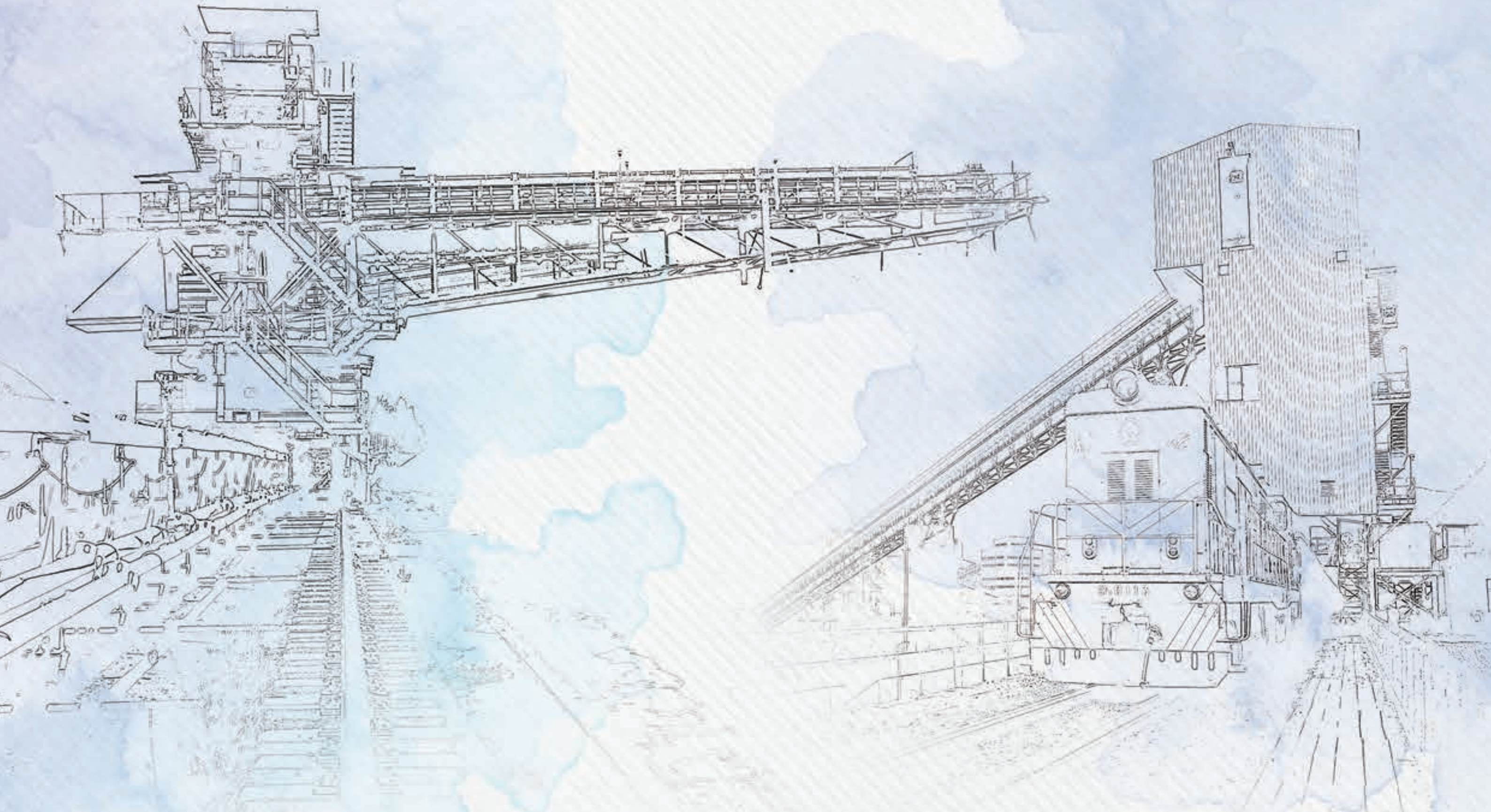
中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED

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

Stock Code: 01088

2019
Interim Report

3 Orientations
5 Guidances
7 World-Class Competitiveness



Important Notice

I. The board of directors, supervisory committee and directors, supervisors and senior management of the Company warrant that this interim report does not contain any misrepresentations, misleading statements or material omissions, and are jointly and severally liable for the authenticity, accuracy and completeness of the information contained in this report.

II. This report was approved at the 22nd meeting of the fourth session of the board of directors of the Company.

III. The interim financial statements in this report is unaudited. KPMG has issued a report on the review of the interim financial statements for 2019 prepared under the 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 report contained in this interim report.

V. Profit distribution plan or reserve funds capitalisation plan for the reporting period considered by the board of directors: not applicable

VI. Change in the scope of consolidated 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 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. 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, and 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.

VIII. Are there any situations of non-operating appropriation of funds by controlling shareholder(s) and its related parties? No

IX. Are there any situations of violation of decision-making procedures for external guarantee provision? No

X. Warning on Major Risks:

Investors please note that the Company has disclosed risks including market competition, environmental protection and overseas operation, etc. in the section headed "Discussion and Analysis on Operation Results".

Cover story: The overall strategy of China Energy Investment Corporation Limited is to achieve a vision summarised as "Three Orientations, Five Guidelines and Seven World-class Competitiveness (三型五化，七個一流)", namely, an innovative, pioneering and value-oriented company aiming for clean, integrated, refined, intelligent and globalised development with strong competitiveness in safety, quality, efficiency, technology, talents, branding and party-building, accelerating the construction of a world-class energy group with global competitiveness.

Contents

Safety
Quality
Brands
Technology
Efficiency
Talents
Party Building

Section I Definitions

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

China Shenhua/the Company	China Shenhua Energy Company Limited
The Group	The Company and its subsidiaries
China Energy/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.
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.
Shenwan Energy	Shenwan Energy Company Limited
Fujian Energy	Shenhua Fujian Energy Co., Ltd.

Section I Definitions (Continued)

Shenhua Finance Company	Shenhua Finance Co., Ltd.
EMM Indonesia	PT.GH EMM INDONESIA
Panshan Power	Tianjin Guohua Panshan Power Generation Co., Ltd.
Sanhe Power	Sanhe Power Co., Ltd.
Guohua Zhunge'er	Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.
Zhunge'er Power	Power-generating division controlled and operated by Zhunge'er Energy Company
Zheneng Power	Zhejiang Guohua Zheneng Power Generation Co. Ltd.
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Taishan Power	Guangdong Guohua Yudean Taishan Power Co., Ltd.
Cangdong Power	Hebei Guohua Cangdong Power Co., Ltd.
Suizhong Power	Suizhong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
Guohua Hulunbei'er Power	Inner Mongolia Guohua Hulunbei'er Power Generation Co., Ltd.
Taicang Power	Guohua Taicang Power Generation Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
Jiujiang Power	Shenhua Guohua Jiujiang Power Co., Ltd.
Zhuhai Wind Energy	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.
Huizhou Thermal	Guohua Huizhou Thermal Power Branch of the Company
Ningdong Power	Ningxia Guohua Ningdong Power Generation Co., Ltd.
Xuzhou Power	Guohua Xuzhou Power Generation Company Limited
Zhoushan Power	Shenhua Guohua (Zhoushan) Power Generation Co., Ltd.
Beijing Gas-fired Power	Shenhua Guohua (Beijing) Gas-fired Power Co., Ltd.
Shouguang Power	Shenhua Guohua Shouguang Power Generation Company Limited
Liuzhou Power	Shenhua Guohua Guangtou (Liuzhou) Power Generation Co., Ltd.

Section I Definitions (Continued)

Guohua Ningdong	Shenhua Ningxia Guohua Ningdong Power Generation Co., Ltd.
Wanzhou Port Power	Shenhua Shendong Power Chongqing Wanzhou Port and Power Co., Ltd.
Fuping Thermal Power	Fuping Thermal Power Plant of Shenhua Shendong Power Co., Ltd.
Shenhua Finance Lease Company	Shenhua (Tianjin) Finance Lease Co., Ltd.
Jawa Company	Shenhua Guohua (Indonesia) Jawa Power Generation Co., Ltd.
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
Shanghai Listing Rules	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on Hong Kong Stock Exchange
China Accounting Standards for Business Enterprises	The latest Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the related application guidance, interpretations and other related requirements
International Financial Reporting Standards	International Financial Reporting Standards issued by the International Accounting Standards Committee
Articles of Association	Articles of Association of China Shenhua Energy Company Limited
EBITDA	Profit for the period + net finance cost + income tax + depreciation and amortisation – share of results of associates
Total debt to total equity ratio	Long-term interest bearing debts + short-term interest bearing debts (including bills payable)/Long-term interest bearing debts + short-term interest bearing debts (including bills payable) + total equity
RMB	Renminbi unless otherwise specified

Section II Company Profile and Major Financial Indicators

I. INFORMATION OF THE COMPANY

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

II. CONTACTS AND CONTACT DETAILS

	Secretary to the Board	Representative of Securities Affairs
Name	Huang Qing	Sun Xiaoling
Address	22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code: 100011)	22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code: 100011)
Tel	(8610) 5813 3399	(8610) 5813 3355
Fax	(8610) 5813 1814/1804	(8610) 5813 1814/1804
E-mail	1088@shenhua.cc	ir@shenhua.cc

	Board 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 1814/1804	(852) 2915 0638

III. PARTICULARS

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

Section II Company Profile and Major Financial Indicators (Continued)

IV. INFORMATION DISCLOSURE AND PLACE FOR DOCUMENT INSPECTION PROFILE

Designated Newspaper for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Internet website for publishing interim report designated by CSRC	http://www.sse.com.cn and http://www.hkex.com.hk
Interim report is available at	Shanghai Stock Exchange, 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	Shanghai Stock Exchange	China Shenhua	601088
H Share	Hong Kong Stock Exchange	China Shenhua	01088

VI. OTHER INFORMATION

Accountant engaged by the Company (A Share)	Name	KPMG Huazhen LLP
	Office Address	8th Floor, Tower E 2, Oriental Plaza, 1 East Chang An Avenue, Beijing
	Signing Accountant	Zhang Nan, Wang Xia
Accountant engaged by the Company (H Share)	Name	KPMG
	Office Address	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Share Registrar and Transfer Office of the Company (A Share)	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office Address	3rd Floor, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai
Share Registrar and Transfer Office of the Company (H Share)	Name	Computershare Hong Kong Investor Services Limited
	Office Address	Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

VII. MAJOR ACCOUNTING DATA OF THE COMPANY

	Unit	**The first half of 2019**	The first half of 2018	Change %
Revenue	RMB million	116,365	127,380	(8.6)
Profit for the period	RMB million	28,996	29,887	(3.0)
Profit for the period attributable to equity holders of the Company	RMB million	24,240	24,520	(1.1)
Basic earnings per share	RMB/share	1.219	1.233	(1.1)
Net cash generated from operating activities	RMB million	41,043	31,937	28.5
Net cash generated from operating activities excluding the effect from Shenhua Finance Company	RMB million	34,203	35,048	(2.4)

	Unit	**As at 30 June 2019**	As at 31 December 2018	Change %
Total assets	RMB million	567,103	591,626	(4.1)
Total liabilities	RMB million	161,550	182,789	(11.6)
Total equity	RMB million	405,553	408,837	(0.8)
Equity attributable to equity holders of the Company	RMB million	338,387	331,693	2.0
Total share capital	RMB million	19,890	19,890	0.0

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

Unit: RMB million

	Net profit attributable to equity holders of the Company		Net assets attributable to equity holders of the Company	
	The first half of 2019	The first half of 2018	**As at 30 June 2019**	As at 31 December 2018
Under China Accounting Standards for Business Enterprises	**24,243**	22,977	**334,863**	327,763
Adjustment:				
Simple production maintenance, production safety and other related expenditures	**(3)**	1,543	**3,524**	3,930
Under International Financial Reporting Standards	**24,240**	24,520	**338,387**	331,693

Explanation on differences in domestic and overseas accounting standards:

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

Section III Business Overview

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

China Shenhua Energy Company Limited was established in Beijing in November 2004 and was listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange in June 2005 and October 2007, respectively.

The Group is principally engaged in the production and sale of coal and electricity, railway, port and shipping transportation, and coal-to-olefins businesses. The integration of coal, power, railway, port, shipping and coal chemical into one unified operation chain is the Group's unique operation and profitability model. In terms of sales volume, the Group ranked the first among all listed coal companies in China and worldwide.

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

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

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

Upon approval at the 2018 first extraordinary general meeting of the Company, 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 completed on 31 January 2019 (for details, please refer to the H share announcement of the Company dated 31 January 2019 and the A share announcement of the Company dated 1 February 2019).

As of 30 June 2019, the Group's total assets amounted to RMB567,103 million, representing a decrease of 4.1% as compared with that at the end of 2018, and the equity attributable to equity holders of the Company amounted to RMB338,387 million, representing an increase of 2.0% as compared with that at the end of the previous year. The total offshore assets of the Group (including Hong Kong, Macau and Taiwan) amounted to RMB26,738 million, representing 4.7% to total assets, which are mainly composed of the assets from USD bonds issued in Hong Kong, PRC, and coal mine and power generation assets in Australia and Indonesia.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

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

Section IV Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am delighted to present the interim report of China Shenhua for the first half of 2019 and the results during the period.

In the first half of 2019, led by the Thought on Socialism with Chinese Characteristics in a New Era proposed by Xi Jinping, the Chinese government adhered to the general tones of seeking improvement in stability, continued to intensify the supply-side structural reform, and further promoted reforms and opening-up policies, so as to maintain the stable development and steady advancement for the national economy with reasonable range of major macroeconomic indicators. The demand and supply in the national energy market was still generally loose and the national coal market was balanced in general with a year-on-year decrease recorded for thermal power generation.

Facing a complicated and challenging economic environment, especially with the relatively low demand in coal market and insufficient sources of coal and the integrated operation being below expectation, China Shenhua thoroughly carried out the principles proposed at the Central Economic Work Conference and adhered to new development concepts to implement the new strategies for energy safety, i.e. "four revolutions and one cooperation", intensified the supply-side structural reform, fought in the 100-day battle for production and operation, and guaranteed a stable supply of coal. In terms of major operating indicators, we accomplished more than half of the tasks by spending less than half of the time. The business operation maintained stable development and the Company further optimised its structure, improved its quality and efficiency, and achieved high-quality development. In the first half of 2019, the Company recorded profit for the period attributable to equity holders of the Company of RMB24,240 million and basic earnings per share of RMB1.219, representing a year-on-year decrease of 1.1%.

As at 30 June 2019, the total market capitalisation of China Shenhua reached USD56 billion.

IN THE FIRST HALF OF 2019: GAVE FULL PLAY TO ITS ADVANTAGE OF INTEGRATION TO MAINTAIN STABLE RESULTS

Adhering to and Integrating Political Leadership into Core Businesses

The Company adhered to the practices introduced by the Thought on Socialism with Chinese Characteristics for a New Era proposed by Xi Jinping as well as the spirit of the 19th CPC National Congress, strengthened political building with distinctive targets, and promoted the in-depth integration of party building and core businesses. The Company improved the quality and business capacity of employees through comprehensively launching the themed education of “remaining true to our original aspiration and keeping our mission firmly in mind”, carrying out practical activities with a theme of “standardising daily manner, reinforcing improvement, practicing the original aspiration, and aiming for pioneer”, and holding “locomotive pacesetter” labour competitions which encouraged employees to make achievements in their positions in the new era.

Giving Full Play to Synergies and Making Further Success

The Company continued to develop its core coal business, deepen industrial synergies, and give play to its advantage of integration, with major indicators of production and operation maintaining at a high level.

Regarding **coal segment**, affected by land acquisition and regional safety rectification, production was organized scientifically, which resulted in the relatively stable output of commercial coal. The output of commercial coal amounted to 145.4 million tonnes during the first half of the year, representing a year-on-year decrease of 0.3%. The Company made great efforts in developing coal resource organisation, optimised product structure and actively explored the market. In the first half of the year, the sales volume of coal amounted to 217.1 million tonnes, of which the sales volume of seaborne coal amounted to 129.5 million tonnes, maintaining at the same level as compared to the same period of last year.

Regarding **transportation segment**, the Company strengthened transportation connection and information sharing to improve transportation efficiency. In the first half of the year, the Company commenced operation of 526 long-route trains, with the operation of 1,000 long-route trains in total. The number of "quasi-liner shipping" vessels increased to 54 from 51 in 2018. In the first half of the year, the Company completed 142.9 billion tonne km of turnover volume of self-owned railway, representing a year-on-year increase of 3.1%; and 44.7 billion tonne nm of shipping volume, representing a year-on-year decrease of 0.9%. The transportation volume of non-coal railway amounted to 7.9 million tonnes, representing a year-on-year increase of 31.0%. The Company supported the construction of railway special lines for industrial and mining enterprises and within logistics park areas to connect with the railways of the Group, aiming to serve the local economy along the railways. The turnover of railway transportation services provided to external customers amounted to 15.9 billion tonne km, representing a year-on-year growth of 8.9%, which generated revenue of RMB3,317 million, representing a year-on-year increase of 18.4%.

