to national average.

China Energy Public Welfare Foundation is the major entity of China Shenhua for execution of poverty alleviation work and China Shenhua is the key governing unit and the major donor of China Energy Public Welfare Foundation.

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

The Company has undertaken the targeted poverty alleviation work in three counties – Wubu County and Mizhi County in Shaanxi Province, and Butuo County in Sichuan province, as well as one county targeted for support –Nierong County in Tibet Autonomous Region. In 2019, the Group contributed approximately RMB107.00 million in targeted poverty alleviation in the above mentioned four counties. China Shenhua principally implemented the following projects for targeted poverty alleviation: (1) Poverty alleviation through industrial development. China Shenhua constructed a harvest park in Yangjiagou Village in Mizhi County; (2) Poverty alleviation through ecological conservation. China Shenhua implemented water resources protection project in Nu River system, and helped with ecological restoration works in Sangwa Yuze Village in Nyainrong County; (3) Poverty alleviation through education support. China Shenhua helped build the Second Primary School of Diluo Village and Waji Primary School in Butuo County, and No. Kindergarten of Mizhi County; (4) Poverty alleviation through medical care. China Shenhua donated medical devices to Public Health Centre of Songjiachuan Town of Wubu County, and People's Hospital of Nyainrong County, and assisted children with leukemia and congenital heart disease; (5) Construction of infrastructure. China Shenhua constructed roads in Bozuo Village in Butuo County, and helped with water supply works in Sangwa Yuze Village in Nyainrong Count; (6) Offering of training to grass-root cadres and skill training, involving 838 grass-root cadres and 1,174 technicians.

In 2019, China Shenhua obtained significant results from all poverty alleviation work and was highly appraised by local government and people.

3. Targeted poverty alleviation results

Index	Number and Circumstances
I. General	
In which: 1. Capital *(RMB0'000)*	10,700
2. Number of filed poverty-stricken people who overcome poverty	271
II. Contribution By Category	
1. Industry development support	
In which: Category of industry support project	Agriculture and forestry support project
1.1 Number of industry support project *(unit)*	3
1.2 Amount of industry support project *(RMB0'000)*	340
2. Employment transfer for poverty alleviation	
In which: 2.1 Amount of subsidy for vocational skill training *(RMB0'000)*	330
2.2 Number of people received vocational skill training	1,174
3. Relocation for poverty alleviation	
In which: 3.1 Number of people relocated and provided with employment *(household)*	105
4. Education Support	
In which: 4.1 Investment amount for improving educational resources in deprived regions *(RMB0'000)*	3,679.5
5. Health support	
In which: 5.1 Amount contributed to medical and clinical resources in deprived regions *(RMB0'000)*	1,780.5
6. Poverty alleviation by ecological protection	
In which: 6.1 Name of Project	Carry out ecological conservation and maintenance
6.2 Investment amount *(RMB0'000)*	130
7. Other projects	
In which: 7.1 Number of projects (unit)	19
7.2 Investment amount *(RMB0'000)*	4,440
7.3. Other details of the projects	Construction of road, bridge; construction of drinking water safety works; improvement of living standard of rural poverty-stricken people, etc.

Note: 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).

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

In 2019, the Group unswervingly followed the decisions and arrangements of the CPC Central Committee, 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 Mizhi County and Wubu County in Yulin City, Shaanxi Province and Nyainrong County in Tibet Autonomous Region shake off poverty.

In addition to the above four counties, the Group was also committed to poverty alleviation through education support and medical care through foundations. In 2019, the Group made a total input of approximately RMB57.246 million[1], in improving education resources in poverty-stricken areas, assisting poverty-stricken students and treatment of children with leukemia and congenital heart disease and screening of congenital heart disease in newborn. 16 branches and subsidiaries including Shuohuang Railway provided pairing-assistance to local poverty-stricken villages, and made donations of approximately RMB149.00 million in the year.

In 2019, the Group has appointed a new session of temporary cadres and currently has sent a total of 11 temporary cadres to 4 targeted poverty alleviation/pairing-assistance counties.

5. **Subsequent targeted poverty alleviation plan**

The year 2020 remarks conclusion of the fight of poverty alleviation. The Group will unswervingly follow the decisions and arrangements of the CPC Central Committee as to poverty alleviation, carry out all work in the final stage in a well-grounded way and resolutely overcome the barrier of extreme poverty, to lift impoverished people out of poverty under current standard and lift all poverty-stricken counties out of poverty; the Group will consolidate the results of poverty alleviation and establish a long-term mechanism for addressing relative poverty. First, the Group will continue to increase its efforts in providing assistance, and expects to achieve YoY increase in indicators including financial input, the number of grass-root cadres and technicians trained, and purchases of agricultural products from poverty-stricken areas; second, the Group will, by focusing on outstanding bottleneck in extremely poverty-stricken areas, assist in building education and medical facilities and drinking water safety works, and accelerate improving weakness in poverty alleviation; third, the Group will increase input in poverty alleviation through ecological conservation in Mizhi County and Wubu County, properly carry out the project of protecting the source of Yellow River, and consolidate and expand the results from ecological restoration and improvement; fourth, the Group will continue to properly carry out training for poverty alleviation and co-construction of Party branch, and effectively improve the self-development capability of impoverished people and organisations at the grass-roots level; fifth, the Group will continue to increase input in poverty alleviation through consumption, and keep expanding consumption of products from poverty-stricken areas within the Group; sixth, the Group will consolidate the results of poverty alleviation in the 3 counties that have been lifted from poverty, in order to improve the quality of poverty alleviation and prevent returning to poverty again.

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[1] Financial input is calculated based on capital expenditure of Foundation for poverty alleviation on education and health care × the proportion of donation made by China Shenhua to Foundation. The proportion of donation made by China Shenhua has been 82% since the establishment of China Energy Public Welfare Foundation.

(II) Corporate social responsibilities

For the work of the Group's social responsibility, please refer to the 2019 Environmental, Social Responsibility and Corporate Governance Report disclosed at the same time as this report.

(III) Donations

During the reporting period, the Group made external donations of approximately RMB279 million.

(IV) Environmental information

1. 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 emission 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 the Company is as follows: sulfur dioxide of 12 thousand tonnes, nitrogen oxides of 22.3 thousand tonnes, soot of 3.3 thousand tonnes and chemical oxygen demand (COD) of 558 tonnes. In particular, total emission of major air pollutants produced by the enterprises categorized as national major pollution source under supervision is as follows: sulfur dioxide of 11 thousand tonnes, nitrogen oxides of 21.5 thousand tonnes, soot of 2 thousand tonnes and chemical oxygen demand (COD) of 459 tonnes.

As at 31 December 2019, 27 subsidiaries of the Group were categorized as national major pollution source under supervision (among which 23 were waste gas exhausting enterprises, 2 were wastewater discharging enterprises, 1 was waste gas and wastewater discharging enterprise, and 1 was waste gas, wastewater and hazardous solid waste 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 mines and coal-to-chemical enterprises. The emission standard implemented was the Comprehensive Emission Standards for Sewage (GB8978–1996).

The table below sets forth the emissions from enterprises under the state's key supervision and control of pollution sources (waste gas) under the Group in 2019:

Company	Sulfur dioxide Total emission tonnes	Sulfur dioxide Approved total emission tonnes/year	Sulfur dioxide Average emission concentration mg/Nm³	Nitrogen oxides Total emission tonnes	Nitrogen oxides Approved total emission tonnes/year	Nitrogen oxides Average emission concentration mg/Nm³	Soot Total emission tonnes	Soot Approved total emission tonnes/year	Soot Average emission concentration mg/Nm³
Jinjie Power	1,240.3	1,535	21.43	2,057.38	4,910.97	29.17	236.87	1,314.35	4.19
Taishan Power	1,010	4,780	20.12	1,712	9,560	28.68	135	N/A	2.09
Power Plant of Shenhua Yili Energy Co., Ltd.	935	3,200	56.23	2495	3,200	148.72	180	480	10.71
Shaanxi Shenmu Power Co., Ltd.	885.92	1,276.74	156.21	1,084.46	1,276.74	192.71	75.71	191.52	13.53
Cangdong Power	695.75	N/A	11.06	1,302.58	N/A	21.23	96.12	N/A	1.57
Baotou Coal Chemical	647.36	2,674	47.15	821.88	1,337	69.27	183.96	401	13.93
Shenhua Funeng Power Co., Ltd.	628.77	3,675	17.63	1,345.52	3,675	38.99	102.56	309	2.93
Dingzhou Power	616.26	648.46	10.90	1,117.75	1,210.65	22.77	50.17	N/A	1.08
Gangue Power Plant of Zhunge'er Energy Company	578.80	3,840	184.4	806.59	3,840	256.9	131.98	576	42
Shenhua Shendong Power Chongqing Wanzhou Harbor Co., Ltd.	441.41	800	19.59	994.28	1,200	43.48	66.35	150	2.89
Huizhou Thermal	400.21	883.63	23.29	584.95	1,767.27	38.28	16.51	353.45	0.95
Sichuan Energy Jiangyou Power Plant	387.1	2,427	75.22	424.8	1,320	86.33	64.6	383	13.43
Jiujiang Power	327.22	2,805	5.9	960.23	3,014	31.24	34.25	1,050	0.69
Fujian Jinjiang Thermal Power Co., Ltd.	294.39	831.77	85.99	391.56	831.11	115.2	41.88	124.77	12.21
Shouguang Power	202.23	1,347.50	6.36	683.68	1,925	20.55	15.10	192.5	0.46
Daliuta Power Plant of Shendong Power Company	187	290.9	96.47	247	290.9	137.56	23	43.63	12.11
Shendong Power Dianta Company	174.12	1,031.81	10.23	576.92	1,474.02	34.32	36.86	294.80	2.20
Sichuan Bashu Jiangyou Coal-fired Power Generation Co., Ltd.	98.41	2,400	11.28	291.28	1,200	33.30	50.35	343	5.70
Shenhua Funeng (Fujian Yanshi) Power Co., Ltd.	81.83	2,092	12.15	256.23	2,090	41.12	16.68	440	2.68
Guojiawan Power Plant of Shendong Power	66.39	2,079	13.06	212.96	2,079	41.99	15.85	311.85	3.13
Shenhua Fuping Integrated Energy Co., Ltd.	51.74	609	5.41	292.7	871	30.60	16.70	174	1.41
Coking Plant of Shenhua Bayannur Energy Co., Ltd.	38.66	75	21	480.81	750	260	14.54	45	8
Mengjin Power	22.82	933	21.82	38.52	1,333	40.17	2.25	267	1.57
Liuzhou Power	17.5	3,727.2	14.75	88.27	1,863.60	37.15	236.34	559	2.41
Beijing Gas-fired Power	0	N/A	0	288.48	439.80	12.37	0	N/A	0

Notes: 1. Taishan Power (soot), Cangdong Power (sulfur dioxide, nitrogen oxides and soot) and Dingzhou Power (soot) were subject to verification standard on emission concentration other than total emission.

2. Emission of sulfur dioxide and soot from Beijing Gas-fired Power is almost zero, and is not subject to any verification standard.

From 1 January 2019 to 31 January 2019, total emissions of major pollutants from the Joint Venture established by the Company, which fell within enterprises under the state's key supervision and control of pollution sources (waste gas) were as follows: sulfur dioxide: 1,000 tonnes, nitrogen oxides: 1,900 tonnes, soot: 150 tonnes.

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 2019:

Company	**Total emission of COD** *tonnes*	**Approved total emission** *tonnes/year*	**Average emission concentration** *mg/L*
Baotou Coal Chemical	146.44	150	46.97
Jinjie Energy (Coal)	49.84	N/A	16
Beijing Gas-fired Power	25.96	N/A	31.5
Wulanmulun mine of Shendong Coal	0	N/A	0

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. COD emission of Beijing Gas-fired Power is verified according to emission concentration, and is not subject to total emission.

In 2019, hazardous solid waste discharge of the major enterprise under the state's key supervision and control of pollution sources (hazardous solid waste) of the Group is as follows: 1,625.6 tonnes from Baotou Coal Chemical. The above hazardous solid waste are all disposed of and transferred in a compliance manner without discharging.

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.

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.

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

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

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

(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 standardized 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 source. All subsidiaries of the Group 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 monitoring frequency and time limit for publication as determined in the monitoring plan. During the reporting period, all facilities were under normal operation.

(6) *Other environmental information that should be disclosed*

Fines at an amount of RMB1 million and above imposed by environmental protection administration against subsidiaries of the Group in 2019 are as follows:

Company	Date	Document No.	Fine amount *RMB'0,000*	Reason	Rectification
Shendong Coal Bunianta Coal Mine	13 May 2019	Yi Huan Fa Gao Zhi Zi [2019] No. 31	100		Implementation of fluoride standard treatment project of mine water with 25,000 tonnes/day. At present, the main project has been completed.
Shendong Coal Bu'ertai Coal Mine	10 June 2019	Yi Huan Fa Gao Zhi Zi [2019] No. 30	100		Implementation of fluoride standard treatment project of mine water with 20,000 tonnes/day. Currently, the demolition and pre-construction preparation of the original construction site has been completed.
Shendong Coal Shangwan Coal Mine	11 June 2019	Yi Huan Fa Gao Zhi Zi [2019] No. 38	100	fluoride exceeding standard in mine water	Implementation of fluoride standard treatment project of mine water with 5,000 tonnes/day. Currently, the preliminary basic work, equipment procurement and pre-construction preparation have been completed.
Shendong Coal Wulan Mulun Coal Mine	14 June 2019	Yi Huan Fa Gao Zhi Zi [2019] No. 33	100		Implementation of fluoride standard treatment project of mine water with 24,000 tonnes/day. Currently, the demolition and pre-construction preparation of the original construction site has been completed.

2. 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 minimize the impact of production on environment. It also strengthened comprehensive treatment and reuse of wastewater to improve its comprehensive utilization efficiency. With ultra-low emission renovation of coal-fired generating units taking the lead, the Group focused on dust prevention and control, as well as technical transformation of boilers to reduce air pollutant emissions, completing successfully the stage task of air pollution prevention and control in Beijing, Tianjin, Hebei and the surrounding regions. By further exploiting the values of solid wastes such as coal gangue, coal ash and boiler slag, the Group increased their comprehensive utilization, and make sure that all solid wastes are safely disposed. The Group also conducted such works as water and 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.

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

☐ Applicable ✔ Not applicable

4. Explanation of the follow-up progress of or changes in the disclosure of environmental information during the reporting period

☐ Applicable ✔ Not applicable

For the details of the related environmental protection work, please refer to the 2019 Environmental, Social Responsibility and Corporate Governance Report disclosed as the same time of the report.

XIV. CONVERTIBLE COMPANY BOND

☐ Applicable ✔ Not applicable

I. CHANGE IN ORDINARY SHARE CAPITAL

(I) Change in the number of ordinary shares

There was no change in the total number of ordinary shares and the shareholding structure of the Company during the reporting period. The Company did not issue any preference share.

	As at 31 December 2019	
	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

For the year ended 31 December 2019, the Group did not purchase, sell, or redeem any of the Company's securities as defined under the Hong Kong Listing Rules.

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

(II) Changes of shares with selling restrictions

☐ Applicable ✓ Not applicable

II. ISSUANCE AND LISTING OF SECURITIES

The Company did not issue any ordinary share, convertible corporate bond, warrant bond, corporate bond or other derivative securities, nor did it enter into any equity-linked agreement during the reporting period.

(I) Changes in total number of ordinary shares, shareholding structure and assets and liabilities structure of the Company

☐ Applicable ✓ Not applicable

(II) Pre-emptive rights

There is no provision for pre-emptive rights under the Articles of Association and the PRC laws which would entitle the existing shareholders to have priority to subscribe for new shares on a pro rata basis in the event of new share issuance by the Company.

III. SHAREHOLDERS

(I) Total number of shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period *(accounts)*	196,148
Including: Holders of A shares (including China Energy)	194,018
Registered holders of H shares	2,130
Total number of ordinary shareholders at the end of last month prior to the date of this annual report *(accounts)*	204,161
Including: Holders of A shares (including China Energy)	202,041
Registered holders of H shares	2,120

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

Unit: share

Name of shareholders	Shareholdings of the top ten shareholders: Increase/decrease during the reporting period	Number of shares held at the end of the reporting period	Percentage %	Number shares with selling restrictions	Shares subject to pledge or lock-up: Status	Number	Nature of shareholders
China Energy Investment Corporation Limited	-717,865,256	13,812,709,196	69.45	0	Nil	N/A	State-owned corporation
HKSCC NOMINEES LIMITED	-45,074	3,390,431,222	17.05	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	+24,087,111	97,588,689	0.49	0	Nil	N/A	Overseas corporation
China Construction Bank Co., Ltd.-E Fund CSI State-Owned Enterprises Belt and Road Trading Open-end Index Securities Investment Fund	+62,570,579	62,570,579	0.31	0	Nil	N/A	Others
Bank of China Limited – Fullgoal CSI State -Owned Enterprises Belt and Road Trading Open-end Index Securities Investment Fund	+30,058,200	30,058,200	0.15	0	Nil	N/A	Others
China Merchants Bank Co., Ltd.– Bosera CSI State-Owned Enterprises Innovation-oriented Trading Open-end Index Securities Investment Fund	+25,893,088	25,893,088	0.13	0	Nil	N/A	Others
Industrial and Commercial Bank of China-Shanghai Index 50 Trading Open-end Index Securities Investment Fund	+4,441,845	25,417,191	0.13	0	Nil	N/A	Others
China Merchants Bank Co., Ltd.–Bosera CSI State-Owned Enterprises Structural Adjustment Index ETF Securities Investment Fund	+12,364,832	22,437,533	0.11	0	Nil	N/A	Others

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	3,390,431,222	Overseas-listed foreign shares	3,390,431,222
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	97,588,689	RMB ordinary shares	97,588,689
China Construction Bank Co., Ltd.-E Fund CSI State-Owned Enterprises Belt and Road Trading Open-end Index Securities Investment Fund	62,570,579	RMB ordinary shares	62,570,579
Bank of China Limited – Fullgoal CSI State -Owned Enterprises Belt and Road Trading Open-end Index Securities Investment Fund	30,058,200	RMB ordinary shares	30,058,200
China Merchants Bank Co., Ltd.–Bosera CSI State-Owned Enterprises Innovation-oriented Trading Open-end Index Securities Investment Fund	25,893,088	RMB ordinary shares	25,893,088
Industrial and Commercial Bank of China-Shanghai Index 50 Trading Open-end Index Securities Investment Fund	25,417,191	RMB ordinary shares	25,417,191
China Merchants Bank Co., Ltd.–Bosera CSI State-Owned Enterprises Structural Adjustment Index ETF Securities Investment Fund	22,437,533	RMB ordinary shares	22,437,533

Details regarding the connected relationships among the above shareholders or whether they are parties acting in concert	Both of HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited; The trustee bank of China Merchants Bank Co., Ltd.–Bosera CSI State-Owned Enterprises Innovation-oriented Trading Open-end Index Securities Investment Fund and China Merchants Bank Co., Ltd.–Bosera CSI State-Owned Enterprises Structural Adjustment Index ETF Securities Investment Fund is China Merchants Bank Co., Ltd. Saved as disclosed above, the Company is not aware of any connected relationships between the top ten shareholders without selling restrictions and the top ten shareholders, and whether they are parties acting in concert as defined in the Measures for Administration of Acquisition of Listed Companies of CSRC.
Details regarding the holders of preference 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.

Approved by the State-owned Assets Supervision and Administration Commission of the State Council, China Energy transferred its 358,932,628 A shares and 358,932,628 A shares of the Company to Beijing Chengtong Financial Control Investment Co., Ltd. and Guoxin Investment Co., Ltd. for nil consideration, respectively. The share transfer registration of state-owned shares mentioned above for nil consideration was completed on 30 January 2019. For details, please refer to the H-shares announcement dated 30 January 2019 and the A-shares announcement dated 31 January 2019 of the Company.

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

As at 31 December 2019, persons set out in the table below had an interest and/or short position in the shares or underlying shares of the Company which is required to be recorded in the register of equity interests and/or short positions pursuant to section 336 of Part XV of the Securities and Futures Ordinance (the "SFO", Chapter 571 of the Laws of Hong Kong):

No.	Name of shareholders	Capacity	H shares/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 issued 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	270,761,817	7.97	1.36
				Short position	74,500	0.00	0.00
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	204,591,148	6.01	1.03
				Short position	19,022,546	0.55	0.10
				Lending Pool	180,474,918	5.31	0.91

Notes: (1) Among H shares in long position and short position held by BlackRock, Inc., 398,500 H shares in long position involve derivatives, and their type is unlisted derivatives – cash settled.

(2) Among 204,591,148 H shares in long position held by Citigroup Inc., 373,030 shares are held in its capacity as the person having a security interest in shares, 23,743,200 shares are held in its capacity as the interest of corporation controlled by the substantial shareholder, and 180,474,918 shares are held in its capacity as the approved lending agent. 19,022,546 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. 1,899,972 H shares in long position and 1,250,000 H shares in short position: listed derivatives – physically settled;

b. 1,954,384 H shares in long position and 2,046,576 H shares in short position: unlisted derivatives – physically settled;

c. 26,500 H shares in short position: unlisted derivatives– cash settled.

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

As at 31 December 2019, 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.

IV. CHANGES IN CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling shareholder as at the end of the reporting period

1. Legal person

Name	China Energy Investment Corporation Limited
Legal representative	Wang Xiangxi
Date of incorporation	23 October 1995
Principal business	State-owned assets operating activities within the scope authorized by the State Council; investment and management activities in various sectors, including resource products (such as coal), coal-to-liquids, coal chemical, power, thermal, port, various transportation, finance, domestic and international trade and logistics, real estate, advanced technology and information consultation and etc.; planning, organizing, coordinating and managing the production and operating activities in above sectors of members of China Energy Group; and sales of chemical materials and chemical products (excluding hazardous chemicals), textiles, construction materials, machinery, electronic equipment and office equipment. (Enterprise is allowed to choose the business to be engaged in and carry out such business activities pursuant to laws; for projects that are subject to approval pursuant to the law, business operations shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no business activities which are prohibited or restricted by the industrial policies shall be carried out.)

Shareholdings in other domestic and overseas listed subsidiaries and associates during the reporting period	Directly or indirectly holding 46.09% shares of GD Power Development Co., Ltd.; Directly or indirectly holding 58.44% shares of China Longyuan Power Group Corporation Limited; Effectively controlling 78.40% shares of Guodian Technology & Environment Group Corporation Limited; Effectively controlling 61.42% shares of Inner Mongolia Pingzhuang Energy Co., Ltd.; Effectively controlling 51.25% shares of Ningxia Yinglite Chemicals Co., Ltd.; Effectively controlling 42.00% shares of Yantai Longyuan Power Technology Co., Ltd. Effectively controlling 37.39% shares of Guodian Changyuan Electric Power Co., Ltd.

2. Index and date of changes in controlling shareholders during the reporting period

There was no change in the controlling shareholder of the Company during the reporting period.

3. Diagram of the equity and controlling relationship between the Company and the controlling shareholder

China Energy Investment Corporation Limited

↓ 69.45%

China Shenhua Energy Company Limited

(II) De facto controller

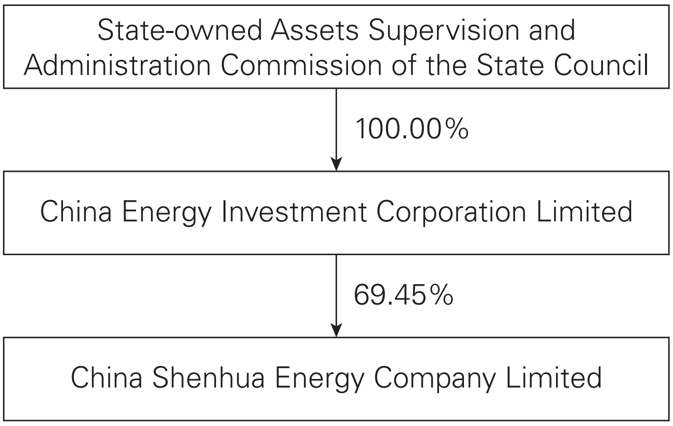
1. Legal person

State-owned Assets Supervision and Administration Commission of the State Council.

2. Index and date of changes in de facto controller during the reporting period

There was no change in de facto controller of the Company during the reporting period.

3. Diagram of the equity and controlling relationship between the Company and the de facto controller



V. OTHER CORPORATE SHAREHOLDERS WITH MORE THAN 10% SHAREHOLDING IN THE COMPANY

As at the end of the reporting period, there was no other corporate shareholder with more than 10% shareholding in the Company.