Regarding **power segment**, the Company continued to improve the reliability management of equipment and strengthen its marketing measures to increase the volume of power generation. In the first half of the year, the gross power generation reached 79.90 billion kWh while the total power output dispatch reached 74.96 billion kWh. The average utilisation hours[1] of coal-fired generating units were 2,216 hours, surpassing the national average utilisation hours of coal-fired generating equipment by 89 hours. 28 generating units won the National Thermal Power Efficiency Competition (全國火電能效對標競賽), and three generating units won the Best Award of Coal Consumption for Power Supply.

Regarding **coal chemical segment**, the Company continued to strengthen production organisation and process management to improve product quality and reduce consumption in the system in an efficient manner. The Company had been implementing safe production for 3,202 consecutive days since the commencement of commercial operation to 30 June 2019. The sales volume of coal-to-olefins products reached 357.1 thousand tonnes in the first half of the year, representing a year-on-year increase of 7.6%.

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1 The national average utilisation hours of coal-fired generating equipment in the first half of 2019 were 2,127 hours.

Paying Attention to Innovation and Focusing on High-quality Development

The Company put more efforts in technological innovation and strengthened the development of key technologies. The first pure water hydraulic support in the world was adopted in Jinjie Mine to solve the problem of environmental discharge of hydraulic oil in an innovative way. Shuohuang Railway was the first heavy haul railway in China to apply the moving block system technology. The "coal-fired power plant flue gas intelligent and environmental protection platform based on big data" was valuated by third parties as world-leading level and the "150,000 tonnes/year level whole-flow demonstration project of capture and storage of carbon dioxide" made breakthroughs in the research and development on core technologies such as the new type of low energy absorbent. In the first half of the year, the Company was granted 302 patents, including 81 invention patents.

The Company reinforced refined management and improved its capability to prevent and mitigate risks. The Company actively carried out the national policy of "tax cut and fee reduction", intensified centralised financial management and commenced capital operation with a safe approach. It also strived to promote the approval on coal mine projects and procedures for production lands, guaranteeing legal and compliant production and construction. With optimised structure adjustment, the replacement plan of production capacity of 10.90 million tonnes/year of three mines including open-pit mine in Shengli No.1 has been approved. The infrastructure, production and operation of overseas projects of the Company maintained steady.

Fulfilling Social Responsibility under Safe Development

By organising the activity named "year of implementation of safety and environmental protection responsibility", the Company improved its mechanism of safety and environmental protection responsibility. In the first half of the year, the fatality rate per million tonne of raw coal output was nil, maintaining its leading position in the industry. As the Company safeguarded the bottom line of ecological protection, focused on land reclamation and afforestation in open-pit coal mines, ensured the works on standardized discharge and legal disposal of pollutants, there was no issue that resulted in significant impact on ecological environmental protection. The Company insisted on adopting various ways to achieve targeted poverty alleviation with funds of RMB29.94 million for poverty alleviation, which allowed three poverty counties to cast off poverty.

Section IV Chairman's Statement (Continued)

IN THE SECOND HALF OF 2019: LAYING EQUAL EMPHASIS ON PRODUCTION AND OPERATION AND CORPORATE GOVERNANCE, MAKING NEW PROGRESS IN HIGH-QUALITY DEVELOPMENT

Macroeconomic development is currently exposed to new risks and challenges with increasing downward pressure on domestic economy. However, the Chinese government continues to uphold the underlying principle of pursuing progress while ensuring stability, give priority to supply-side structural reform, strive to implement new development concepts and facilitate high-quality development, advance the process of reform and opening-up, and properly carry out various tasks including stabilising growth, promoting reform, adjusting structure, improving people's livelihood, preventing risks and maintaining stability, which will support the stable demand of energy including coal and power.

In the second half of the year, being exposed to the challenges along with uncertainties including increasingly stringent safety and environmental inspection and progress in land acquisition for open-pit coal mines, China Shenhua will give priority to properly carry out coal production, further optimise the organisation of integrated operation, practically implement refined management, in an effort to play a leading and demonstration role in building a world-class energy enterprise. Priorities will be given to the followings:

Adhering to and Strengthening Party Building

We will thoroughly learn and implement the Thought on Socialism with Chinese Characteristics for a New Era proposed by Xi Jinping, make solid progress in the themed education of "remaining true to our original aspiration and keeping our mission firmly in mind", and strengthen the establishment of "three basics", namely, basic organisation, basic team and basic system of the Party; we will launch celebration activities for "the 70th anniversary of the founding of the People's Republic of China", and further carry out the action of making contributions on the position by promoting "formation of socialism by construction"; we will properly implement various measures to comprehensively strengthen Party self-discipline, improve the effect of corporate governance and build a harmonious enterprise.

Keeping Improving the Quality of Corporate Development

By adhering to the principles of taking root in the real economy, giving prominence to main businesses, refining specialty, and increasing synergy, we will facilitate the enhancement in quality and efficiency of the industry chain, and improve the core competitiveness of the Company. Aiming at developing into a global industry leader, we will accelerate the construction of intelligent and green mines, implement smart production, properly carry out work on the continuity of resources and land acquisition for open-pit coal mines, and stabilise coal supply. We will optimise network layout, expand development space, and improve concentrated transportation capacity of railways and dispersed transportation capacity of ports. We will further develop external transportation market, and build a safe, smart, efficient and green modern transportation hub. We will reinforce marketing planning for the power segment, optimise increment, refine inventory, reduce overcapacity, and build the "Green Power Plant" brand. We will further improve the value chain of coal chemical industry and materialise differentiated, refined and high-end development, in order to ensure safe, stable, long-term and optimised operation at full capacity and improve comprehensive benefits.

Maintaining Production Safety and Sound Operation

We will adhere to the production safety policy of "safety first, prevention-oriented and comprehensive treatment" and the ecological civilisation construction policy of "prioritising conservation and protection and focusing on natural restoration", and maintain the bottom line of preventing material risks. We will properly encourage key enterprises to control pollution and reduce emissions, in order to complete the standardized discharge and treatment of over 20 tonnes of coal-fired boilers by 2019. We will consolidate the control over the security of funds. We will strive to control the increase in the unit production cost of self-produced coal, and reduce controllable costs of power generation and transportation business. We will advance the process of the construction of major projects including Huangda Railway, expansion renovation of 300 million tonnes capacity of Shenshuo Railway, and 70,000-tonne two-way channel of Huanghua Port, actively participate in the construction of the "Belt and Road" and maintain sustainable development.

Making Efforts to Improve Independent Innovation Capability

Based on the present situation and focusing on main businesses, we will refine and specialise in technology innovation. We will establish and improve a collaborative system for scientific research highlighting openness, sharing and cooperation, an achievement transformation system highly integrating production, learning, scientific research and practical application, and a scientific research team system for talent introduction, cultivation and incentive, in order to create new growth drivers and new advantages for future competition. We will actively promote the R&D on major technologies including domestic high-end equipment including 300-tonne mining dump truck, transmodality technology and equipment assembly and lead the intelligent upgrading of energy industry.

In the second half of 2019, China Shenhua will effectively answer the great call of "formation of socialism by construction" put forward by Xi Jinping, further implement new strategies for energy security, and prepare for the development strategies under the "14th Five-year Plan" in advance, facilitate the safe, efficient and sustainable development of all businesses of the Company, and develop the quality of establishing a world-class enterprise, in order to create greater values for investors!

Wang Xiangxi
Chairman

23 August 2019

Overview of China Shenhua's Operating Results for the First Half of 2019

Table 1 Operation Target and Status of Completion

		Target for 2019	Completed in the first half of 2019	Percentage of completion %
Commercial coal production	100 million tonnes	2.9	1.454	50.1
Coal sales	100 million tonnes	4.27	2.171	50.8
Power output dispatch	100 million kWh	1,431	749.6	52.4
Revenue	RMB100 million	2,212	1,163.65	52.6
Cost of sales	RMB100 million	1,441	767.32	53.2
Selling, general and administrative expenses (including research and development) and net finance costs	RMB100 million	135	51.93	38.5
Change in unit production cost of self-produced coal		Increased by no more than 5% year-on-year	Increased by 9.4% year-on-year	

Table 2 Financial Indicators

		The first half of 2019	The first half of 2018	Change %
Revenue	RMB million	116,365	127,380	(8.6)
Profit for the period	RMB million	28,996	29,887	(3.0)
EBITDA	RMB million	47,622	52,281	(8.9)
Profit for the period attributable to equity holders of the Company	RMB million	24,240	24,520	(1.1)
Basic earnings per share	RMB/share	1.219	1.233	(1.1)
Net cash generated from operating activities	RMB million	41,043	31,937	28.5
Net cash generated from operating activities excluding Shenhua Finance Company	RMB million	34,203	35,048	(2.4)

Table 3 Segment Results

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	The first half of 2019 RMB million	The first half of 2018 RMB million	The first half of 2019 RMB million	The first half of 2018 RMB million	The first half of 2019 RMB million	The first half of 2018 RMB million	The first half of 2019 RMB million	The first half of 2018 RMB million	The first half of 2019 RMB million	The first half of 2018 RMB million	The first half of 2019 RMB million	The first half of 2018 RMB million	The first half of 2019 RMB million	The first half of 2018 RMB million	The first half of 2019 RMB million	The first half of 2018 RMB million	The first half of 2019 RMB million	The first half of 2018 RMB million
Revenue from external customers	81,996	79,369	26,178	40,614	3,317	2,802	309	366	835	438	3,084	3,032	646	759	–	–	116,365	127,380
Inter-segment revenue	11,642	20,610	43	154	16,857	16,339	2,643	2,616	753	1,596	–	–	554	494	(32,492)	(41,809)	–	–
Sub-total of segment revenue	93,638	99,979	26,221	40,768	20,174	19,141	2,952	2,982	1,588	2,034	3,084	3,032	1,200	1,253	(32,492)	(41,809)	116,365	127,380
Segment cost of sales	(72,205)	(74,624)	(20,562)	(33,970)	(10,043)	(9,630)	(1,471)	(1,413)	(1,420)	(1,526)	(2,653)	(2,607)	(12)	(16)	31,634	41,144	(76,732)	(82,642)
Segment profit/(loss) from operations	19,211	23,250	4,672	5,393	9,608	9,029	1,349	1,443	94	451	356	342	1,193	714	(858)	(665)	35,625	39,957
	As at 30 June 2019 RMB million	As at 31 December 2018 RMB million	As at 30 June 2019 RMB million	As at 31 December 2018 RMB million	As at 30 June 2019 RMB million	As at 31 December 2018 RMB million	As at 30 June 2019 RMB million	As at 31 December 2018 RMB million	As at 30 June 2019 RMB million	As at 31 December 2018 RMB million	As at 30 June 2019 RMB million	As at 31 December 2018 RMB million	As at 30 June 2019 RMB million	As at 31 December 2018 RMB million	As at 30 June 2019 RMB million	As at 31 December 2018 RMB million	As at 30 June 2019 RMB million	As at 31 December 2018 RMB million
Segment total assets	241,709	228,641	149,698	222,941	138,172	129,353	23,989	23,735	7,058	7,058	9,357	9,821	450,426	416,213	(453,306)	(446,136)	567,103	591,626
Segment total liabilities	(107,955)	(109,845)	(109,514)	(158,033)	(59,963)	(56,341)	(9,490)	(10,094)	(577)	(636)	(1,069)	(1,816)	(234,611)	(191,617)	361,629	345,593	(161,550)	(182,789)

Table 4 Operation Data

		The first half of 2019	The first half of 2018	Change %
Commercial coal production	million tonnes	145.4	145.8	(0.3)
Coal sales	million tonnes	217.1	225.3	(3.6)
Including: Self-produced coal	million tonnes	142.1	145.5	(2.3)
Purchased coal	million tonnes	75.0	79.8	(6.0)
Transportation turnover of self-owned railway	billion tonne km	142.9	138.6	3.1
Seaborne coal sales	million tonnes	129.5	129.5	–
Shipping volume	million tonnes	54.8	51.6	6.2
Shipment turnover	billion tonne nm	44.7	45.1	(0.9)
Gross power generation	billion kWh	79.90	133.59	(40.2)
Total power output dispatch	billion kWh	74.96	125.38	(40.2)
Polyethylene sales	thousand tonnes	186.5	171.6	8.7
Polypropylene sales	thousand tonnes	170.6	160.3	6.4

Table 5 Commercial Coal Production Volume

	The first half of 2019 million tonnes	The first half of 2018 million tonnes	Change %
Total production	145.4	145.8	(0.3)
By mines			
Shendong Mines	94.9	98.0	(3.2)
Zhunge'er Mines	25.4	22.6	12.4
Shengli Mines	9.8	9.1	7.7
Baorixile Mines	14.2	16.1	(11.8)
Baotou Mines	1.1	–	/
By regions			
Inner Mongolia	98.4	94.7	3.9
Shaanxi	45.0	49.5	(9.1)
Shanxi	2.0	1.6	25.0

Table 9 Domestic Coal Sales Volume

		The first half of 2019 million tonnes	Proportion of domestic sales %	The first half of 2018 million tonnes	Change %
Domestic sales		214.5	100.0	222.5	(3.6)
By regions	Northern China	69.1	32.3	58.6	17.9
	Eastern China	84.9	39.6	93.4	(9.1)
	Central China and Southern China	39.5	18.4	44.0	(10.2)
	Northeast China	16.4	7.6	17.2	(4.7)
	Others	4.6	2.1	9.3	(50.5)
By usage	Thermal coal	171.4	79.9	166.0	3.3
	Metallurgy	12.4	5.8	7.7	61.0
	Chemical (including coal slurry)	28.3	13.2	20.0	41.5
	Others	2.4	1.1	28.8	(91.7)

Table 10 Status of Completion of Capital Expenditure

	Plan for 2019 RMB100 million	Completion in the first half of 2019 RMB100 million	Percentage of completion %
Coal segment	60.7	19.2	31.6
Power segment	91.2	26.6	29.2
Transportation segment	107.8	26.2	24.3
Coal chemical business	11.6	0.2	1.7
Total	271.3	72.2	26.6

Table 12 Coal Sales Price

	The first half of 2019			The first half of 2018			Change	
	Sales volume million tonnes	Percentage to total sales volume %	Price RMB/tonne	Sales volume million tonnes	Percentage to total sales volume %	Price RMB/tonne	Sales volume %	Price %
I. Domestic sales	214.5	98.8	419	222.5	98.8	431	(3.6)	(2.8)
(I) Self-produced coal and purchased coal	210.0	96.7	420	210.4	93.4	431	(0.2)	(2.6)
1. Direct arrival	81.5	37.5	321	81.9	36.4	315	(0.5)	1.9
2. Seaborne	128.5	59.2	483	128.5	57.0	505	–	(4.4)
(II) Sales of domestic trading coal	3.5	1.6	320	11.3	5.0	444	(69.0)	(27.9)
(III) Sales of imported coal	1.0	0.5	451	0.8	0.4	404	25.0	11.6
II. Export sales	1.0	0.5	631	1.0	0.4	485	–	30.1
III. Overseas sales	1.6	0.7	462	1.8	0.8	519	(11.1)	(11.0)
Total sales volume/average price	217.1	100.0	420	225.3	100.0	432	(3.6)	(2.8)
Including: Sales to external customers	188.0	86.6	427	178.1	79.1	443	5.6	(3.6)
Sales to internal power segment	26.7	12.3	377	45.1	20.0	392	(40.8)	(3.8)
Sales to internal coal chemical segment	2.4	1.1	361	2.1	0.9	357	14.3	1.1

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 the first half of 2019 MW	Total installed capacity as at 30 June 2019 MW	Equity Installed capacity as at 30 June 2019 MW
Zhunneng Power	North China Power Grid	Inner Mongolia	16.9	15.3	2,561	360	235	960	(300)	660	381
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	117.1	109.2	1,845	332	282	8,984	(3,170)	5,814	5,328
Cangdong Power	North China Power Grid	Hebei	63.2	60.4	2,509	301	318	2,520	–	2,520	1,285
Dingzhou Power	North China Power Grid	Hebei	66.8	61.9	2,652	304	315	2,520	–	2,520	1,021
Taishan Power	South China Power Grid	Guangdong	75.9	70.8	1,489	316	407	5,090	–	5,090	4,072
Huizhou Thermal	South China Power Grid	Guangdong	18.4	16.6	2,792	315	366	660	–	660	660
Fujian Energy	East China Power Grid	Fujian	62.6	59.9	2,228	297	347	2,800	10	2,810	1,378
Jinjie Energy	North China Power Grid	Shaanxi	79.4	73.0	3,310	322	269	2,400	–	2,400	1,680
Shouguang Power	North China Power Grid	Shandong	46.7	44.5	2,314	280	344	2,020	–	2,020	1,212
Jiujiang Power	Central China Power Grid	Jiangxi	41.8	39.9	2,091	279	363	2,000	–	2,000	2,000
Sichuan Energy (coal-fired power)	Sichuan Power Grid	Sichuan	22.7	20.7	1,799	335	375	1,260	–	1,260	604
Mengjin Power	Central China Power Grid	Henan	24.0	22.6	2,003	307	307	1,200	–	1,200	612
Liuzhou Power	Guangxi Power Grid	Guangxi	9.2	8.7	1,321	319	349	700	–	700	490
EMM Indonesia	PLN	Indonesia	7.0	6.0	2,321	367	548	300	–	300	210
Panshan Power	North China Power Grid	Tianjin	5.5	5.2	3,113	288	326	1,060	(1,060)	–	–
Sanhe Power	North China Power Grid	Hebei	7.1	6.7	3,194	234	319	1,330	(1,330)	–	–
Suizhong Power	Northeast Power Grid	Liaoning	13.1	12.3	2,090	310	307	3,760	(3,760)	–	–
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	5.4	4.9	2,455	298	216	1,320	(1,320)	–	–
Guohua Hulunbei'er Power	Northeast Power Grid	Inner Mongolia	5.2	4.7	2,587	321	238	1,200	(1,200)	–	–
Zheneng Power	East China Power Grid	Zhejiang	18.4	17.5	2,442	294	356	4,520	(4,520)	–	–
Zhoushan Power	East China Power Grid	Zhejiang	4.2	3.9	2,789	328	343	910	(910)	–	–
Chenjiagang Power	East China Power Grid	Jiangsu	6.0	5.7	2,720	279	296	1,320	(1,320)	–	–
Taicang Power	East China Power Grid	Jiangsu	6.3	6.1	3,000	292	305	1,260	(1,260)	–	–
Xuzhou Power	East China Power Grid	Jiangsu	10.1	9.7	3,030	281	315	2,000	(2,000)	–	–
Guohua Ningdong	Zhejiang Power Grid	Ningxia	8.5	8.1	3,864	303	224	1,320	(1,320)	–	–
Ningdong Power	Northwest Power Grid	Ningxia	2.8	2.5	2,500	370	223	660	(660)	–	–
Shenwan Energy	East China Power Grid	Anhui	29.6	28.3	2,997	295	307	5,920	(5,920)	–	–
Total of coal-fired power plants/weighted average			773.9	725.1	2,216	309	323	59,994	(30,040)	29,954	20,933
Other power plants											
Beijing Gas-fired Power	North China Power Grid	Beijing	19.7	19.3	2,077	191	568	950	–	950	950
Sichuan Energy (hydropower)	Sichuan Provincial Local Power Grid	Sichuan	2.9	2.8	2,343	–	251	125	–	125	48
Yuyao Power	East China Power Grid	Zhejiang	2.5	2.4	1,923	217	638	780	(780)	–	–

Table 13 Coal Resources Reserve

Mines	Coal resources (under PRC standard)			Recoverable reserve (under PRC standard)			Marketable reserve (under JORC standard)		
	As at 30 June 2019 100 million tonnes	As at 31 December 2018 100 million tonnes	Change %	As at 30 June 2019 100 million tonnes	As at 31 December 2018 100 million tonnes	Change %	As at 30 June 2019 100 million tonnes	As at 31 December 2018 100 million tonnes	Change %
Shendong Mines	159.0	160.3	(0.8)	91.1	92.3	(1.3)	46.8	47.8	(2.1)
Zhunge'er Mines	38.8	39.0	(0.5)	31.0	31.2	(0.6)	20.4	20.7	(1.4)
Shengli Mines	20.2	20.3	(0.5)	13.7	13.8	(0.7)	2.1	2.1	–
Baorixile Mines	13.8	13.9	(0.7)	11.7	11.8	(0.8)	11.9	12.0	(0.8)
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	–	/	/	/	/	/	/
Watermark Coal Project (under exploration rights permit)	4.8	4.8	–	/	/	/	/	/	/
Total	301.3	303.0	(0.6)	147.8	149.5	(1.1)	81.2	82.6	(1.7)

Table 7 Cost of Sales of Coal Segment

	The first half of 2019			The first half of 2018			
	Cost RMB million	Volume million tonnes	Unit cost RMB/tonne	Cost RMB million	Volume million tonnes	Unit cost RMB/tonne	Change in unit cost %
Cost of coal purchased	24,073	75.0	321.0	27,863	79.8	349.2	(8.1)
Production cost of self-produced coal	17,101	142.1	120.3	16,005	145.5	110.0	9.4
Materials, fuel and power	3,553	142.1	25.0	3,198	145.5	22.0	13.6
Personnel expenses	3,189	142.1	22.4	2,877	145.5	19.8	13.1
Repairs and maintenance	1,209	142.1	8.5	1,133	145.5	7.8	9.0
Depreciation and amortization	2,616	142.1	18.4	2,904	145.5	20.1	(8.5)
Others	6,534	142.1	46.0	5,893	145.5	40.3	14.1
Tax and surcharges	4,236			3,961			
Cost of coal transportation	25,598			25,238			
Other operating costs	1,197			1,557			
Total cost of sales	72,205			74,624			

Table 8 Cost of Sales of Power Segment

	The first half of 2019			The first half of 2018			
	Cost RMB million	Power output dispatch 100 million kWh	Unit cost RMB/mWh	Cost RMB million	Power output dispatch 100 million kWh	Unit cost RMB/mWh	Change in unit cost %
Cost of power output dispatch	20,120	749.6	268.4	33,261	1,253.8	265.3	1.2
Materials, fuel and power	14,887	749.6	198.6	24,980	1,253.8	199.2	(0.3)
Personnel expenses	974	749.6	13.0	1,650	1,253.8	13.2	(1.5)
Repairs and maintenance	743	749.6	9.9	1,109	1,253.8	8.8	12.5
Depreciation and amortization	2,873	749.6	38.3	4,658	1,253.8	37.2	3.0
Others	643	749.6	8.6	864	1,253.8	6.9	24.6
Tax and surcharges	393			581			
Other operating costs	49			128			
Total cost of sales	20,562			33,970			

Table 11 Cost of Sales of Transportation and Coal Chemical Segments

	Railway			Port			Shipping			Coal Chemical		
	The first half of 2019 RMB million	The first half of 2018 RMB million	Change %	The first half of 2019 RMB million	The first half of 2018 RMB million	Change %	The first half of 2019 RMB million	The first half of 2018 RMB million	Change %	The first half of 2019 RMB million	The first half of 2018 RMB million	Change %
Cost of internal transportation business	7,682	7,679	0.0	1,204	1,164	3.4	663	1,169	(43.3)	/	/	/
Materials, fuel and power	1,177	1,186	(0.8)	170	174	(2.3)	137	170	(19.4)	1,376	1,425	(3.4)
Personnel expenses	1,624	1,574	3.2	151	124	21.8	1	3	(66.7)	168	133	26.3
Repairs and maintenance	2,081	2,063	0.9	194	140	38.6	21	24	(12.5)	205	167	22.8
Depreciation and amortization	1,881	1,878	0.2	395	422	(6.4)	59	91	(35.2)	422	432	(2.3)
External transportation charges	588	415	41.7	/	/	/	377	774	(51.3)	/	/	/
Others	331	563	(41.2)	294	304	(3.3)	68	107	(36.4)	112	98	14.3
Cost of external transportation business	1,531	1,392	10.0	142	159	(10.7)	755	355	112.7	/	/	/
Sub-total cost of prime business	9,213	9,071	1.6	1,346	1,323	1.7	1,418	1,524	(7.0)	2,283	2,255	1.2
Tax and surcharges	201	222	(9.5)	89	61	45.9	2	2	–	92	94	(2.1)
Other operating costs	629	337	86.6	36	29	24.1	/	/	/	278	258	7.8
Total cost of sales	10,043	9,630	4.3	1,471	1,413	4.1	1,420	1,526	(6.9)	2,653	2,607	1.8

Table 14 Seaborne Coal at Ports

	The first half of 2019 million tonnes	The first half of 2018 million tonnes	Change %
Self-owned ports	112.8	114.7	(1.7)
Huanghua Port	91.7	92.0	(0.3)
Shenhua Tianjin Coal Dock	21.1	22.7	(7.0)
Third-party ports	16.7	14.8	12.8
Total seaborne coal sales	129.5	129.5	–

Table 16 Shipping Volume

	The first half of 2019 million tonnes	The first half of 2018 million tonnes	Change %
The Group's internal customers	24.0	38.8	(38.1)
External customers	30.8	12.8	140.6
Total of shipping volume	54.8	51.6	6.2

Table15 Railway Cargo Transportation Turnover

	The first half of 2019 billion tonne km	The first half of 2018 billion tonne km	Change %
Self-owned railways	142.9	138.6	3.1
Shenshuo Railway	25.6	26.2	(2.3)
Shuohuang-Huangwan Railway	87.7	86.2	1.7
Dazhun Railway	16.1	14.5	11.0
Baoshen Railway	4.7	4.9	(4.1)
Ganquan Railway	0.7	0.5	40.0
Bazhun Railway	2.2	1.8	22.2
Zhunchi Railway	5.9	4.5	31.1
Tahan Railway	–	–	/
State-owned railways	20.1	16.2	24.1
Total railway turnover	163.0	154.8	5.3

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

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

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

註： ① 於2019年6月30日之分佈圖，僅做示意
② 以審圖號GS(2016)2887號地圖為基礎編制

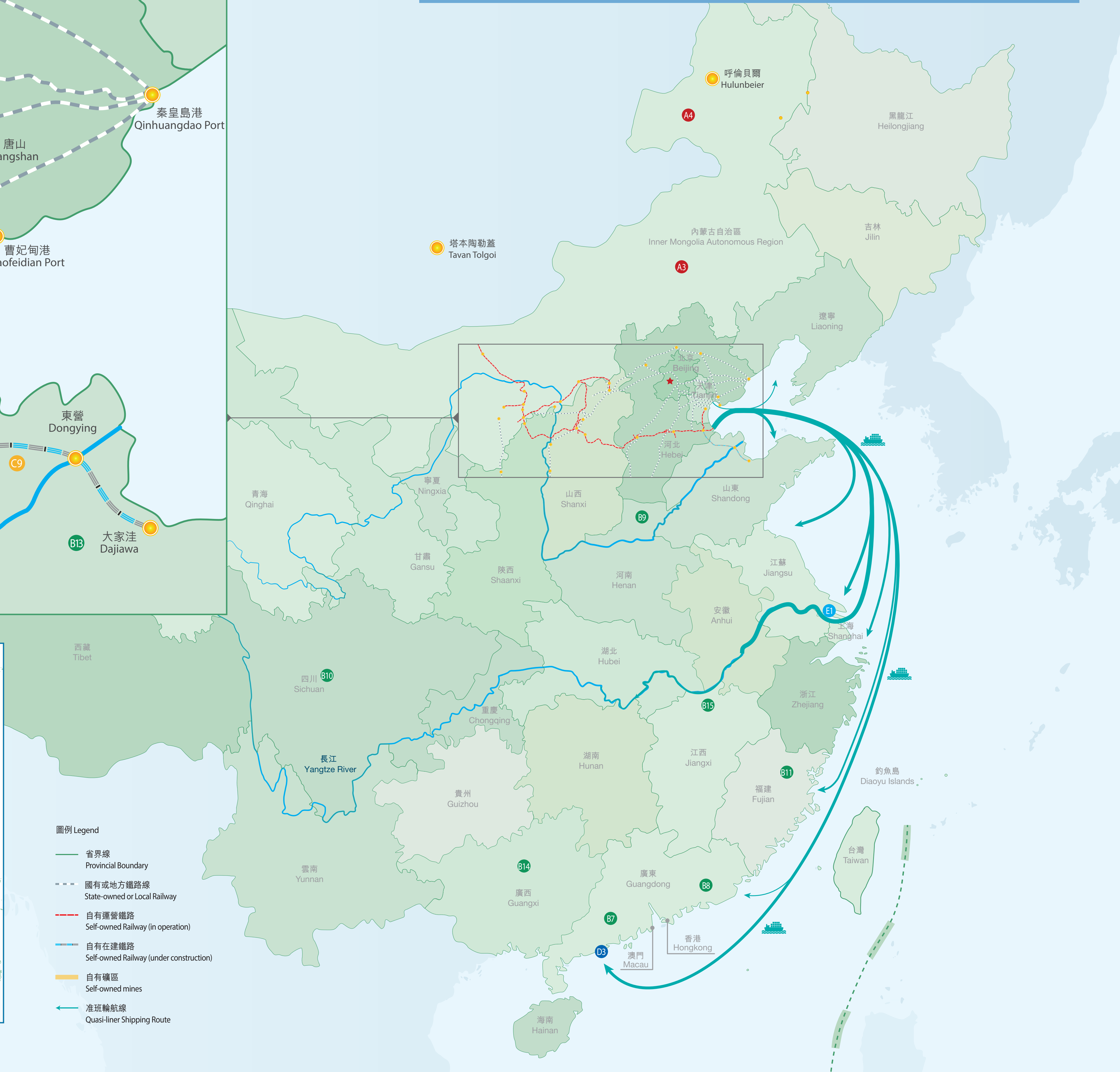
Note: ① This map as at 30 June 2019 is for illustrative purpose only.
② Prepared on the basis of the map with the approval number of "GS(2016)2887.

航運 SHIPPING

E1. 神華中海航運
Shenhua Zhonghai Shipping Company

煤化工 COAL CHEMICAL

F1. 包頭煤化工
Baotou Coal Chemical



Section V Discussion and Analysis on Operation Results

I. DISCUSSION AND ANALYSIS ON OPERATION RESULTS

In the first half of the year, the Group actively responded to market changes by putting adequate resources in marketing externally and strengthening synergic organisation internally with refined management and focused efforts in quality improvement and remained stable growth in results.

The Group recorded a revenue of RMB116,365 million in the first half of 2019 (the first half of 2018: RMB127,380 million), achieving 52.6% of the business target for 2019, representing a year-on-year decrease of 8.6%; a profit for the period of RMB28,996 million (the first half of 2018: RMB29,887 million), representing a year-on-year decrease of 3.0%; a profit for the period attributable to equity holders of the Company of RMB24,240 million (the first half of 2018: RMB24,520 million); and basic earnings per share of RMB1.219/share (the first half of 2018: RMB1.233/share), representing a year-on-year decrease of 1.1%.

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

	Unit	**The first half of 2019**	The first half of 2018	Change
Return on total assets as at the end of the period	%	**5.1**	5.0	Increased by 0.1 percentage point
Return on net assets as at the end of the period	%	**7.2**	7.9	Decreased by 0.7 percentage point
EBITDA	RMB million	**47,622**	52,281	Decreased by 8.9%

	Unit	**As at 30 June 2019**	As at 31 December 2018	Change
Equity of shareholders per share	RMB/share	**17.01**	16.68	Increased by 2.0%
Asset liability ratio	%	**28.5**	30.9	Decreased by 2.4 percentage points
Total debt to total equity ratio	%	**11.5**	12.9	Decreased by 1.4 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

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

As approved at the first extraordinary general meeting of 2018, a joint venture company (the "Joint Venture Company") was established with the equities and assets (the "Subject Assets") of the relevant coal-fired power generation companies separately contributed by the Company and GD Power. The transaction 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 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.

Unit: RMB million

Item	**The first half of 2019**	The first half of 2018	Change *(%)*
Revenue	**116,365**	127,380	(8.6)
Cost of sales	**(76,732)**	(82,642)	(7.2)
General and administrative expenses	**(3,788)**	(4,274)	(11.4)
Other gains and losses	**1,867**	(4)	(46,775.0)
Other income	**362**	247	46.6
Loss allowances	**232**	(9)	(2,677.8)
Interest income	**645**	476	35.5
Finance costs	**(1,594)**	(2,271)	(29.8)
Share of results of associates	**192**	274	(29.9)
Income tax expense	**(7,937)**	(8,605)	(7.8)
Net cash generated from operating activities	**41,043**	31,937	28.5
Of which: Net cash generated from / (used in) operating activities of Shenhua Finance Company[Note]	**6,840**	(3,111)	(319.9)
Net cash generated from operating activities excluding the effect of Shenhua Finance Company	**34,203**	35,048	(2.4)
Net cash generated from / (used in) investing activities	**26,468**	(8,433)	(413.9)
Net cash used in financing activities	**(9,314)**	(1,598)	482.9

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

(1) Explanations on the reasons for the changes in revenue

The revenue of the Group in the first half of 2019 recorded a year-on-year decrease. The main reasons for such change 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 the first half of the year, the power output dispatch of the Group was 74.96 billion kWh (the first half of 2018: 125.38 billion kWh), representing a year-on-year decrease of 40.2%.

② Influenced by factors such as land acquisition and regional safety rectification and insufficient source of purchased coal, the Group recorded sales of coal to 217.1 million tonnes for the first half of the year (the first half of 2018: 225.3 million tonnes), representing a year-on-year decrease of 3.6%; the average sales price of coal was RMB420 per tonne (exclusive of tax) (the first half of 2018: RMB432 per tonne), representing a year-on-year decrease of 2.8%;

Major operating indicators	Unit	The first half of 2019	The first half of 2018	Change %
(I) Coal				
1. Commercial coal production	Million tonnes	**145.4**	145.8	(0.3)
2. Coal sales	Million tonnes	**217.1**	225.3	(3.6)
Of which: Self-produced coal	Million tonnes	**142.1**	145.5	(2.3)
Purchased coal	Million tonnes	**75.0**	79.8	(6.0)
(II) Transportation				
1. Turnover of self-owned railway	Billion tonne km	**142.9**	138.6	3.1
2. Seaborne coal	Million tonnes	**129.5**	129.5	0.0
Of which: Via Huanghua Port	Million tonnes	**91.7**	92.0	(0.3)
Via Shenhua Tianjin Coal Dock	Million tonnes	**21.1**	22.7	(7.0)
3. Shipping volume	Million tonnes	**54.8**	51.6	6.2
4. Shipment turnover	Billion tonne nautical miles	**44.7**	45.1	(0.9)
(III) Power generation				
1. Gross power generation	Billion kWh	**79.90**	133.59	(40.2)
2. Total power output dispatch	Billion kWh	**74.96**	125.38	(40.2)
(IV) Coal chemical				
1. Sales of polyethylene	Thousand tonnes	**186.5**	171.6	8.7
2. Sales of polypropylene	Thousand tonnes	**170.6**	160.3	6.4

Note: According to the comparative basis, the power generation and power output dispatch of the Group in the first half of 2018 were 78.89 billion kWh and 73.94 billion kWh, respectively.