VI. RESTRICTIONS ON THE REDUCTION IN THE SHAREHOLDING

☐ Applicable ✓ Not applicable

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Changes in shareholding and remuneration

1. Directors, supervisors and senior management as at the end of the reporting period

Unit: RMB ten thousand

						Remuneration paid (before tax)				Unit payment and deposit of social insurance, housing funds and corporate annuities					
							Performance remuneration (including emoluments)								
Name	Positions	Gender	Age	Date of Appointment (from the first appointment date)	Scheduled expiration of term of office	Basic remuneration		Including: performance remuneration for the previous year	Subtotal 1	Basic healthcare, unemployment, work-related injury, maternity insurance and housing provident funds	Retirement plan: basic pension insurance and corporate annuities	Subtotal 2	Other monetary income	Total remuneration before tax	Remark
Wang Xiangxi	Chairman and Executive Director	Male	57	21 June 2019	22 June 2020	–	–	–	–	–	–	–	–	–	Paid at the unit of shareholder
Li Dong	Executive Director	Male	59	17 June 2016	22 June 2020	–	–	–	–	–	–	–	–	–	Paid at the unit of shareholder
Gao Song	Executive Director	Male	58	27 April 2018	22 June 2020	–	–	–	–	–	–	–	–	–	Paid at the unit of shareholder
Mi Shuhua	Executive Director	Male	57	27 April 2018	22 June 2020	–	–	–	–	–	–	–	–	–	Paid at the unit of shareholder
Zhao Jibin	Non-Executive Director	Male	67	17 June 2016	22 June 2020	–	–	–	–	–	–	–	–	–	Paid at the unit of shareholder
Tam Wai Chu, Maria	Independent Non-Executive Director	Female	74	23 June 2017	22 June 2020	–	45.00	–	**45.00**	–	–	–	–	**45.00**	
Peng Suping	Independent Non-Executive Director	Male	60	27 April 2018	22 June 2020	–	45.00	–	**45.00**	–	–	–	–	**45.00**	
Jiang Bo	Independent Non-Executive Director	Female	64	23 June 2017	22 June 2020	–	45.00	–	**45.00**	–	–	–	–	**45.00**	
Zhong Yingjie, Christina	Independent Non-Executive Director	Female	51	23 June 2017	22 June 2020	–	45.00	–	**45.00**	–	–	–	–	**45.00**	
Zhai Richeng	Chairman of the Supervisory Committee	Male	55	22 August 2014	22 June 2020	–	–	–	–	–	–	–	–	–	Paid at the unit of shareholder
Zhou Dayu	Supervisor	Male	54	17 June 2016	22 June 2020	–	–	–	–	–	–	–	–	–	Paid at the unit of shareholder
Yang Jiping	Chief Executive Officer and Deputy Secretary to the Party Committee of the Company	Male	49	23 August 2019	–	10.43	13.57	0.00	**24.00**	2.64	2.53	**5.17**	–	**29.17**	Remuneration from September to December 2019
Xu Mingjun	Executive Vice President and Secretary to the Party Committee of the Company	Male	56	29 November 2018	–	31.30	43.97	3.27	**75.27**	7.60	12.99	**20.59**	–	**95.86**	
Huang Qing	Secretary to the Board, Company Secretary and member to the Party Committee of the Company	Male	54	06 November 2004	–	25.04	71.83	30.87	**96.87**	7.60	11.57	**19.17**	–	**116.04**	
Zhang Guangde	Executive Vice President and member to the Party Committee of the Company	Male	57	24 August 2018	–	25.04	61.76	26.80	**86.80**	7.60	10.99	**18.59**	–	**105.39**	
Wang Xingzhong	Executive Vice President and member to the Party Committee of the Company	Male	51	30 December 2019	–	–	–	–	–	–	–	–	–	–	Paid in the Company since January 2020
Zhao Yongfeng	Executive Vice President and member to the Party Committee of the Company	Male	55	23 August 2019	26 March 2020	8.35	11.65	–	**20.00**	2.64	3.54	**6.18**	–	**26.18**	Remuneration from September to December 2019
Zhang Changyan	Employees' Representative Supervisor	Male	49	2 December 2019	22 June 2020	8.35	11.65	–	**20.00**	2.64	3.41	**6.05**	–	**26.05**	Remuneration from September to December 2019 as the Deputy Secretary to the Party Committee of the Company; no remuneration as an Employees' Representative Supervisor in 2019, and will be paid since January 2020
Yang Suping	Secretary to the Disciplinary Committee and member to the Party Committee of the Company	Female	54	21 June 2018	–	25.04	61.35	26.39	**86.39**	7.60	10.74	**18.34**	–	**104.73**	
Xu Shancheng	Chief Financial Officer and member to the Party Committee of the Company	Male	55	28 December 2018	–	25.04	34.96	–	**60.00**	7.60	11.38	**18.98**	–	**78.98**	
Total						158.59	490.74	87.33	**649.33**	45.92	67.15	**113.07**	–	**762.40**	

Notes: (1) The remuneration of Directors received from shareholders of the Company for 2019 will be disclosed on the website of China Energy upon completion of assessment made by the SASAC of the State Council.

(2) The remuneration package of Directors and supervisors for 2019 is subject to approval by the Company at the 2019 annual general meeting; the remuneration package of the senior management was approved by the Board.

(3) The remuneration received from the Company covers the year of 2019 or the period from the commencement of term of office of the Company to 31 December 2019.

(4) None of the personnel mentioned above hold any shares in the Company during the term of service in 2019.

(5) The 2016 annual general meeting of the Company approved that term of service of the fourth session of the Board and the supervisory committee is three years (23 June 2017 to 22 June 2020). The terms of office in the above table are identical to the dates of appointment by the general meeting or the Board. If there are no dates of appointment by the general meeting or the Board, the terms of office are identical to the dates of appointment by Party Organisations. Mr. Zhao Yongfeng has resigned as the executive vice president of the Company on 26 March 2020, and no longer served as member of Party Committee of the Company.

(6) The ages were calculated as of 31 December 2019.

2. Directors, supervisors and senior management resigned during the reporting period

Unit: RMB ten thousand

						Remuneration paid (before tax)				Unit payment and deposit of social insurance, housing funds and corporate annuities					
							Performance remuneration (including emoluments)								
Name	Positions	Gender	Age	Date of appointment of directors, supervisors and senior management (from the first appointment date)	Date of expiry of term of office	Basic remuneration		Including: performance remuneration for the previous year	Subtotal 1	Basic healthcare, unemployment, work-related injury, maternity insurance and housing provident funds	Retirement plan: basic pension insurance and corporate annuities	Subtotal 2	Other monetary income	Total remuneration before tax	Remarks
Ling Wen	Chairman	Male	56	02 January 2018	26 April 2019	–	–	–	**-**	–	–	**-**	–	**-**	Paid at the unit of shareholder
	Executive Director			06 November 2004	26 April 2019	–	–	–	**-**	–	–	**-**	–	**-**	
Huang Ming	Independent Non-Executive Director	Male	55	27 April 2018	6 August 2019	–	33.75	–	**33.75**	–	–	**-**	–	**33.75**	Remuneration from January to September 2019
Shen Lin	Supervisor	Male	59	22 August 2014	2 December 2019	–	–	–	**-**	–	–	**-**	–	**-**	Paid at the unit of shareholder
Zhang Jiming	President and Deputy Secretary to the Party Committee of the Company	Male	56	13 September 2018	08 August 2019	20.87	65.83	38.70	**86.70**	4.96	8.81	**13.77**	–	**100.47**	Remuneration from January to August 2019
Jia Jinzhong	Executive vice president, and member of the Party Committee of the Company	Male	56	17 March 2017	25 September 2019	18.78	67.21	36.49	**85.99**	5.62	9.33	**14.95**	–	**100.94**	Remuneration from January to September 2019
Total						39.65	166.79	75.19	**206.44**	10.58	18.14	**28.72**	–	**235.16**	

Notes: (1) The remuneration of Directors received from shareholders of the Company for 2019 will be disclosed on the website of China Energy upon completion of assessment made by the SASAC of the State Council.

(2) The remuneration package of Directors for 2019 is subject to approval by the Company at the 2019 annual general meeting; the remuneration package of the senior management was approved by the Board.

(3) None of the personnel mentioned above holds any shares in the Company during the term of service in 2019.

(4) The ages were calculated as of 31 December 2019.

3. Biographical details of the Directors, supervisors and senior management as at the end of the reporting period

(1) Directors

Name	Biographical details
 **Wang Xiangxi** Chinaman, Executive Director	Born in August 1962, Chinese, a senior engineer and a member of the Communist Party. Mr. Wang received a master's degree of Engineering in Mining Engineering from Department of Resources and Materials Engineering of Jiaozuo Institute of Technology in 2003. Mr. Wang has extensive experience in economic management, laws and regulations as well as management in coal industry. Mr. Wang has been serving as the Chairman and Executive Director of the fourth session of the Board of the Company since June 2019, as well as the secretary of the Leading Party Members' Group and chairman of China Energy Group since March 2019. From July 2017 to March 2019, he served as a member of the standing committee of the Party Committee, secretary of the provincial committee of political and legal affairs of Hubei Province. From June 2017 to July 2017, he served as a member of the standing committee of the Party Committee, secretary general and member of the Leading Party Members' Group of the provincial government, secretary and director of the Leading Party Members' Group of the provincial government office of Hubei Province. From July 2012 to June 2017, he served as secretary general and member of the Leading Party Members' Group of the provincial government, secretary and director of the Leading Party Members' Group of the provincial government office of Hubei Province. From May 2010 to July 2012, he successively served as secretary of Municipal Party Committee, chairman of Standing Committee of Municipal People's Congress and secretary of the Leading Party Members' Group of Suizhou, Hubei Province. Prior to the foregoing, Mr. Wang had also served in various positions, including the deputy secretary of Municipal Party Committee, mayor of Jingzhou, Hubei Province, director and secretary of the Leading Party Members' Group of Hubei Quality and Technical Supervision Bureau, deputy director and member of the Leading Party Members' Group of Hubei Provincial Economic and Trade Commission, director and secretary of the Leading Party Members' Group of the Coal Industry Management Office of Hubei Province, deputy director and member of the Leading Party Members' Group of Hubei Coal Industry Department.

Name	Biographical details
 **Li Dong** Executive Director	Born in January 1960, male, Chinese, a senior engineer with the qualification as a professor and a member of the CPC. Dr. Li has extensive experience in the management of coal enterprises in China. He obtained a master's degree from China Europe International Business School in 2005 and a Ph.D. degree from Liaoning Technical University in 2005. Dr. Li has served as an Executive Director of the fourth session of the Board of the Company since June 2017, and member of the Leading Party Members' Group and the Deputy General Manager of China Energy since November 2017. Dr. Li served as senior Vice President of the Company from May 2011 to October 2018, an Executive Director of the third session of the Board of the Company from June 2016 to June 2017, the Deputy General Manager of Shenhua Group Corporation from August 2006 to April 2010, and a member of the Leading Party Members' Group and Deputy General Manager of Shenhua Group Corporation from April 2010 to November 2017. Prior to the foregoing, Dr. Li had served in various capacities, including Deputy Chief Engineer of Shenhua Group Corporation, Chairman of Shenhua Zhunge'er Energy Co., Ltd., and head of General Manager' s Office of Shenhua Group Corporation.

Name	Biographical details
 **Gao Song** Executive Director	Born in February 1961, male, Chinese, a professor-level senior engineer and a member of the Communist Party of China. Mr. Gao has extensive management experience in power enterprises. He received a bachelor's degree in thermal power engineering from Zhejiang University in 1982. Mr. Gao has served as an Executive Director of the fourth session of the Board of the Company since April 2018, served as a member of the Leading Party Members' Group and the deputy general manager of China Energy Group since November 2017. Mr. Gao also serves as the Chairman of GD Jinsha River Xulong Hydropower Development Co., Ltd. and the Chairman of GD Jinsha River Benzilan Hydropower Development Co., Ltd. Mr. Gao worked as a director of GD Power from September 2012 to February 2020; as the Chairman of GD Dadu River Hydropower Development Co. Ltd. from July 2018 to March 2020. Prior to the foregoing, Mr. Gao had served in various capacities, including the deputy general manager, a member of the Leading Party Members' Group and the director of the working committee of China Guodian Group Co., Ltd, the general manager and deputy secretary to the Leading Party Members' Group of GD Power Development Co., Ltd., the general manager assistant of China Guodian Corporation, the secretary to the Leading Party Members' Group and general manager of the North China branch of China Guodian Corporation and chief engineer of Hebei Electric Power Corporation.

Name	Biographical details
 **Mi Shuhua** Executive Director	Born in October 1962, male, Chinese, a professorate senior engineer and a member of the Communist Party of China. Mr. Mi received a bachelor's degree in thermal power engineering from Northeast Electric Power Institute in 1984 and has extensive management experience in power enterprises. Mr. Mi has served as an Executive Director of the fourth session of the Board of the Company since April 2018, served as a member of the Leading Party Members' Group and the deputy general manager of China Energy Group since November 2017. Mr. Mi worked as a director of GD Power from April 2014 to February 2020 and the dean of Guodian New Energy Technology Research Institute from December 2016 to September 2019. Prior to the foregoing, Mr. Mi had served in various capacities, including a member of the Leading Party Members' Group and the deputy general manager of China Guodian Group Co. Ltd., the general manager and deputy secretary to the Leading Party Members' Group of GD Power, the general manager assistant of China Guodian Group Co. Ltd., the secretary to the Leading Party Members' Group, an executive director and the general manager of Guodian Northeast Electric Power Co., Ltd.

Name	Biographical details
 **Zhao Jibin** Non-Executive Director	Born in July 1952, male, Chinese, a senior engineer and a member of the CPC. Mr. Zhao has extensive experience in business administration and railway transportation administration. He graduated from Southwest Jiaotong University majored in transportation in 1984, and obtained a master's degree from Changchun Institute of Optics and Fine Mechanics. Mr. Zhao has served as a Non-Executive Director of the fourth session of the Board of the Company since June 2017, an external Director of China Energy Group since November 2017 and of China National Building Material Group Corporation since December 2014. Mr. Zhao had served as an external Director of Shenhua Group Corporation from April 2015 to November 2017 and a Non-Executive Director of third session of the Board of the Company from June 2016 to June 2017. Prior to the foregoing, Mr. Zhao had successively held the posts as an Independent Non-Executive Director of China South Locomotive and Rolling Stock Corporation Limited, Deputy General Manager of China Mobile Communications Corporation, Chairman of China Tietong Telecommunications Corporation, Director of Zhengzhou Railway Bureau, Director of Hohhot Railway Bureau, Director of Changchun Railway Sub-bureau, deputy to the ninth and tenth National People's Congress, an honorary professor of Beijing Jiaotong University and Changchun University of Science and Technology.

Name	Biographical details
 **Tam Wai Chu, Maria** Independent Non-Executive Director	Born in November 1945, female, Chinese, a barrister in Hong Kong. She graduated from the University of London in 1970 with a bachelor's degree, and received an honorary Ph.D. degree in Laws from the Chinese University of Hong Kong in 1989. She has extensive experience in legal affairs and supervision. Dr. Tam has served as an Independent Non-Executive Director of the Company since June 2017, Director of Hong Kong Chronicles Institute Limited (a non-profit making organisation) since November 2019, deputy to the twelfth National People's Congress since March 2013, and a Hong Kong SAR convener to the National People' s Congress. She has served as a member of the Basic Law Committee of the Hong Kong Special Administrative Region since July 1997 and currently serves as the deputy director of the committee. Dr. Tam currently serves as the director of the Joint Committee for the Promotion of the Basic Law of Hong Kong, and has also served as an Independent Non-Executive Director in Wing On Company International Limited, Sinopec Kantons Holdings Limited, Nine Dragons Paper (Holdings) Limited and Macau Legend Development Limited. Dr. Tam served as the Chairman of Operations Review Committee and an ex-officer of the Advisory Committee on Corruption under the Independent Commission Against Corruption of Hong Kong, a member of Witness Protection Review Board of Independent Commission Against Corruption of Hong Kong, an Independent Non-Executive Director of Sa Sa International Holdings Limited, Tong Ren Tang Technologies Company Limited and Minmetals Land Limited. Prior to the foregoing, Dr. Tam had successively served as a deputy to the ninth, tenth and eleventh National People's Congress. Dr. Tam was awarded the Gold Bauhinia Star in 1998 and awarded the Grand Bauhinia Medal, symbolizing the highest honor of the Hong Kong Government, in 2013.

Name	Biographical details
 **Peng Suping** Independent Non-Executive Director	Born in June 1959, male, Chinese, a professor of China University of Mining and Technology and a member of the Communist Party of China. Dr. Peng has long engaged in the teaching and research of mining geology and geophysical prospecting of mine engineering, with rich experience in coal industry. Dr. Peng received a Ph.D degree in coal geology & exploration from the Beijing Postgraduate Department of China University of Mining and Technology in 1988. He was elected as an academician of Chinese Academy of Engineering in 2007. Dr. Peng has been serving as the Independent Non-Executive Director of the Company since June 2017, he served as an independent director of Beijing Haohua Energy Resource Co., Ltd since September 2019 and served as the director of State Key Laboratory of Coal Resources and Safe Mining (China University of Mining and Technology, Beijing) since January 2007. Prior to the foregoing, Dr. Peng had served in various capacities, including the vice director of the Department of Energy and Mining Engineering of Chinese Academy of Engineering and an independent director of Tiandi Science & Technology Co., Ltd., Tibet Huayu Mining Co., Ltd. and Beijing LongRuan Technologies Inc.

Name	Biographical details
 **Jiang Bo** Independent Non-Executive Director	Born in December 1955, female, Chinese, a senior accountant and senior economist and a member of the CPC. Dr. Jiang has extensive experience in financial theory and knowledge and practice of corporate management. Dr. Jiang graduated from Jilin Finance and Trade College in 1983, and received a Ph.D. degree in Economics from Renmin University of China in 2004. Dr. Jiang has served as an Independent Non-Executive Director of the Company since June 2017, she served as an independent director of China Reinsurance (Group) Corporation since January 2019 and an Independent Non-Executive Director of Sinopec Oilfield Service Corporation since February 2015. Prior to the foregoing, Dr. Jiang had served in various capacities, including the Chief Financial Officer and the Chairman of the labor union of China Everbright Group Ltd., a Director of China Everbright Group Company Limited (Hong Kong), a Director of Sun Life Everbright Life Insurance Co., Limited, a Director of equity interest of Everbright Financial Holding Asset Management Co., Ltd., a Director of Shenyin & Wanguo Securities Co., Ltd., an Executive Director, the Vice President, a member of the CPC Committee and the Chief Auditing Officer (concurrent position) of China Everbright Bank.
 **Zhong Yingjie, Christina** Independent Non-Executive Director	Born in November 1968, female, Chinese, a certified public accountant. Ms. Zhong graduated from Wuhan University in Auditing in 1990 with a bachelor's degree. She also obtained a master's degree in Business and Administration from China Europe International Business School (CEIBS) in 2000. Ms. Zhong has extensive experience in finance and capital markets. Ms. Zhong has served as an Independent Non-Executive Director of the Company since June 2017. Ms. Zhong had worked for Morgan Stanley Asia Limited from May 2008 to April 2017 and served as a Managing Director and the head of division of financial institutions in China. Prior to the foregoing, Ms. Zhong had served in various capacities, including an Executive Director of Goldman Sachs Gao Hua Securities Company Limited and a Vice President of China International Capital Corporation Limited. She had also worked for the National Audit Office of the PRC.

(2) Supervisors

Name	Biographical details
 **Zhai Richeng** Chairman of Supervisory Committee	Born in July 1964, male, Chinese, a senior accountant and a member of the CPC. Mr. Zhai received a master's degree from China University of Mining and Technology in 2003. Mr. Zhai has served as the Chairman of the fourth session of Supervisory Committee of the Company since June 2017 and a full-time Director (director level) of China Energy since May 2018. Mr. Zhai has served as Director of Property Ownership Administration of the Company and Director of Property Ownership Administration of Shenhua Group Corporation from June 2015 to May 2018, Chairman of the third session of the Supervisory Committee of the Company from August 2014 to June 2017 and General Manager of the financial department of Shenhua Group Corporation from November 2004 to June 2015. Prior to the foregoing, Mr. Zhai had served in various capacities, including Deputy Manager of the financial department of Shenhua Group Corporation, Director of financial division and Chief Accountant of Shenhua Zhunge'er Coal Company.
 **Zhou Dayu** Supervisor	Born in October 1965, male, Chinese, a researcher and a member of the CPC. Mr. Zhou obtained a bachelor's degree in Economic Management at Peking University in 1986 and a master's degree in International Finance at Peking University in 2001. Mr. Zhou has served as a Supervisor of the fourth session of Supervisory Committee of the Company since June 2017 and a Director of the Material and Procurement Supervision Department of the China Energy since March 2020. Mr. Zhou has served as the Director of the Industrial Coordination Department of China Energy from May 2018 to March 2020, the General Manager of the Capital Operation Department of the Company and the General Manager of the Capital Operation Department of Shenhua Group Corporation from March 2016 to May 2018, a Supervisor of the third session of the Supervisory Committee of the Company from June 2016 to June 2017, and the General Manager of the Business Administration Department of the Company and the General Manager of the Business Administration Department of Shenhua Group Corporation from November 2009 to March 2016. Prior to the foregoing, Mr. Zhou had successively held the post of the General Manager of the Planning Department and a Deputy Director of the Policy and Law Research Office of Shenhua Group Corporation.

Name	Biographical details
 **Zhang Changyan** Employees' Representative Supervisor, Deputy Secretary to the Party Committee of the Company, General Legal Adviser	Born in August 1970, male, Chinese, a senior economist and a member of the Communist Party. Mr. Zhang graduated from Xi'an Jiaotong University in 1993, majoring in electrical engineering and received a master's degree of Business Administration from Tsinghua University in 2001. Mr. Zhang has been serving as the Employees' Representative Supervisor of the fourth session of the Supervisory Committee and General Legal Adviser of the Company since December 2019 and the deputy secretary to the Party Committee of the Company since August 2019. From May 2018 to August 2019, Mr. Zhang served as the secretary and a deputy director of the coal industry operation and management center of China Energy. From January 2012 to May 2018, he served as the director of the coal and chemical management department of the China Guodian Group Co., Ltd.. Mr. Zhang served as the general manager and deputy secretary of the Leading Party Members' Group of Guodian Anhui Power Co., Ltd., group leader of the preparatory team of Guodian Anhui Power Co., Ltd., deputy general manager and a member of the Leading Party Members' Group of the East China Branch of China Guodian Corporation, and the deputy general manager of Guodian East China New Energy Investment Co., Ltd.

(3) Senior management

Name	Biographical details
 **Yang Jiping** Chief Executive Officer, Deputy Secretary to the Party Committee of the Company	Born in June 1970, male, Chinese, a professor-level senior engineer and a member of the Communist Party. Mr. Yang has extensive experience in management of coal enterprises. He graduated from the Department of Mining Engineering of China University of Mining and Technology, majoring in mining engineering in 1992. Mr. Yang has been serving as the chief executive officer and deputy secretary of the Party Committee of the Company since August 2019. Mr. Yang has been serving as director of operating management centre of coal industry of the Company since August 2019, and director of operating management centre of transport industry of the Company since December 2019. From August 2019 to March 2020, Mr. Yang served as the director of operating management centre of coal industry of China Energy. From December 2019 to March 2020, he served as the director of operating management centre of transportation industry of China Energy. From October 2018 to August 2019, Mr. Yang served as director of operating management centre of coal industry of China Energy from August 2019 to March 2020, director of operating management centre of transport industry of China Energy from December 2019 to March 2020, and secretary of the Party Committee and chairman (legal representative) of Shenhua Wuhai Energy Company Limited. From August 2011 to October 2018, he successively served as deputy general manager, director, deputy secretary of the Party Committee, general manager and chairman of Shenhua Wuhai Energy Company Limited. From November 2009 to August 2011, he served as deputy general manager and chief engineer of Shenhua Ningxia Coal Industry Co., Ltd. Prior to that, Mr. Yang successively served as deputy head of first mine of former Bureau of Mine in Ningxia Shizuishan, first deputy head of pre-opening office of Zaoquan Mine of Shenhua Ningxia Coal Industry Co., Ltd., secretary and head of Party branch of pre-opening office of Meihuajin Coal Mine, as well as deputy secretary to the Party Committee and manager of Shizuishan Jinneng Coal Industry Co., Ltd..

Name	Biographical details
 **Xu Mingjun** Secretary to the Party Committee of the Company, Executive Vice President	Born in October 1963, male, Chinese, a senior political engineer and a graduate of postgraduate program, a member of the Communist Party of China. Mr. Xu has extensive experience in corporate management. Mr. Xu has served as the secretary to the Party Committee of the Company since September 2018, an executive vice president of the China Energy since November 2018. Mr. Xu has served as the assistant to the general manager of the China Energy from May 2018 to October 2019, and assistant to general manager of China Guodian, secretary to the Leading Party Group, secretary to the Party Committee and deputy general manager of GD Power, assistant to general manager of the China Energy and secretary to the Party Committee and deputy general manager of China Guodian. from May 2016 to September 2018. He served as the secretary to the board of directors, assistant to the general manager and the head of general office of China Guodian from January 2012 to May 2016. Prior to the foregoing, Mr. Xu had served in various capacities, including the director of people work division of the Departmental Party Committee of the State Bureau of Coal Industry, the deputy director of labour union working division, deputy director of general division of people work department and a director-level investigator and researcher under the Central Enterprise Working Committee, the director of news division and assistant inspector of the bureau of publicity under the State-owned Assets Supervision and Administration Commission of the State Council, a deputy secretary of prefectural committee in Tacheng, Xinjiang, a deputy inspector of the bureau of publicity under the SASAC, the chief of political work office, a member and a deputy secretary to the Party Committee directly under China Guodian Corporation and the head of general office of China Guodian Corporation.

Name	Biographical details
 **Huang Qing** Secretary to the Board, Company Secretary, Member to the Party Committee of the Company	Born in November 1965, male, Chinese, a senior engineer and a member of the CPC. Mr. Huang obtained a board secretary certification from the Shanghai Stock Exchange in 2004. Mr. Huang is a fellow of the Hong Kong Institute of Chartered Secretaries and a senior visiting scholar of the Eisenhower Foundation. Mr. Huang received a master's degree from Guangxi University in 1991. Mr. Huang has served as Secretary to the Board of the Company and Company Secretary of the Company since November 2004, a member to the Party Committee of the Company since June 2018, the Vice Chairman of Beijing GD Power Co., Ltd. since March 2019, and Chairman of Supervisory Committee of Shenhua Trading Group Limited and Shenhua Coal Trading Co., Ltd. since November 2019. Prior to the foregoing, Mr. Huang had served in various capacities, including Secretary to the Chairman of Shenhua Group Corporation, Deputy Director of the General Office of Shenhua Group Corporation, Deputy General Manager of Hubei Provincial Railway Company and Secretary to the Deputy Governor of the Hubei provincial government.

Name	Biographical details
 **Zhang Guangde** Executive Vice President, Member to the Party Committee of the Company	Born in May 1962, male, Chinese, a professor-level senior engineer and a member of the Communist Party of China. Mr. Zhang has extensive experience in corporate management. He obtained a bachelor's degree from Huainan Mining Institute in 1983 and a master' s degree from Jiaozuo Mining Institute in 1990. Mr. Zhang has served as an executive vice president of the Company since August 2018, a member to the Party Committee of the Company since June 2018, and a Director of Beijing GD Power Co., Ltd. since March 2019. Mr. Zhang has served as a director of the Safety Supervision Bureau of the Company and a director of the Safety Supervision Bureau of Shenhua Group Corporation Limited from May 2013 to June 2018, a director of the Safety Supervision Bureau of the Company and a deputy director of the Safety Supervision Bureau of Shenhua Group Corporation Limited from November 2009 to May 2013, and a general manager of the Safety, Health and Environment Department of the Company from November 2004 to November 2009. Prior to the foregoing, Mr. Zhang has served as an engineer, deputy chief engineer and chief engineer of the Scientific Research Institute of Jiaozuo Mining Bureau, a deputy chief engineer of Jiaozuo Mining Bureau, a chief engineer of Jiaozuo Coal Industry (Group) Co., Ltd., and a deputy manager and manager of the Safety Supervision and Quality Control Department of Shenhua Group Corporation Limited.