Section V Discussion and Analysis on Operation Results (Continued)

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

Unit: RMB million

Breakdown of cost of sales	Amount for the period	Percentage to cost of operation for the period %	Amount for the same period of the previous year	Percentage to cost of operation for the same period of the previous year %	Change in amount for the period over that of the same period of the previous year %
Cost of coal purchased	**24,073**	**31.4**	27,863	33.7	(13.6)
Materials, fuel and power	**10,565**	**13.8**	10,701	13.0	(1.3)
Personnel expenses	**6,487**	**8.5**	6,593	8.0	(1.6)
Depreciation and amortisation	**8,733**	**11.4**	10,761	13.0	(18.8)
Repairs and maintenance	**4,842**	**6.3**	4,912	5.9	(1.4)
Transportation charges	**7,552**	**9.8**	7,453	9.0	1.3
Tax and surcharge	**5,024**	**6.5**	4,940	6.0	1.7
Other operating cost	**9,456**	**12.3**	9,419	11.4	0.4
Total cost of sales	**76,732**	**100.0**	82,642	100.0	(7.2)

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

② 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 segment upon the completion of the Subject Assets of the Joint Venture Company, and some of the coal production equipment of the Group were fully depreciated but are still in safe use.

(3) Other items of profit and loss statement

① The year-on-year decrease in general and administrative expenses was mainly attributable to the personnel reduction, resulting in the decrease in labour cost.

② The year-on-year increase in other gains and losses was mainly because the Company recognised relevant investment income on the Completion Date of the Subject Assets of the Joint Venture Company, and recognised income upon redemption on maturity of wealth management products.

③ The year-on-year increase in other income was mainly attributable to the increase in government grants received for input tax credit since 1 April 2019, and the income from the disposal of fixed assets of Zhuhai wind power project that has been shut down.

④ The loss allowances of the Group in the first half of 2019 was mainly attributable to a decrease in the balances of loans granted by Shenhua Finance Company as at the end of the reporting period, reversing part of the allowance for doubtful debts.

⑤ The year-on-year increase in interest income was mainly attributable to the increase in interest income caused by the increase in average deposit balance.

⑥ The year-on-year decrease in finance costs was mainly attributable to the decrease in the interest expenses due to the decrease in new borrowings.

⑦ The decrease in share of results of associates was mainly attributable to the decrease in income from associates of the coal segment. The Company recognised its share of the operating results of the Joint Venture Company from 1 February to 30 June 2019 in proportion to its shareholding, which amounted to RMB176 million.

⑧ Representing a year-on-year decrease of 7.8% in the first half of 2019 and the average rate of income tax was 21.5% (the first half of 2018: 22.4%), representing a decrease of 0.9 percentage point, which was mainly attributable to the increase in percentage of profits for the reporting period in the railway segment entitled to higher preferential tax rates.

(4) Items of cash flow statement

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

① Net cash generated from operating activities: representing a year-on-year increase of 28.5% in the first half of 2019, of which, net cash generated from operating activities of Shenhua Finance Company was RMB6,840 million (the first half of 2018: RMB3,111 million used in operating activities), representing a year-on-year change of 319.9%, which was mainly attributable to the increase in loans and advances to customers recovered by Shenhua Finance Company during the reporting period. Excluding the effect of Shenhua Finance Company, net cash generated from operating activities of the Group represented a year-on-year decrease of 2.4%, which was mainly attributable to the decrease in cash flows due to decreased income.

② Net cash generated from (used in) investing activities: RMB26,468 million of net cash generated from investing activities in the first half of 2019 (the first half of 2018: RMB8,433 million used in investing activities), representing a year-on-year change of 413.9%, which was mainly attributable to recovery of certain bank wealth management products upon expiry.

③ Net cash used in financing activities: representing a year-on-year increase of 482.9% in the first half of 2019, which was mainly attributable to the significant decrease in new borrowings during the reporting period as compared to the same period of last year, and the increase in the amount of debt repayment compared to the same period of last year.

(5) Research and development expenditure

Expensed research and development expenditure in the period *(RMB million)*	128
Capitalised research and development expenditure in the period *(RMB million)*	55
Total research and development expenditure *(RMB million)*	183
Ratio of capitalised research and development expenditure *(%)*	30.1
Percentage of total research and development expenditure to revenue *(%)*	0.2
Number of research and development personnel in the Company *(number of person)*	2,815
The ratio of research and development personnel to the total number of persons in the Company *(%)*	3.8

Note: "Research and development expenditure" in the above table represents the sum of expensed research and development expenditure and capitalised research and development expenditure, which are not the items in the consolidated statement of profit or loss and other comprehensive income.

In the first half of 2019, the investment in research and development of the Group represented a year-on-year decrease of 56.0% (the first half of 2018: RMB416 million). In the first half of 2019, the Group's investment in research and development was mainly used for research on the application of heavy haul railways, comprehensive utilisation of pulverised fuel ash, key technologies for production safety of coal mines, and research and demonstration engineering of a set of 8.8-meter height fully-mechanised smart mining equipment.

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

The major changes in the composition of profit of the Group during the reporting period: the proportions of the profit from operations of the coal segment and power segment decreased while that of the transportation segment increased. Based on the profit from operations of all business segments before elimination on consolidation under the International Financial Reporting Standards the percentages of profits from operations of coal, transportation, power, and coal chemical segments of the Group changed from 58%, 27%, 14% and 1% in the first half of 2018, to 55%, 31%, 13% and 1% in the first half of 2019 respectively. The changes in the proportion of the profit from operations of each of business segments were mainly attributable to: (1) the decrease in the sales volume and sales price of coal; (2) the continuous growth of coal and non-coal transportation services provided by the railway segment to external customers of the Group; (3) power output dispatch of power generation segment decreased compared to the same period of the previous year, which was affected by the establishment of the Joint Venture Company.

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

Other gains in the first half of 2019 were RMB1,867 million (losses in the first half of 2018 were RMB4 million). Other gains for the reporting period include: (1) the Company recognised relevant gains of RMB1,121 million on the Completion Date of the Subject Assets of the Joint Venture Company; and (2) the Group recognised gains of RMB409 million upon redemption on maturity of a portion of the wealth management products during the reporting period.

(III) Analysis on Assets and Liabilities

1. Assets and Liabilities

Unit: RMB million

Name of items	Amount at the end of the period	Percentage of total assets at the end of the period %	Amount at the end of the previous period	Percentage of total assets at the end of the previous period %	Change of the amount at the end of the period compared to the end of the previous period %	Main reasons for changes
Right-of-use assets	**17,280**	**3.0**	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	**39,734**	**7.0**	10,047	1.7	295.5	Investment in the Joint Venture Company recognised by the Company
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	**12,951**	**2.3**	9,967	1.7	29.9	Increase of coal inventories, ancillary materials and spare parts
Prepaid expenses and other current assets	**25,282**	**4.5**	54,702	9.2	(53.8)	Decrease of balance of loans and advances granted by Shenhua Finance Company
Restricted bank deposits	**6,483**	**1.1**	8,607	1.5	(24.7)	Decrease of deposit reserves of Shenhua Finance Company
Cash and cash equivalents	**120,082**	**21.2**	61,863	10.5	94.1	Maturity of part of the wealth management products and borrowings granted by Shenhua Finance Company
Held for sale assets	**0**	**0.0**	83,367	14.1	(100.0)	Completion of the Subject Assets of the Joint Venture Company

Section V Discussion and Analysis on Operation Results (Continued)

Unit: RMB million

Name of items	Amount at the end of the period	Percentage of total assets at the end of the period %	Amount at the end of the previous period	Percentage of total assets at the end of the previous period %	Change of the amount at the end of the period compared to the end of the previous period %	Main reasons for changes
Short-term borrowings	**4,527**	**0.8**	5,772	1.0	(21.6)	Repayment of certain short-term borrowings upon expiry
Accounts and notes payable	**22,490**	**4.0**	26,884	4.5	(16.3)	Decrease of balances of payables for power and transportation businesses
Accrued expenses and other payables	**71,122**	**12.5**	52,737	8.9	34.9	As at the end of the reporting period, final dividends of 2018 have not been distributed
Bonds due within 1 year	**3,433**	**0.6**	0	0.0	N/A	Maturity of some USD bonds will be due within 1 year
Income tax payable	**3,074**	**0.5**	4,213	0.7	(27.0)	Settlement of income tax as at the end of the reporting period
Contract liabilities	**5,661**	**1.0**	3,404	0.6	66.3	Increase of prepayment for coal business
Liabilities associated with held for sale assets	**0**	**0.0**	29,914	5.1	(100.0)	Completion of liabilities associated with the Subject Assets of the Joint Venture Company
Long-term borrowings	**40,386**	**7.1**	46,765	7.9	(13.6)	Repayment of certain long-term borrowings upon expiry
Bonds	**3,407**	**0.6**	6,823	1.2	(50.1)	USD bonds due within 1 year reclassified to non-current liability due within 1 year
Lease liability	**715**	**0.1**	N/A	N/A	N/A	Lease liability recognised due to application of new lease standard of the Group
Non-controlling interests	**67,166**	**11.8**	77,144	13.0	(12.9)	Decrease of non-controlling interests of the power segment

2. Restrictions on main assets as at the end of the reporting period

The Group is free from seizure and detention of main assets. As at the end of the reporting period, restricted asset balance of the Group was RMB8,368 million. Among which (1) monetary funds was RMB6,483 million, mainly comprising statutory deposit reserve deposited in the People's Bank of China by Shenhua Finance Company of RMB4,785 million; (2) other restricted assets mainly consisted of issuance of bills payable, bills receivable secured and guaranteed for acquiring bank borrowings, fixed assets and intangible assets.

(IV) Operation results by business segment

1. Coal segment

(1) Production and operations

The majority of the coal products produced and sold by the Group were thermal coal. In the first half of 2019, the Group made efforts to overcome the effect of land acquisition and regional safety rectification and optimised production arrangements. As a result, its commercial coal output achieved 145.4 million tonnes (the first half of 2018: 145.8 million tonnes), achieving 50.1% of the business target for 2019, representing a year-on-year decrease of 0.3%. The total footage of advancing tunnels at underground mines was 211 thousand meters (the first half of 2018: 176 thousand meters), representing a year-on-year increase of 19.9%. Specifically, Shendong Mines recorded footage of advancing tunnels of 199 thousand meters. The set of surface with high roof support at Shendong Mines with a height of 8.8 meters has been safely and stably operated for 16 months, completing the steady production of the ultra-mining height surface. In the first half of this year, the Ha'erwusu Open-pit Mine realised an output of commercial coal of 6.6 million tonnes, representing a year-on-year increase of 3.8 million tonnes.

In the first half of 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 RMB11 million (the first half of 2018: RMB10 million), which was mainly attributable to the relevant expenses of Watermark Coal Project in Australia. The Company's relevant capital expenditure of mining development and exploration amounted to approximately RMB469 million (the first half of 2018: RMB741 million), which was mainly attributable to the expenditure related to payment of land premium, coal mining and purchase of fixed assets by Baorixile, Shendong, Shengli and other mines.

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 and Overview of Operating Results in this report for details of operation of self-owned railways of the Group.

(2) *Sales of coal*

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

Thus, the sales volume of coal of the Group amounted to 217.1 million tonnes in the first half of the year (the first half of 2018: 225.3 million tonnes), achieving 50.8% of the business target for 2019, representing a year-on-year decrease of 3.6%, among which the domestic sales volume of coal amounted to 214.5 million tonnes (the first half of 2018: 222.5 million tonnes), representing a year-on-year decrease of 3.6%; the sales volume of seaborne coal amounted to 129.5 million tonnes (the first half of 2018: 129.5 million tonnes), remaining the same as to that of the previous year; the sales volume of purchased coal amounted to 75.0 million tonnes (the first half of 2018: 79.8 million tonnes), representing a year-on-year decrease of 6.0%, accounting for 34.5% of the total sales volume of coal (the first half of 2018: 35.4%).

The Company adopted unified pricing policies in the sales of coal, which led to an average sales price of coal amounting to RMB420 per tonne (exclusive of tax) (the first half of 2018: RMB432 per tonne), representing a year-on-year decrease of 2.8%.

The Company continued to execute the three-year (2019–2021) long-term contracts, laying a good foundation for the Company to improve medium and long-term production and investment planning.

In the first half of 2019, the sales volume of the Group to the top five domestic customers of coal was 74.1 million tonnes, which accounted for 34.5% of the domestic sales volume. In particular, the sales volume to China Energy Group, the largest customer, was 60.8 million tonnes, which accounted for 28.3% of the domestic sales volume. The top five domestic customers of coal were primarily power and coal trading companies.

① *By contract pricing mechanisms*

The first half of 2019	**Sales volume**	**Proportion of total sales**	**Price (exclusive of tax)**
	Million tonnes	*%*	*RMB/tonne*
I. Annual long-term contracts	108.2	49.8	368
II. Monthly long-term contracts	84.9	39.1	485
III. Spot commodity	24.0	11.1	424
Total sales volume/average price (exclusive of tax)	217.1	100.0	420

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

Section V Discussion and Analysis on Operation Results (Continued)

② *By internal and external customers*

	The first half of 2019			The first half of 2018			Change in price (exclusive of tax)
	Sales volume	Proportion of total sales	Price (exclusive of tax)	Sales volume	Proportion of total sales	Price (exclusive of tax)	
	Million tonnes	*%*	*RMB/tonne*	*Million tonnes*	*%*	*RMB/tonne*	*%*
Sales to external customers	**188.0**	**86.6**	**427**	178.1	79.1	443	(3.6)
Sales to internal power segment	**26.7**	**12.3**	**377**	45.1	20.0	392	(3.8)
Sales to internal coal chemical segment	**2.4**	**1.1**	**361**	2.1	0.9	357	1.1
Total sales volume/average price(exclusive of tax)	**217.1**	**100.0**	**420**	225.3	100.0	432	(2.8)

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

③ *By sales regions*

	The first half of 2019			The first half of 2018			Change	
	Sales volume	Proportion of total sales	Price (exclusive of tax)	Sales volume	Proportion of total sales	Price (exclusive of tax)	Sales volume	Price (exclusive of tax)
	Million tonnes	*%*	*RMB/ tonne*	*Million tonnes*	*%*	*RMB/ tonne*	*%*	*%*
I. Domestic sales	**214.5**	**98.8**	**419**	222.5	98.8	431	(3.6)	(2.8)
(I) Self-produced coal and purchased coal	**210.0**	**96.7**	**420**	210.4	93.4	431	(0.2)	(2.6)
1. Direct arrival	**81.5**	**37.5**	**321**	81.9	36.4	315	(0.5)	1.9
2. Seaborne	**128.5**	**59.2**	**483**	128.5	57.0	505	0.0	(4.4)
(II) Sales of domestic trading coal	**3.5**	**1.6**	**320**	11.3	5.0	444	(69.0)	(27.9)
(III) Sales of imported coal	**1.0**	**0.5**	**451**	0.8	0.4	404	25.0	11.6
II. Export sales	**1.0**	**0.5**	**631**	1.0	0.4	485	0.0	30.1
III. Overseas coal sales	**1.6**	**0.7**	**462**	1.8	0.8	519	(11.1)	(11.0)
Total sales volume/ average price (exclusive of tax)	**217.1**	**100.0**	**420**	225.3	100.0	432	(3.6)	(2.8)

(3) *Production safety*

In the first half of 2019, the Group improved safety management, strengthened responsibility performance and regulatory assessment, promoted the deeply integration of safety risk pre-control system and standardised production safety, conducted specialised safety inspection with a focus on key potential issues, carried out major disaster prevention, strengthened the reconstruction of the working environment to meet the standards and constantly reinforced our emergency response and rescue ability. The Group also organised the Safe Production Month activities with a theme of "Preventing Risks, Eliminating Hazards and Containing Accidents", strengthening the process control of external construction contracting team. There was no major or more serious safety accident occurred. In the first half of the year, the fatality rate per million tonne of raw coal production mines of the Group was zero, enabling the Company to maintain its internationally leading position.

(4) *Environmental protection*

In the first half of 2019, the Group continued to push forward clean coal mining and strengthened the environmental protection control in the whole process of production to mitigate the impact of coal production on the environment to the largest extent. We implemented relevant laws and regulations, focused on the treatment and construction, as well as the equipment operation maintenance and management of mine water and domestic sewage, promoted standardising of coal-fired boilers discharge and enclosed coal yard engineering, strengthened the comprehensive utilisation of coal gangue, and continued to promote green mine construction projects. There was no major or more serious environmental safety incident occurred in the first half of the year.

As of 30 June 2019, balance of the "accrued reclamation obligations" of the Group amounted to RMB3.283 billion, serving as strong financial guarantee for ecological construction.