Name	Biographical details
 **Wang Xingzhong** Executive Vice President, Member to the Party Committee of the Company	Born in April 1968, male, Chinese, a professor-level senior engineer and a member of the Communist Party. Mr. Wang has extensive experience in railway transport operation and management. He graduated from the Shanghai Railway Institute (上海鐵道學院) in 1989, majoring in railway engineering and obtained the master academic qualification and a Ph.D. degree in engineering from China Academy of Railway Sciences (中國鐵道科學研究院) in 2011. Mr. Wang has been serving as an executive vice president and a member to the Party Committee of the Company since December 2019. Mr. Wang served as the director and deputy secretary of operating management center of transport industry of the Company and China Energy from May 2018 to December 2019, and the general manager of transport management department of the Company and Shenhua Group Corporation Limited from February 2015 to May 2018. From October 2014 to February 2015, he served as deputy secretary of the Party Committee and chairman of Shenhua Baoshen Railway Group Co., Ltd. From June 2013 to October 2014, he successively served as deputy secretary of the Party Committee and chairman of Shenhua Baoshen Railway Group Co., Ltd., chairman of Shenhua Baoshen Railway Co., Ltd. and chairman of Shenhua Ganquan Railway Co., Ltd. From December 2007 to June 2013, he served as deputy secretary of the Party Committee, chairman and general manager of Shenhua Baoshen Railway Co., Ltd. Prior to that, Mr. Wang successively served as the deputy general manager of Shenhua Zhunge'er Energy Co., Ltd., deputy chief engineer, director of railway transport department of Zhunge'er Coal Industry Co., Ltd., secretary to the Party Committee and chairman of Shenhua Western Railway Transportation Co., Ltd., secretary of the Party Committee and general manager of Dazhun Railway Company of Shenhua Zhunge'er Energy Co., Ltd..

Name	Biographical details
 **Xu Shancheng** Chief Financial Officer, Member to the Party Committee of the Company	Born in March 1964, male, Chinese, a senior accountant and a member of the Communist Party of China. Mr. Xu has extensive experience in financial management. He obtained a master's degree in Economics from Renmin University of China in 2001. Mr. Xu has served as the chief financial officer and a member to the Party Committee of the Company since December 2018, the chairman of Shenhua (Tianjin) Finance Lease Co., Ltd. since August 2016, a Non-Executive Director of Shenhua Finance Company since August 2017 and the Chairman of the board of supervisors of Beijing GD Power Co., Ltd. since March 2019. Mr. Xu was the secretary and deputy officer of the financial property department of China Energy from May 2018 to December 2018. He served as the general manager of the financial department of the Company and Shenhua Group Corporation Limited from August 2016 to May 2018. He served as the deputy general manager and chief financial officer of Beijing Guohua Power Company Limited, and Guohua Power Branch of the Company from March 2015 to August 2016. He served as the deputy general manager and chief financial officer of Shenhua Guoneng Group Co., Ltd. and Shenhua Shendong Power Co., Ltd. From December 2012 to March 2015. Prior to the foregoing, Mr. Xu held the post of the head of financial department of Electric Power Industry Bureau of Hebei Province (Company), manager of financial department of North China Power Group Company, chief accountant of Qinghai Electric Power Company (Bureau), chief accountant of North China Grid Company, deputy officer of Social Insurance Management Center of State Grid Corporation of China (Grid Corporate Annuity Management Center) and a member of the Leading Party Group, deputy general manager, chief accountant and other positions of State Grid Energy Development Co. Ltd.

The Company resolutely implemented the new requirements of political construction in the new era, and strengthened the overall leadership of the Party. The Company has formulated a Party building work plan, revised and improved the Articles of Association and rules and regulations of the Company, institutionalized the Party Committee research and discussion as a pre-procedure of major decision-making, and organically integrated the Party leadership with the improvement of corporate governance. Xu Mingjun served as the secretary of China Shenhua Party Committee; Yang Jiping and Zhang Changyan served as the deputy secretary to the Party Committee; Huang Qing, Zhang Guangde, Wang Xingzhong, Yang Suping and Xu Shancheng served as members to the Party Committee, and Yang Suping served as secretary to the Disciplinary Committee.

Name	Biographical details
 **Yang Suping** Secretary to the Disciplinary Committee of the Company, Member to the Party Committee of the Company	Born in August 1965, female, Chinese, a graduate of postgraduate program, with, a Ph.D degree in management, a senior engineer. She currently serves as the secretary to the Disciplinary Committee and a member of the Party Committee of the Company. Dr. Yang served as an assistant researcher in the Planning Division under the Planning Department of the Ministry of Energy Department of the State, deputy director of the Planning Department of Comprehensive Planning, Investment and Financing Department of the State Power Corporation, deputy director of the Planning and Development Department and head of the Leading Party Members' Group Inspection Office of China Guodian.

The Directors and supervisors of the Company have performed their duties in accordance with the requirements of the Articles of Association, Rules of Procedure of Board Meeting and Rules of Procedure of the Supervisory Committee Meeting of the Company. Under the decision and authorization of the Board, the senior management is responsible for business operation of the Company. Yang Jiping, Chief Executive Officer and Deputy Secretary to the Party Committee, is responsible for the Board and exercises his responsibilities as the Chief Executive Officer in accordance with the requirements of the Articles of Association. Mr. Yang presides over the daily production and operation work of the Company, and is responsible for strategic planning, production and operation management and audit. Mr. Yang presides over works of the coal industry operation management centre and the operation management centre in the transportation industry. Xu Mingjun, Secretary to the Party Committee and Executive Vice President, is in charge of Party building, establishment of integrity, ideology and politics, cadre talents, organization of work, news propaganda, united front, labour union and groups and construction of corporate culture. Secretary to the Board and member to the Party Committee Huang Qing is in charge of Board affairs, board of supervisors affairs, information disclosure and investor relationship management. Zhang Guangde, Executive Vice President and member to the Party Committee, is in charge of coordination of technical information, power industry, coal chemical industry and international business. Wang Xingzhong, Executive Vice President and member to the Party Committee, is in charge of production safety in transportation, energy saving and environmental protection work; Zhang Changyan, the deputy secretary to the Party Committee and the General Legal Adviser, is in charge of the press and promotion, united front, mass group, corporate culture construction, corporate management, legal affairs, material procurement, trade union work; Yang Suping, secretary to the Disciplinary Committee and member of Party Committee, is responsible for discipline inspection and supervision and the building of Party style and anti-corruption government and tour inspection; Xu Shancheng, Chief Financial Officer and member to the Party Committee, is in charge of financial operation, cost control, capital operation, property rights management.

(II) Share incentive plan awarded to directors, supervisors and senior management during the reporting period

☐ Applicable ✔ Not applicable

II. POSITIONS OF EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Positions held in the shareholders of the Company

Category	Name	Name of shareholder	Positions	Commencement of term of office	Expiry of term of office
Directors of China Shenhua	Wang Xiangxi	China Energy	Chairman and Secretary to the Leading Party Members' Group	March 2019	–
	Li Dong	China Energy	Deputy General Manager and member of the Leading Party Members' Group	November 2017	–
	Gao Song	China Energy	Deputy General Manager and member of the Leading Party Members' Group	November 2017	–
		GD Power	Director	September 2012	February 2020
		GD Dadu River Hydropower Development Co., Ltd.	Chairman	July 2018	March 2020
		GD Jinsha River Xulong Hydropower Development Co., Ltd	Chairman	June 2018	–
		GD Jinsha River Benzilan Hydropower Development Co., Ltd.	Chairman	June 2018	–
	Mi Shuhua	China Energy	Deputy General Manager and member of the Leading Party Members' Group	November 2017	–
		GD Power	Director	April 2014	February 2020-
		GD New Energy Technology Research Institute	Dean	December 2016	September 2019
	Zhao Jibin	China Energy	External Director	November 2017	–
Supervisors of China Shenhua	Zhai Richeng	China Energy	Full-time Director (director level)	May 2018	–
	Zhou Dayu	China Energy	Director of Industrial Coordination Department	May 2018	March 2020
			Director of Material and Procurement Supervision Department	March 2020	–
Senior Management of China Shenhua	Yang Jiping	China Energy	Director of Operation Management Centre of Coal Industry	August 2019	March 2020
		China Energy	Director of Operation Management Centre of Transportation Industry	December 2019	March 2020
	Huang Qing	Beijing GD Power	Vice Chairman	March 2019	–
		Shenhua Coal Trading Co., Ltd.	the Chairman of the Supervisory Committee	November 2019	–
	Zhang Guangde	Beijing GD Power	Director	March 2019	–
	Xu Shancheng	Beijing GD Power	Chairman of the Board of Supervisors	March 2019	–

(II) Positions held in other entities

Name	Name of other entities	Positions	Commencement of term of office	Expiry of term of office
Zhao Jibin	China National Building Material Group Corporation	External Director	December 2014	–
Tam Wai Chu, Maria	Wing On Company International Limited	Independent Non-Executive Director	January 1994	–
	Sinopec Kantons Holdings Limited	Independent Non-Executive Director	March 1998	–
	Nine Dragons Paper (Holdings) Limited	Independent Non-Executive Director	February 2006	–
	Macau Legend Development Limited	Independent Non-Executive Director	June 2013	–
	Hong Kong Chronicles Institute Limited (a non-profit making organisation)	Director	November 2019	–
	Sa Sa International Holdings Limited	Independent Non-Executive Director	June 2004	September 2019
Peng Suping	State Key Laboratory of Coal Resources and Safe Mining (China University of Mining and Technology, Beijing)	Director	January 2007	–
	Beijing Haohua Energy Resource Co., Ltd	Independent Director	September 2019	–
Jiang Bo	Sinopec Oilfield Service Corporation	Independent Non-Executive Director	February 2015	–
	China Reinsurance (Group) Corporation	Independent Director	January 2019	–

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures	The remuneration package of directors and supervisors of the Company was submitted to the general meeting for approval after consideration and approval by the Remuneration Committee and the Board, and the remuneration package of senior management was submitted to the Board for approval after consideration and approval by the Remuneration Committee.
Basis for determination	The remuneration package of relevant directors and supervisors was proposed by the Company in accordance with international and domestic practices and with reference to the remuneration of directors and supervisors of large-scale listed companies in China. The remuneration package of senior management of the Company was formulated by the Company in accordance with relevant provisions on the administration of the annual remuneration of the senior management and annual performance assessment.
Actual payment of remuneration	Please refer to "Changes in shareholding and remuneration" in this section
Total remuneration actually obtained as at the end of the reporting period	Please refer to "Changes in shareholding and remuneration" in this section

IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Particular of movements	Reason for the change
Wang Xiangxi	Executive Director	Elected	Elected at the annual general meeting on 21 June 2019
	Chairman	Elected	Elected at the 21st meeting of the fourth session of the Board
Zhang Changyan	Employees' Representative Supervisor	Elected	Elected by employees democratically
Yang Jiping	Chief Executive Officer	Appointed	Appointed at the 22nd meeting of the fourth session of the Board
Zhao Yongfeng	Executive Vice President	Appointed	Appointed at the 22nd meeting of the fourth session of the Board
Wang Xingzhong	Executive Vice President	Appointed	Appointed at the 24th meeting of the fourth session of the Board
Ling Wen	Chairman and Executive Director	Resigned	Resigned on 26 April 2019 due to job change
Huang Ming	Independent Non-Executive Director	Resigned	Resigned on 6 August 2019 due to personal reasons
Shen Lin	Employees' Representative Supervisor	Resigned	Resigned on 25 November 2019 due to job change
Zhang Jiming	President	Resigned	Resigned on 8 August 2019 due to job change
Jia Jinzhong	Deputy General Manager and General Legal Adviser	Resigned	Resigned on 25 September 2019 due to job change

Mr. Zhang Changyan has served as the general legal adviser of the Company since December 2019.

Mr. Zhao Yongfeng has resigned as the executive vice president of the Company on 26 March 2020, and no longer served as member of Party Committee of the Company.

V. SANCTION FROM SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

☐ Applicable ✔ Not applicable

VI. OTHER SIGNIFICANT MATTERS

During the reporting period, none of the Directors, Supervisors and Senior Management of the Company held shares of the Company, and none of the change in shareholding of the Company shall be disclosed pursuant to the Administrative Rules Concerning the Holding and Change of Shares held by Directors, Supervisors and Senior Management of A Listed Company promulgated by the CSRC.

As of 31 December 2019, none of the directors, supervisors or chief executives of the Company hold any shares of the Company, nor did they have any interest or short position in the shares or underlying shares of the Company or of any of its associated corporations within the meaning of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong) required, pursuant to section 352 of the SFO, to be recorded in the register which shall be kept by the Company, or to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

The securities transactions of the directors of the Company have been carried out in accordance with the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the Hong Kong Listing Rules. The Model Code is also applicable to the supervisors and senior management of the Company. The directors, supervisors or senior management have confirmed that they have fully complied with the Model Code in 2019 or during their respective terms of office.

All the directors and supervisors have provided relevant training records to the Company and have participated in training programs in accordance with relevant requirements by regulatory authorities. The Secretary to the Board of the Company has participated in training programs for more than 15 hours in accordance with relevant requirements.

When considering any matters or transactions at any board meeting, the directors are required to declare any direct or indirect interests and recluse themselves where appropriate. Saved as their own service contracts, and the Mutual Coal Supply Agreement, the Mutual Supplies and Services Agreement and the Financial Services Agreement for 2020–2022 entered into between the Company and China Energy on 22 March 2019, none of the directors and supervisors of the Company has any material personal interests, directly or indirectly, in material contracts, transactions or arrangements entered into by the Company or any of its subsidiaries in 2019 and subsisting during or at the end of the year of 2019; The directors and supervisors of the Company have confirmed that they and their associates have not entered into any connected transaction with the Company and its subsidiaries.

The Company has entered into service contracts with all of its directors and supervisors. None of the directors or supervisors has entered into or proposed to enter into any service contract with members of the Group which cannot be terminated by the Group within one year without any compensation (other than the statutory compensation). The Company has maintained appropriate liability insurance for its directors, supervisors and senior management. Directors of the Company are entitled to be indemnified for the verification and inspection costs, individual investigation costs, tax liabilities and loss prevention expenses incurred by or relating to the execution and performance of duties subject to the applicable laws and under the coverage of directors liability insurance taken out by the Company for the directors. These provisions are valid during the period ended 31 December 2019 and remain to be valid as at the date of this report.

Other than their working relationships in the Company, none of the directors, supervisors or the senior management has any financial, business or family relationship or any relationship in other material aspects with each other. For the year ended 31 December 2019, the Company had not granted any equity securities or warrants to its directors, supervisors and senior management or their respective spouses or children under the age of 18.

VII. EMPLOYEES OF THE GROUP

(I) Employees as at the end of 2019

Number of current employees of the headquarter of the Company *(number of person)*	208
Number of current employees of the branches/subsidiaries of the Company *(number of person)*	75,412
Total number of current employees of the Group *(Number of person)*	**75,620**
Number of retired employees in respect of which the Company and subsidiaries bore cost *(number of person)*	11,076

Function

Function	**Number of person**
Operation and repair	44,188
Management and administration	12,208
Finance	1,556
Research and development	2,654
Technical support	9,656
Sales and marketing	633
Others	4,725
Total	**75,620**

Education Level

Education Level	Number of person
Postgraduate and above	3,360
University graduate	28,944
College graduate	19,524
Specialized secondary school graduate	10,133
Graduate of technical school, high school and below	13,659
Total	**75,620**

(II) Remuneration policy

The Company has formulated a remuneration policy comprising basic salary and performance assessment. The remuneration policy is competitive within the industry and is favoring the frontline employees.

(III) Training program

The Company has established a training system with different levels and channels to provide the employees with appropriate training in job skills, safe production and group management etc. During 2019, the accrued capital used for training was approximately 213 million. The number of attendances in training was approximately 1.3236 million with training hours of approximately 13.1155 million hours in aggregate. For details, please refer to the 2019 ESG Report of the Company.

(IV) Outsourced Work in 2019

Total number of working hours of outsourced work	Approximately 73.35 million hours
Total remuneration paid for outsourced work	RMB3,179 million

Section IX Corporate Governance and Corporate Governance Report

I. CORPORATE GOVERNANCE

The Board is responsible for implementing good corporate governance of the Company. The Company has been in compliance with the requirements of corporate governance policies as set out in Appendix 14 of the Hong Kong Listing Rules to establish its own system of corporate governance.

The convening, voting and disclosure procedures of board meetings of the Company, rules of procedure of the Board and procedures for nomination and appointment of Directors are in compliance with relevant requirements. Being a standing decision-making body of the Company, the Board is accountable to the shareholders' general meeting, and exercises function and power in accordance with the requirements of article 131 of the Articles of Association and relevant applicable regulatory requirements. Being a standing executive body of the Company, operating management comprising senior management including the chief executive officer, is accountable to the Board and exercises function and power in accordance with the requirements of article 153 of the Articles of Association and relevant applicable regulatory requirements. The Articles of Association sets out the respective duties of the Chairman of the Board and the chief executive officer in detail. The Chairman of the Board and the chief executive officer are held by different personnel.

During the year ended 31 December 2019, the Company has been in full compliance with the provisions of principle and codes and most of the recommended best practices as specified therein. For the terms of functions and powers of the Board and the Board Committees under the Corporate Governance Code, please refer to the Articles of Association, Rules of Procedure of the Board and the Board Committees, which have been published on the websites of the stock exchanges where the Company is listed and on the Company's website. During the reporting period, the Company has made one amendment to the Articles of Association. For details, please refer to the H Share Announcements of the Company dated 22 March and 21 June 2019 and the A Share Announcements of the Company dated 23 March and 22 June 2019.

The Board of the Company has set out the board diversity policy for members of the Board, which was set out in the terms of reference of the nomination committee of the Board of the Company and has been disclosed. When selecting the candidates in accordance with the board diversity policy of the Company, the Board will use a series of diversified terms, including but not limited to gender, age, culture and educational background, race, skills, knowledge and professional experience as standard, and will determine in conjunction with the characteristics and role of the personnel. As at the end of the reporting period, the Board of the Company consisted of 9 Directors, including 4 Executive Directors, 1 Non-Executive Director and 4 Independent Non-Executive Directors; among whom 3 female Directors were included. Directors are from various domestic and overseas industries, and the composition of the members features diversity. Each Director's knowledge base and field of expertise are professional and complementary in the overall board structure, which guarantees the scientific decision-making of the Board.

For the composition of the Board and securities transactions, continuous training and term of office of the Directors, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" of this report. For the accounting firm's remuneration, please refer to the section headed "Significant Events" of this report. For the strategy and risk assessment of the Company, please refer to the section headed "Discussion and Analysis on Operation Results" of this report.

II. GENERAL MEETINGS

1. Shareholders' rights

As owners of the Company, the shareholders of the Company are entitled to the rights as stipulated in laws, administrative regulations and the Articles of Association of China Shenhua. The shareholders' general meeting is the highest authoritative body of the Company, through which shareholders can exercise their rights. The controlling shareholder takes part in the Company's operations and decision-makings through shareholders' general meetings and the Board.

Pursuant to Articles 66, 69 and 75 of the Articles of Association of China Shenhua, shareholders may submit written request to the Board for the convening of extraordinary general meetings or class meetings and submit proposals to the Company at general meetings. Upon providing the Company with written evidence of the class and number of shares of the Company held, and following verification of the shareholders' identity by the Company, shareholders are entitled to inspect the relevant information of the Company or obtain the Articles of Association, the register of shareholders, minutes of general meetings, resolutions of meetings of the Board and the supervisory committee, regular reports and financial and accounting reports, etc.

The Company discloses information in strict compliance with the listing rules of its places of listing. The Company makes its investor relations hotline, fax and email available. The Company has established an effective communication channel with shareholders through such information disclosure system and an investor reception system.

2. Convening of general meetings during the reporting period

Meetings	Date	Inquiry index for the designated website for publishing the voting results	Date of disclosure of the publication of the voting results
2018 Annual General Meeting	21 June 2019	The website of the SSE	22 June 2019

All the resolutions tabled at the general meeting above were passed. The voting results were disclosed on the website of the HKEx on 21 June 2019, and were also disclosed on the website of the SSE on 22 June 2019, respectively.

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

The Company's shareholders' representative, supervisors' representative, witness lawyers and the representative of Computershare Hong Kong Investor Services Limited acted as scrutineer at the general meeting. The PRC legal advisor of the Company issued the legal opinion. Representatives of the auditors attended the Annual General Meeting and announced their audit opinions.

III. PERFORMANCE OF DUTIES OF THE BOARD

(I) Attendance at Board meetings and general meetings

		Attendance at Board meetings						
Name of Director	Independent Director or not	Required attendance at Board meetings this year	Attendance in Person	Attendance by correspondence	Attendance by proxy	Absence	Absent at two consecutive meetings in person or not	Attendance at general meetings/ require attendance
Wang Xiangxi	No	4	4	0	0	0	No	0/0
Li Dong	No	8	6	1	2	0	No	1/1
Gao Song	No	8	7	1	1	0	No	1/1
Mi Shuhua	No	8	6	1	2	0	No	1/1
Zhao Jibin	No	8	8	1	0	0	No	1/1
Tam Wai Chu, Maria	Yes	8	8	2	0	0	No	1/1
Peng Suping	Yes	8	8	1	0	0	No	1/1
Jiang Bo	Yes	8	8	1	0	0	No	0/1
Zhong Yingjie, Christina	Yes	8	8	1	0	0	No	1/1
Ling Wen	No	3	2	0	1	0	No	0/0
Huang Ming	Yes	5	5	1	0	0	No	1/1

Notes: 1. Wang Xiangxi was elected as the Executive Director of the fourth session of the Board of the Company at the 2018 Annual General Meeting on 21 June 2019; the election of Wang Xiangxi as the Chairman of the fourth session of the Board and the member and Chairman of Strategy Committee was approved at the 21st meeting of the fourth session of the Board of the Company.

2. Ling Wen resigned as the Chairman, an Executive Director and the Chairman and a member of the Strategy Committee of the Board of Directors of the Company on 26 April 2019;

3. Huang Ming resigned as an Independent Non-executive Director and a member of the Nomination Committee of the Board of Directors of the Company on 6 August 2019.

Number of Board meetings held during the year	8
Including: Number of meetings held on-site	6
Number of meetings held by correspondence	1
Number of meetings held on-site with correspondence	1

In 2019, the Board of the Company held a total of 8 meetings, at which all the proposals were considered and approved. Details of the meetings are as follows:

No.	Name	Date	Methods
1	The 17th meeting of the fourth session of the Board	29 January 2019	On-site
2	The 18th meeting of the fourth session of the Board	22 March 2019	On-site
3	The 19th meeting of the fourth session of the Board	25 April 2019	On-site
4	The 20th meeting of the fourth session of the Board	10 May 2019	Correspondence
5	The 21st meeting of the fourth session of the Board	21 June 2019	On-site
6	The 22nd meeting of the fourth session of the Board	23 August 2019	On-site with correspondence
7	The 23rd meeting of the fourth session of the Board	28 October 2019	On-site
8	The 24th meeting of the fourth session of the Board	30 December 2019	On-site

(II) Performance of duties of independent Directors

As of the end of the reporting period, the fourth session of the Board of the Company had four Independent Non-Executive Directors, namely Tam Wai Chu, Maria, Peng Suping, Jiang Bo, and Zhong Yingjie, Christina, among whom Jiang Bo and Zhong Yingjie, Christina are accounting professionals. Huang Ming resigned as Independent Non-executive Director and member of Nomination Committee of the Company on 6 August 2019.

The Company has received written confirmation from each of the Independent Non-Executive Directors confirming their independence. The Company is of the view that all of the Independent Non-Executive Directors are independent. The number and background of the independent Directors are in compliance with the requirements of the listing rules of the places of listing.

During the reporting period, the independent Directors of the Company strictly complied with the requirements of relevant laws and regulations, the Articles of Association of the Company, relevant rules of procedure of meetings and the independent Directors system of the Company. They maintained their independence as independent Directors, performed their functions of supervision, participated in the formation of various important decisions of the Company and reviewed regular reports and financial reports of the Company. Therefore, the independent Directors of the Company played an important role in the regulated operation of the Company and protected the legitimate interests of minority shareholders.

The Company ensured that proper conditions are in place for independent Directors to perform their duties and proactively adopted opinions and suggestions from independent Directors. The Company made amendments to the Independent Directors System in accordance with changes in relevant rules of regulatory authorities in view of the actual conditions of the Company, to provide, in a systematic way, guarantee for the independent Directors to perform their duties, and designated departments to undertake work related to independent Directors' affairs and independent board committee, assisting the independent Directors in conducting research and investigation, convening meetings and expressing independent opinions, etc.

For the attendance of independent Directors at Board meetings and general meetings, please refer to the section of "Attendance at Board meetings and general meetings".

Dissenting views of independent Directors on matters of the Company:

☐ Applicable ✔ Not applicable

(III) Implementation of resolutions passed at the general meetings by the Board

General Meeting	Subject Matter	Status
2018 Annual General Meeting of China Shenhua	To approve the profit distribution plan of the Company for the year 2018	Completed in the third quarter of 2019.
	To approve the remuneration of directors and supervisors for the year 2018	Executed
	To approve the purchase of liability insurance for directors, supervisors and senior management with liability limit	Executed
	To approve the appointment KPMG Huazhen LLP and KPMG as the international and the PRC auditors of the Company for the year of 2019	For details of remuneration, please see the section headed "Significant Events" of this report
	To approve the Company entering into the Mutual Coal Supply Agreement with China Energy and the proposed annual caps and the transactions contemplated thereunder for 2020-2022	For details, please see the section headed "Significant Events" of this report
	To approve the Company entering into the Mutual Supplies and Services Agreement with China Energy and the proposed annual caps for the transactions contemplated thereunder for 2020-2022	For details, please see the section headed "Significant Events" of this report
	To approve the Company entering into the Financial Services Agreement with China Energy and the proposed annual caps for the transactions contemplated thereunder for 2020-2022	For details, please see the section headed "Significant Events" of this report
	To approve the amendments to the Articles of Association	Executed
	To approve the amendments to the Rules of Procedure of General Meeting	Executed
	To approve the amendments to the Rules of Procedure of the Board	Executed
	To approve the amendments to the Rules of Procedure of the Supervisory Committee	Executed
	To approve the election of Mr. Wang Xiangxi as an executive director of the fourth session of the board of directors of the Company	Executed

IV. THE PERFORMANCE OF DUTIES OF THE COMMITTEES UNDER THE BOARD DURING THE REPORTING PERIOD

(I) Composition of the committees

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

The fourth session of the Board committees

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

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

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

1. Strategy Committee

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

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

2. Audit Committee

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

In 2019, the Audit Committee held 9 meetings to consider proposals such as the financial reports, internal control reports, and connected transactions of the Company; debriefing on utilizing idle funds to increase the gains of the Company, land acquisition for open-pit mine, all of which were approved at the meetings and all members attended all meetings in person.