Section V Discussion and Analysis on Operation Results (Continued)

(5) Coal resources

As at 30 June 2019, under the PRC Standard, the Group had coal resources amounting to 30.13 billion tonnes, representing a decrease of 170 million tonnes as compared with that of the end of 2018; and recoverable coal reserve amounting to 14.78 billion tonnes, representing a decrease of 170 million tonnes as compared with that of the end of 2018. The Group's marketable coal reserve amounted to 8.12 billion tonnes under the JORC Standard, representing a decrease of 140 million tonnes as compared with that of the end of 2018.

Unit: 00 million tonnes

Mines	Coal resources (under the PRC Standard)	Recoverable coal reserve (under the PRC Standard)	Marketable coal reserve (under the JORC Standard)
Shendong Mines	159.0	91.1	46.8
Zhunge'er Mines	38.8	31.0	20.4
Shengli Mines	20.2	13.7	2.1
Baorixile Mines	13.8	11.7	11.9
Baotou Mines	0.5	0.3	0.0
Xinjie Mines (under exploration rights permit to Taigemiao North Area)	64.2	–	–
Watermark Mines (under exploration rights permit)	4.8	–	–
Total	301.3	147.8	81.2

Note: As at 30 June 2019, the marketable coal reserve at Baotou Mines are 3.248 million tonnes under the JORC Standard.

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

Mines	Major types of coal	Calorific value of major commercial coal products *kcal/kg*	Sulphur content *average, %*	Ash content *average, %*
Shendong Mines	Long flame coal/noncaking coal	Approximately 5,480	0.2–0.9	5–25
Zhunge'er Mines	Long flame coal	Approximately 4,720	0.4–0.7	16–26
Shengli Mines	Lognite	Approximately 2,970	0.5–0.8	20–25
Baorixile Mines	Lognite	Approximately 3,660	0.2–0.3	12–16
Baotou Mines	Long flame coal/noncaking coal	Approximately 4,230	0.4–0.8	10–20

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.

Section V Discussion and Analysis on Operation Results (Continued)

(6) Operation results

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

		The first half of 2019	The first half of 2018	Change %	Main reasons for changes
Revenue	RMB million	**93,638**	99,979	(6.3)	Decrease in sales volume and price of coal
Cost of sales	RMB million	**72,205**	74,624	(3.2)	Decrease in purchased coal volume and price
Gross profit margin	%	**22.9**	25.4	Decreased by 2.5 percentage points	
Profit from operations	RMB million	**19,211**	23,250	(17.4)	Decrease in revenue and increase in unit production cost of self-produced coal and increase in general and administrative expenses of coal segment
Profit margin from operations	%	**20.5**	23.3	Decreased by 2.8 percentage points	

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

	The first half of 2019				The first half of 2018			
	Revenue *RMB million*	**Costs** *RMB million*	**Gross profit** *RMB million*	**Gross profit margin** *%*	Revenue *RMB million*	Costs *RMB million*	Gross profit *RMB million*	Gross profit margin *%*
Domestic	**89,812**	**65,728**	**24,084**	**26.8**	95,964	67,906	28,058	29.2
Export and overseas	**1,341**	**1,044**	**297**	**22.1**	1,405	1,200	205	14.6
Total	**91,153**	**66,772**	**24,381**	**26.7**	97,369	69,106	28,263	29.0

③ *Unit production cost of self-produced coal*

Unit: RMB/tonne

	The first half of 2019	The first half of 2018	Change %	Main reasons for changes
Materials, fuel and power	**25.0**	22.0	13.6	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
Personnel expenses	**22.4**	19.8	13.1	Wages rise in part of production units
Repairs and maintenance	**8.5**	7.8	9.0	Collective repair and maintenance of production equipment in open-pit mines
Depreciation and amortisation	**18.4**	20.1	(8.5)	Sufficient provision for depreciation of part of production equipment
Other costs	**46.0**	40.3	14.1	Year-on-year increase in external stripping fee, production safety investment and land requisition compensation
Unit production cost of self-produced coal	**120.3**	110.0	9.4	

Other costs consist of the following three components: (1) expenses directly related to production, including expenses for coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for 56%; (2) auxiliary production expenses, accounting for 24%; (3) land requisition and surface subsidence compensation, environmental protection expenses, tax, etc., accounting for 20%.

④ *Cost of coal purchased from third parties*

The coal purchased from third parties by the Company includes coal purchased from the surrounding areas of the self-owned mines and railways, domestic trading coal, imported and re-exported coal. In the first half of the year, cost of coal purchased from third parties was RMB24,073 million (the first half of 2018: RMB27,863 million), representing a year-on-year decrease of 13.6%, which was mainly due to a year-on-year decrease in the sales volume of purchased coal and unit purchase cost of the Group.

2. Power segment

(1) Production and operations

In the first half of 2019, the Group took advantage of the technology upgrade and refined management as objectives to operate stock assets, strengthen marketing and equipment reliability and proactively involve itself in power marketing trades. Power generation in the first half of this year amounted to 79.90 billion kWh (the first half of 2018: 133.59 billion kWh), representing a year-on-year decrease of 40.2%; and total power output dispatch of 74.96 billion kWh (the first half of 2018: 125.38 billion kWh), achieving 52.4% of the business target for 2019, representing a year-on-year decrease of 40.2%.

(2) Power output dispatch and power tariffs

	Gross power generation (billion kWh)			Total power output dispatch (billion kWh)			Power tariff (RMB/mWh)		
Power type/ Location	The first half of 2019	The first half of 2018	Change %	The first half of 2019	The first half of 2018	Change %	The first half of 2019	The first half of 2018	Change %
(I) Coal-fired power	**77.39**	**130.81**	**(40.8)**	**72.51**	**122.67**	**(40.9)**	**323**	**307**	**5.2**
Hebei	13.71	15.92	(13.9)	12.90	14.93	(13.6)	317	318	(0.3)
Shaanxi	13.40	12.57	6.6	12.35	11.49	7.5	274	265	3.4
Guangdong	9.43	14.46	(34.8)	8.74	13.62	(35.8)	399	348	14.7
Fujian	6.26	6.31	(0.8)	5.99	6.02	(0.5)	347	336	3.3
Inner Mongolia	5.29	10.72	(50.7)	4.84	9.65	(49.8)	226	219	3.2
Shandong	4.67	4.72	(1.1)	4.45	4.50	(1.1)	344	330	4.2
Jiangxi	4.18	0.21	1,890.5	3.99	0.20	1,895.0	363	317	14.5
Anhui	2.96	11.48	(74.2)	2.83	10.97	(74.2)	307	302	1.7
Chongqing	2.89	2.79	3.6	2.76	2.67	3.4	354	343	3.2
Henan	2.40	2.07	15.9	2.26	1.95	15.9	306	292	4.8
Sichuan	2.27	1.77	28.2	2.07	1.62	27.8	375	371	1.1
Zhejiang	2.26	15.13	(85.1)	2.14	14.37	(85.1)	353	352	0.3
Jiangsu	2.24	11.20	(80.0)	2.15	10.70	(79.9)	307	313	(1.9)
Liaoning	1.31	8.51	(84.6)	1.23	7.98	(84.6)	307	298	3.0
Ningxia	1.13	4.29	(73.7)	1.06	3.98	(73.4)	224	224	0.0
Guangxi	0.92	0.94	(2.1)	0.87	0.88	(1.1)	349	355	(1.7)
Indonesia (overseas)	0.70	0.79	(11.4)	0.60	0.69	(13.0)	548	532	3.0
Xinjiang	0.66	2.73	(75.8)	0.61	2.51	(75.7)	197	185	6.5
Tianjin	0.55	2.54	(78.3)	0.52	2.38	(78.2)	326	365	(10.7)
Shanxi	0.16	1.66	(90.4)	0.15	1.56	(90.4)	260	265	(1.9)
(II) Gas-fired power	**2.22**	**2.50**	**(11.2)**	**2.17**	**2.43**	**(10.7)**	**576**	**567**	**1.6**
Beijing	1.97	1.75	12.6	1.93	1.70	13.5	568	623	(8.8)
Zhejiang	0.25	0.75	(66.7)	0.24	0.73	(67.1)	638	438	45.7
(III) Hydropower	**0.29**	**0.28**	**3.6**	**0.28**	**0.28**	**0.0**	**251**	**243**	**3.3**
Sichuan	0.29	0.28	3.6	0.28	0.28	0.0	251	243	3.3
Total	**79.90**	**133.59**	**(40.2)**	**74.96**	**125.38**	**(40.2)**	**330**	**312**	**5.8**

Section V Discussion and Analysis on Operation Results (Continued)

(3) Installed capacity

At the end of the reporting period, the total installed capacity of power generation of the Group reached 31,029 MW. Among which, the total installed capacity of the coal-fired power generators is 29,954 MW, which was 96.5% of the total installed capacity of the Group.

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 30 June 2019
Coal-fired power	59,994	(30,040)	**29,954**
Gas-fired power	1,730	(780)	**950**
Hydropower	125	0	**125**
Total	61,849	(30,820)	**31,029**

In the first half of the year, the changes in the installed capacity of power generators of the Group is as follows, among which total capacity of 30,530 MW of No.1 to No.17 represent installation involved the equity and assets of the coal-fired companies to establish a Joint Venture Company by the Company and GD Power:

No.	Company/power plant	Location of power generators	Increase/ (decrease) in installed capacity (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 Shendong Power	Inner Mongolia	(300)
4	Salaqi Power Plant of Shendong Power	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)

Section V Discussion and Analysis on Operation Results (Continued)

No.	Company/power plant	Location of power generators	Increase/ (decrease) in installed capacity (MW)
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*

In the first half of 2019, average utilisation hours of coal-fired generators of the Group reached 2,216 hours, representing a decrease of 148 hours as compared to 2,364 hours of the same period of last year, which was 89 hours higher than the average utilisation hours of 2,127 hours[1] for coal-fired generators nationwide. As of the end of the reporting period, the installed capacity of circulating fluidised bed generating units of the Group reached 3,354 MW, which was 11.2% of the installed capacity of the coal-fired generating units of the Group.

Power type	Average utilisation hours Hour			Power consumption ratio of power plant %		
	The first half of 2019	The first half of 2018	Change %	**The first half of 2019**	The first half of 2018	Change %
Coal-fired power	**2,216**	2,364	(6.3)	**5.62**	5.54	Increased by 0.08 percentage point
Gas-fired power	**2,059**	1,442	42.8	**1.65**	1.89	Decreased by 0.24 percentage point
Hydropower	**2,343**	2,257	3.8	**0.31**	0.34	Decreased by 0.03 percentage point
Weighted average	**2,212**	2,336	(5.3)	**5.49**	5.46	Increased by 0.03 percentage point

1 Data source: China Electricity Council

(5) Environmental protection

As of the end of the reporting period, the ultra-low-emission renovation of 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 first half of the year was 309 g/kWh, representing an increase of 1 g/kWh as compared with 308 g/kWh of the same period last year.

(6) Market Transaction of Power

In the first half of 2019, the volume of power in market-based transactions of the Group was 20.51 billion kWh, representing 27.4% of the total volume of power.

(7) Operation results of the power sales business

The Group currently owns three power sales companies located in Shandong, Jiangsu and Guangdong, respectively, which are principally engaged in agent procurement of power demanded by customers and the provision of the incremental distribution grid business and comprehensive energy services. In the first half of 2019, the agent power output dispatch from non-self-owned power plants of the Group was approximately 5.8 billion kWh.

(8) Capitalised expenses

In the first half of 2019, the completed capital expenditure of the power segment of the Group was RMB2,660 million, primarily used in the construction of power generation projects including Guohua Indonesia Jawa-7 Coal Power Project (2×1,050MW), Phase I of Shengli Energy Branch (2×660MW), and Phase III of Jinjie Coal and Power Integration Project (2×660MW).

(9) Operation results

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

		The first half of 2019	The first half of 2018	Change %	Main reasons for changes
Revenue	RMB million	**26,221**	40,768	(35.7)	During the reporting period, the transaction of establishing the Joint Venture Company was completed and the relevant revenue and cost of contributed asset are not consolidated to the Group
Cost of sales	RMB million	**20,562**	33,970	(39.5)	
Gross profit margin	%	**21.6**	16.7	Increased by 4.9 percentage points	Increase in average power tariffs
Profit from operations	RMB million	**4,672**	5,393	(13.4)	
Profit margin from operations	%	**17.8**	13.2	Increased by 4.6 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	The first half of 2019	The first half of 2018	Change %	The first half of 2019	Percentage to total costs of power output dispatch of the first half of 2019 %	The first half of 2018	Percentage to total costs of power output dispatch of the first half of 2018 %	Change in the first half of 2019 over the first half of 2018 %
Coal-fired power	**24,439**	38,811	(37.0)	**18,860**	**93.7**	31,883	95.9	(40.8)
Gas-fired power	**1,249**	1,378	(9.4)	**1,222**	**6.1**	1,341	4.0	(8.9)
Hydropower	**72**	67	7.5	**36**	**0.2**	34	0.1	5.9
Wind power	**0**	0	/	**2**	**0.0**	3	0.0	(33.3)
Total	**25,760**	40,256	(36.0)	**20,120**	**100.0**	33,261	100.0	(39.5)

The Group's cost of sale of power mainly comprised such costs as raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation and other cost. Please refer to the Overview of Operating Results in this report. The unit cost of power output dispatch of the Group in the first half of 2019 was RMB268.4/mWh (the first half of 2018: RMB265.3/mWh), representing a year-on-year increase of 1.2%.

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

	The first half of 2019		The first half of 2018		Change in
	Costs	Percentage	Costs	Percentage	costs
	RMB million	*%*	*RMB million*	*%*	*%*
Raw material, fuel and power	**13,820**	**73.3**	23,858	74.8	(42.1)
Personnel expenses	**955**	**5.1**	1,626	5.1	(41.3)
Repairs and maintenance	**701**	**3.7**	1,061	3.3	(33.9)
Depreciation and amortisation	**2,773**	**14.7**	4,513	14.2	(38.6)
Others	**611**	**3.2**	825	2.6	(25.9)
Total cost of power output dispatch of coal-fired power plant	**18,860**	**100.0**	31,883	100.0	(40.8)

The power segment consumed a total of 30.0 million tonnes of the China Shenhua's coal, accounting for 88.2% of the 34.0 million tonnes of the thermal coal consumption of the power segment of the Group in the first half of 2019 (the first half of 2018: 92.0%).

3. Railway segment

(1) Production and operations

In the first half of 2019, we constantly optimised our transportation organisation, effectively secured coal transportation, proactively implemented macroscopic logistic strategy under the railway segment, and supported the construction of railway special lines for industrial and mining enterprises and within logistics park areas to connect with the self-owned railways, endeavored to foster the non-coal transportation. Therefore, volume of transportation business hit a record high for the same period. Transportation turnover of self-owned railways reached 142.9 billion tonne km (the first half of 2018: 138.6 billion tonne km), representing a year-on-year increase of 3.1%.

The transportation volume recorded under the railway segment for external customers of the Group experienced a continuous growth in terms of coal and non-coal transportation services, which cover nearly 30 kinds of goods such as iron ore, manganese ore, sandstone and polypropylene. In the first half of the year, the turnover of providing railway transportation services to external customers amounted to 15.9 billion tonne km (the first half of 2018: 14.6 billion tonne km), representing a year-on-year increase of 8.9%; the revenue generated from providing transportation services for external customers amounted to RMB3,317 million (the first half of 2018: RMB2,802 million), representing a year-on-year increase of 18.4%.

(2) Progress of projects

During the reporting period, the construction work of Huangda Railway continued to move forward, and endeavored to put into operation at the end of June 2020. 300 million-tonne production capacity expansion and renovation project of Shenshuo Railway was stably under construction, involving the renovation of 12 stations across the whole line, which promoted the collective transportation capability of upperstream coal.

(3) Operation results

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

		The first half of 2019	The first half of 2018	Change %	Main reasons for changes
Revenue	RMB million	**20,174**	19,141	5.4	Increase in transportation volume of railways
Cost of sales	RMB million	**10,043**	9,630	4.3	Increase in external transportation fees and provision of transportation services to third-party customers
Gross profit margin	%	**50.2**	49.7	Increased by 0.5 percentage point	
Profit from operations	RMB million	**9,608**	9,029	6.4	
Profit margin from operations	%	**47.6**	47.2	Increased by 0.4 percentage point	

In the first half of 2019, revenue generated from internal transportation services provided by the railway segment for the Group amounted to RMB16,857 million (the first half of 2018: RMB16,339 million), representing a year-on-year increase of 3.2%, accounting for 83.6% of the revenue of the railway segment (the first half of 2018: 85.4%).

In the first half of 2019, the unit transportation cost in the railway segment was RMB0.064/tonne km (the first half of 2018: RMB0.065/tonne km), representing a year-on-year decrease of 1.5%.

4. Port segment

(1) *Production and operations*

In the first half of 2019, the port segment strengthened technological innovation, green development and equipment guarantee standard, explored production potential, coordinated the scheduling and transportation of upstream and downstream logistics, improved the working efficiency, and ensured integrated and stable operation. The seaborne coal sales through self-owned ports accounted for 87.1% of the total volume of seaborne coal (the first half of 2018: 88.6%). The seaborne coal sales via Huanghua Port was 91.7 million tonnes (the first half of 2018: 92.0 million tonnes), representing a year-on-year decrease of 0.3%. The seaborne coal sales via Shenhua Tianjin Coal Dock was 21.1 million tonnes (the first half of 2018: 22.7 million tonnes), representing a year-on-year decrease of 7.0%.