The Audit Committee has performed required procedures for the preparation of the 2019 annual report and internal control report of the Company:

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

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

(3) KPMG completed all audit procedures within the agreed time and reported to the Audit Committee its intention to issue a standard unqualified audit report for 2019. On 26 March 2020, the Audit Committee voted on and formed resolutions in respect of the audited annual financial and accounting statements, the assessment report on internal control and the social responsibility and corporate governance report for the year 2019 and agreed to submit such reports to the Board for consideration.

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

3. Remuneration Committee

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

In 2019, the Remuneration Committee held one meeting to consider proposals including the remuneration of Directors, supervisors and senior management for the year 2018 and the purchase of liability insurance for directors, supervisors and senior management with liability limit, all of which were approved at the meeting and all members attended the meetings in person. During the reporting period, the Remuneration Committee reviewed the remuneration management system of the Company and the remuneration level for Directors, supervisors and senior management for the relevant period.

4. Nomination Committee

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

In 2019, the Nomination Committee held four meetings to consider proposals including the nominations of candidates for Chief Executive Officer, Executive Vice President, and members of relevant committees under the fourth session of Board, all of which were approved at the meetings and all members attended all meetings in person.

5. Safety, Health and Environment Committee

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

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

V. THE SUPERVISION OPINION OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee did not have any dissenting view over the matters supervised by the Supervisory Committee. For details, please refer to the section headed "Supervisory Committee's Report" in this report.

VI. EXPLANATION OF INDEPENDENCE AND COMPETITION

During the reporting period, China Shenhua enhanced its leadership in Party building, improved organisational effectiveness, optimised functional departments and industrial centers, strengthened the management system and control mechanism, and further improved the daily operation mechanism of the listed state-owned company 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 Group (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. For details, please refer to Section VI Performance of Commitment of this report.

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, organization and finance.

VII. THE EXAMINATION AND EVALUATION AND THE INCENTIVE MECHANISM FOR THE SENIOR MANAGEMENT

The Company established the remuneration package of the senior management in accordance with the Provisional Measures for the Administration of the Annual Remuneration of the Senior Management of China Shenhua Energy Company Limited. The Company has adopted a performance appraisal system for senior management which combines annual appraisal of operational performance and appraisal of operational performance over the terms of office. Such annual appraisal and appraisal over the terms of office are conducted based on the letter of responsibility of operational performance signed by the Board and the management.

The remuneration of the management is determined in accordance with the Provisional Measures for the Administration of the Annual Remuneration of the Senior Management. In addition to the basic salary, the Board of the Company conducts appraisal based on the performance of the management, and a performance bonus is determined based on the results of such appraisal.

VIII. INTERNAL CONTROL AND RISK MANAGEMENT

The Company has established a risk-oriented internal control system. The internal control and risk management procedures of the Company include risk assessment and reporting at the beginning of the year, quarterly major risk monitoring, daily system risk review and specialized supervision and inspection on internal control, and annual internal control evaluation, forming an integrated closed-loop management system. Also, a hierarchical work organizational structure comprising the Board and the Audit Committee, the functional departments of the headquarters and the subsidiaries and branches of the Company was established to safeguard the effective operation of internal control and risk management. The Board is responsible for risk management and internal monitoring and control systems, and is accountable for reviewing the effectiveness of such systems. The Board conducts review on risk management and internal monitoring and control systems once a year. The Board considers that the risk management and internal monitoring and control systems of the Group were effectively operated in 2019.

It is the responsibility of the Board of the Company to establish a sound and effective internal control and evaluate its effectiveness, and make bona fide disclosure on the Self-assessment Report on Internal Control in accordance with the requirements under the Enterprise Internal Control Normative System. The Supervisory Committee is responsible for the supervision on the internal control system established and implemented by the Board, while the management level is responsible for the organization and guidance of the daily operation of internal control within the enterprise.

The objectives of the internal control of the Company are to provide reasonable assurance on lawful operation and management, asset safety and the truthfulness and completeness of financial reports and relevant information, to enhance operation efficiency and effectiveness, and to facilitate the implementation of development strategies. As there are inherent limitations on internal control, assurance can only be provided for the above objectives to a certain reasonable extent. In addition, there are certain risks in predicting the effectiveness of future internal control based on the results of assessment on internal control given to the inappropriate internal control or the loosened level of compliance with policies and procedures on internal control that may be resulted by changes in different circumstances.

An internal control supervision and inspection mechanism was formed to conduct evaluation on internal control on annual basis. Procedures for internal control evaluation include: formulating a proposal for internal control evaluation, establishing a working committee of internal control inspection, conducting self-evaluation on internal control, conducting evaluation on internal control by inspectors, communicating and identifying deficiencies in internal control, rectifying deficiencies in internal control and preparing report on internal control. The Company has evaluated the effectiveness of internal control for 2019 in accordance with the aforementioned procedures.

The 2019 Proposal for Internal Control Evaluation of the Company was considered and approved by the Audit Committee under the Board, and the 2019 Annual Report on Internal Control Evaluation was considered and approved by the Board. The Board and the Audit Committee of the Company are of the view that such inspection and supervision mechanism is able to evaluate the effectiveness of internal control and risk management operation of the Company.

According to the evaluation, during the reporting period, all businesses and matters involving major risks have been included in the scope of evaluation, and internal control system has been established for and effectively implemented on major businesses and matters, which accomplished the objectives of internal control of the Company.

As presented in the 2019 Annual Self-assessment Report on Internal Control of the Board, no material defects were found in the internal control of financial reporting as at the base date of the Assessment Report on Internal Control, pursuant to the identification of material defects in the internal control over the financial reporting of the Company. The Board is of the opinion that the Company has maintained effective internal control over its financial reporting in all material aspects in accordance with the requirements under the Enterprise Internal Control Normative System and relevant regulations and its supplementary guidelines as well as other regulatory requirements on internal control. Based on the identification of material defects in the internal control over non-financial reporting of the Company, no material defects were identified by the Company in the internal control over non-financial reporting as at the base date of the Assessment Report on Internal Control. Nothing that would affect the evaluation result of the effectiveness of internal control occurred from the base date of the Assessment Report on Internal Control to the date of issuance of the Assessment Report on Internal Control.

Regarding the treatment and publishing of inside information, the Company has formulated internal systems such as the Administrative Measures for the Insider Information and Insider Registration and the Administrative Measures for Information Disclosure of Internal Report for Material Matters, which stipulated, among others, the scope of insider information and insiders, reporting process, registration and filing, and prohibited behaviors. The scope of insiders is under strict control so as to eliminate the risk of insider information leakage.

Material defects in the internal control during the reporting period:

☐ Applicable ✔ Not applicable

IX. DESCRIPTION OF THE AUDIT REPORT ON INTERNAL CONTROL

KPMG Huazhen LLP, engaged by the Company, has issued the standard unqualified Audit Report on Internal Control. The Audit Report on Internal Control is of the opinion that as at 31 December 2019, China Shenhua had maintained effective internal control over its financial reporting in all material aspects in accordance with the Basic Standard for Enterprise Internal Control and the relevant requirements. The above audit opinions are in line with the opinions set out in the Self-assessment Report of the Board.

Please refer to the relevant announcement disclosed by the Company on the website of the SSE on 28 March 2020 for the 2019 Assessment Report on Internal Control and Audit Report on Internal Control.

Section X Supervisory Committee's Report

The Supervisory Committee of the Company had, based on the attitude of being responsible to all shareholders, performed their supervisory duties faithfully and carried out their work proactively and effectively to protect the lawful interests of the Company and its shareholders in accordance with the relevant requirements under the Company Law of the People's Republic of China and the Articles of Association.

I. PERFORMANCE OF DUTIES OF THE SUPERVISORY COMMITTEE

During the reporting period, in compliance with the requirements of the Articles of Association and the Rules of Procedures of Meetings of the Supervisory Committee, the Supervisory Committee of the Company conducted strict supervisions on the lawful operations, financial position and the performance of duties of the Board and the management of the Company.

In 2019, the Supervisory Committee of the Company held four meetings in total.

Meeting	Date	Venue	Method of Meeting	Attendance of supervisors	Subject matter	Poll results
The 12th meeting of the fourth session of the Supervisory Committee	22 March	Beijing	On-site	All	Proposal of the 2018 Annual Report of the Company	Passed unanimously
					Proposal of the 2018 Financial Report of the Company	Passed unanimously
					Proposal of the 2018 profit distribution plan of the Company	Passed unanimously
					Proposal of the 2018 ESG Report of China Shenhua Energy Company Limited	Passed unanimously
					Proposal of the 2018 Assessment Report on Internal Control of the Company	Passed unanimously
					Proposal of the Supervisory Committee's report of the Company for the year 2018	Passed unanimously
The 13th meeting of the fourth session of the Supervisory Committee	25 April	Beijing	On-site	All	Proposal of the Rules of Procedures of Meetings of the Supervisory Committee of China Shenhua Energy Company Limited	Passed unanimously
					Proposal of the 2019 First Quarterly Report of the Company	Passed unanimously
					Proposal of the 2019 First Quarterly Financial Report of the Company	Passed unanimously
					Proposal of the 2019 Capital Operation Plan of the Company	Passed unanimously
The 14th meeting of the fourth session of the Supervisory Committee	23 August	Beijing	On-site	All	Proposal of the 2019 Interim Report of the Company	Passed unanimously
					Proposal of the 2019 Interim Financial Report of the Company	Passed unanimously
The 15th meeting of the fourth session of the Supervisory Committee	28 October	Beijing	On-site	All	Proposal of the 2019 Third Quarterly Report of the Company	Passed unanimously
					Proposal of the 2019 Third Quarterly Financial Report of the Company	Passed unanimously

II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE LAWFUL OPERATION OF THE COMPANY

The Supervisory Committee is of the opinion that the Board and the management of the Company have acted in strict accordance with the Company Law, the Articles of Association and the relevant regulations of the jurisdiction where the Company is listed, performed their duties with integrity and diligence and conscientiously implemented the resolutions of, and exercised the power granted by the general meetings; and that the decisions and operations are in compliance with the laws and regulations and the Articles of Association. During the reporting period, the Supervisory Committee is not aware of any act committed by the Board and the management of the Company during their performance of duties which were in breach of laws, regulations and the Articles of Association or prejudicial to the interests of the Company.

III. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE FINANCIAL POSITION OF THE COMPANY

The Supervisory Committee is of the opinion that the financial statements of the Company give an objective, true and fair view of the financial position and the operating results of the Company in all material aspects and are true and reliable with its regulated financial audit and sound internal control system. The financial report for 2019 has been audited by KPMG Huazhen LLP and KPMG in accordance with China Accounting Standards for Business Enterprises and International Financial Reporting Standards, each of whom had issued a standard unqualified audit report.

IV. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE MAJOR ACQUISITION AND DISPOSAL OF ASSETS OF THE COMPANY

During the reporting period, there were no major acquisition and disposal of assets of the Company.

V. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CONNECTED TRANSACTIONS OF THE COMPANY

The Supervisory Committee is of the opinion that the connected transactions of the Company have been carried out in strict compliance with the principles of fairness, equality and openness under the statutory decision-making procedures, the connected transactions carried out are in accordance with the requirements of the listing rules, and the disclosure of information is standardized and transparent. The Supervisory Committee is not aware of any act prejudicial to the interest of the Company.

VI. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE SELF-ASSESSMENT REPORT ON INTERNAL CONTROL OF THE COMPANY

The self-assessment report on internal control of the Company has truthfully reflected the establishment and implementation of the internal control of the Company and its internal control system is sound and effective.

VII. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE ESTABLISHMENT AND IMPLEMENTATION OF THE MEASURES ON INSIDER MANAGEMENT

The insider management system of the Company is sound and comprehensive, effective in its implementation and able to keep all insider information confidential.

The Supervisory Committee of the Company will continue to perform its duties with due care to facilitate the standardized operation of the Company and to safeguard the lawful interests of the Company and its shareholders in strict compliance with the Company Law and the Articles of Association.

Section XI Investor Relations

In 2019, China Shenhua continued to strengthen the management of investor relations to effectively safeguard the rights and interests of investors.

I. PROMOTING EXCHANGES OF INVESTORS IN MULTIPLE FORMS AND CHANNELS TO IMPROVING THE TRANSPARENCY OF LISTED COMPANIES

Firstly, the Company has organized exchange activities for small and medium-sized investors. It held the activity of "a Visit to the Quality of SSE Companies - I am the Shareholder 'Walking into China Shenhua" to enable investors to have a close experience of the operation and management of China Shenhua, and carried out the activity of the fifth "China Shenhua Energy Tour" to organize representatives of Hong Kong teachers to visit China Shenhua for research; secondly, the Company strengthened information disclosure, held regular results announcement conference and online forum, on which the management of the Company attended and interacted with over 100 investors; thirdly, the Company appointed special personnel responsible for special duty to serve investors. The Company has designated special personnel to conduct daily communication with investors, receiving over 300 times of investigation and research of investment institutions throughout the year, more than 200 times of exchange with investors through participating in capital market forums, and more than 100 times of answering investor hotlines.

II. ENHANCING THE DISCLOSURE AND EXCHANGE OF ENVIRONMENT, SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE (ESG) INFORMATION BY RESPONDING TO THE CHANGE OF MARKET INVESTMENT TREND

In 2019, the Company benchmarked world-class energy enterprises, studied and drew lessons from their excellent ESG management practice and experience, and carried out construction projects for improvement on ESG governance. The Company determined the improvement direction and key disclosure contents of ESG management, and released regular ESG reports through analysis on substantive issues. The Company also released ESG related news through the official website, WeChat official account of the Company and other channels. The Company also responded to ESG questionnaires of the Carbon Disclosure Project (CDP) and rating authorities in a timely manner, maintained communication with environmental protection funds and institutions, such as the "Climate Action 100+", and strengthened the disclosure of carbon emissions and other ESG information. The Company answered and listened to investors' questions and opinions by means of hotlines, email and fax to improve the quality of ESG information.

III. RESPONDING TO THE CONCERNS OF INVESTORS ACTIVELY TO DEEPEN THEIR UNDERSTANDING OF THE INDUSTRY AND THE COMPANY

In 2019, with the constant advancement of the marketized reform of domestic power and the increasing proportion of non-fossil energy, both the supply and demand of coal market were weak. Under such situation, on one hand, the Company conducted frank and in-depth exchanges with investors on their concerns of the coal power market, returns of shareholders and capital expenditure from a professional perspective; On the other hand, the Company released its operation data through interim announcements and regular reports presenting the changes in industry policies and regulations to provide timely and effective information for investors. In 2019, the Company constantly improved its information disclosure system with over 210 documents disclosed throughout the year to guarantee investors' right of information to the maximum and to provide basis for decision-making of investors. The Company made targeted response to investors to assist them with the evaluation of the trend in the industry and the development of the Company in a comprehensive and objective manner.

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2	ANNOUNCEMENT OF CHINA SHENHUA REGARDING THE COMPLETION OF THE 168-HOUR TRIAL OPERATION OF GENERATOR NO.2 OF SHENWAN LUJIANG POWER PLANT	2019-1-5
3	ANNOUNCEMENT OF CHINA SHENHUA ON THE UNAUDITED BALANCE SHEET AND INCOME STATEMENT OF SHENHUA FINANCE CO., LTD. FOR THE YEAR 2018	2019-1-11
4	ANNOUNCEMENT OF CHINA SHENHUA ON THE MAJOR OPERATIONAL DATA OF DECEMBER 2018	2019-1-23
5	ANNOUNCEMENT OF CHINA SHENHUA REGARDING RESOLUTIONS AT THE 17TH MEETING OF THE FOURTH SESSION OF THE BOARD	2019-1-30
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69	ANNOUNCEMENT OF CHINA SHENHUA ON THE MAJOR OPERATIONAL DATA OF JULY 2019	2019-8-20
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1	MONTHLY RETURN OF EQUITY ISSUER ON MOVEMENTS IN SECURITIES FOR THE MONTH ENDED 31 DECEMBER 2018	2019-1-2
2	DISCLOSEABLE TRANSACTION; CONNECTED TRANSACTION -ANNOUNCEMENT ON FURTHER DEVELOPMENT OF THE ESTABLISHMENT OF JOINT VENTURE COMPANY	2019-1-4
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35	NOTIFICATION LETTER AND REQUEST FORM TO NON REGISTERED HOLDER	2019-4-12
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56	NOTIFICATION LETTER AND REQUEST FORM TO NON REGISTERED HOLDER	2019-5-6
57	OVERSEAS REGULATORY ANNOUNCEMENT	2019-5-6
58	PROPOSED APPOINTMENTS OF DIRECTORS	2019-5-10
59	SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING	2019-5-10
60	DISCLOSEABLE TRANSACTION, CONTINUING CONNECTED TRANSACTIONS, ENTERING INTO MUTUAL COAL SUPPLY AGREEMENT, ENTERING INTO MUTUAL SUPPLIES AND SERVICES AGREEMENT, ENTERING INTO FINANCIAL SERVICES AGREEMENT,AMENDMENTS TO THE ARTICLES OF ASSOCIATION,PROPOSED APPOINTMENT OF DIRECTOR AND SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING	2019-5-10

No.	Disclosure document for H Shares (published on the website of HKEx)	Date of publication
61	SECOND FORM OF PROXY FOR ANNUAL GENERAL MEETING	2019-5-10
62	OVERSEAS REGULATORY ANNOUNCEMENT	2019-5-10
63	OVERSEAS REGULATORY ANNOUNCEMENT	2019-5-10
64	NOTIFICATION LETTER AND REQUEST FORM TO REGISTERED SHAREHOLDER	2019-5-14
65	NOTIFICATION LETTER AND REQUEST FORM TO NON REGISTERED HOLDER	2019-5-14
66	OVERSEAS REGULATORY ANNOUNCEMENT	2019-5-15
67	OVERSEAS REGULATORY ANNOUNCEMENT	2019-5-24
68	MONTHLY RETURN OF EQUITY ISSUER ON MOVEMENTS IN SECURITIES FOR THE MONTH ENDED 31 MAY 2019	2019-5-31
69	OVERSEAS REGULATORY ANNOUNCEMENT	2019-6-17
70	VOTING RESULTS OF 2018 ANNUAL GENERAL MEETING	2019-6-21
71	ARTICLES OF ASSOCIATION	2019-6-21
72	RULES OF PROCEDURE OF THE SUPERVISORY COMMITTEE	2019-6-21
73	RULES OF PROCEDURE OF GENERAL MEETING	2019-6-21
74	RULES OF PROCEDURE OF THE BOARD	2019-6-21
75	APPOINTMENT OF NEW CHAIRMAN OF THE BOARD AND BOARD COMMITTEE MEMBER	2019-6-21
76	POSITIONS HELD BY CURRENT DIRECTORS AT THE BOARD AND THE BOARD COMMITTEES	2019-6-21
77	OVERSEAS REGULATORY ANNOUNCEMENT-ANNOUNCEMENT REGARDING RESOLUTIONS AT THE 21TH MEETING OF THE FOURTH SESSION OF THE BOARD	2019-6-21
78	OVERSEAS REGULATORY ANNOUNCEMENT	2019-6-21
79	MONTHLY RETURN OF EQUITY ISSUER ON MOVEMENTS IN SECURITIES FOR THE MONTH ENDED 30 JUNE 2019	2019-7-1
80	OVERSEAS REGULATORY ANNOUNCEMENT	2019-7-1
81	OVERSEAS REGULATORY ANNOUNCEMENT	2019-7-16
82	ANNOUNCEMENT ON THE MAJOR OPERATIONAL DATA OF JUNE 2019	2019-7-17
83	OVERSEAS REGULATORY ANNOUNCEMENT	2019-7-17
84	MONTHLY RETURN OF EQUITY ISSUER ON MOVEMENTS IN SECURITIES FOR THE MONTH ENDED 31 JULY 2019	2019-7-31
85	RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTOR	2019-8-6
86	POSITIONS HELD BY CURRENT DIRECTORS AT THE BOARD AND THE BOARD COMMITTEES	2019-8-6
87	NOTICE OF BOARD MEETING	2019-8-6
88	RESIGNATION OF PRESIDENT	2019-8-8
89	ANNOUNCEMENT ON PROFIT ALERT FOR THE FIRST HALF OF 2019	2019-8-9
90	ANNOUNCEMENT ON THE MAJOR OPERATIONAL DATA OF JULY 2018	2019-8-19
91	OVERSEAS REGULATORY ANNOUNCEMENT	2019-8-23

No.	Disclosure document for H Shares (published on the website of HKEx)	Date of publication
92	OVERSEAS REGULATORY ANNOUNCEMENT	2019-8-23
93	APPOINTMENT OF CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENT	2019-8-23
94	AMENDMENTS TO THE ARTICLES OF ASSOCIATION	2019-8-23
95	ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019	2019-8-23
96	2019 INTERIM REPORT	2019-8-25
97	MONTHLY RETURN OF EQUITY ISSUER ON MOVEMENTS IN SECURITIES FOR THE MONTH ENDED 31 AUGUST 2019	2019-9-2
98	NOTIFICATION LETTER AND REQUEST FORM TO REGISTERED SHAREHOLDER	2019-9-6
99	NOTIFICATION LETTER AND REQUEST FORM TO NON REGISTERED HOLDER	2019-9-6
100	ANNOUNCEMENT ON THE MAJOR OPERATIONAL DATA OF AUGUST 2019	2019-9-18
101	CHANGE OF SENIOR MANAGEMENT	2019-9-25
102	MONTHLY RETURN OF EQUITY ISSUER ON MOVEMENTS IN SECURITIES FOR THE MONTH ENDED 30 SEPTEMBER 2019	2019-9-30
103	NOTICE OF BOARD MEETING	2019-10-9
104	ANNOUNCEMENT ON THE MAJOR OPERATIONAL DATA OF SEPTEMBER 2019	2019-10-18
105	OVERSEAS REGULATORY ANNOUNCEMENT	2019-10-28
106	THIRD QUARTERLY REPORT FOR THE YEAR 2019	2019-10-28
107	OVERSEAS REGULATORY ANNOUNCEMENT	2019-10-28
108	OVERSEAS REGULATORY ANNOUNCEMENT	2019-10-28
109	CONTINUING CONNECTED TRANSACTIONS	2019-10-28
110	MONTHLY RETURN OF EQUITY ISSUER ON MOVEMENTS IN SECURITIES FOR THE MONTH ENDED 31 OCTOBER 2019	2019-10-31
111	ANNOUNCEMENT ON THE MAJOR OPERATIONAL DATA OF OCTOBER 2019	2019-11-21
112	RESIGNATION OF A SUPERVISOR	2019-11-25
113	MONTHLY RETURN OF EQUITY ISSUER ON MOVEMENTS IN SECURITIES FOR THE MONTH ENDED 30 NOVEMBER 2019	2019-12-2
114	APPOINTMENT OF SUPERVISOR	2019-12-4
115	OVERSEAS REGULATORY ANNOUNCEMENT	2019-12-4
116	OVERSEAS REGULATORY ANNOUNCEMENT	2019-12-15
117	ANNOUNCEMENT ON THE MAJOR OPERATIONAL DATA OF NOVEMBER 2019	2019-12-17
118	OVERSEAS REGULATORY ANNOUNCEMENT	2019-12-26
119	OVERSEAS REGULATORY ANNOUNCEMENT	2019-12-30
120	OVERSEAS REGULATORY ANNOUNCEMENT	2019-12-30
121	APPOINTMENT OF EXECUTIVE VICE PRESIDENT	2019-12-30
122	MONTHLY RETURN OF EQUITY ISSUER ON MOVEMENTS IN SECURITIES FOR THE MONTH ENDED 31 DECEMBER 2019	2019-12-31

Section XIII Independent Auditor's Report and Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA SHENHUA ENERGY COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Shenhua Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 187 to 311, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accounts ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment on coal mines related non-current assets

Refer to Note 16(i) to the consolidated financial statements and the accounting policies in Note 3.

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2019, the Group's coal mines related non-current assets, which comprise property, plant and equipment, construction in progress, exploration and evaluation assets and other non-current assets, had a total carrying value of RMB91,906 million. In accordance with the prevailing accounting standards, management performed assessment at the end of the reporting period to determine whether there was any indication that these coal mines related non-current assets may be impaired. An asset is impaired when its recoverable amount, or the recoverable amount of the cash generating unit to which it belongs, is less than its carrying amount. When indications of impairment exist, an impairment assessment should be performed accordingly. Consequently, as a result of the deferral of certain coal mine development plans and unsatisfactory financial performance of certain coal mines in 2019, management assessed the recoverable amounts of these coal mines related non-current assets by value in use calculations which are based on future discounted cash flows on a cash generating unit basis.	Our procedures in relation to impairment assessment on coal mines related non-current assets included: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to impairment assessment on non-current assets, understanding of the Group's procedures to identify impairment indicators of the non-current assets and evaluating management's identification of impairment indicators, if any, based on the internal sources and external sources of information; • assessing the appropriateness of the methodologies used by management to estimate value in use with reference to the requirements of the prevailing accounting standards; • challenging the reasonableness of significant judgements and estimates, such as sales growth rate related to future market supply and demand conditions, future coal price, future capital expenditure, future operating costs and discount rates used in management's calculation of value in use based on our knowledge of the business and industry;

KEY AUDIT MATTERS

Impairment assessment on coal mines related non-current assets (continued)

Refer to Note 16(i) to the consolidated financial statements and the accounting policies in Note 3.