(2) *Environmental protection*

The Group focused on two long-existing problems of dust pollution and coal-containing sewage treatment, actively advanced the construction of green ecological ports, applied several environmental self-developed innovative projects such as automatic sprinkling project of pile feeders and belt wash device, and innovatively built an ecological water system to ensure the stable control of the environmental protection work.

(3) *Operation results*

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

		The first half of 2019	The first half of 2018	Change %	Main reasons for changes
Revenue	RMB million	**2,952**	2,982	(1.0)	Reduction of services to third parties
Cost of sales	RMB million	**1,471**	1,413	4.1	Increase in maintenance costs caused by the aging of certain equipment in Huanghua Port; and increase in environmental protection tax
Gross profit margin	%	**50.2**	52.6	Decreased by 2.4 percentage points	
Profit from operations	RMB million	**1,349**	1,443	(6.5)	
Profit margin from operations	%	**45.7**	48.4	Decreased by 2.7 percentage points	

The revenue generated from the internal transportation services provided by the port segment to the Group amounted to RMB2,643 million for the first half of 2019 (the first half of 2018: RMB2,616 million), representing a year-on-year increase of 1.0% and accounting for 89.5% (the first half of 2018: 87.7%) of the revenue of the port segment.

5. Shipping segment

(1) Production and operations

The shipping segment actively coordinated with coal sales activities to contribute to the integrated operation, coordinated on the arrangement of capacity, improved its operating, deployment and management capacity, increased the operation number of "quasi-liner shipping", expanded external development of high-profile customer base while a continuing increase was recorded in business volume.

In the first half of 2019, shipping volume amounted to 54.8 million tonnes (the first half of 2018: 51.6 million tonnes), representing a year-on-year increase of 6.2%, while shipment turnover amounted to 44.7 billion tonne nautical miles (the first half of 2018: 45.1 billion tonne nautical miles), representing a year-on-year decrease of 0.9%.

(2) Operation results

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

		The first half of 2019	The first half of 2018	Change %	Main reasons for changes
Revenue	RMB million	**1,588**	2,034	(21.9)	Decrease in shipping prices
Cost of sales	RMB million	**1,420**	1,526	(6.9)	Decrease in costs for shipping by chartering
Gross profit margin	%	**10.6**	25.0	Decreased by 14.4 percentage points	
Profit from operations	RMB million	**94**	451	(79.2)	
Profit margin from operations	%	**5.9**	22.2	Decreased by 16.3 percentage points	

In the first half of 2019, the unit transportation cost of the shipping segment was RMB0.032/tonne nautical mile (the first half of 2018: RMB0.034/tonne nautical mile), representing a year-on-year decrease of 5.9%, primarily due to the decrease in costs for shipping by chartering.

6. Coal chemical segment

(1) Production and operations

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

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

	The first half of 2019		The first half of 2018		Change	
	Sales volume	**Price**	Sales volume	Price	Sales volume	Price
	Thousand tonnes	*RMB/tonne*	*Thousand tonnes*	*RMB/tonne*	*%*	*%*
Polyethylene	**186.5**	**6,634**	171.6	7,509	8.7	(11.7)
Polypropylene	**170.6**	**6,879**	160.3	6,997	6.4	(1.7)

(2) Project development

The Baotou coal-to-olefins upgrading demonstrative project (phase II) has obtained approval from Development and Reform Commission of Inner Mongolia Autonomous Region. The project's soil and water conservation plan report was approved by the Water Resources Department of Inner Mongolia Autonomous Region, and the environmental assessment report has been submitted to the Ministry of Ecology and Environment for preliminary review. The date of commencement has not been determined.

(3) Operation results

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

		The first half of 2019	The first half of 2018	Change %	Main reasons for changes
Revenue	RMB million	**3,084**	3,032	1.7	Increase in sales volume of olefins products
Cost of sales	RMB million	**2,653**	2,607	1.8	
Gross profit margin	%	**14.0**	14.0	0.0	
Profit from operations	RMB million	**356**	342	4.1	
Profit margin from operations	%	**11.5**	11.3	Increased by 0.2 percentage point	

(4) Unit production cost of main products

	The first half of 2019		The first half of 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	**180.2**	**5,665**	170.6	6,096	5.6	(7.1)
Polypropylene	**165.5**	**5,593**	159.1	5,926	4.0	(5.6)

All the coals consumed by the coal chemical segment were the China Shenhua's coals. The coals consumed in the first half of 2019 were 2.4 million tonnes, representing an increase of 14.3% as compared with 2.1 million tonnes for the same period last year.

(V) Regional operation analysis

Unit: RMB million

	The first half of 2019	The first half of 2018	Change %
Revenue from external transactions in domestic markets	**114,911**	125,834	(8.7)
Revenue from external transactions in overseas markets	**1,454**	1,546	(6.0)
Total	**116,365**	127,380	(8.6)

Note: Revenue from external transactions was classified based on the locations where the services were provided or the products were purchased.

The Group is mainly engaged in the production and sales of coal and power, railway, port and shipping transportation as well as coal-to-olefins businesses in the PRC. In the first half of 2019, the revenue from external transactions in domestic markets was RMB114,911 million, accounting for 98.8% of the Group's revenue. Affected by decrease of power sales volume and domestic coal sales volume, revenue from external transactions in domestic markets was recorded a year-on-year decrease of 8.7%.

In the first half of 2019, the Group proactively responded to the promotion of the "Belt and Road Initiative" of the state by putting more efforts in international exploration. The operation of Guohua Indonesia Sumsel Coal Power Project (Phase I) (2 x 150MW) was running safely and steadily. The construction of Indonesia Guohua Jawa-7 Coal Power Project (2 x 1,050MW) has been proceeding smoothly and it is estimated that a unit will be put into production and power generation. Indonesia Sumsel No. 1 Project will be prepared to commence during the year. The shale gas project in Pennsylvania of the United States has produced gas volume of approximately 153 million m^3 attributable to the proportionate interest of China Shenhua with obvious benefit. The Watermark Open-pit Coal Mine Project in Australia continued to develop its preliminary work. Other overseas projects are commencing under the principle of stability and prudence.

(VI) Analysis on investments

1. Overall analysis of external equity investments

The equity investments of the Company in the first half of 2019 amounted to RMB30,659 million (the first half of 2018: RMB2,285 million), representing a year-on-year increase of 1,241.8%, which mainly included recognised costs of long-term equity investment in the Joint Venture Company of RMB27,213 million.

2. Material investment in equity interest

A Joint Venture Company was established with the equities and assets of the relevant coal-fired power generation companies separately contributed by the Company and GD Power. For transaction details, please refer to Section VI in this report.

3. Material investment in non-equity interest

☐ Applicable ✓ Not applicable

4. 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, and the derivative financial instruments of Shenhua Finance Lease Company to hedge against the U.S. dollar-denominated liabilities. As at 30 June 2019, the fair value of derivative financial instruments amounted to RMB17 million.

As at the end of the reporting period, the financial assets at fair value through other comprehensive revenue of the Group were the non-tradable equity investments amounting to RMB811 million held by the Group that have no significant impact on the investee and RMB1,461 million of interbank certificates of deposit held by Shenhua Finance Company.

Details regarding the amounts of and changes in the financial assets at fair value of the Group in the first half of 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	5,098	(24,902)	507
Derivative financial assets	5	17	12	12
Interbank certificates of deposit	2,447	1,461	(986)	3
Other investments in equity instruments	811	811	0	0
Total	**33,263**	**7,387**	**(25,876)**	**522**

(VII) Disposal of material assets and equity interest

☐ Applicable ✓ Not applicable

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

(VIII) Analysis on major holding and associated companies

1. Major subsidiaries

Unit: RMB million

No.	Company	Registered capital	Total assets	Net assets	Net profit attributable to the equity holders of the parent company		
		As at 30 June 2019			The first half of 2019	The first half of 2018	Change %
1	Shendong Coal	4,989	37,622	32,500	7,615	8,291	(8.2)
2	Shuohuang Railway	5,880	46,566	36,321	3,985	3,820	4.3
3	Jinjie Energy	2,278	12,442	10,746	1,726	1,624	6.3
4	Zhunge'er Energy	7,102	40,509	32,382	1,480	1,469	0.7
5	Trading Group	1,889	28,318	10,767	1,466	1,658	(11.6)
6	Baotou Energy	2,633	6,959	6,048	811	797	1.8
7	Huanghua Harbour Administration	6,790	15,253	10,696	722	785	(8.0)
8	Shenhua Finance Company	5,000	145,030	7,722	606	461	31.5
9	Shenbao Energy	1,169	8,278	5,431	533	742	(28.2)
10	Railway Transportation	5,003	24,214	9,076	496	555	(10.6)

Notes:
1. The financial information of the major subsidiaries disclosed in the above table (before assessment and unadjusted before consolidation) was prepared in accordance with the China Accounting Standards for Business Enterprises. The data has not been audited or reviewed.
2. Shendong Coal recorded a revenue of RMB28,820 million and a profit from operations of RMB9,019 million in the first half of 2019.
3. Shuohuang Railway recorded a revenue of RMB9,820 million and a profit from operations of RMB5,325 million in the first half of 2019.

2. Disposal of subsidiaries

The Subject Assets contributed to establish the Joint Venture Company by the Group was completed on 31 January 2019. From the Completion Date, the Joint Venture Company assumes the corresponding rights and the liabilities of the Subject Assets. For the range of Subject Assets, please refer to the H-shares announcement of the Company dated 1 March 2018 and the A-shares announcement of the Company dated 2 March 2018.

Under this circumstance, both of the power generation and power output dispatch of the Group in the first half of 2019 represented a year-on-year decrease of 40.2%. The Company recognised relevant gains of RMB1,121 million on Completion Date; and recognised income attributable to the Joint Venture Company from February to June 2019 of RMB176 million.

3. Shenhua Finance Company

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

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

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

For the unaudited balance sheet and income statement of Shenhua Finance Company for the first half of 2019, please refer to the H-shares announcement of the Company dated 17 July 2019 and the A-shares announcement of the Company dated 18 July 2019.

(IX) Structured Entities Controlled by the Company

☐ Applicable ✓ Not applicable

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

(I) Competition and Development Trend in the Industry

1. Macro economy

In the first half of 2019, China's economy continued to operate within a reasonable range and moved forward steadily with progress. In the first half of the year, the Gross Domestic Product (GDP) was recorded a year-on-year increase of 6.3%. The Consumer Price Index (CPI) was recorded a year-on-year increase of 2.2%. The Producer Price Index for Industrial Products (PPI) was recorded a year-on-year increase of 0.3%.

In the second half of the year, still encountering the domestic and overseas complicated and tough economic climate, the PRC government will adhere to the general principle of making progress while ensuring stability. With the key target of promoting the supply-side structural reform, the PRC government will, in accordance with the requirements of quality development, deepen reform and opening up, fully mobilize the initiative in all aspects, and promote the stable and sound development of economy.

2. Market environment of the coal industry

(1) Thermal coal market in the PRC

Review of the first half of 2019

In the first half of 2019, demand and supply for coal in China basically maintained balanced, while coal price fluctuated. As of 30 June, the price index of Bohai Bay thermal coal (5,500 kcal) was RMB578/tonne, increasing by RMB9/tonne compared with the beginning of the year (RMB569/tonne). In the first half of 2019, the average value of Bohai Bay thermal coal (5,500 kcal) price index was RMB576/tonne, basically remaining stable on a year-on-year basis (first half of 2018:RMB573/tonne).

	January to June 2019	Change %
Raw coal output *(million tonnes)*	**1,760**	2.6
Coal import *(million tonnes)*	**154**	5.8
Coal transportation by railway *(million tonnes)*	**1,200**	2.6

[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 from sources such as the National Bureau of Statistics, China Coal Market Network, China Coal Resources Network, China Electricity Council and China Coal Transportation & Sales Society etc.

From the perspective of supply, cutting overcapacity of coal industry has effectively moved into new stages of cutting overcapacity in a structured manner and systematic capacity optimization, and the encouraging policy with regard to the release of quality capacity continued, evidenced by over 130 million tonnes of capacity newly approved by the State in the first half of the year. Meanwhile, with the progressive development of institutionalized, standardized and normalized safety and environmental protection inspection, production of raw coals remained relatively stable, with a national raw coal output of 1,760 million tonnes, representing a year-on-year increase of 2.6%. 154 million tonnes of coals were imported in the first half of the year, representing a year-on-year increase of 5.8%.

From the perspective of demand, in the context of pressure on both domestic and overseas demand, growth of total power consumption of the society greatly slowed down. Growth of national coal consumption slowed down, in particular, decrease in coal consumption in coastal area. As of 30 June 2019, total inventory of coal from six major power generation groups in coastal area amounted to 17.89 million tonnes, representing an increase of 20.8% as compared with that as at 30 June 2018.

Prospects for the second half of the year

From the perspective of supply, domestic policy will continue to promote the release of quality capacity, but environmental protection and safety related factors will still affect the growth of coal output to a certain extent.

From the perspective of demand, first, recovery of investment in infrastructure still requires a period of time; growth of investment in manufacture industry and private investment still remains at a low level; pulling effect of economic fundamentals on coal demand shows a decreasing trend; second, hydropower output is expected to be better than that in the previous year. It is expected that in the second half of the year, growth of coal consumption will remain at low levels.

Subject to the above supply and demand situation and macro policy, coal price will remain relatively stable but show an overall trend featuring narrow fluctuation and unclear peak and off seasons.

(2) Thermal coal market in the Asia Pacific region

Review of the first half of 2019

In the first half of the year, the increase in global coal demand was still attributable to Asia Pacific region, while coal demand in Southeast Asia and South Asia regions continued to increase. However, overall growth of coal demand slowed down due to decelerated growth of demand in China and decrease in import volume by Japan and South Korea.

Supply in global coal market recovered slightly and Indonesia, Australia and Russia remained as the major export countries of thermal coal.

As of 30 June, the spot price of Newcastle NEWC thermal coal amounted to USD68.61 per tonne, representing a decrease of 31.9% as compared to the start of the year (USD100.76 per tonne), and a decrease of 41.5% as compared to 30 June 2018 (USD117.26 per tonne).

Prospects for the second half of the year

In the second half of the year, due to inadequate drivers to the growth of coal demand in China, Japan and South Korea, coal demand in Asia Pacific region is expected to extend the decelerated growth observed in the first half of the year. It will be hard to achieve significant rise in coal price due to relatively adequate coal supply.

3. Market environment of the power industry

Review of the first half of 2019

In the first half of the year, nationwide demand and supply of power was generally loose. Total power consumption of the society throughout the state amounted to 3,398 billion kWh, representing a year-on-year increase of 5.0%, and a decrease of 4.4 percentage points in terms of growth rate as compared with that in the same period of the previous year, which was mainly attributable to: first, decelerated growth of industrial production; the second industrial power consumption of 2,309.1 billion kWh, representing a year-on-year increase of 3.1%, and a year-on-year decrease of 4.5 percentage points in terms of growth rate; second, high base effect for the same period of the previous year. The third industrial and urban and rural household power consumption remained as main drivers to the growth of power demand, and year-on-year increases of 9.4% and 9.6% were recorded, respectively. By geographical region, total power consumption of the society recorded positive growth in all provinces throughout the state except for Qinghai, Gansu and Shanghai.

In the first half of the year, power generation volume of power plants with above national scale amounted to 3,367.3 billion kWh, representing a year-on-year increase of 3.3%; among which, hydropower output amounted to 513.8 billion kWh, representing a year-on-year increase of 11.8%, and utilisation hours increased by 169 hours to 1,674 hours as compared with that in the same period of the previous year. In the first half of the year, affected by the additional hydropower output, thermal power output amounted to 2,448.7 billion kWh, representing a year-on-year increase of merely 0.2%, and utilisation hours represented a year-on-year decrease of 60 hours to 2,066 hours (among which, utilisation hours of coal-fired power represented a year-on-year decrease of 57 hours to 2,127 hours); nuclear power output amounted to 160 billion kWh, representing a year-on-year increase of 23.1%.

Installed capacity of solar power, nuclear power and wind power maintained a double-digit growth, while installed capacity of thermal power and hydropower recorded a slight growth. An overall surplus power supply capacity was recorded. In the first half of the year, new production capacity of power supply (in operation) amounted to 40.74 million kW, including 1.82 million kW of hydropower, 16.93 million of thermal power (including 9.84 million kW of coal-fired power), 1.25 million kW of nuclear power, 9.09 million kW of wind power, and 11.64 million kW of solar power.

Prospects for the second half of the year

Looking forward in the second half of the year, the economy will remain within a reasonable range despite under downward pressure to a certain extent. Driven by the measures taken by the State, including effectively replacing by electric energy, boosting consumption and reducing tax and fees, and considering the high and low bases in the first and second half of 2018, respectively, power consumption in the second half of the year is expected to recover from that in the first half of the year. Power supply and demand situation will transform from loose supply in the first half of the year to overall balanced supply and demand.