Key audit matter	How our audit addressed the key audit matter
When assessing the recoverable amounts, management is required to make a number of judgemental assumptions, particularly relating to the discount rates, the underlying cash flows projection based on the future market supply and demand conditions. Any changes in management's judgement may impact the results of the impairment assessment. As set out in Note 16(i) to the consolidated financial statements, management concluded that an impairment provision for coal mines related non-current assets of RMB1,045 million was required for the current year. We identified impairment assessment on coal mines related non-current assets as a key audit matter due to the significant judgment made by management in determining the recoverable amounts of the assets and considering the possibility of management bias in the selection of assumptions adopted.	• engaging our internal valuation specialists to assess whether the discount rates applied in the value in use calculations were within the range adopted by other companies in the same industry; • evaluating the historical accuracy of management's forecasts by comparing cash flow forecasts made in previous periods to the actual results in the current year on a sample basis; • evaluating the sensitivity analysis on discount rates and considering the resulting impact on the impairment assessment for the year and whether there were any indicators of management bias; and • assessing the relevant disclosures in the consolidated financial statements in respect of management's impairment assessment with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

Timing of revenue recognition from sale of coal

Refer to Note 5 to the consolidated financial statements and the accounting policies in Note 3.

Key audit matter	How our audit addressed the key audit matter
The Group is the largest listed coal mining company in China based on the sales volume of coal. Sale of coals accounted for 70% of the Group's revenue for the year ended 31 December 2019. Sale of coal is recognised when the control of the coal is transferred to the customer. Management evaluates the terms of individual contracts in order to determine the appropriate timing for revenue recognition, which varies amongst contracts. Revenue is one of the key performance indicators of the Group. We identified the timing of revenue recognition as a key audit matter because of the different terms of trade offered by the Group to its customers which increases the risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations.	Our audit procedures to assess the timing of revenue recognition from the sale of coal included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition from the sale of coal; • inspecting coal sale contracts on a sample basis, to identify terms and conditions relating to transfer of the control of the coals and assessing the Group's timing of revenue recognition with reference to the requirements of the prevailing accounting standards; • obtaining confirmations, on a sample basis, from customers of the Group in relation to coal sales transactions during the year and balances of trade receivables of the year end and, for unreturned confirmations, performing alternative procedures by comparing the sales amount of the transactions with relevant underlying documentation or cash receipts subsequent to the financial year end relating to trade receivable balances;

KEY AUDIT MATTERS (CONTINUED)

Timing of revenue recognition from sale of coal (continued)

Refer to Note 5 to the consolidated financial statements and the accounting policies in Note 3.

Key audit matter	How our audit addressed the key audit matter
	• comparing, on a sample basis, whether specific coal sales transactions recorded before and after the financial year end date with relevant underlying documentation, which included sales invoices, goods dispatch notes, customer receipts, or shipping documents, as applicable under the respective sales transactions contracts, to determine whether the related revenue had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the respective sales contracts; and • inspecting underlying documentation for journal entries relating to coal sales which were considered to meet specific risk-based criteria.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Guen Kin Shing.

KPMG
Certified Public Accountants

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

27 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB million	2018 (Note) RMB million
Revenue			
Goods and services	5	**241,871**	264,101
Cost of sales	7	**(164,979)**	(173,677)
Gross profit		**76,892**	90,424
Selling expenses		**(640)**	(725)
General and administrative expenses		**(8,988)**	(9,854)
Research and development costs		**(940)**	(454)
Other gains and losses	11	**(2)**	(2,844)
Other income	8	**708**	744
Loss allowances, net of reversal	11	**(139)**	(152)
Other expenses		**(278)**	(3,504)
Interest income	9	**1,170**	1,479
Finance costs	9	**(3,294)**	(5,421)
Share of results of associates		**433**	448
Profit before income tax		**64,922**	70,141
Income tax expense	10	**(15,145)**	(15,977)
Profit for the year	11	**49,777**	54,164
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss, net of income tax:			
Remeasurement of defined benefit obligations		**37**	(30)
Fair value changes on investments in equity instruments at fair value through other comprehensive income		**2**	66
Share of other comprehensive income of associates		**4**	–
Items that may be reclassified subsequently to profit or loss, net of income tax:			
Exchange differences		**55**	120
Share of other comprehensive income of associates		**1**	13
Other comprehensive income for the year, net of income tax		**99**	169
Total comprehensive income for the year		**49,876**	54,333

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

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB million	2018 (Note) RMB million
Profit for the year attributable to:			
Equity holders of the Company		**41,707**	44,137
Non-controlling interests		**8,070**	10,027
		49,777	54,164
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**41,795**	44,262
Non-controlling interests		**8,081**	10,071
		49,876	54,333
Earnings per share			
– Basic *(RMB)*	15	**2.097**	2.219

Note:

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

The notes on pages 198 to 311 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	31 December 2019 RMB million	31 December 2018 (Note) RMB million
Non-current assets			
Property, plant and equipment	16	**245,993**	257,349
Construction in progress	17	**34,495**	36,585
Exploration and evaluation assets	18	**484**	951
Intangible assets	19	**3,648**	3,623
Right-of-use assets	23	**18,690**	–
Interests in associates	20	**40,539**	10,047
Equity instruments at fair value through other comprehensive income	21	**1,789**	811
Other non-current assets	22	**54,006**	29,456
Lease prepayments	2	**–**	16,425
Deferred tax assets	29	**2,945**	3,083
Total non-current assets		**402,589**	358,330
Current assets			
Inventories	24	**12,053**	9,967
Accounts and bills receivables	25	**10,436**	13,055
Prepaid expenses and other current assets	26	**86,524**	54,702
Restricted bank deposits	27	**7,664**	8,607
Time deposits with original maturity over three months		**1,990**	1,735
Cash and cash equivalents	28	**41,827**	61,863
Assets classified as held for sale	40	**–**	83,367
Total current assets		**160,494**	233,296
Current liabilities			
Borrowings	30	**4,172**	5,772
Accounts and bills payables	33	**25,043**	26,884
Accrued expenses and other payables	34	**53,578**	52,737
Current portion of bonds	31	**3,488**	–
Current portion of lease liabilities	32	**198**	–
Current portion of long-term liabilities	35	**1,493**	457
Income tax payable		**2,727**	4,213
Contract liabilities		**4,784**	3,404
Liabilities associated with assets classified as held for sale	40	**–**	29,914
Total current liabilities		**95,483**	123,381
Net current assets		**65,011**	109,915
Total assets less current liabilities		**467,600**	468,245

Consolidated Statement of Financial Position (Continued)

At 31 December 2019

	Notes	31 December 2019 RMB million	31 December 2018 (Note) RMB million
Non-current liabilities			
Borrowings	30	**36,943**	46,765
Bonds	31	**3,460**	6,823
Long-term liabilities	35	**2,201**	2,092
Accrued reclamation obligations	36	**3,372**	3,191
Deferred tax liabilities	29	**783**	537
Lease liabilities	32	**623**	–
Total non-current liabilities		**47,382**	59,408
Net assets		**420,218**	408,837
Equity			
Share capital	37	**19,890**	19,890
Reserves		**336,187**	311,803
Equity attributable to equity holders of the Company		**356,077**	331,693
Non-controlling interests		**64,141**	77,144
Total equity		**420,218**	408,837

Note:

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

Approved and authorised for issue by the board of Directors on 27 March 2020.

Wang Xiangxi
Chairman and Executive Director

Gao Song
Executive Director

The notes on pages 198 to 311 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2019

	Equity attributable to equity holders of the Company									
	Share capital RMB million *(Note 37)*	Share premium RMB million *(Note (i))*	Capital reserve RMB million *(Note (ii))*	Exchange reserve RMB million	Statutory reserves RMB million *(Note (iii))*	Other reserves RMB million *(Note (iv))*	Retained earnings RMB million *(Note (v))*	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2019 *(Note (vi))*	19,890	85,001	3,612	11	26,540	(14,867)	211,506	331,693	77,144	408,837
Profit for the year	–	–	–	–	–	–	41,707	41,707	8,070	49,777
Other comprehensive income for the year	–	–	–	45	–	43	–	88	11	99
Total comprehensive income for the year	–	–	–	45	–	43	41,707	41,795	8,081	49,876
Dividend declared *(Note 14)*	–	–	–	–	–	–	(17,503)	(17,503)	–	(17,503)
Appropriation of maintenance and production funds *(Note (iii))*	–	–	–	–	4,159	–	(4,159)	–	–	–
Utilisation of maintenance and production funds *(Note (iii))*	–	–	–	–	(5,921)	–	5,921	–	–	–
Appropriation *(Note (iii))*	–	–	–	–	340	–	(340)	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	732	732
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(6,642)	(6,642)
Disposal of subsidiaries *(Note 40)*	–	–	–	–	–	–	–	–	(15,199)	(15,199)
Others	–	–	6	–	–	–	86	92	25	117
At 31 December 2019	19,890	85,001	3,618	56	25,118	(14,824)	237,218	356,077	64,141	420,218

	Equity attributable to equity holders of the Company									
	Share capital *RMB million* *(Note 37)*	Share premium *RMB million* *(Note (i))*	Capital reserve *RMB million* *(Note (ii))*	Exchange reserve *RMB million*	Statutory reserves *RMB million* *(Note (iii))*	Other reserves *RMB million* *(Note (iv))*	Retained earnings *RMB million* *(Note (v))*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
At 31 December 2017	19,890	85,001	3,612	(65)	24,493	(14,214)	186,824	305,541	73,564	379,105
Adjustment at the date of initial application of IFRS 9	–	–	–	–	–	(692)	692	–	–	–
At 1 January 2018	19,890	85,001	3,612	(65)	24,493	(14,906)	187,516	305,541	73,564	379,105
Profit for the year	–	–	–	–	–	–	44,137	44,137	10,027	54,164
Other comprehensive income for the year	–	–	–	76	–	49	–	125	44	169
Total comprehensive income for the year	–	–	–	76	–	49	44,137	44,262	10,071	54,333
Dividend declared *(Note 14)*	–	–	–	–	–	–	(18,100)	(18,100)	–	(18,100)
Appropriation of maintenance and production funds *(Note (iii))*	–	–	–	–	5,457	–	(5,457)	–	–	–
Utilisation of maintenance and production funds *(Note (iii))*	–	–	–	–	(3,668)	–	3,668	–	–	–
Appropriation *(Note (iii))*	–	–	–	–	258	–	(258)	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	376	376
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(6,867)	(6,867)
Others	–	–	–	–	–	(10)	–	(10)	–	(10)
At 31 December 2018	19,890	85,001	3,612	11	26,540	(14,867)	211,506	331,693	77,144	408,837

Notes:

(i) Share premium represents the difference between the total amount of the par value of shares issued and the amount of the 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).

Notes: (Continued)

(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 a dividend 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 in 2019 and 2018.

Notes: (Continued)

(iv) Other reserves

Other reserves mainly represents the consideration paid for acquisition of subsidiaries under common control, and share of other reserves of associates.

(v) Retained earnings

Included in the retained earnings of the Group were its share of the surplus reserve of its domestic subsidiaries amounted to RMB25,753 million as at 31 December 2019 (31 December 2018: RMB25,198 million).

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

The notes on pages 198 to 311 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018 *(Note (i))*
	RMB million	*RMB million*
Operating activities		
Profit before income tax	**64,922**	70,141
Adjustments for:		
Depreciation of property, plant and equipment *(Note 11)*	**18,269**	21,619
Depreciation of right-of-use assets *(Note 11)*	**704**	–
Amortisation of intangible assets, included in cost of sales *(Note 11)*	**397**	417
Amortisation of lease prepayments, included in cost of sales *(Note 11)*	**–**	768
Amortisation of other non-current assets *(Note 11)*	**1,009**	924
Losses/(gains) on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets *(Note 11)*	**57**	(6)
Losses on derecognition of assets without considerations *(Note 11)*	**–**	1,831
(Gains)/losses on disposal of subsidiaries and associate *(Note 11)*	**(1,121)**	1
Gains on changes in fair value arising from remeasurement of remaining equity interests after lose control *(Note 11)*	**(111)**	–
Gains on disposal of financial assets at FVTPL *(Note 11)*	**(568)**	(8)
Losses on disposal of derivative financial instruments *(Note 11)*	**–**	6
Gains on changes in fair value of derivative financial instruments *(Note 11)*	**(160)**	(22)
Impairment losses on property, plant and equipment, construction in progress, exploration and evaluation assets and right-of-use assets *(Note 11)*	**1,544**	782
Reversal of allowance for prepaid expenses *(Note 11)*	**(1)**	(22)
Write down of inventories *(Note 11)*	**362**	282
Interest income *(Note 9)*	**(1,170)**	(1,479)
Share of results of associates	**(433)**	(448)
Loss allowances *(Note 11)*	**139**	152
Interest expenses	**3,067**	4,903
Exchange loss, net *(Note 9)*	**227**	518
Operating cash flows before movements in working capital	**87,133**	100,359
Increase in inventories	**(2,448)**	(141)
Decrease in accounts and bills receivables	**2,941**	851
Increase in prepaid expenses, other receivables and service concession receivables	**(8,813)**	(762)
(Decrease)/increase in accounts and bills payables	**(1,736)**	40
Increase in accrued expenses and other payables	**897**	6,757
Increase/(decrease) in contract liabilities	**1,380**	(2,027)
Cash generated from operations	**79,354**	105,077
Income tax paid	**(16,248)**	(16,829)
Net cash generated from operating activities	**63,106**	88,248

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
		(Note (i))
	RMB million	*RMB million*
Investing activities		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, additions to the construction in progress and other non-current assets	**(18,133)**	(19,385)
Increase in right-of-use assets/lease prepayments	**(876)**	(1,550)
Proceeds from disposal of property, plant and equipment, intangible assets, lease prepayments and other non-current assets	**1,129**	942
Investments in equity instruments at fair value through other comprehensive income	**(978)**	–
Disposal of equity instruments at fair value through other comprehensive income	**–**	2
Proceeds from disposal of wealth management products included in prepaid expenses and other current assets	**33,015**	108
Proceeds on disposal of derivative financial instruments included in prepaid expenses and other current assets	**–**	106
Investments in associates	**(2,002)**	(1,368)
Repayments of net cash received for the transition period *(Note (ii) and Note 40)*	**(1,562)**	–
Dividend received from associates	**266**	247
Interest received	**1,096**	1,413
Purchase of wealth management products included in prepaid expenses and other current assets	**(33,200)**	(32,447)
Purchase of derivative financial instruments included in prepaid expenses and other current assets	**(70)**	–
Decrease/(increase) in restricted bank deposits	**943**	(1,259)
Placing of time deposits with original maturity over three months	**(1,883)**	(2,409)
Maturity of time deposits with original maturity over three months	**1,628**	2,544
Investments in government bonds included in other non-current assets	**(5,009)**	–
Investments in interbank certificate of deposits included in prepaid expenses and other current assets	**(28,629)**	–
Decrease in other current assets	**7,958**	–
Net cash used in investing activities	**(46,307)**	(53,056)

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

Notes:

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

(ii) As disclosed in Note 40, the Company obtained 42.53% equity interests in Beijing GD Power Co., Ltd. ("Beijing GD") by contributing certain equity interests and assets of its coal-fired power generation subsidiaries and associate as capital injection to Beijing GD.

The notes on pages 198 to 311 form part of these financial statements.

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 Investment Corporation Limited (the "China Energy Group"). China Energy Group will be the parent company after the completion of the restructuring.

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

2. CHANGES IN ACCOUNTING POLICIES

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

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

IFRS 16, Leases

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

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

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

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

A. New definition of a lease

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

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

B. Lessee accounting and transition impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and land-use-rights as disclosed in Note 23. For an explanation of how the Group applied lessee accounting, see Note 3.

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. Lessee accounting and transition impact (Continued)

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

The following table reconciles the operating lease commitments as disclosed in Note 41.2 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019.

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

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

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

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

B. Lessee accounting and transition impact (Continued)

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

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

C. Lessor accounting

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments as disclosed in Note 39.3, which have been measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Group's consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 *Impairment of Assets*.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

Significant accounting policies adopted by the Group are disclosed below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee benefits* respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, after applying the expected credit losses (the "ECL") model to such other long-term interests where applicable), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

On acquisition of the investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss is recognised when the recoverable amount is less the carrying value of the investment in associates. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (Continued)

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of IFRS 9, which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than entity's functional currencies (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve, attributed to non-controlling interests as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and a supplemental defined contribution pension plan approved by the government are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before income tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at the end of each reporting year and are recognised to the extent that it has become probable that future taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, which consists of freehold land and buildings, mining structures and mining rights, mining related machinery and equipment, and other items of plant and equipment including right-of-use assets arising from leases of underlying plant and equipment, held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than freehold land and construction in progress, which are subject to impairment assessment) less their residual values over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Property, plant and equipment, except for freehold land, and mining structures and mining rights, are depreciated on a straight-line basis at the following rates per annum:

Category	Term for deprecation (year)
Buildings	10–50 years
Mining related machinery and equipment	5–20 years
Generators related machinery and equipment	20 years
Railway and port	30–45 years
Vessels	10–25 years
Coal chemical related machinery and equipment	10–20 years
Furniture, fixtures, motor vehicles and other equipment	5–20 years

The Directors reviewed the estimated useful lives of the assets annually based on the Group's historical experience with similar assets and taking into account anticipated technological changes.

Construction in progress intended to be used for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining structures and mining rights

The costs of mining structures and mining rights, which include the costs of acquiring and developing mining structures and mining rights, are firstly capitalised as "construction in progress" in the year in which they are incurred and then reclassified to "Mining structures and mining rights" under property, plant and equipment when they are ready for commercial production.

Mining structures and mining rights are depreciated on a units-of-production basis utilising only proved and probable coal reserves in the depletion base.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Mining structures and mining rights (Continued)

Stripping costs incurred to develop a mine (or pit) before the production commences or to improve access to the component of the ore body during the production stage are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a units-of-production basis. Stripping costs and secondary development expenditure, mainly comprising costs on blasting, haulage, excavation, etc. incurred during the production stage of the ore body and does not providing any improved access to the ore body are charged to profit or loss as incurred.

Commercial reserves are proved and probable reserves. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

Exploration and evaluation assets

Exploration and evaluation assets comprise costs which are directly attributable to the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource:

– researching and analysing historical exploration data;

– gathering exploration data through topographical, geochemical and geophysical studies;

– exploratory drilling, trenching and sampling;

– determining and examining the volume and grade of the resource;

– surveying transportation and infrastructure requirements; and

– conducting market and finance studies.

Expenditure during the initial exploration preparation stage of a project is charged to profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project.

Once the final feasibility study has been completed and a development decision has been taken, accumulated capitalised exploration and evaluation expenditures in respect of an area of interest are transferred to property, plant and equipment. In circumstances when an area of interest is abandoned or management decides it is not commercially viable, any accumulated costs in respect of that area are written off in the period the decision is made.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Obligations for land reclamation

The Group's obligations for land reclamation consist of spending estimates at both surface and underground mines in accordance with the PRC rules and regulations. The Group estimates its liabilities for land reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash flows for the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final reclamation and mine closure. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present values and charged to profit or loss as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure (Continued)

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination not under common control

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

Impairment of tangible and intangible assets other than goodwill (Continued)

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leased assets (Continued)

(i) As a lessee (Continued)

(A) Policy applicable from 1 January 2019 (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leased assets (Continued)

(i) As a lessee (Continued)

(B) Policy applicable prior to 1 January 2019 (Continued)

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Impairment losses were accounted for in accordance with the accounting policy as set out in Note 3. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2, then the Group classifies the sub-lease as an operating lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities measured at fair value through profit and loss (the "FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities FVTPL are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

– the financial asset is held within a business model whose objective is to collect contractual cash flows; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (the "FVTOCI"):

– the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the other reserves; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including accounts receivable, other receivables, long-term receivables, loans to China Energy Group and fellow subsidiaries, entrusted loans and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for credit-impaired debtors or using a provision matrix with appropriate groupings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external credit rating (if available);

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concessions that the lenders would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

– Nature of financial instruments (i.e. the Group's accounts and bills receivables and other receivables are each assessed as a separate group. Loans receivable are assessed for ECL on an individual basis);

– Past-due status; and

– External credit ratings where available.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in other reserves is not reclassified to profit or loss, but is transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

– it has been acquired principally for the purpose of repurchasing it in the near term; or

– on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including borrowings, accounts and bills payables, other payables, long-term liabilities, medium-term notes and bonds are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

– the amount of the loss allowance determined in accordance with IFRS 9/IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

– the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group's derivative financial instruments represent cross-currency exchange rate swaps, and are initially recognised at fair value at the date when the derivative contracts are entered into, and remeasured at fair value at the end of the reporting period, with any gains or losses recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity (Continued)

Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity (Continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgements in applying accounting policies

The following are critical judgements, apart from those involving estimation (see Note 4.2 below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.1 Critical judgements in applying accounting policies (Continued)

Control over Hebei Guohua Dingzhou Power Co., Ltd. ("Dingzhou Power")

Note 45 describes that Dingzhou Power is a subsidiary of the Company although the Company has only 41% ownership interest and voting rights in Dingzhou Power. The remaining 59% of ownership interest and voting rights are owned by two shareholders that are unrelated to the Group as to 19% and 40%, respectively. Details of Dingzhou Power are set out in Note 45.

The Directors evaluated whether the Company has the practical ability to lead the relevant activities of Dingzhou Power to determine whether the Company has actual control over Dingzhou Power. The Company is the largest equity owner of Dingzhou Power and no other equity owners individually or in aggregate had the power to control Dingzhou Power according to the articles of association. Historically, the Company controlled the operation of Dingzhou Power by appointing senior management, approving annual budget and determining the remuneration of employees etc. Considering above mentioned factors, the Directors are of the opinion that the Company has sufficiently dominant power over Dingzhou Power as the Company is the governing body of most of the relevant activities of it. Therefore the financial statements of Dingzhou Power are consolidated by the Company during the periods presented.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Coal reserves

Engineering estimates of the Group's coal reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated coal reserves can be designated as "proved" and "probable". Proved and probable coal reserve estimates are updated at regular basis and have taken into account recent production and technical information of each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable coal reserves also changes. This change is considered as a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment loss. Depreciation rates are determined based on estimated proved and probable coal reserve quantity (the denominator) and capitalised costs of mining structures and mining rights (the numerator). The capitalised cost of mining structures and mining rights are amortised based on the units of coal produced.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.2 Key sources of estimation uncertainty (Continued)

Impairment losses

In considering the impairment losses that may be required for certain of the Group's assets which mainly include property, plant and equipment, construction in progress, exploration and evaluation assets, right-of-use assets, interests in associates and other non-current assets, the recoverable amount of the asset need to be determined. The recoverable amount is the higher of its fair value less cost of disposal and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, the Group uses all readily available information in determining expected cash flows generated by the cash-generating unit to which the asset belongs and they are discounted to their present value, which requires significant judgement relating to cash flow items such as level of sale volume, selling price, amount of operating costs and future returns.

In considering the impairment losses that may be required for current receivables and other financial assets, future cash flows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables.

Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher or lower than the amount estimated.

Depreciation

Other than the freehold land and mining structures and mining rights, property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives and residual value of the assets regularly based on the Group's historical experience with similar assets and taking into account anticipated technological changes. Depreciation for future periods is adjusted if there is a significant change from previous estimates. The carrying amount of the property, plant and equipment is disclosed in Note 16.

Deferred tax assets

As at 31 December 2019, deferred tax assets of RMB2,945 million (2018: RMB3,083 million) have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB6,593 million (2018: RMB7,532 million) and deductible temporary differences of RMB7,521 million (2018: RMB6,685 million) due to the unpredictability of future profit streams. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further provision of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal or further provision takes place.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.2 Key sources of estimation uncertainty (Continued)

Fair value measurement of financial instruments

Certain of the Group's financial assets, unquoted equity instruments amounting to RMB1,789 million as at 31 December 2019 (RMB811 million as at 31 December 2018) are measured at fair values with fair values being determined based on unobservable inputs using valuation techniques as set out in Note 39.3. Changes in assumptions relating to any key inputs may have a material impact on the reported fair values of these instruments.

Provision of ECL for accounts receivables

The Group uses provision matrix to calculate ECL for accounts receivable. The provision rates are based on the aging of accounts receivable as groupings of receivables that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, accounts and bills receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable are disclosed in Note 25 and 39.2, respectively.

Obligations for land reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including development plan of the mines, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate. The carrying amounts of the obligations are disclosed in Note 36.

5. REVENUE FROM GOODS AND SERVICES

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

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

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

5. REVENUE FROM GOODS AND SERVICES (CONTINUED)

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

Segments	Coal		Power		Railway		Port		Shipping		Coal chemical		Other		Total	
	2019 RMB million	2018 RMB million	**2019 RMB million**	2018 RMB million	**2019 RMB million**	2018 RMB million	**2019 RMB million**	2018 RMB million	**2019 RMB million**	2018 RMB million	**2019 RMB million**	2018 RMB million	**2019 RMB million**	2018 RMB million	**2019 RMB million**	2018 RMB million
Revenue disclosed in segment information																
External customers	**173,471**	160,845	**52,484**	88,176	**6,464**	5,877	**652**	733	**1,813**	837	**5,327**	5,840	**1,660**	1,793	**241,871**	264,101
Inter-segment	**23,925**	44,346	**142**	276	**33,237**	33,272	**5,274**	5,391	**1,484**	3,252	**–**	–	**1,153**	970	**65,215**	87,507
	197,396	205,191	**52,626**	88,452	**39,701**	39,149	**5,926**	6,124	**3,297**	4,089	**5,327**	5,840	**2,813**	2,763	**307,086**	351,608
Adjustment and eliminations	**(23,925)**	(44,346)	**(142)**	(276)	**(33,237)**	(33,272)	**(5,274)**	(5,391)	**(1,484)**	(3,252)	**–**	–	**(1,153)**	(970)	**(65,215)**	(87,507)
Revenue	**173,471**	160,845	**52,484**	88,176	**6,464**	5,877	**652**	733	**1,813**	837	**5,327**	5,840	**1,660**	1,793	**241,871**	264,101

The Group 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.

6. 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 (2018: 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.