(II) Status of Accomplishment of 2019 Business Targets

Project	Unit	Targets of 2019	Accomplishment in the first half of 2019	Percentage of accomplishment %
Commercial coal	100 million tonnes	2.9	**1.454**	50.1
Coal sales	100 million tonnes	4.27	**2.171**	50.8
Power output dispatch	100 million kWh	1,431	**749.6**	52.4
Revenue	RMB100 million	2,212	**1,163.65**	52.6
Cost of operation	RMB100 million	1,441	**767.32**	53.2
Selling, general and administrative expenses (including research and development expenses) and net finance costs	RMB100 million	135	**51.93**	38.5
Amount of change in unit production cost of the self-produced coal	/	Year-on-year increase not exceeding 5%	**Year-on-year increase by 9.4%**	/

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

(III) Completion of Capital Expenditures Plans for 2019

Unit: RMB100 million

	Plans for 2019	Accomplishment in the first half of 2019
1. Coal segment	60.7	**19.2**
2. Power segment	91.2	**26.6**
3. Transportation segments	107.8	**26.2**
Including: Railway	95.5	**25.9**
Port	11.4	**0.3**
Shipping	0.9	**0.0**
4. Coal chemical segment	11.6	**0.2**
Total	271.3	**72.2**

In the first half of 2019, total amount of capital expenditure of the Group was RMB7.22 billion, primarily used for construction of power projects such as the Guohua Indonesia Jawa-7 Coal Power Project (2×1,050MW), Phase I Project of Shengli Energy Branch (2×660MW), and Phase III of Jinjie Coal and Power Integration Project (2×660MW); the construction of Huangda Railway, purchase of motors and expansion of railway capacity projects; coal mining equipment purchase and coal preparation plant expansion.

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

IV. OTHER DISCLOSURES

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

☐ Applicable ✓ Not applicable

(II) Potential risks

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

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

The Company encountered major risks, primarily including: volatility risk of macro economy, risk of market competition, risk of policy change in the industry, risk of increase in cost, risk of environmental protection, risk of production safety in mines, risk of integrated operation, risk of overseas operation and risk of natural disaster.

In 2019, China will continue to promote the supply-side structural reform, and actively promote the optimisation of industrial structure in the coal industry. The environmental restriction requires control of coal consumption, while structural adjustment in the industry will reduce energy consumption. With speedy advancement of the structural reform in power industry, planned power output will be gradually liberalised and the competition in power generation market will be unceasingly intensified. The state has sped up the interprovincial construction of coal transporting railways, proactively promoted railway or waterborne transport as the replacement of road transport.

The Group will further conduct researches on the development trend of relevant industries, optimise industry structure, implement clean energy strategies and continue to improve development quality. (1) In terms of marketing and sales, the Group will adhere to the decisive role of market in resources allocation, arrange sales in balance in accordance with the relevant national policies, optimise coal product structures and increase sale share of high value-added special coal; comprehensively enhance the quality and efficiency of power business development and strengthen marketisation of power. (2)In terms of environmental protection, the Group will step up on the construction of risk prevention system, improve the ecological environmental protection system, and strictly implement the responsibility system; guarantee the capital contribution, proactively promote energy conservation and environmental protection renovation, strengthen air pollution prevention, water pollution prevention and control and ecological restoration, and create a brand with clean coal, green transportation and ultra-low emission of coal power. (3) In terms of international operation, the Group will actively respond to the "Belt and Road Initiative" of the country and continuously expand the external cooperation. The Group will strengthen analysis and research on information before making decision on investment in overseas projects, and conduct resource evaluation and overseas project assessment to ensure economic feasibility, while nurturing and introducing multi-skilled talents to provide strong support to "go global". (4) In response to the risk of natural disaster, the Group will further enhance warning for substantial natural disasters, optimise climate change risk assessment, formulate emergency plan, equip with necessary resources, and conduct relevant emergency drills, so as to minimise the impact of natural disasters.

Section VI Significant Events

I. GENERAL MEETINGS

Meetings	Date	Inquiry index of the designated website for publishing the voting results	Date of disclosure of the publication of the voting results
2018 Annual General Meeting	21 June 2019	Website of Shanghai Stock Exchange	22 June 2019

On 21 June 2019, the Company convened the 2018 Annual General Meeting, at which all the resolutions considered were approved. The voting results were disclosed on the website of the Hong Kong Stock Exchange on 21 June 2019 and the website of the Shanghai Stock Exchange on 22 June 2019.

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

The shareholders' representative, supervisors' representative, witness lawyers and the representative of Computershare Hong Kong Investor Services Limited acted as scrutineers at the 2018 Annual General Meeting. The PRC legal advisor of the Company issued the legal opinions. Representatives of the auditors were present at the Annual General Meeting and announced their audit opinions.

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

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

Whether to be distributed or converted: No

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

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

On 21 June 2019, it was approved at the 2018 Annual General Meeting of the Company to distribute the 2018 final dividends of RMB0.88 per share (inclusive of tax), amounting to RMB17.503 billion in aggregate (inclusive of tax), to all shareholders. As of the date of disclosure of the report, the distribution of the aforesaid dividends has been completed. The distribution of the 2018 final dividend complied with the requirements of the resolutions passed at the general meeting.

III. PERFORMANCE OF COMMITMENTS

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

Background of Commitment	Type of Commitment	Covenantor	Commitment	Date and Duration of Commitment	Any Time Limit for Commitment	Timely and Strict Performance of Commitment	Detailed reasons shall be specified if commitment is not fulfilled in time	Further steps shall be specified if Commitment is not fulfilled in time
Undertaking made in connection with initial public offering	Non- competition undertaking	China Energy	The two parties entered into the "Non-competition Agreement" on 24 May 2005 and a "Supplemental Agreement to the Existing Non-Competition Agreement" on 1 March 2018. As the Company is an integrated platform which 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 utilisation of coal products; development and management of coal products; railway transportation; port transportation; the industry and ancillary service related to the business aforementioned) whether inside or outside of the PRC, and granted the Company options and 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

The Resolution on the Performance of Non-competition Undertaking was approved at the 45th meeting of the second session of the Board on 27 June 2014 and the Announcement in relation to the Performance of Non-competition Undertaking was disclosed to the public. The Company will commence the acquisition of 14 assets of legacy of Shenhua Group Corporation 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.

Being the parent company subsequent to the restructuring, China Energy merged with China Guodian by way of merger by absorption. As approved in the ninth board meeting of the fourth session of the Board and the 2018 first EGM 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 undertaking assets (excluding the completed acquisition of three equity assets by the Company in 2015) other than the assets of Conventional Power Generation Business and (2) the unlisted businesses held by China Guodian Group Co., Ltd. which directly or indirectly compete with the core businesses of the Company (excluding the relevant assets that China Guodian Group Co., Ltd. undertook to inject into its subsidiary Inner Mongolia Pingzhuang Energy Co., Ltd., in 2007). For details, please refer to the H-shares announcement of the Company dated 1 March 2018 and the A-shares announcement of the Company dated 2 March 2018.

IV. APPOINTMENT AND REMOVAL OF AUDITORS

(I) Description of appointment and removal of auditors

On 21 June 2019, KPMG Huazhen LLP and KPMG were appointed as the A-shares and H-shares auditors of the Company respectively for 2019 at the Company's 2018 Annual General Meeting.

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

V. INSOLVENCY OR RESTRUCTURING RELATED MATTERS

☐ Applicable ✓ Not applicable

VI. MATERIAL LITIGATION AND ARBITRATION

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

As at 30 June 2019, the Group was the plaintiff, the defendant or the party of certain non-material litigations. The management of the Group believes that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

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

☐ Applicable ✓ Not applicable

VIII. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

Upon self-investigation, as at the end of the reporting period, there has been no failure in fulfilling the judgment of court or relatively large amount of outstanding debt such as debit interests owed to external financial institutions due of the Company and China Energy.

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

☐ Applicable ✓ Not applicable

X. MATERIAL RELATED/CONNECTED TRANSACTIONS

(I) Related/Connected transactions during the daily operation

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

1. Adjustment to transaction caps during the reporting period

As approved at the first extraordinary general meeting in 2018 of the Company, the Company adjusted the transaction caps for some daily related/connected transactions for the year of 2019. Please refer to H-shares announcement dated 27 April 2018 and A-shares announcement dated 28 April 2018 of the Company for details.

As approved at the 2018 AGM, the Company and China Energy entered into the Mutual Coal Supply Agreement, the Mutual Supplies and Services Agreement and the Financial Services Agreement for 2020–2022 and the annual caps of transactions contemplated thereunder for the years of 2020, 2021 and 2022.

2. Implementation of agreements during the reporting period

The following are the annual caps for major discloseable continuing related/connected transactions during the reporting period and their implementation. For details on the purposes of entering into major continuing related/connected transactions, please refer to the 2018 annual report of the Company. The related/connected transactions regarding the provision of products and labour services by the Group to China Energy Group amounted to a total of RMB28,987 million during the reporting period, accounting for 24.9% of the Group's revenue during the reporting period.

Section VI Significant Events (Continued)

Agreement	Provision of products and services by the Group to connected persons and other inflows			Purchase of products and services from connected persons by the Group and other outflow		
	Prevailing 2019 annual cap *RMB million*	**Transaction amount during the reporting period** ***RMB million***	Proportion in the same type of transaction *%*	Prevailing 2019 annual cap *RMB million*	**Transaction amount during the reporting period** ***RMB million***	Proportion in the same type of transaction *%*
1. Mutual Coal Supply Agreement between the Company and China Energy	65,500	**24,824**	31.0	24,500	**5,730**	23.8
2. Mutual Supplies and Services Agreement between the Company and China Energy	13,000	**4,163**	–	23,500	**993**	–
Including: (1) Products		**3,404**	11.6		**496**	1.7
(2) Services		**759**	11.1		**497**	4.0
3. Transportation Service Framework Agreement between the Company and Taiyuan Railway Bureau	1,700	**0**	0.0	17,000	**2,217**	29.3
4. Continuing Connected Transactions Framework Agreement between the Company and China Railway Corporation (currently known as "China State Railway Group Co., Ltd.") (excluding Taiyuan Railway Bureau)	6,921	**1,029**	1.2	10,178	**2,836**	4.4

Agreement	Transaction	Prevailing cap *RMB million*	**Transaction amount during the reporting period** ***RMB million***
Financial Services Agreement between the Company and China Energy	(1) Total amount of providing financial services of guarantee (including guarantee business within the business scope of financial enterprises, such as performance guarantee and quotation sharing) to members of China Energy Group	4,550	**0**
	(2) Annual total transaction amount of bill acceptance and discount service	10,400	**0**
	(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 finance leasing (including relevant accrued interests incurred) granted to members of China Energy Group	32,500	**17,188**

Agreement	Transaction	Prevailing cap *RMB million*	Transaction amount during the reporting period ***RMB million***
	(5) Maximum daily balance of entrusted loans (including relevant accrued interests incurred) advanced by China Energy and its subsidiaries to the Company and/or its subsidiaries through Shenhua Finance Company	13,000	**893**
	(6) Annual total fees, including agency fee, handling fee or other services expenses, charged for providing members of China Energy Group with consultation, agency, settlement, transfer, investment, lease finance, letter of credit, online banking, entrusted loan, guarantee, bill acceptance and other financial services	267	**12**

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

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

☐ Applicable ✓ Not applicable

(III) Material connected transactions regarding joint external investments

1. Events disclosed in interim announcements without subsequent development or changes during implementation

☐ Applicable ✓ Not applicable

2. Events disclosed in interim announcements with subsequent development or changes during implementation

Overview of Events	Index
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.	H-shares announcement of the Company dated 31 January 2019 and the A-shares announcement of the Company dated 1 February 2019

3. Events not disclosed in interim announcements

☐ Applicable ✓ Not applicable

(IV) Credits and debts between related parties

Unit: RMB million

Related parties	Relationship	Funds provided to related parties			Funds offered by related parties to the Company		
		Opening balance	Amount incurred	Closing balance	Opening balance	Amount incurred	Closing balance
China Energy and its subsidiaries	Controlling shareholder and its subsidiaries	0	0	0	874	0	874
Other related parties	Others	487	(2)	485	0	0	0
Total		487	(2)	485	874	0	874

Reasons for credits and debts between related parties	The above credits and debts mainly comprise entrusted loans provided by the Group to the associates through the bank as well as the short and long-term borrowings obtained by the Group from China Energy Group. Internal decision-making procedures in this regard have been conducted in accordance with relevant requirements. At present, the principals and interests of the above entrusted loans and borrowings are being repaid according to the repayment schedule.
Impacts of credits and debts between related parties on the operating results and financial position of the Group	Above entrusted loans and borrowings were helpful to the normal implementation of construction and production and operation of relevant projects of the Group and pose no significant impact on the business performance and financial position of the Group.

(V) Other material connected transactions

☐ Applicable ✓ Not applicable

XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE

1. Trust, contracting and leasing

☐ Applicable ✓ Not applicable

2. Guarantees

Unit: RMB million

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 guarantee 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	92.97	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	2026.09.29	Joint and several liability guarantee	No	No	0	No	No	N/A
Zhuhai Coal Dock	Controlling subsidiary	Guangdong Yudean Farnon Investment Co., Ltd.	56.82	2018.12.21	2018.12.21	2026.09.29	Joint and several liability guarantee	No	No	0	No	No	N/A

Total amount of guarantee provided during the reporting period (excluding guarantee provided to its subsidiaries)	(83.89)
Total balance of guarantee at the end of the reporting period (A) (excluding guarantee provided to its subsidiaries)	206.61
Guarantee provided by the Company and its subsidiaries to its subsidiaries	
Total amount of guarantee provided to its subsidiaries during the reporting period	17.84
Total balance of guarantee provided to its subsidiaries at the end of the reporting period (B)	6,924.70
Aggregated amount of guarantee (including guarantee provided to its subsidiaries)	
Total amount of guarantee (A+B)	7,131.31
Proportion of total amount of guarantee to the net assets attributable to equity holders of the Company under China Accounting Standards for Business Enterprises at the end of the reporting period (%)	2.1
Including: Amount of guarantee provided to its shareholders, de facto controller and their related parties (C)	0
Amount of guarantee directly or indirectly provided to its parties with a gearing ratio in excess of 70% (D)	7,017.67
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)	7,017.67
Description of the potential joint and several repayment liability for unmatured guarantee	See below
Description of guarantee	See below

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

Section VI Significant Events (Continued)

At the end of the reporting period, the total balance of the amount of guarantee of the Group amounted to RMB7,131.31 million, including:

(1) At the end of the reporting period, the guarantee provided by Shenbao Energy, a subsidiary of which the Company owns 56.61% of the shares, to external parties was as follows: prior to the acquisition of Shenbao Energy by the Company in 2011 and pursuant to the Guarantee Agreement on the Syndicated Renminbi Loan for the Joint Venture 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 credit 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 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 at 30 June 2019, Shenbao Energy, in proportion to its shareholding, repaid the principal on the loans on behalf of Liangyi Railway Company amounting to a total of RMB37.39 million. Shenbao Energy already made full loss allowances 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, together with other shareholders, continue to call for improvement of business operation and management of Liangyi Railway Company. As at 30 June 2019, Liangyi Railway Company had a gearing ratio of 143.69%.

(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) for the debts under a credit 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 the Company on 28 October 2016.

As of 30 June 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 with an amount of RMB336 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 debtors 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 11th meeting of the fourth session of the Board of the Company.

Zhuhai Coal Dock entered into a counter guarantee contract for joint and several liabilities guarantee ("Counter Guarantee Contract") with Zhuhai Port and Yudean Farnon, respectively, with the caps of counter guarantee amount of 168 million, respectively. The counter guarantee period would be from the effective date of the Counter Guarantee Contract to the settlement of all payment by Zhuhai Coal Dock.

As of 30 June 2019, Zhuhai branch of SPD Bank granted a loan of RMB284 million to Zhuhai Coal Dock, the principal and interest of which being repaid in a regular basis.

Section VI Significant Events (Continued)

(4) As of 30 June 2019, the amount of guarantee between subsidiaries in consolidated reports of the Company, in proportion to its shareholding, amounted to approximately RMB6,924.70 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 to 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.

3. Other Material Contracts

1. Entrusted wealth management

(I) General status of entrusted wealth management

Unit: RMB million

Type of product	Source of fund	Amount incurred during the reporting period	Closing balance of undue principal of the reporting period	Unrecovered amount overdue
Banks' wealth management products	Own fund	30,000	5,000	0

Note: Amount incurred during the reporting period refers to the daily maximum balance of such entrusted wealth management of the Group in the first half of 2019.

(2) Itemised entrusted wealth management

Unit: RMB million

No.	Trustor	Trustee	Type of entrusted wealth management products	Amount of entrusted wealth management	Initial date of entrusted wealth management	Expiry date of entrusted wealth management	Source of fund	Investment of fund	Determination of compensation	Annualised rate of return	Actual return for the reporting period	Principal recovered for the reporting period	Whether the legal process is take
1	China Shenhua	China Development Bank	Banks' wealth management products	5,000	2018/12/25	2019/09/25	Own fund	Fixed income assets such as bonds and management plans for assets	One-off payment of principal with accrued interest upon expiry	3.8%	97.9	0	Yes
2	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	5,000	2018/12/21	2019/06/25	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	2018/12/25	2019/06/25	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
4	China Shenhua	Agricultural Bank of China	Banks' wealth management products	9,000	2018/12/26	2019/06/25	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	3.4%	150.9	9,000	Yes
5	China Shenhua	Industrial Bank (China)	Banks' wealth management products	3,000	2018/12/26	2019/06/26	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	3.9%	58.3	3,000	Yes

As of 30 June 2019, the total outstanding principal amount of entrusted wealth management products of the Group amounted to RMB5,000 million. The Group did not identify the sign of any failure of honoring or receiving principal when due and did not accrue loss allowances for above wealth management products.