6. 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 years ended 31 December 2019 and 2018 is set out below:

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

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

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

6. SEGMENT AND OTHER INFORMATION (CONTINUED)

(c) Geographical information

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

	Revenue from external customers		Specified non-current assets	
	Year ended 31 December		Year ended 31 December	
	2019	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*
Domestic markets	**238,889**	261,330	**357,065**	323,951
Overseas markets	**2,982**	2,771	**9,172**	21,033
	241,871	264,101	**366,237**	344,984

(d) Major customers

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

6. SEGMENT AND OTHER INFORMATION (CONTINUED)

(e) Other information

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

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

Notes:

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

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

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

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

7. COST OF SALES

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

8. OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Government grants	**366**	441
Claim income	**103**	63
Other	**239**	240
	708	744

9. INTEREST INCOME/FINANCE COSTS

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

Notes:

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

(ii) Borrowing costs capitalised during the year arose on the general borrowing pools and were calculated by applying a capitalisation rate from 1.80% to 5.62% (2018: from 2.57% to 4.69%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSE

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

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

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Profit before income tax	**64,922**	70,141
Tax at the PRC income tax rate of 25% (2018: 25%)	**16,231**	17,535
Tax effects of:		
– different tax rates of branches and subsidiaries	**(3,703)**	(4,194)
– non-deductible expenses	**97**	1,158
– income not taxable	**(95)**	(382)
– share of results of associates	**(166)**	(112)
– utilisation of tax losses and deductible temporary difference previously not recognised	**(143)**	(304)
– tax losses and deductible temporary difference not recognised	**1,537**	508
– additional tax in respect of prior years	**1,387**	1,769
– others	**–**	(1)
Income tax expense	**15,145**	15,977

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for the PRC group entities is 25% (2018: 25%) except for subsidiaries and branches operating in the western developing region of the PRC which are entitled to a preferential tax rate of 15% from 2011 to 2020.

10. INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2019	2018
	%	%
Australia	**30.0**	30.0
Indonesia	**25.0**	25.0
United States	**21.0**	21.0
Russia	**20.0**	20.0
Hong Kong, China	**8.25/16.5***	16.5

During the year 2019 and 2018, there was no significant assessable profit and provision for income tax for the overseas subsidiaries.

* The two-tiered profits tax rates regime is applicable from the year of assessment 2018/19 onwards. The profits tax rate for the first Hong Kong Dollars (''HK$'') 2,000,000 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%.

11. PROFIT FOR THE YEAR

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

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

11. PROFIT FOR THE YEAR (CONTINUED)

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

Notes:

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

(ii) Cost of sales included an amount of depreciation and amortisation of RMB16,798 million for the year ended 31 December 2019 (2018: RMB20,243 million).

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	Year ended 31 December 2019				
	Fee *RMB million*	Basic salaries, Housing and other allowance and benefits in kind *RMB million*	Discretionary bonuses *RMB million*	Retirement scheme contributions *RMB million*	Total *RMB million*
Chairman					
Wang Xiangxi *(Note (i) and Note (ii))*	–	–	–	–	
Ling Wen *(Note (i) and Note (iii))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Executive directors					
Li Dong *(Note (i))*	–	–	–	–	–
Gao Song *(Note (i) and Note (ii))*	–	–	–	–	–
Mi Shuhua *(Note (i) and Note (ii))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Non-executive directors					
Zhao Jibin *(Note (i))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Independent non-executive directors					
Tam Wai Chu, Maria *(Note (ii))*	0.45	–	–	–	0.45
Jiang Bo *(Note (ii))*	0.45	–	–	–	0.45
Zhong Yingjie, Christina *(Note (ii))*	0.45	–	–	–	0.45
Peng Suping *(Note (ii))*	0.45	–	–	–	0.45
Huang Ming *(Note (iii))*	0.34	–	–	–	0.34
Sub-total	2.14	–	–	–	2.14
Supervisors					
Zhai Richeng *(Note (iv))*	–	–	–	–	–
Zhou Dayu *(Note (iv))*	–	–	–	–	–
Shen Lin *(Note (iv))*	–	–	–	–	–
Zhang Changyan *(Note (iv))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Total					2.14

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Year ended 31 December 2018				
	Fee *RMB million*	Basic salaries, Housing and other allowance and benefits in kind *RMB million*	Discretionary bonuses *RMB million*	Retirement scheme contributions *RMB million*	Total *RMB million*
Chairman					
Ling Wen *(Note (i) and Note (iii))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Executive directors					
Li Dong *(Note (i))*	–	–	–	–	–
Gao Song *(Note (i) and Note (ii))*	–	–	–	–	–
Mi Shuhua *(Note (i) and Note (ii))*	–	–	–	–	–
Han Jianguo *(Note (i) and Note (iii))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Non-executive directors					
Zhao Jibin *(Note (i))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Independent non-executive directors					
Tam Wai Chu, Maria *(Note (ii))*	0.45	–	–	–	0.45
Jiang Bo *(Note (ii))*	0.45	–	–	–	0.45
Zhong Yingjie, Christina *(Note (ii))*	0.45	–	–	–	0.45
Peng Suping *(Note (ii))*	0.26	–	–	–	0.26
Huang Ming *(Note (iii))*	0.26	–	–	–	0.26
Sub-total	1.87	–	–	–	1.87
Supervisors					
Zhai Richeng *(Note (iv))*	–	0.12	0.25	0.04	0.41
Zhou Dayu *(Note (iv))*	–	0.33	0.23	0.04	0.60
Shen Lin *(Note (iv))*	–	0.34	0.22	0.04	0.60
Sub-total	–	0.79	0.70	0.12	1.61
Total					3.48

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Discretionary bonuses were determined by the remuneration committee in accordance with the relevant human resources policies.

Notes:

(i) The emoluments of these directors were borne by China Energy Group during the years ended 31 December 2019 and 2018.

(ii) Ms. Tam Wai Chu, Maria, Ms. Jiang Bo and Ms. Zhong, Yingjie, Christina were appointed as independent non-executive directors on 23 June 2017.

Mr. Gao Song and Mr. Mi Shuhua were appointed as executive directors on 27 April 2018.

Dr. Peng Suping was appointed as independent non-executive directors on 27 April 2018.

Mr. Wang Xiangxi was appointed as executive director on 10 May 2019, and was elected and appointed as Chairman of the the Board on 21 June 2019.

(iii) Dr. Han Jianguo resigned as an executive director on 15 May 2018.

Dr. Ling Wen resigned as the Chairman of the Board on 26 April 2019.

Dr. Huang Ming was appointed as independent non-executive director on 27 April 2018 and resigned on 6 August 2019.

(iv) Mr. Shen Lin resigned as the employee supervisory and Mr. Zhang Changyan was appointed as the employee supervisory on 2 December 2019.

The emoluments of Mr. Zhai Richeng, Mr. Zhou Dayu and Mr. Shen Lin were borne by China Energy Group during the year ended 31 December 2019 and from July to December 2018.

Except for those emoluments of directors or supervisors whose emoluments were borne by China Energy Group, the executive directors' and supervisors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

13. EMPLOYEES' EMOLUMENTS

Out of the six individuals with the highest emoluments within the Group, Nil (2018: nil) was director of the Company. The emoluments of the six (2018: five) highest paid individuals were as follows:

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Basic salaries, housing and other allowances and benefits in kind	**1.87**	2.22
Discretionary bonuses	**3.46**	2.38
Retirement scheme contributions	**0.65**	0.50
	5.98	5.10

Their emoluments were within the following band:

	Year ended 31 December	
	2019	2018
HKD500,001 to HKD1,000,000	**1**	1
HKD1,000,001 to HKD1,500,000	**5**	4
	6	5

14. DIVIDENDS

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

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

15. EARNINGS PER SHARE

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

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

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Mining structures and mining rights	Mining related machinery and equipment	Generators, related machinery and equipment	Railway and port	Vessels	Coal chemical related machinery and equipment	Furniture, fixtures, motor vehicles and other equipment	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Cost									
At 1 January 2018	85,944	36,240	66,345	179,843	127,350	6,897	13,177	17,820	533,616
Additions	59	642	1,129	454	991	–	10	65	3,350
Transferred from construction in progress	5,059	80	362	10,789	543	10	60	41	16,944
Adjustment	(383)	8	169	(865)	(204)	582	(49)	–	(742)
Disposals or write-off	(2,128)	(47)	(2,766)	(1,127)	(461)	–	(3)	(236)	(6,768)
Exchange adjustment	(32)	6	–	77	–	–	–	–	51
Classified as assets held for sale	(30,050)	(3)	–	(92,947)	(63)	–	–	–	(123,063)
At 31 December 2018	58,469	36,926	65,239	96,224	128,156	7,489	13,195	17,690	423,388
Additions	209	446	1,435	187	1,906	1	36	73	4,293
Transferred from construction in progress	1,257	25	667	1,198	882	29	135	96	4,289
Reclassification	(1,571)	2	154	364	264	–	–	787	–
Disposals or write-off	(815)	–	(1,202)	(1,945)	(529)	(1)	(8)	(648)	(5,148)
Exchange adjustment	54	–	–	29	–	–	–	–	83
At 31 December 2019	**57,603**	**37,399**	**66,293**	**96,057**	**130,679**	**7,518**	**13,358**	**17,998**	**426,905**

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators, related machinery and equipment RMB million	Railway and port RMB million	Vessels RMB million	Coal chemical related machinery and equipment RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
Depreciation and impairment									
At 1 January 2018	21,707	12,220	43,120	68,846	39,520	757	5,403	12,073	203,646
Charge for the year	1,883	1,059	4,193	8,107	4,800	450	741	386	21,619
Adjustment	(21)	(7)	168	(9)	(57)	–	–	–	74
Impairment losses *(Note (i))*	252	109	32	264	22	–	12	–	691
Disposals or write-off	(630)	(31)	(2,252)	(959)	(303)	–	(1)	(106)	(4,282)
Exchange adjustment	7	–	–	28	–	–	–	–	35
Classified as assets held for sale	(12,158)	(1)	–	(43,548)	(35)	–	–	(2)	(55,744)
At 31 December 2018	11,040	13,349	45,261	32,729	43,947	1,207	6,155	12,351	166,039
Charge for the year	1,876	1,022	4,018	4,533	5,123	330	772	600	18,274
Reclassification	(228)	–	–	207	56	–	–	(35)	–
Impairment losses *(Note (i))*	584	–	30	156	–	–	–	5	775
Disposals or write-off	(250)	–	(1,954)	(1,447)	(407)	(1)	(7)	(135)	(4,201)
Exchange adjustment	15	–	–	10	–	–	–	–	25
At 31 December 2019	**13,037**	**14,371**	**47,355**	**36,188**	**48,719**	**1,536**	**6,920**	**12,786**	**180,912**
Carrying values									
At 31 December 2019	**44,566**	**23,028**	**18,938**	**59,869**	**81,960**	**5,982**	**6,438**	**5,212**	**245,993**
At 31 December 2018	47,429	23,577	19,978	63,495	84,209	6,282	7,040	5,339	257,349

Notes:

(i) Impairment loss

Impairment loss for smallest identifiable group of assets that generate independent cash flows ("CGUs")

As a result of the deferral of certain coal mine development plans and unsatisfactory financial performance of certain coal mines, management identified certain coal mines related property, plant and equipment and other related non-current assets having impairment indications. As at 31 December 2019, there were coal mines related non-current assets with a total carrying value of RMB91,906 million, which comprise property, plant and equipment, construction in progress, exploration and evaluation assets and other non-current assets.

Management performed impairment assessments of these assets as at 31 December 2019 using value-in-use calculations for each CGUs by measuring their recoverable amount which is determined based on discounted cash flow analysis covering the shorter of their economic or legal useful life, and pre-tax discount rate ranging from 8.30% to 12.50%.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (Continued)

(i) Impairment loss (Continued)

Impairment loss for smallest identifiable group of assets that generate independent cash flows ("CGUs") (Continued)

Based on the assessments, management concluded that a total impairment provision for Shenhua Watermark coal mine project of RMB1,045 million was required for the current year. The impairment provision comprised impairment for property, plant and equipment, construction in progress and exploration and evaluation assets of RMB501 million, RMB63 million (See Note 17), and RMB481 million (See Note 18), respectively.

Impairment loss for individual assets

In addition to the above, certain of the Group's coal washing plant and power plants became over-capacity, obsolete, idle or ceased in operation during the year. Management performed impairment assessments of these assets and concluded that impairment provisions for these assets included in property, plant and equipment were required as follows:

	RMB million
Shenhua Zhuanlongwan coal washing plant	73
Shenhua Funeng (Fujian Longyan) power plant	48
Shenhua Jungel coal mine	32
Certain other power plants	121

The estimated recoverable amounts of the above assets were determined by using market comparison approach with reference to either the recent transaction price of similar assets, after taking into account of its remaining useful lives, or the recent transaction price of similar material, after taking into account of its weight and geographical location. The fair value is categorised as a Level 3 measurement.

(ii) The Group's freehold lands with a carrying amount of RMB469 million (2018: RMB970 million) are located in Australia.

(iii) The Group was in the process of applying for the title certificates of certain of its properties with an aggregate carrying amount of RMB7,896 million as at 31 December 2019 (2018: RMB9,314 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

(iv) As at 31 December 2019, the property, plant and equipment with carrying amount of RMB973 million (2018: RMB1,058 million) have been pledged to the banks to secure the banking facilities granted to the Group.

17. CONSTRUCTION IN PROGRESS

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
At the beginning of the year	**36,585**	39,054
Additions	**13,009**	16,926
Transferred to property, plant and equipment	**(4,289)**	(16,944)
Transferred to intangible assets	**(113)**	(57)
Transferred to right-of-use assets	**(1,205)**	–
Transferred to lease prepayments	**–**	(124)
Transferred to other non-current assets	**(9,171)**	–
Exchange adjustment	**12**	–
Disposal	**(70)**	(73)
Impairment losses *(Note (ii))*	**(263)**	(91)
Classified as assets held for sale	**–**	(2,106)
At the end of the year	**34,495**	36,585

Notes:

(i) As at 31 December 2019, the Group is in the process of obtaining requisite permits of certain of its construction in progress 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.

(ii) As a result of the deferral of certain coal mine and railway development projects, management carried out impairment assessment of the related construction in progress and concluded that impairment provisions of RMB63 million (Note 16(i)) and RMB200 million for the coal mine and railway development projects were required for the current year, respectively.

18. EXPLORATION AND EVALUATION ASSETS

The movements of the exploration and evaluation assets are as follows:

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
At the beginning of the year	**951**	998
Additions	**2**	–
Exchange adjustments	**12**	8
Disposals	**–**	(55)
Impairment losses *(Note16(i))*	**(481)**	–
At the end of the year	**484**	951

19. INTANGIBLE ASSETS

The movement of intangible assets, mainly licenses, software and franchises, is as follows:

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
At the beginning of the year	**3,623**	3,447
Exchange adjustment	**–**	4
Additions	**314**	678
Transferred from construction in progress	**113**	57
Amortisation	**(397)**	(417)
Disposal	**(5)**	(45)
Classified as assets held for sale	**–**	(101)
At the end of the year	**3,648**	3,623

20. INTERESTS IN ASSOCIATES

	31 December 2019	31 December 2018
	RMB million	*RMB million*
Unlisted shares, at cost	**38,419**	8,170
Share of post-acquisition profits and other comprehensive income, net of dividend received	**2,120**	1,877
	40,539	10,047

20. INTERESTS IN ASSOCIATES (CONTINUED)

The Group's associates are unlisted and established in the PRC. The following list contains only the particulars of associates, which principally affect the results or assets of the Group:

Name of associate	Proportion of ownership interest and voting power held by the Group 31 December 2019 %	31 December 2018 %	Principal activities
Beijing GD *(Note (i))*	**42.53**	–	Generation and sale of electricity
Haoji Railway Co., Ltd. *(Note (ii))*	**12.50**	10.00	Provision of transportation service
Shendong Tianlong Group Co., Ltd.	**20.39**	20.39	Coal production and sale
Sichuan Guangan 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**	65.00	Generation and sale of electricity
Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.	**20.00**	100.00	Generation and sale of electricity

Notes:

(i) During the year, the Company obtained 42.53% equity interests in Beijing GD as a result of the disposal of certain equity interests and assets of coal-fired power generation subsidiaries and associate (See Note 40).

(ii) 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.

20. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	31 December 2019/Year ended 31 December 2019		31 December 2018/ Year ended 31 December 2018
	Beijing GD	**Haoji Railway Co., Ltd. *(Note (ii))***	Haoji Railway Co., Ltd. *(Note (ii))*
	RMB million	***RMB million***	*RMB million*
Current assets	**25,797**	**12,627**	4,284
Non-current assets	**160,177**	**143,825**	136,494
Total assets	**185,974**	**156,452**	140,778
Current liabilities	**45,906**	**4,639**	5,047
Non-current liabilities	**46,068**	**93,442**	79,941
Total liabilities	**91,974**	**98,081**	84,988
Non-controlling interests	**29,488**	**–**	–
Equity attributable to equity holders of the Company	**64,512**	**58,371**	55,790
Revenue	**81,113**	**825**	–
Profit/(loss) for the year	**517**	**(1,478)**	–
Total comprehensive income for the year	**527**	**(1,478)**	–
Equity attributable to equity holders of the Company	**64,512**	**58,371**	55,790
Group's effective interest	**42.53%**	**12.50%**	10.00%
Carrying amount of equity investment in associated company	**27,437**	**7,296**	5,579

20. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material:

	31 December 2019 RMB million	31 December 2018 RMB million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**5,806**	4,468
Aggregate amounts of the Group's share of those associates		
– Profit for the year	**398**	448
– Total comprehensive income for the year	**404**	504

21. EQUITY INSTRUMENTS AT FVTOCI

	31 December 2019 RMB million	31 December 2018 RMB million
Unlisted investments:		
Equity securities	**1,789**	811

The above unlisted equity investments represent the Group's equity interest in entities established in the PRC. The Directors of the Company have elected to designate these equity investments as FVTOCI as it is the Group's strategy to hold these investments for long-term purposes and realising their performance potential in the long run.

22. OTHER NON-CURRENT ASSETS

	31 December 2019 *RMB million*	31 December 2018 *RMB million*
Prepayments in connection with construction work, equipment purchases and others *(Note (i))*	**8,082**	6,748
Prepayment for mining projects	**8,842**	8,000
Deductible VAT and other tax	**675**	1,314
Loans to China Energy Group and fellow subsidiaries *(Note (ii))*	**16,098**	8,932
Long-term entrusted loans	**–**	420
Government bonds	**5,009**	–
Service concession receivables *(Note (iii))*	**11,380**	–
Goodwill	**253**	278
Long-term deferred expenses *(Note (iv))*	**3,667**	3,664
Others	**–**	100
	54,006	29,456

Notes:

(i) At 31 December 2019, the Group had prepayments to fellow subsidiaries amounting to RMB67 million (2018: RMB42 million).

(ii) The loans to China Energy Group and fellow subsidiaries bear interest at rates ranging from 4.22% to 4.75% per annum (2018: 4.28% to 4.41% 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.

22. OTHER NON-CURRENT ASSETS (CONTINUED)

Notes: (Continued)

(iv) The movement of long-term deferred expenses during the year is as follows:

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
At the beginning of the year	**3,664**	4017
Additions	**1,024**	735
Amortisation	**(1,015)**	(924)
Disposal	**(6)**	(21)
Classified as assets held for sale	**–**	(143)
At the end of the year	**3,667**	3,664

23. RIGHT-OF-USE ASSETS

As discussed in Note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 2.

So far as the impact of the adoption of IFRS 16 on leases previously classified as lease prepayments is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, the depreciated carrying amount of the corresponding lease prepayments is identified as a right-of-use asset.

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 RMB1,938 million as at 31 December 2019 (2018: RMB1,984 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

23. RIGHT-OF-USE ASSETS (CONTINUED)

As at 31 December 2019, the Group has bank loans secured by the Group's right-of-use assets with carrying amount of RMB841 million (2018: RMB866 million).

The Group leases assets including land and buildings, plant, machinery and equipment, land use rights and other properties. Information about leases for which the Group is a lessee is presented below.

	Buildings *RMB million*	Machinery, equipment and other properties *RMB million*	Land use rights *RMB million*	Total *RMB million*
Cost				
At 1 January 2019	41	886	20,286	21,213
Additions	100	4	876	980
Transferred from construction in progress	–	–	1,205	1,205
Disposals	–	(10)	–	(10)
At 31 December 2019	141	880	22,367	23,388
Accumulated depreciation				
At 1 January 2019	–	–	(3,825)	(3,825)
Depreciation	(51)	(157)	(604)	(812)
At 31 December 2019	(51)	(157)	(4,429)	(4,637)
Impairment losses				
At 1 January 2019	–	–	(36)	(36)
Additions	–	–	(25)	(25)
At 31 December 2019	–	–	(61)	(61)
Net book value				
At 31 December 2019	90	723	17,877	18,690
At 1 January 2019	41	886	16,425	17,352

24. INVENTORIES

	31 December 2019	31 December 2018
	RMB million	*RMB million*
Coal	**5,573**	3,546
Materials and supplies	**7,799**	7,399
Others *(Note)*	**1,268**	1,408
	14,640	12,353
Less: Write-down of inventories	**(2,587)**	(2,386)
	12,053	9,967

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

Movement in write-down of inventories during the year is as follows:

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
At the beginning of the year	**2,386**	2,282
Write down of inventories	**368**	616
Reversal of write-down of inventories	**(6)**	(334)
Write off of inventories	**(161)**	(50)
Classified as assets held for sale	**–**	(128)
At the end of the year	**2,587**	2,386

25. ACCOUNTS AND BILLS RECEIVABLES

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

As at 31 December 2019 and 31 December 2018, accounts and bills receivables from contracts with customers amounted to RMB11,509 million and RMB14,183 million, respectively.

Bills receivable were mainly issued by PRC banks and were expiring within one year. As at 31 December 2019, 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:

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

As at 31 December 2019, included in the Group's accounts receivables are debtors with gross carrying amount of RMB4,170 million which are past due as at the reporting date. The past due balances are not considered as in default because the debtors are not in significant financial difficulty and the management expects that the debtor is able and likely to pay for the debts. The Group does not hold any collateral over these balances.

25. ACCOUNTS AND BILLS RECEIVABLES (CONTINUED)

Details of impairment assessment of accounts and bills receivables for the year ended 31 December 2019 are set out in Note 39.2.

Included in accounts receivable, the following amounts are denominated in foreign currencies:

	31 December 2019 *RMB million*	31 December 2018 *RMB million*
United States Dollars *("USD")*	**227**	145
Indonesian Rupiah *("IDR")*	**232**	24
	459	169

Transfers of financial assets

As at 31 December 2019, the Group endorsed bills receivable amounting to RMB2,201 million (2018: RMB1,967 million) to suppliers to settle the accounts payable of same amounts and discounted bills receivable amounting to RMB1,115 million (2018: RMB455 million) to banks. In accordance to the relevant laws in the PRC, the holders of the bills receivable have a right of recourse against the Group if the issuing banks default payment (the "Continuing Involvement"). In the opinion of the Directors, the fair values of the Continuing Involvement are insignificant, and the Group has transferred substantially all the risks and rewards of ownership relating to these bills receivable, and accordingly derecognised the full carrying amounts of the bills receivable, in case of bills receivable endorsed to suppliers, derecognised the associated accounts payable.

26. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	31 December 2019 RMB million	31 December 2018 RMB million
Financial assets at FVTPL		
– Derivative financial instruments	101	5
– Wealth management products *(Note (i))*	33,334	32,447
	33,435	32,452
Financial assets measured at amortised cost		
– Interbank certificate of deposits *(Note (ii))*	28,621	–
– Loans and advances to China Energy Group and fellow subsidiaries *(Note (iii))*	8,549	5,877
– Service concession receivables *(Note 22(iii))*	428	–
– Bank bonds *(Note (iv))*	100	–
– Current portion of entrusted loans *(Note (v))*	457	2,992
– Other receivables due from associates	454	361
– Other receivables	2,010	2,877
	40,619	12,107
Prepaid expenses and deposits	9,546	7,110
Deductible VAT and other tax	2,924	3,033
	86,524	54,702

Notes:

(i) As at 31 December 2019, the Group's investment in wealth management products are as follows:

	Term of period	Expected annual rate of return	31 December 2019 Principal amount RMB million
Income-guaranteed-product	183 days	3.15%	5,000
Principal-guaranteed-product	180 to 188 days	3.00% to 3.50%	21,000
Non-principal-guaranteed product	90 to 92 days	3.55% to 3.85%	7,200
			33,200
Fair value			33,334

26. PREPAID EXPENSES AND OTHER CURRENT ASSETS (CONTINUED)

Notes: (Continued)

(ii) As at 31 December 2019, the Group invested RMB28,621 million in interbank certificates of deposit, measured by amortised cost method.

(iii) As at 31 December 2019, the Group had loans to China Energy Group and fellow subsidiaries amounting to RMB8,549 million (2018: RMB5,655 million), which bear interest at rates ranging from 3.87% to 4.35% per annum (2018: 3.92% to 4.93% per annum).

(iv) As at 31 December 2019, the Group invested RMB100 million in bank bond which expires on 30 November 2020, with an interest rate of 4.90% per annum (2018: 4.90%).

(v) As at 31 December 2019, 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** *RMB million*
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

27. RESTRICTED BANK DEPOSITS

Restricted bank deposits represent statutory deposit reserves at the PBOC, collaterals for bills payable and collaterals related to the operating of mines and ports.

The Group performed impairment assessment on restricted bank deposits and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of pledged bank deposits are set out in Note 39.2.

28. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

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

Included in cash and cash equivalents, the following amounts are denominated in foreign currencies:

	31 December 2019 *RMB million*	31 December 2018 *RMB million*
USD	**1,521**	809
HKD	**4**	1
IDR	**45**	–
RUB	**2**	–
AUD	**87**	–
	1,659	810

As at 31 December 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of bank deposits are set out in Note 39.2.

28. CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below shows the detailed changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings *RMB million* *Note 30*	Medium-term notes *RMB million* *Note 31*	Bonds *RMB million* *Note 31*	Lease liabilities *RMB million* *Note 32*	Accrued interest payable *RMB million* *Note 34*	Total *RMB million*
At 31 December 2018	52,537	–	6,823	–	419	59,779
Impact on initial application of IFRS 16 *(Note 2)*	–	–	–	927	–	927
At 1 January 2019	52,537	–	6,823	927	419	60,706
Capital element of lease rentals paid	–	–	–	(200)	–	(200)
Interest element of lease rentals paid	–	–	–	(39)	–	(39)
Interest paid	–	–	–	–	(3,177)	(3,177)
Proceeds from borrowings	3,541	–	–	–	–	3,541
Repayments of borrowings	(15,116)	–	–	–	–	(15,116)
Foreign exchange	153	–	109	–	–	262
Amortisation of discount on bonds	–	–	16	–	–	16
Interest expenses	–	–	–	39	3,229	3,268
Increase in lease liabilities from entering into new leases during the year	–	–	–	94	–	94
At 31 December 2019	41,115	–	6,948	821	471	49,355

28. CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

At 1 January 2018	80,106	4,995	9,752	–	472	95,325
Interest paid	–	–	–	–	(5,541)	(5,541)
Proceeds from borrowings	35,389	–	–	–	–	35,389
Repayments of borrowings	(39,571)	–	–	–	–	(39,571)
Repayments of bonds	–	–	(3,208)	–	–	(3,208)
Repayments of short-term debentures and medium-term notes	–	(5,000)	–	–	–	(5,000)
Foreign exchange	148	–	268	–	–	416
Amortisation of discount on notes and bonds	–	5	11	–	–	16
Interest expenses	–	–	–	–	5,526	5,526
Classified as held for sale assets and liabilities	(23,535)	–	–	–	(38)	(23,573)
At 31 December 2018	52,537	–	6,823	–	419	59,779

28. CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2019 RMB million	2018 (Note) RMB million
Within operating cash flows	254	361
Within financing cash flows	239	–
	493	361

Note:

The adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019 RMB million	2018 RMB million
Lease rental paid	493	361

29. DEFERRED TAXATION

For the purpose of the presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose.

	31 December 2019 *RMB million*	31 December 2018 *RMB million*
Deferred tax assets	**2,945**	3,083
Deferred tax liabilities	**(783)**	(537)
	2,162	2,546

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

	At 1 January 2019 *RMB million*	**Credited (charged) in profit or loss/other comprehensive income** *RMB million*	**Classified as assets/ liabilities held for sale** *RMB million*	**31 December 2019** *RMB million*
Allowances, primarily for receivables and inventories	**569**	**(29)**	**–**	**540**
Property, plant and equipment	**788**	**(676)**	**–**	**112**
Lease prepayments	**(50)**	**50**	**–**	**–**
Tax losses utilised	**62**	**54**	**–**	**116**
Tax allowable expenses not yet incurred	**1**	**–**	**–**	**1**
Unrealised profits from sales within the Group	**986**	**269**	**–**	**1,255**
Accrued salaries and other expenses not yet paid	**218**	**(153)**	**–**	**65**
Other	**(28)**	**101**	**–**	**73**
Net deferred tax assets	**2,546**	**(384)**	**–**	**2,162**

29. DEFERRED TAXATION (CONTINUED)

	At 1 January 2018 *RMB million*	Credited (charged) in profit or loss/ other comprehensive income *RMB million*	Classified as assets/ liabilities held for sale *RMB million*	31 December 2018 *RMB million*
Allowances, primarily for receivables and inventories	526	70	(27)	569
Property, plant and equipment	762	57	(31)	788
Lease prepayments	(167)	16	101	(50)
Tax losses utilised	324	(244)	(18)	62
Tax allowable expenses not yet incurred	1	–	–	1
Unrealised profits from sales within the Group	1,103	(117)	–	986
Accrued salaries and other expenses not yet paid	210	25	(17)	218
Other	290	(198)	(120)	(28)
Net deferred tax assets	3,049	(391)	(112)	2,546

At the end of the reporting period, the Group has unused tax losses of RMB7,056 million (2018: RMB7,853 million) and unrecognised deductible temporary differences of RMB7,521 million (2018: RMB6,685 million) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB463 million (2018: RMB321 million) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB6,593 million (2018: RMB7,532 million) losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB2,207 million (2018: RMB849 million) that will expire in 2019.

30. BORROWINGS

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

	31 December 2019 RMB million	31 December 2018 RMB million
Current borrowings:		
Short-term bank and other borrowings	835	2,000
Current portion of long-term borrowings	3,337	3,772
	4,172	5,772
Non-current borrowings:		
Long-term borrowings, less current portion	36,943	46,765
	41,115	52,537
Secured	10,635	5,473
Unsecured	30,480	47,064
	41,115	52,537

The Group's short-term borrowings are unsecured and bear interest at rates ranging from 3.92%to 5.10% per annum (2018: 3.85%to 4.85% per annum), and long-term borrowings bear interest at rates ranging from 1.80% to 6.15% per annum (2018: 1.08% to 6.55% per annum).

	31 December 2019 RMB million	31 December 2018 RMB million
The exposure of the long-term borrowings and the contractual maturity dates:		
Within one year	3,337	3,772
More than one year, but not exceeding two years	6,017	5,223
More than two years, but not exceeding five years	4,374	9,414
More than five years	26,552	32,128
	40,280	50,537

30. BORROWINGS (CONTINUED)

The Group's long-term borrowings comprise:

		31 December 2019 **_RMB million_**	31 December 2018 *RMB million*
Loans from banks and other institutions			
RMB denominated	Interest rates ranging from 4.28% to 5.54% per annum with maturities through 22 January 2036	**31,620**	43,471
USD denominated	Interest rates ranging from Libor+0.7% to Libor+2.85% per annum with maturities through 26 December 2034	**6,874**	5,061
Japanese Yen ("JPY") denominated	Interest rates ranging from 1.80% to 2.60% per annum with maturities through 20 March 2031	**1,781**	1,993
Euro denominated	Interest rate at 2.85% per annum with maturities through 22 June 2022	**5**	12
		40,280	50,537
Less: current portion of long-term borrowings		**3,337**	3,772
		36,943	46,765

As at 31 December 2019, included in the above outstanding borrowings, were entrusted loans from China Energy Group and fellow subsidiaries amounting to RMB874 million (2018: RMB874 million).

Certain borrowings are secured over certain property, plant and equipment with a carrying amount of RMB973 million (2018: RMB1,058 million) (see Note16 (iv)), certain right-of-use assets with carrying amounts of RMB841 million (2018: RMB866 million) (see Note 23), certain future power revenue to be generated by the Group, the investment in a subsidiary of the Company and a guarantee by a non-controlling shareholder of a subsidiary.

31. BONDS

The Group issued two Dollar bonds of a total USD1,000 million on 20 January 2015. The net proceeds of the Dollar bonds issued were mainly used for the repayment of loans of subsidiaries. As at 31 December 2019, details of the Group's bonds are as follows:

	Effective interest rate	Due date	Year ended 31 December	
	%		**2019** *RMB million*	2018 *RMB million*
5 – year corporate bond	3.35%	19/01/2020	**3,488**	3,425
10 – year corporate bond	4.10%	19/01/2025	**3,460**	3,398
			6,948	6,823
Amounts shown under current liabilities			**3,488**	–
Amounts shown under non-current liabilities			**3,460**	6,823

32. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	At 31 December 2019		At 1 January 2019	
	Present value of the minimum lease payments *RMB million*	Total minimum lease payments *RMB million*	Present value of the minimum lease payments *RMB million*	Total minimum lease payments *RMB million*
Within 1 year	198	231	162	201
After 1 year but within 2 years	160	186	156	187
After 2 years but within 5 years	347	385	401	456
After 5 years	116	121	208	219
	623	692	765	862
	821	923	927	1,063
Less: total future interest expenses		(101)		(136)
Present value of lease liabilities		821		927

Note:

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to IFRS 16 are set out in Note 2.

33. ACCOUNTS AND BILLS PAYABLES

	31 December 2019 *RMB million*	31 December 2018 *RMB million*
Accounts payable		
– China Energy Group, an associate of China Energy Group and fellow subsidiaries	**1,252**	1,912
– Associates	**922**	269
– Third parties	**22,077**	23,398
	24,251	25,579
Bills payable	**792**	1,305
	25,043	26,884

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

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

Included in accounts and bills payables, the following amounts are denominated in foreign currencies:

	31 December 2019 *RMB million*	31 December 2018 *RMB million*
USD	**1,101**	456
Euro	**108**	625
JPY	**–**	228
Others	**80**	84
	1,289	1,393

34. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2019 *RMB million*	31 December 2018 *RMB million*
Accrued staff wages and welfare benefits	**4,249**	3,947
Accrued interest payable	**471**	419
Taxes payable other than income tax	**5,114**	5,655
Dividends payable	**1,631**	1,501
Deposits from China Energy Group and fellow subsidiaries *(Note (i))*	**32,184**	30,143
Other accrued expenses and payables *(Note (ii))*	**9,929**	11,072
Financial liabilities measured at amortised cost	**53,578**	52,737

Notes:

(i) As at 31 December 2019, deposits from China Energy Group and fellow subsidiaries bear interest at 0.42% to 1.62% per annum (2018: 0.42% to 1.62% per annum).

(ii) Other accrued expenses and payables of the Group included:

	31 December 2019 *RMB million*	31 December 2018 *RMB million*
Amounts due to China Energy Group and fellow subsidiaries	**1,137**	1,095
Amounts due to associates	**37**	19
	1,174	1,114

The above balances are unsecured, interest-free and payable on demand.

35. LONG-TERM LIABILITIES

	31 December 2019 RMB million	31 December 2018 RMB million
Payables for acquisition of mining rights *(Note (i))*	**743**	773
Deferred income *(Note (ii))*	**1,240**	1,235
Defined benefit plans	**7**	9
Others	**1,704**	532
	3,694	2,549
Analysed for reporting purpose as:		
Current liabilities	**1,493**	457
Non-current liabilities	**2,201**	2,092
	3,694	2,549

Notes:

(i) The balances mainly represent 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.

36. ACCRUED RECLAMATION OBLIGATIONS

	Year ended 31 December	
	2019 RMB million	2018 RMB million
At the beginning of the year	**3,191**	2,745
Addition for the year	**27**	294
Accretion expense	**154**	152
At the end of the year	**3,372**	3,191

37. SHARE CAPITAL

	31 December 2019 RMB million	31 December 2018 RMB million
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.

38. CAPITAL RISK 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 31 December 2019 was 25% (2018: 31%).

There were no changes in the Group's approach to capital management compared with previous years.

39. FINANCIAL INSTRUMENTS

39.1 Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are set out as follows:

	31 December 2019 *RMB million*	31 December 2018 *RMB million*
Financial assets		
Derivative financial instruments *(Note 26)*	**101**	5
Financial assets at amortised cost	**135,023**	111,433
Equity instruments at FVTOCI *(Note 21)*	**1,789**	811
Wealth management products *(Note 26)*	**33,334**	32,447
Financial liabilities		
Amortised cost	**121,811**	130,152

39.2 Financial risk management objectives and policies

The Group's major financial instruments include accounts and bills receivables, loans and advances to/deposits from/amounts due to China Energy Group and fellow subsidiaries, amounts due from/to associates, other receivables, accounts and bills payables, borrowings, other payables, long-term liabilities, medium-term notes and bonds. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate and currency risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The functional currency of most of the group entities is RMB in which most of the transactions are denominated. However, certain of the Group's receivables, bank balances, borrowings and payables are denominated in foreign currencies. The Group entered into cross-currency exchange rate swaps with in respect of its certain interest payments of borrowings denominated in USD in order to mitigate the risk from the fluctuation of USD against RMB. The carrying amounts of the Group's receivables, bank balances, borrowings and payables denominated in foreign currencies are set out in Note 25, 28, 30 and 33, respectively.

39. FINANCIAL INSTRUMENTS (CONTINUED)

39.2 Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	31 December		31 December	
	2019	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*
USD	**7,975**	5,517	**2,629**	954
JPY	**1,781**	2,221	**–**	–
Other currencies	**193**	721	**1,669**	25

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase or decrease in exchange rate of each foreign currency against RMB, while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period.

	USD		JPY		Other currencies	
	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2019	2018	**2019**	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
(Decrease) increase in profit after tax for the year:						
– if RMB weakens against foreign currencies	**(412)**	(342)	**(137)**	(167)	**114**	(52)
– if RMB strengthens against foreign currencies	**412**	342	**137**	167	**(114)**	52

39. FINANCIAL INSTRUMENTS (CONTINUED)

39.2 Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan and receivables, borrowings and bonds (see Notes 26, 30 and 31).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings and variable-rate loans and receivables (see Notes 30 and 26). Other than the concentration of interest rate risk related to the movements in London Interbank Offered Rate and the loan interest published by the PBOC, the Group has no significant concentration of interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings and variable-rate loans and receivables at the end of the reporting period. No sensitivity analysis has been presented for the exposure to interest rates for bank balances as the management of the Group considers that, taking into account that the fluctuation in interest rates on bank balances is minimal, the impact of profit or loss for the year is insignificant.

The analysis is prepared assuming variable-rate borrowings and variable-rate loans and receivables outstanding at the end of the reporting period were outstanding for the whole year.

If interest rates had been 100 basis points (2018: 100 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would increase/decrease by RMB138 million (2018: decrease/increase by RMB140 million).

Credit risk and impairment assessment

As at 31 December 2019, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of financial guarantees provided by the Group is disclosed in Note 41.3. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts.

39. FINANCIAL INSTRUMENTS (CONTINUED)

39.2 Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Accounts and bills receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Loan receivables

The credit risks on loan receivables are limited because the counterparties are related parties, the Group assesses the recoverability by reviewing their financial positions and results periodically and considers that its exposure to credit risk arising from default of the counterparties is limited.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies, such as China Construction Bank, Industrial and Commercial Bank of China, Bank of China and Agricultural Bank of China.

Other receivables

Other receivables represent pledge and guarantee deposit, dividend receivables and interest receivables. The pledge and guarantee deposit is paid for regular businesses. The dividend receivables relate to the investments of the Company and the interest receivables mainly relate to related parties and stated owned entities. Thus, the credit risk on other receivables are limited.

39. FINANCIAL INSTRUMENTS (CONTINUED)

39.2 Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Financial guarantee contracts

The credit risks on financial guarantee contracts are limited because the counterparties are state owned entities with good financial position.

The Group does not have any significant concentration of credit risk. Accounts and bills receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

	Notes	**External credit rating**	**12-month or lifetime ECL**	**Year ended 31 December**	
				2019	**2018**
				RMB million	*RMB million*
Financial assets at amortised costs					
Interbank certificate of deposits	26	N/A	12-month ECL	28,621	–
Loans receivables	22, 26	N/A	12-month ECL	25,279	18,418
Restricted bank deposits	27	N/A	12-month ECL	7,664	8,607
Bank deposits		AAA	12-month ECL	43,817	63,598
Other receivables	26	N/A	12-month ECL	1,770	568
			Credit-impaired	1,154	2,749
Accounts receivable	25	N/A	Lifetime ECL (provision matrix)	6,675	6,641
			Credit-impaired	2,245	2,975
Other items					
Financial guarantee contracts *(Note (ii))*		N/A		158	190

Notes:

(i) For accounts receivable, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by debtors' aging.

(ii) For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

39. FINANCIAL INSTRUMENTS (CONTINUED)

39.2 Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Provision matrix – debtors' ageing

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its receivables from customers in relation to its sales of coal, power, coal chemical products and transportation services because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for accounts receivables which are assessed based on provision matrix as at 31 December 2019 within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amounts of RMB2,245 million as at 31 December 2019 were assessed individually.

Gross carrying amount

	Average loss rate 2019	**Accounts receivable 2019** *RMB million*	Average loss rate 2018	Accounts receivable 2018 *RMB million*
Current (not past due)	**0.3%**	**4,750**	0%	4,823
Less than one year past due	**1%**	**1,198**	1%	335
One to two years past due	**6%**	**113**	5%	656
Two to three years past due	**10%**	**112**	10%	795
More than three years past due	**20%**	**502**	20%	32
		6,675		6,641

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

39. FINANCIAL INSTRUMENTS (CONTINUED)

39.2 Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

During the year ended 31 December 2019, the Group provided RMB58 million (2018: RMB114 million) impairment allowance for accounts receivable and reversed RMB113 million (2018: RMB25 million), based on the provision matrix and on debtors with credit impaired.

The following table shows the movement in lifetime ECL that has been recognised for accounts receivable under the simplified approach.

	Lifetime ECL (not credit – impaired) *RMB million*	**Lifetime ECL (credit – impaired)** *RMB million*	**Total** *RMB million*
As at 1 January 2018	–	1,039	1,039
Impairment losses recognised	114	–	114
Impairment losses reversed	–	(25)	(25)
As at 1 January 2019	114	1,014	1,128
Impairment losses recognised	58	–	58
Impairment losses reversed	(28)	(85)	(113)
As at 31 December 2019	144	929	1,073

The following tables show reconciliation of loss allowances that has been recognised for loan receivables and interbank certificate of deposits.

	2019 12-month ECL ***RMB million***	2018 12-month ECL *RMB million*
As at 1 January	**419**	393
– Impairment losses reversed	**(279)**	(99)
New financial assets originated or purchased	**446**	125
Effect of disposals of subsidiaries	**54**	–
As at 31 December	**640**	419

39. FINANCIAL INSTRUMENTS (CONTINUED)

39.2 Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL (not credit-impaired) *RMB million*	Lifetime ECL (credit-impaired) *RMB million*	Total *RMB million*
As at 1 January 2018	–	417	417
– Impairment losses recognised	133	–	133
– Impairment losses reversed	–	(96)	(96)
– Write-offs	–	(5)	(5)
– Assets classified as held for sale	–	(9)	(9)
As at 1 January 2019	133	307	440
– Impairment losses recognised	121	2	123
– Impairment losses reversed	(92)	(4)	(96)
– Write-offs	–	(7)	(7)
As at 31 December 2019	162	298	460

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group closely monitors cash flow requirements and optimising its cash return. The Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

39. FINANCIAL INSTRUMENTS (CONTINUED)

39.2 Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the remaining contractual maturity of the Group's financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	31 December 2019						
	Weighted average interest rate *%*	On demand or less than 1 year *RMB million*	1 – 2 years *RMB million*	2 – 5 years *RMB million*	More than 5 years *RMB million*	Total undiscounted cash flows *RMB million*	Total carrying amount *RMB million*
Financial liabilities:							
Accounts and bills payables, other payables, lease liabilities and long- term liabilities		66,971	2,836	4,467	134	74,408	73,748
Borrowings variable interest rate	4.80	5,631	7,129	8,847	26,035	47,642	39,125
Borrowings fixed interest rate	2.54	399	295	722	654	2,070	1,990
Bonds	3.50	3,732	26	405	3,623	7,786	6,948
		76,733	10,286	14,441	30,446	131,906	121,811

39. FINANCIAL INSTRUMENTS (CONTINUED)

39.2 Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	31 December 2018						
	Weighted average interest rate *%*	On demand or less than 1 year *RMB million*	1 – 2 years *RMB million*	2 – 5 years *RMB million*	More than 5 years *RMB million*	Total undiscounted cash flows *RMB million*	Total carrying amount *RMB million*
Financial liabilities:							
Accounts and bills payables, other payables and long- term liabilities		70,224	97	223	421	70,965	70,792
Borrowings variable interest rate	4.61	7,650	6,676	13,276	39,390	66,992	48,442
Borrowings fixed interest rate	3.53	501	693	1,713	2,071	4,978	4,095
Bonds	3.58	2,402	900	399	3,572	7,273	6,823
		80,777	8,366	15,611	45,454	150,208	130,152

Saved as discussed above, the Group also makes use of banks and financial institutions facilities as one of the effective sources of liquidity.

The maximum liability of financial guarantees issued by the Group is disclosed in Note 41.3.

39. FINANCIAL INSTRUMENTS (CONTINUED)

39.3 Fair value measurements

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

	31 December 2019 *RMB million*	31 December 2018 *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	32,447	Level 2	Discounted cash flow. Future cash flows are estimated and discounted based on expected rate of return of comparable products.
Equity instruments	1,789	811	Level 3	Market comparison approach. Fair value is estimated based on value of comparable listed companies, multiples and discount for lack of liquidity.

There were no transfer between Level 1, Level 2 and Level 3 during the year ended 31 December 2019 and 2018.

39. FINANCIAL INSTRUMENTS (CONTINUED)

39.3 Fair value measurements (Continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, 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:

	31 December 2019		31 December 2018	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB million	***RMB million***	*RMB million*	*RMB million*
Financial liabilities:				
Fixed rate bank borrowings	**1,990**	**2,070**	3,795	3,864
Fixed rate bonds	**6,948**	**6,997**	6,823	6,818

The fair value of fixed rate bank borrowings above in the Level 2 category is measured using discounted cash flow method where the future cash flows are estimated based on the contract and discounted at a rate that reflects the credit risk of the issuers.

The fair values of medium-term notes and bonds are included in the Level 1 category, which have been derived from the quoted prices (unadjusted) in an active market.

40. DISPOSAL OF CERTAIN COAL-FIRED POWER BUSINESS FOR EQUITY INTERESTS IN BEIJING GD

(a) Pursuant to the agreement dated 1 March 2018, the Company and GD Power Development Co., Ltd. ("GD Power", a fellow subsidiary of the Company) agreed to establish a joint venture company (subsequently incorporated as Beijing GD). On 31 January 2019, the Company and GD Power contributed certain equity interests and assets of their respective coal-fired power generation companies with reference to valuation of RMB27,710 million and RMB37,449 million (as of 30 June 2017) into Beijing GD. The profits or losses associated with operating activities of the relevant equity interests and assets of these coal-fired power generation companies for the transition period (i.e. the period from 1 July 2017 to 31 January 2019) belonged to Beijing GD. Furthermore, the Company and GD Power should make up the contributed amount for all the dividends received and changes in capital of the coal-fired power generation companies for the transition period. Upon completion of the contribution, the Company holds 42.53% of equity interests in Beijing GD. Under this arrangement, the Company disposed of the relevant equity interests and assets of certain coal-fired power generation subsidiaries and associate, which resulted in that Beijing GD becoming an associate.

40. DISPOSAL OF CERTAIN COAL-FIRED POWER BUSINESS FOR EQUITY INTERESTS IN BEIJING GD (CONTINUED)

(b) The Company's equity interests and assets of coal-fired power generation subsidiaries and associate disposed of are as follows:

	Equity interests
Guohua Taicang Power Co., Ltd.	50%
Jiangsu Guohua Chenjiagang Power Co., Ltd.	55%
Guohua Xuzhou Power Generation Co., Ltd.	100%
Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.	80%
Ningxia Guohua Ningdong Power Generation Co., Ltd.	100%
Shenhua Guohua Ningdong Power Generation Co., Ltd.	56.77%
Zhejiang Guohua Zheneng Power Generation Co., Ltd.	60%
Shenhua Guohua (Zhoushan) Power Generation Co., Ltd.	51%
Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.	80%
Shenhua Guohua International Power Co., Ltd.	70%
Shenwan Energy Co., Ltd.	51%
Baode Shendong Power Generation Co., Ltd.	91.30%
Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd.	80%
Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd.	100%
Shenhua Shendong Power Co., Ltd. Salaqi Power Plant	n/a
Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant	n/a
Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant	n/a
Zhejiang Zheneng Jiahua Power Generation Co., Ltd.	20%

(c) The net assets attributable to the Company's equity interests and assets of coal-fired power generation subsidiaries and associate disposed of are as follows:

	31 January 2019 *RMB million*
Assets held for sale	85,031
Liabilities held for sale	45,302
Net assets disposed of	39,729
Non-controlling interests	15,199
Net assets attributable to equity holders of the Company	24,530
Add: repayment of dividends received and capital contributed during the transition period	1,562
Less: Share of 42.53% of Beijing GD's net assets	27,213
Gain on disposal of subsidiaries and associate *(Note 11)*	1,121

41. COMMITMENTS AND CONTINGENT LIABILITIES

41.1 Capital commitments

As at 31 December, the Group had capital commitments for land and buildings and equipment as follows:

	31 December 2019 ***RMB million***	31 December 2018 *RMB million*
Contracted for but not provided		
– Land and buildings	**24,670**	17,854
– Equipment	**13,990**	14,853
	38,660	32,707

41.2 Operating lease commitments

At 31 December 2018, the total future minimum lease payments under noncancelable operating leases were payable as follows

	31 December 2018 *RMB million*
Within one year	591
After one year but within five years	1,917
After five years	1,284
	3,792

The Group is the lessee in respect of a number of land and buildings, plant, machinery, equipment and other properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in Note 2.

41.3 Financial guarantees issued

As at 31 December 2019, the Group had issued certain guarantees in respect of certain banking facilities granted to an entity which the Group held less than 20% equity interest. The maximum amount guaranteed is RMB158 million (2018: RMB190 million).

41. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

41.4 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.

41.5 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.

42. EMPLOYEE BENEFITS PLAN

In addition to a minimal defined benefit plan operated by its subsidiary, 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 year ended 31 December 2019 were RMB3,332 million (2018: RMB3,469 million).

43. RELATED PARTY TRANSACTIONS

43.1 Transactions with China Energy Group, an associate 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, an associate of China Energy Group and subsidiaries of China Energy Group ("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, an associate of China Energy Group, fellow subsidiaries, and associates of the Group that were carried out in the normal course of business during both years:

		2019 ***RMB million***	2018 *RMB million*
Interest income	(i)	**638**	621
Income from entrusted loans	(ii)	**19**	19
Interest expense	(iii)	**377**	328
Purchases of ancillary materials and spare parts	(iv)	**939**	1,295
Mining service income	(v)	**–**	18
Ancillary and social services	(vi)	**853**	1,082
Transportation service income	(vii)	**1,645**	303
Transportation service expense	(viii)	**342**	93
Sale of coal	(ix)	**52,238**	16,980
Purchase of coal	(x)	**10,819**	9,750
Property leasing	(xi)	**115**	69
Repairs and maintenance services expense	(xii)	**10**	17
Coal export agency expense	(xiii)	**6**	7
Purchase of equipment and construction work	(xiv)	**1,007**	1,092
Sale of coal chemical product	(xv)	**4,088**	4,535
Other income	(xvi)	**2,904**	2,014
Granting of loans from Shenhua Finance	(xvii)	**9,790**	6,502
Repayment of loans from Shenhua Finance	(xviii)	**6,862**	6,692
Net deposits received by Shenhua Finance	(xix)	**1,849**	10,068
Repayment of loans from China Energy Group	(xx)	**–**	500

43. RELATED PARTY TRANSACTIONS (CONTINUED)

43.1 Transactions with China Energy Group, an associate 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 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 and an associate of China Energy Group.

(v) Mining service income represents income earned from coal mining services to a fellow subsidiary.

(vi) Ancillary and social services represent expenditures for social welfare and support services such as property management, water and electricity supply, and canteen expense paid to China Energy Group, fellow subsidiaries and an associate of China Energy Group.

(vii) Transportation service income represents income earned from fellow subsidiaries in respect of coal transportation services.

(viii) Transportation service expense represents expense related to coal transportation service to fellow subsidiaries.

(ix) Sale of coal represents income from sale of coal to fellow subsidiaries.

(x) Purchase of coal represents coal purchased from an associate of the Group, an associate of China Energy Group and fellow subsidiaries.

(xi) Property leasing represents rental paid or payable in respect of properties leased from China Energy Group and fellow subsidiaries.

(xii) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services provided by an associate of the Group and fellow subsidiaries.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

43.1 Transactions with China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Group (Continued)

(xiii) Coal export agency expense represents expense related to coal export agency services provided by a fellow subsidiary.

(xiv) Purchase of equipment and construction work represents expenditure related to equipment and construction service provided by fellow subsidiaries.

(xv) Sale of coal chemical product represents income from sale of coal chemical product to a fellow subsidiary.

(xvi) 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, an associate of China Energy Group and fellow subsidiaries.

(xvii) Granting of loans from Shenhua Finance represents loans granted by Shenhua Finance to China Energy Group and fellow subsidiaries.

(xviii) Repayment of loans from Shenhua Finance represents loans repaid by China Energy Group and fellow subsidiaries to Shenhua Finance.

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

(xx) Repayment of loans from a fellow subsidiary by the Group.

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

43. RELATED PARTY TRANSACTIONS (CONTINUED)

43.1 Transactions with China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Group (Continued)

The Group entered into a number of agreements with China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Group. The terms of the principal agreements are summarised as follows:

(i) The Group has entered into a mutual supply agreement for the mutual provision of production supplies and ancillary services with an associate of China Energy Group and fellow subsidiaries. Pursuant to the agreement, an associate of China Energy Group and fellow subsidiaries provide the Group with the production supplies and services, ancillary production services including the use of the information network system and ancillary administrative services. On the other hand, the Group provides fellow subsidiaries with water supplies, rolling stock management, railway management, railway transportation and other related or similar production supplies or services and use of the information network system.

The products and services provided under the agreement, other than the sharing of use of the information network system which is free of charge, are provided in accordance with the following pricing policy:

– price prescribed by the state (including any price prescribed by any relevant local government), if applicable;

– where there is no state-prescribed price but where there is a state-guidance price, then the state-guidance price;

– where there is neither a state-prescribed price nor a state-guidance price, the market price; or

– where none of the above is applicable or where it is not practical to apply the above pricing policies in reality, the price to be agreed between the relevant parties shall be based on reasonable costs incurred in providing the goods or services plus a profit margin of 5% of such costs.

(ii) The Group has entered into coal supply agreements with an associate of China Energy Group, fellow subsidiaries and associates of the Group. The coal supplied is charged at the prevailing market price.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

43.1 Transactions with China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Group (Continued)

(iii) The Group, through Shenhua Finance, has entered into a financial services agreement with China Energy Group and fellow subsidiaries. Pursuant to the agreement, Shenhua Finance provides financial services to China Energy Group and fellow subsidiaries. The interest rate for the deposits with Shenhua Finance from China Energy Group and fellow subsidiaries should not be lower than the lowest limit published by the PBOC for the same type of deposit. The interest rate for loans made by Shenhua Finance to China Energy Group and fellow subsidiaries should not be higher than the highest limit published by the PBOC for the same type of loan. The above interest rates should be determined by reference to the rate charged by normal commercial banks in the PRC for comparable deposits and loans on normal commercial terms. The fees charged by Shenhua Finance for the provision of other financial services shall be determined according to the rates chargeable by the PBOC or the China Banking Regulatory Commission.

(iv) The Group has entered into a property leasing agreement with fellow subsidiaries of China Energy Group for leasing of certain properties to each other. No rent is payable by the Group before fellow subsidiaries obtains the relevant property ownership certificate. The rental charges are based on comparable market rates. If fellow subsidiaries of China Energy Group negotiate to sell a leased property to a third party, the Company has a pre-emptive right to purchase such property under terms no less favorable than other third party.

(v) The Group has entered into a land leasing agreement with fellow subsidiaries of China Energy Group. The annual rent is determined based on the local market rate. The Group is not allowed to sub-let the leased land.

(vi) The Group has entered into an agency agreement for the export of coal with a fellow subsidiary of China Energy Group. The fellow subsidiary is appointed as a non-exclusive export agent of the Group and is entitled to receive an agency fee based on the relevant market rates or lower rates. Currently, the rate is 0.7% of the free on board sales price of coal exported.

(vii) The Group entered into an agency agreement for the sale of coal with fellow subsidiaries of China Energy Group. The Group is appointed as the exclusive sales agent of fellow subsidiaries of China Energy Group for thermal coal and non-exclusive sales agent for coking coal. The Group is entitled to receive an agency fee, which is based on its related costs incurred plus a profit margin of 5% for sales of coal outside the Inner Mongolia Autonomous Region. No agency fee is charged for sales of coal within the Inner Mongolia Autonomous Region.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

43.1 Transactions with China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Group (Continued)

(viii) The Group has entered into agreements with fellow subsidiaries of China Energy Group under which the Group has been granted the right to use certain trademarks. Fellow subsidiaries of China Energy Group bear its own cost for the registration of such trademarks during the term of the trademarks license agreement and expenses for enforcement against any infringement of the licensed trademarks by third parties.

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

	31 December 2019 *RMB million*	31 December 2018 (before reclassification) *RMB million*	Classified as assets/ liabilities held for sale *RMB million*	31 December 2018 (After reclassification) *RMB million*
Accounts and bills receivables	**2,696**	2,768	1	2,767
Prepaid expenses and other current assets	**9,589**	6,250	12	6,238
Other non-current assets	**16,347**	9,394	–	9,394
Total amounts due from China Energy Group, an associate of China Energy Group, fellow subsidiaries and associates of the Group	**28,632**	18,412	13	18,399
Borrowings	**874**	874	–	874
Accounts payable	**2,174**	2,466	285	2,181
Accrued expenses and other payables	**33,345**	31,263	6	31,257
Contract liabilities	**708**	862	–	862
Total amounts due to China Energy Group, an associate of China Energy Group and fellow subsidiaries, and associates of the Group	**37,101**	35,465	291	35,174

Other than those disclosed in Notes 22, 26, 30 and 34, amounts due from/to China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Group bear no interest, are unsecured and are repayable in accordance with normal commercial terms.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

43.2 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 is summarised as follows:

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Short-term employee benefits	**8**	8
Post-employment benefits	**1**	1
	9	9

Total remuneration is included in "personnel expenses" as disclosed in Note 11.

43.3 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 42.

43.4 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.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, 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:

Transactions with other government-related entities, including state-controlled banks in the PRC

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Coal revenue	**86,533**	96,569
Power revenue	**48,246**	85,270
Transportation costs	**12,933**	12,767
Interest income	**2,063**	1,335
Interest expenses (including amount capitalised)	**3,279**	4,950

Balances with other government-related entities, including state-controlled banks in the PRC

	31 December 2019	31 December 2018 (before reclassification)	Classified as assets/ liabilities held for sale	31 December 2018 (After reclassification)
	RMB million	*RMB million*	*RMB million*	*RMB million*
Accounts and bills receivables	**10,796**	8,741	3,070	5,671
Prepaid expenses and other current assets	**3,800**	3,671	56	3,615
Cash and time deposits at banks	**43,731**	64,118	535	63,583
Restricted bank deposits	**7,664**	8,607	–	8,607
Borrowings	**40,001**	74,809	23,535	51,274
Accrued expenses and other payables	**1,687**	1,999	112	1,887
Contract liabilities	**86**	790	–	790

44. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) After the end of the reporting period, the Directors proposed a final dividend, the details of which are disclosed in Note 14.

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

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

45. SUBSIDIARIES

Details of the Company's material subsidiaries

The Company's subsidiaries are unlisted. Details of the Company's material subsidiaries at the end of the reporting period are set out below:

Name of the subsidiary	Place of incorporation and operation	Type of legal entity	Particulars of registered capital	Proportion of ownership interest and voting rights held by the Group		Principal activities
				31 December 2019 %	31 December 2018 %	
Shenhua Sales Group Co., Ltd.	PRC	Limited company	RMB1,889 million	**100**	100	Trading of coal
Shenhua Shendong Coal Group Co., Ltd.	PRC	Limited company	RMB4,989 million	**100**	100	Trading of coal; provision of integrated services
Shenhua Zhunge'er Energy Co., Ltd.	PRC	Limited company	RMB7,102 million	**58**	58	Coal mining and development; generation and sale of electricity
Shenhua Baorixile Energy Industrial Co., Ltd.	PRC	Limited company	RMB1,169 million	**57**	57	Coal mining; provision of loading and transportation services

45. SUBSIDIARIES (CONTINUED)

Details of the Company's material subsidiaries (Continued)

Name of the subsidiary	Place of incorporation and operation	Type of legal entity	Particulars of registered capital	Proportion of ownership interest and voting rights held by the Group		Principal activities
				31 December 2019 %	31 December 2018 %	
Shenhua Beidian Shengli Energy Co., Ltd.	PRC	Limited company	RMB2,858 million	**63**	63	Coal mining; provision of loading and transportation services
Shaanxi Guohua Jinjie Energy Co., Ltd.	PRC	Limited company	RMB2,278 million	**70**	70	Generation and sale of electricity; coal mining development
Shenhua Shendong Power Co., Ltd.	PRC	Limited company	RMB3,024 million	**100**	100	Generation and sale of electricity
Guangdong Guohua Yuedian Taishan Power Co., Ltd.	PRC	Limited company	RMB4,670 million	**80**	80	Generation and sale of electricity
Hebei Guohua Cangdong Power Co., Ltd.	PRC	Limited company	RMB1,834 million	**51**	51	Generation and sale of electricity
Dingzhou Power *(Note)*	PRC	Limited company	RMB1,561 million	**41**	41	Generation and sale of electricity
Shenhua Sichuan Energy Co., Ltd.	PRC	Limited company	RMB2,152 million	**51**	51	Generation and sale of electricity; trading of coal
Shenhua Fujian Energy Co., Ltd.	PRC	Limited company	RMB3,280 million	**100**	100	Generation and sale of electricity
Shuohuang Railway Development Co., Ltd.	PRC	Limited company	RMB5,880 million	**53**	53	Provision of transportation services
Shenhua Zhunchi Railway Co., Ltd.	PRC	Limited company	RMB4,710 million	**85**	85	Provision of transportation services
Shenhua Huanghua Harbour Administration Co., Ltd.	PRC	Limited company	RMB6,790 million	**70**	70	Provision of harbour and port services
Shenhua Zhonghai Shipping Co., Ltd.	PRC	Limited company	RMB5,180 million	**51**	51	Provision of transportation services
Shenhua Baotou Coal Chemical Co., Ltd.	PRC	Limited company	RMB5,132 million	**100**	100	Coal chemical
Shenhua Railway Transportation Co., Ltd.	PRC	Limited company	RMB5,003 million	**100**	100	Provision of transportation

45. SUBSIDIARIES (CONTINUED)

Details of the Company's material subsidiaries (Continued)

Name of the subsidiary	Place of incorporation and operation	Type of legal entity	Particulars of registered capital	Proportion of ownership interest and voting rights held by the Group		Principal activities
				31 December 2019 %	31 December 2018 %	
Shenhua Finance	PRC	Limited company	RMB5,000 million	100	100	Provision of financial services
China Shenhua Overseas Development & Investment Co., Ltd.	Hong Kong, China	Limited company	HKD5,252 million	100	100	Investment holding
Shenhua Australia Holding Pty Ltd.	Australia	Limited company	AUD400 million	100	100	Coal mining and development; generation and sale of electricity
Shenhua Watermark Coal Pty Ltd.	Australia	Limited company	AUD350 million	100	100	Coal mining and development; generation and sale of electricity
PT GH EMM Indonesia	Indonesia	Limited company	USD63 million	70	70	Coal mining and development; generation and sale of electricity
Shenhua Baoshen Railway Group Co., Ltd.	PRC	Limited company	RMB11,700 million	100	100	Provision of transportation services
(Tianjin) Finance Lease Co., Ltd.	PRC	Limited company	RMB2,500 million	100	100	Provision of financial lease services
Shenhua Zhunneng Resources Development & Utilisation Co., Ltd.	PRC	Limited company	RMB1,200 million	100	100	Comprehensive utilisation of inferior coal resources

The above table lists subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year except for Shenhua Overseas Capital which has issued USD1,000 million of bonds, which are set out in Note 31, in which the Group has no interest.

Note:

The Company obtained the control over Dingzhou Power through its right to appoint majority members of the board of directors, details of which are set out in Note 4.1.

45. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Name of the subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting rights held by non-controlling interest		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
				Year ended 31 December			
		31 December 2019	31 December 2018	2019 RMB million	2018 RMB million	31 December 2019 RMB million	31 December 2018 RMB million
Shenhua Zhunge'er Energy Co., Ltd.	PRC	42.24	42.24	864	1,333	14,349	13,244
Shenhua Baorixile Energy Industrial Co., Ltd.	PRC	43.39	43.39	435	619	2,901	2,327
Yulin Shenhua Energy Co., Ltd.	PRC	49.90	49.90	273	555	2,096	2,577
Dingzhou Power	PRC	59.50	59.50	280	433	2,075	1,915
Shaanxi Guohua Jinjie Energy Co., Ltd	PRC	30.00	30.00	1,015	1,007	2,839	2,748
Shuohuang Railway Development Co., Ltd.	PRC	47.28	47.28	3,586	3,536	16,678	17,048
Shenhua Zhonghai Shipping Co., Ltd.	PRC	49.00	49.00	86	259	3,016	3,161
Guangdong Guohua Yuedian Taishan Power Co., Ltd.	PRC	20.00	20.00	138	157	1,718	1,580
Shenhua Huanghua Harbour Administration Co., Ltd.	PRC	30.00	30.00	432	365	3,433	3,079
Individually immaterial subsidiaries with non-controlling interests						15,036	29,465
						64,141	77,144

45. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	Shenhua Zhunge'er Energy Co., Ltd.		Shenhua Baorixile Energy Industrial Co., Ltd.		Yulin Shenhua Energy Co., Ltd.	
	31 December 2019 RMB million	31 December 2018 RMB million	**31 December 2019 RMB million**	31 December 2018 RMB million	**31 December 2019 RMB million**	31 December 2018 RMB million
Current assets	**24,174**	21,269	**3,029**	3,293	**759**	1,520
Non-current assets	**16,963**	17,595	**5,074**	4,893	**5,052**	5,367
Current liabilities	**6,990**	6,950	**1,551**	2,648	**1,219**	1,087
Non-current liabilities	**514**	560	**204**	176	**388**	641
Total equity	**33,633**	31,354	**6,348**	5,362	**4,204**	5,159

	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2019 RMB million	2018 RMB million	**2019 RMB million**	2018 RMB million	**2019 RMB million**	2018 RMB million
Revenue	**14,474**	15,062	**4,945**	4,806	**2,473**	3,044
Expenses	**11,891**	11,146	**2,963**	3,064	**1,823**	1,676
Profit and total comprehensive income for the year	**2,298**	3,156	**980**	1,427	**551**	1,036
Dividend paid to non-controlling interests	**–**	–	**–**	340	**831**	–
Net cash (outflow)/inflow from operating activities	**(8,234)**	2,135	**1,310**	1,852	**1,778**	260
Net cash inflow/(outflow) from investing activities	**8,913**	(2,360)	**(296)**	(12)	**(9)**	(93)
Net cash (outflow)/inflow from financing activities	**(21)**	(3)	**(1,227)**	(1,002)	**(1,604)**	(414)
Net cash inflow/(outflow)	**658**	(228)	**(213)**	838	**165**	(247)

45. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	Dingzhou Power		Shaanxi Guohua Jinjie Energy Co., Ltd		Shuohuang Railway Development Co., Ltd.	
	31 December 2019 RMB million	31 December 2018 RMB million	31 December 2019 RMB million	31 December 2018 RMB million	31 December 2019 RMB million	31 December 2018 RMB million
Current assets	726	1,079	2,271	2,753	7,184	10,602
Non-current assets	4,252	4,716	9,246	7,952	33,496	32,182
Current liabilities	1,084	1,735	1,652	1,309	3,770	4,688
Non-current liabilities	407	841	659	471	3,230	2,038
Total equity	3,487	3,219	9,206	8,925	33,680	36,058

	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2019 RMB million	2018 RMB million	2019 RMB million	2018 RMB million	2019 RMB million	2018 RMB million
Revenue	3,869	4,231	7,874	7,817	19,878	19,748
Expenses	3,216	3,266	3,964	3,807	9,847	9,667
Profit and total comprehensive income for the year	471	727	3,333	3,425	7,593	7,479
Dividend paid to non-controlling interests	–	311	964	15	4,893	1,527
Net cash inflow from operating activities	1,297	1,380	3,944	3,324	11,517	7,804
Net cash (outflow) inflow from investing activities	(67)	(47)	(956)	(624)	(2,304)	(2,846)
Net cash inflow (outflow) from financing activities	(1,230)	(1,333)	(2,896)	(2,667)	(9,077)	(5,343)
Net cash inflow (outflow)	–	–	92	33	136	(385)

45. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	Shenhua Zhonghai Shipping Co., Ltd.		Guangdong Guohua Yuedian Taishan Power Co., Ltd		Shenhua Huanghua Harbour Administration Co., Ltd.	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018	**31 December 2019**	31 December 2018
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Current assets	**592**	928	**992**	999	**1,901**	2,462
Non-current assets	**5,978**	6,185	**9,310**	10,177	**12,359**	12,974
Current liabilities	**359**	615	**1,325**	2,373	**1,331**	2,720
Non-current liabilities	**56**	46	**390**	905	**2,265**	2,454
Total equity	**6,155**	6,452	**8,587**	7,898	**10,664**	10,262

	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2019	2018	**2019**	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue	**3,297**	4,089	**6,550**	8,172	**4,545**	4,753
Expenses	**3,070**	3,381	**5,659**	7,107	**2,695**	3,099
Profit and total comprehensive income for the year	**175**	529	**690**	787	**1,407**	1,215
Dividend paid to non-controlling interests	**231**	202	**–**	122	**312**	357
Net cash inflow from operating activities	**558**	1,572	**1,437**	1,679	**2,430**	2,375
Net cash (outflow) inflow from investing activities	**(19)**	(22)	**(63)**	(48)	**62**	(421)
Net cash inflow (outflow) from financing activities	**(741)**	(1,320)	**(1,367)**	(1,633)	**–**	(2,169)
Net cash inflow (outflow)	**(202)**	230	**7**	(2)	**2,492**	(215)

46. INFORMATION ABOUT THE FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	**31 December 2019** *RMB million*	31 December 2018 *RMB million*
Non-current assets			
Property, plant and equipment		**42,710**	44,724
Construction in progress		**3,817**	3,521
Intangible assets		**1,054**	854
Right-of-use assets		**3,882**	–
Investments in subsidiaries		**124,276**	120,344
Investments in associates		**37,528**	7,640
Equity investments at FVTOCI		**1,595**	646
Other non-current assets		**35,042**	32,325
Lease prepayments		**–**	3,161
Deferred tax assets		**361**	352
Total non-current assets		**250,265**	213,567
Current assets			
Inventories		**3,795**	3,379
Accounts and bills receivables		**9,766**	12,662
Prepaid expenses and other current assets		**58,667**	67,055
Restricted bank deposits		**1,165**	793
Time deposits with original maturity over three months		**6,200**	9,200
Cash and cash equivalents		**67,059**	49,282
		146,652	142,371
Assets classified as held for sale		**–**	23,859
Total current assets		**146,652**	166,230

46. INFORMATION ABOUT THE FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	Note	31 December 2019 RMB million	31 December 2018 RMB million
Current liabilities			
Borrowings		667	11,120
Accounts and bills payables		7,239	7,716
Accrued expenses and other payables		85,052	88,998
Current portion of lease liabilities		137	–
Current portion of long-term liabilities		120	154
Income tax payable		744	1,256
Contract liabilities		70	73
		94,029	109,317
Liabilities associated with assets classified as held for sale		–	378
Total current liabilities		94,029	109,695
Net current assets		52,623	56,535
Total assets less current liabilities		302,888	270,102
Non-current liabilities			
Borrowings		2,372	3,617
Lease liabilities		595	–
Long-term liabilities		742	1,248
Accrued reclamation obligations		1,571	1,498
Total non-current liabilities		5,280	6,363
Net assets		297,608	263,739
Equity			
Share capital	37	19,890	19,890
Reserves		277,718	243,849
Total equity		297,608	263,739

46. INFORMATION ABOUT THE FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	Share premium *RMB million*	Statutory reserves *RMB million*	Other comprehensive income *RMB million*	Capital and other reserves *RMB million*	Retained earnings *RMB million*	Total *RMB million*
At 31 December 2018	**85,001**	**22,393**	**87**	**1,126**	**135,242**	**243,849**
Profit for the year	**–**	**–**	**–**	**–**	**51,194**	**51,194**
Other comprehensive income	**–**	**–**	**8**	**–**	**–**	**8**
Total comprehensive income for the year	**–**	**–**	**8**	**–**	**51,194**	**51,202**
Dividend declared *(Note 14)*	**–**	**–**	**–**	**–**	**(17,503)**	**(17,503)**
Appropriation of maintenance and production funds	**–**	**2,509**	**–**	**–**	**(2,509)**	**–**
Utilisation of maintenance and production funds	**–**	**(4,154)**	**–**	**–**	**4,154**	**–**
others	**–**	**–**	**–**	**–**	**170**	**170**
At 31 December 2019	**85,001**	**20,748**	**95**	**1,126**	**170,748**	**277,718**
At 31 December 2017	85,001	20,996	5	1,681	128,942	236,625
Adjustments arising from initial application of IFRS 9 and IFRS 15	–	–	–	(555)	555	–
At 1 January 2018	85,001	20,996	5	1,126	129,497	236,625
Profit for the year	–	–	–	–	25,242	25,242
Other comprehensive income	–	–	82	–	–	82
Total comprehensive income for the year	–	–	82	–	25,242	25,324
Dividend declared *(Note 14)*	–	–	–	–	(18,100)	(18,100)
Appropriation of maintenance and production funds	–	3,740	–	–	(3,740)	–
Utilisation of maintenance and production funds	–	(2,343)	–	–	2,343	–
At 31 December 2018	85,001	22,393	87	1,126	135,242	243,849

46. INFORMATION ABOUT THE FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

According to the Company's Articles of Association, the amount of retained earnings available for distribution to equity holders of the Company is the lower of the amount determined in accordance with the China Accounting Standards and the amount determined in accordance with IFRSs after the appropriation to reserves as detailed in Note (iii) to the consolidated statement of changes in equity.

At 31 December 2019, the aggregate amount of retained earnings determined in accordance with the China Accounting Standards available for distribution to equity holders of the Company was RMB168,230 million (2018: RMB132,711 million).

47. COMPARATIVE FIGURES

The group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.

48. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments and a new standard, IFRS17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Definition of a business*	1 January 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Section XIV Documents Available for Inspection

Documents available for inspection	The annual report for the year 2019 signed by the Chairman The financial statements signed and sealed by the Chairman, the Chief Financial Officer, and the Accountant in Charge The original copy of the independent audit 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 annual report for the year 2019 published on the SSE and the HKEx

Wang Xiangxi, Chairman

Approval date of the board of directors for submission: 27 March 2020

Section XV Summary of Major Financial Information for the Recent Five Years

The finance information below is extracted from the financial statement prepared by the Group in accordance with International Financial Reporting Standards:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2015 *RMB million*	2016 *RMB million*	2017 *RMB million*	2018 *RMB million*	**2019** ***RMB million***
Operating Revenue	177,069	183,127	248,746	264,101	**241,871**
Operating cost	(123,341)	(124,843)	(160,460)	(173,677)	**(164,979)**
Gross profit	53,728	58,284	88,286	90,424	**76,892**
Selling expenses	(584)	(610)	(612)	(725)	**(640)**
General and administrative expenses	(9,218)	(8,023)	(9,115)	(9,854)	**(8,988)**
Research and development costs	(496)	(400)	(341)	(454)	**(940)**
Other gains and losses	(5,856)	(3,078)	(1,880)	(2,844)	**(2)**
Other income	1,659	1,379	894	744	**708**
Impairment losses, net of reversal	–	–	–	(152)	**(139)**
Other expenses	(626)	(1,511)	(1,262)	(3,504)	**(278)**
Interest income	608	723	1,205	1,479	**1,170**
Finance costs	(5,123)	(5,748)	(4,416)	(5,421)	**(3,294)**
Share of results of associates	428	237	534	448	**433**
Profit before income tax	34,520	41,253	73,293	70,141	**64,922**
Income tax	(9,561)	(9,283)	(16,155)	(15,977)	**(15,145)**
Profit for the year	24,959	31,970	57,138	54,164	**49,777**
Profit for the year attributable to:					
equity holders of the Company	17,649	24,910	47,795	44,137	**41,707**
Non-controlling interests	7,310	7,060	9,343	10,027	**8,070**
Earnings per share *(RMB)*					
– Basic	0.887	1.252	2.403	2.219	**2.097**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2015 *RMB million*	2016 *RMB million*	2017 *RMB million*	2018 *RMB million*	**2019** ***RMB million***
Total non-current assets	438,755	443,266	438,958	358,330	**402,589**
Total current assets	121,036	133,463	132,644	233,296	**160,494**
Total assets	559,791	576,729	571,602	591,626	**563,083**
Total current liabilities	101,487	112,185	115,905	123,381	**95,483**
Total non-current liabilities	94,383	79,575	76,592	59,408	**47,382**
Total liabilities	195,870	191,760	192,497	182,789	**142,865**
Net assets	363,921	384,969	379,105	408,837	**420,218**
Total equity attributable to equity holders of the Company	298,068	316,975	305,541	331,693	**356,077**
Non-controlling interests	65,853	67,994	73,564	77,144	**64,141**
Total equity	363,921	384,969	379,105	408,837	**420,218**

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