Section VI Significant Events (Continued)

2. Entrusted loans

(I) *General status of entrusted loans*

Unit: RMB million

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

Note: Amount incurred during the reporting period refers to the daily maximum principal balance of such entrusted loans of the Group in the first half of 2019.

(2) *Itemised entrusted loans*

Unit: RMB million

Name of borrower	Relationship between the borrower and the Group	Trustee	Amount of entrusted loans	Initial date of loans	Expiry date of loans	Duration of loans	Source of fund	Investment of fund	Determination of compensation	Interest rate	Actual return for the reporting period	Principal recovered for the reporting period	Whether the legal process is take
Sanxin Railway Company	Joint stock company	Bank of Beijing	37.4	2014/02/13	2015/02/13	1 year	Own fund	Working capital	One-off payment of principal with accrued interest upon expiry	6%	0	0	Yes
Yili Chemical	Joint stock company	Bank of China	420.0	2017/12/29	2020/12/29	3 years	Own fund	Replacement of loans	Interest to be paid quarterly	4.75%	9	0	Yes

Note: 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, a wholly-owned subsidiary of the Company, and Inner Mongolia Yili Chemical Co., Ltd ("Yili Chemical") entered into two entrusted loan contracts of RMB0.42 billion and RMB0.2 billion respectively; among which, the entrusted loan contract of RMB0.42 billion has been withdrawn on 29 December 2017 and the entrusted loan contract of RMB0.2 billion has not been withdrawn.

As of 30 June 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. The Group did not accrue loss allowances for above entrusted loans.

Under centralised capital management of the Group, the entrusted loans between the Company and subsidiaries were mainly for operating or development needs, which has been offset in the consolidated financial statements of the Group.

3. USD-denominated debt hedging

To avoid USD debt risk, the Company conducted exchange rate hedging of USD150 million of the USD debts by use of financial derivatives. As of 30 June 2019, the above financial derivatives were still under the period specified in the contract and the relevant derivative financial assets impacted on the profits in the reporting period with RMB12 million.

The propose of exchange rate hedging conducted by the Group is to manage risks, but not to procure profits. The specific measures adopted are in line with the nature of risk-hedging.

XII. POVERTY ALLEVIATION EFFORTS OF LISTED COMPANIES

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 by establishing and improving the system for organization and guarantee of poverty alleviation work. Adhering to the principle of targeted contribution based on its ability to benefit the public, and with continuous improvement of the production capability, life quality and medical condition for people from provinces under focused poverty alleviation as the intention and the foothold, the Group focused on solving the major problems encountered in the implementation of "Casting away worries in two aspects and providing assurance in three aspects", made full use of unique local resources and adopted different measures based on the local circumstances with emphasis on solving practical problems, meticulously organized poverty alleviation projects and constantly invested supporting funds. The Group also carried out various work including education support, hygiene improvement and medical support, enhancement in construction of rural infrastructure and production facilities and assistance in the development of special industries in deprived regions, improved the contribution to education improvement and continuously strengthened the endogenous power and self-development capabilities of deprived regions and people.

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 the first half of 2019, the Group contributed approximately RMB29.94 million in targeted poverty alleviation in the above mentioned four counties, and carried out 29 targeted poverty alleviation projects of industry development support, health support and education support.

Section VI Significant Events (Continued)

3. Targeted poverty alleviation results[1]

Index	Number and status
I. General	
In which: 1. Capital *(RMB 0'000)*	2,994.11
II. CONTRIBUTION BY CATEGORY	
1. Industry Development Support	
In which: 1.1 Category of industry support project	Agriculture and forestry support project
1.2 Number of industry support project (unit)	2
1.3 Investment in industry support project *(RMB 0'000)*	300
2. Employment transfer for poverty alleviation	
In which: 2.1 Amount of subsidy for vocational skill training *(RMB 0'000)*	175
2.2 Number of people received vocational skill training (person/time)	116
3. Education Support	
In which: 3.1 Subsidy for poor students *(RMB 0'000)*	537.64
3.2 Investment amount for improving educational resources in deprived regions *(RMB 0'000)*	675
4. Health support	
In which: 4.1 Contribution to medical and health resources in deprived regions *(RMB 0'000)*	86.47
5. Poverty alleviation by ecological protection	
In which: 5.1 Name of Project	Carry out ecological conservation and maintenance
5.2 Investment amount *(RMB 0'000)*	50
6. Other projects	
In which: 6.1. Number of projects (unit)	10
6.2. Investment amount *(RMB 0'000)*	1,170
6.3. Other details of the projects	The bridge construction project in Guanjiazui Village, Mizhi County, the country road construction project in Bozuo Village, Butuo County, the water supply project in the Demonstration Village of Sangwayuze, Nierong County, the construction project in the Party-building Demonstration Village of Nierong County, and improvement of living conditions for people in deprived regions

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

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

At present, the company has sent a total of 11 cadres to four designated poverty alleviation counties/targeted counties for support, ensuring that at least one county-level cadre and one resident secretary of the village are in charge of poverty alleviation work in each county. In the first half of the year, all the poverty alleviation funds in the counties have been allocated, the key support projects are progressing smoothly, and the implementation effect is expected.

On 7 May 2019, Shaanxi Provincial People's Government issued an announcement on its website, announcing that Mizhi County and Wubu County in Yulin City, Shaanxi Province have cast off poverty. On 6 February 2019, Management Department of Poverty Alleviation Work in Tibet Autonomous Region announced that Nierong County has cast off poverty.

Except for the above four counties, the Group carried out education and medical poverty alleviation work through the platform of China Energy Public Welfare Foundation. In the first half of the year, the Group contributed approximately RMB11.506 million[1] for treatment to children with leukemia and congenital heart disease and screening for congenital heart disease. In the first half of the year, donation of RMB53.76 million was made for the one-on-one supporting scheme in deprived villages near nine subsidiaries, including Shaohuang Railway, with the implementation of 17 projects.

5. Subsequent targeted poverty alleviation plan

In the second half of 2019, the Company will plan the second batch of projects in four counties including Wubu county and Mizhi county in Shaanxi province, Butuo county in Sichuan province, and Nierong County in Tibet Autonomous Region. In which, poverty alleviation projects in relation to housing security, health care and ecological protection will be implemented in Nierong County; poverty alleviation projects in relation to compulsory education, health care, water safety, industry and skill training will be implemented in Mizhi County and Wubu County; and poverty alleviation projects in relation to compulsory education, transportation facilities and trainings for skilled personnel and cadres at the basic level will be implemented in Butuo County.

1 Calculation basis of the capital expenditure: capital expenditure of China Energy Public Welfare Foundation for poverty alleviation on education and health care × the proportion of donation made by China Shenhua to Shenhua Foundation. The proportion of donation made by China Shenhua has been 79% since the establishment of China Energy Public Welfare Foundation.

XIII. CONVERTIBLE BONDS OF THE COMPANY

☐ Applicable ✓ Not applicable

XIV. ENVIRONMENTAL INFORMATION

(I) Environmental issues of listed companies and their significant subsidiaries classified as the key pollutant discharging units as published by the competent environmental protection authorities of the PRC

1. Information on pollutant discharge

During the reporting period, total 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 pollution sources of the Company is as follows: sulfur dioxide of 6.8 thousand tonnes, nitrogen oxides of 11.9 thousand tonnes, soot of 1.7 thousand tonnes and chemical oxygen demand (COD) of 327 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 6.3 thousand tonnes, nitrogen oxides of 11.8 thousand tonnes, soot of 1 thousand tonnes and chemical oxygen demand (COD) of 154.6 tonnes.

As at 30 June 2019, 26 subsidiaries of the Group were categorized as national major pollution source under supervision (among which 24 were waste gas exhausting enterprises, 3 were wastewater discharging enterprises (inclusive of a waste gas exhausting enterprise and a hazardous solid waste enterprise concurrently) and 1 was hazardous solid waste discharging enterprises (also was a waste gas exhausting enterprise and a wastewater discharging enterprise)), mainly are coal-fired power plants, coal chemical plants and coal preparation plants, etc. which are located in places including Inner Mongolia, Shaanxi, Hebei, Fujian and Guangdong.

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

The main pollutants discharged by wastewater discharging enterprises are chemical oxygen demand (COD), which are discharged to the surface water through the sewage outfall of the enterprises. Wastewater enterprises are mainly coal mining and coal-to-chemical enterprises and wastewater treatment plants. The emission standard implemented was the Comprehensive Emission Standards for Sewage (GB8978–1996).

In the first half of 2019, top five major enterprises under the state's key supervision and control of pollution sources under the Group with the largest total emission of sulphur dioxide and nitrogen oxides are as follows:

Subsidiary	**Major pollutant**	**Total actual emission measured in the first half of 2019 (tonnes)**	**Approved total emission by the pollutant discharge permit (tonnes/ year)**
Shaanxi Guohua Jinjie Energy Co., Ltd.	SO_2	667	1,535
	NO_x	1,110	4,911
	Soot	130	1,314
Shenhua Yili Energy Co., Ltd.	SO_2	456	3,200
	NO_x	1,209	3,200
	Soot	81	450
Shenhua Shendong Power Dianta Company	SO_2	519	1,277
	NO_x	640	1,277
	Soot	43	192
Guangdong Guohua Yudean Taishan Power Co., Ltd.	SO_2	390	4,780
	NO_x	767	9,560
	Soot	60	Concentration limit 20mg/Nm^3
Hebei Guohua Cangdong Power Co., Ltd.	SO_2	366	1,843
	NO_x	666	2,632
	Soot	49	531

In the first half of 2019, the chemical oxygen demand (COD) discharge of major enterprises under the state's key supervision and control of pollution sources of the Group is as follows: 79.7 tonnes from Baotou Coal Chemical, 74.9 tonnes from Jinjie Energy (coal mine), and 0 tonne from Wulanmulun mine of Shendong Coal.

In the first half of 2019, solid waste discharge of the major enterprise under the state's key supervision and control of pollution sources of the Group is as follows: 1.1 tonnes from Baotou Coal Chemical. The above hazardous waste are all disposed of and transferred in a compliance manner without discharging.

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

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

2. Construction and operation of pollution prevention and control facilities

During the Reporting Period, all subsidiaries of the Group were well-equipped with pollution prevention and control facilities that were under stable operation. They fully implemented the Water Pollution Control Action Plan for 2015–2020, constructed underground reservoir in goaf areas, as well as constructed wastewater treatment plants and advanced water treatment plants to achieve comprehensive treatment and utilization of wastewater. Such comprehensive measures as full closure of the coal storage yard, installation of wind and dust prevention walls, and spray facilities, as well as solidification and dust sealing for outbound coal by railway transportation, were implemented well as dust reduction in the underground mines, so as to strengthen dust treatment. The environmental protection facilities for dust removal, desulfurization and denitrification of coal-fired generating units and thermoelectric boilers were under stable operation, with the emission of soot reaching the standard. In particular, 100% coal-fired generating units achieved ultra-low emission. The hydrogen sulfide gas produced by the chemical industry was treated with the Level 2 Claus + tail-gas hydrogenation technology, after which the emission of tail gas was able to reach the standard of discharge. The general solid waste by-products, such as, coal gangue, furnace ash and desulphurization gypsum, were comprehensively utilized in the forms of power generation and brick making, and all hazardous wastes were disposed of and transferred in compliance with the relevant requirements.

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

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

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 Company have completed the preparation of their self-monitoring plans. All the data in relation to wastewater and exhaust gas from automatic monitoring and entrusted monitoring were uploaded to the monitoring platform of the local environmental protection department according to the relevant requirements. During the reporting period, all facilities were under normal operation.

6. Other environmental information that should be disclosed

☐ Applicable ✓ Not applicable

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

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

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

XV. OTHER MATERIAL MATTERS

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

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 IFRS 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 other 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 30 June 2019, the balance of right-of-use assets and lease liabilities were RMB17,280 million and RMB878 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.

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

☐ Applicable ✓ Not applicable

Section VII Changes in Share Capital and Shareholders

I. CHANGES IN EQUITY

(I) Changes in shares

1. Changes in shares

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

	As at June 30 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

During the six months ended 30 June 2019, the Group did not purchase, sell or redeem any of the Company's securities as defined under the Hong Kong Listing Rules.

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

2. Details of changes in shares

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

(II) Changes in shares with selling restrictions

☐ Applicable ✓ Not applicable

Section VII Changes in Share Capital and Shareholders (Continued)

II. SHAREHOLDERS

(I) Total number of shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period (accounts)	170,237
Of which: Holders of A shares (including China Energy)	168,085
Registered holders of H shares	2,152

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

Unit: share

	Shareholdings of top ten shareholders						
Full name of shareholders	Increase/ decrease during the reporting period	Number of shares held at the end of the reporting period	Percentage %	Number of shares held 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
HKSCC NOMINEES LIMITED	-167,574	3,390,308,722	17.05	0	Unknown	N/A	Overseas corporation
China Securities Finance Corporation Limited	0	594,718,049	2.99	0	Nil	N/A	Others
Beijing Chengtong Financial Control Investment Co., Ltd.	+358,932,628	358,932,628	1.80	0	Nil	N/A	State-owned
Guoxin Investment Co., Ltd.	+358,932,628	358,932,628	1.80	0	Nil	N/A	State-owned
Central Huijin Asset Management Ltd.	0	110,027,300	0.55	0	Nil	N/A	State-owned
Hong Kong Securities Clearing Company Limited	+88,398	73,589,976	0.37	0	Nil	N/A	Overseas corporation
China Merchants Bank Co., Ltd. – Bosera CSI State-Owned Enterprises Structural Adjustment Index ETF Securities Investment Fund	+20,881,332	30,954,033	0.16	0	Nil	N/A	Others
Industrial and Commercial Bank of China – Shanghai L Index 50 Trading Open-end Index Securities Investment Fund	+7,806,245	28,781,591	0.14	0	Nil	N/A	Others
Agricultural Bank Of China Limited – Huaxia CSI State-Owned Enterprises Structural Adjustment Index ETF Securities Investment Fund	+16,285,892	22,308,692	0.11	0	Nil	N/A	Others

Section VII Changes in Share Capital and Shareholders (Continued)

Shareholdings of top ten shareholders without selling restrictions

Name of shareholders	Number of shares without selling restrictions	Type and number of shares: Type	Number
China Energy Investment Corporation Limited	13,812,709,196	RMB ordinary shares	13,812,709,196
HKSCC NOMINEES LIMITED	3,390,308,722	Overseas-listed foreign shares	3,390,308,722
China Securities Finance Corporation Limited	594,718,049	RMB ordinary shares	594,718,049
Beijing Chengtong Financial Control Investment Co., Ltd.	358,932,628	RMB ordinary shares	358,932,628
Guoxin Investment Co., Ltd.	358,932,628	RMB ordinary shares	358,932,628
Central Huijin Asset Management Ltd.	110,027,300	RMB ordinary shares	110,027,300
Hong Kong Securities Clearing Company Limited	73,589,976	RMB ordinary shares	73,589,976
China Merchants Bank Co., Ltd. – Bosera CSI State-Owned Enterprises Structural Adjustment Index ETF Securities Investment Fund	30,954,033	RMB ordinary shares	30,954,033
Industrial and Commercial Bank of China-Shanghai Index 50 Trading Open-end Index Securities Investment Fund	28,781,591	RMB ordinary shares	28,781,591
Agricultural Bank Of China Limited – Huaxia CSI State-Owned Enterprises Structural Adjustment Index ETF Securities Investment Fund	22,308,692	RMB ordinary shares	22,308,692
Details regarding the connected relationships among the above shareholders or whether they are parties acting in concert	HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are both wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited. Save as disclosed above, the Company is not aware of any connected relationships between the top ten shareholders without selling restrictions and the top ten shareholders and whether they are parties acting in concert as defined in the Measures for Administration of Acquisition of Listed Companies.		
Details regarding the holders of preference shares with voting rights restored and the number of shares held	N/A		

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

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.

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

☐ Applicable ✓ Not applicable

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

☐ Applicable ✓ Not applicable

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

As at 30 June 2019, the persons as disclosed in the table below had interests and/or short positions in the shares or underlying shares of the Company which are required to be recorded in the register of equity interests and/or short positions to be kept under section 336 of Part XV of the Securities and Futures Ordinance (the "SFO", Chapter 571 of Laws of Hong Kong):

No.	Name of shareholder	Capacity	H shares/A shares	Nature of interest	Number of H shares/A shares held	Percentage of H shares/ A shares over total issued H shares/ A shares respectively	Percentage of total share capital of the Company
						%	%
1	China Energy	Beneficial owner	A shares	N/A	13,812,709,196	83.76	69.45
2	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H shares	Long position	231,036,684	6.80	1.16
				Short position	369,500	0.01	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	178,294,047	5.24	0.90
				Short position	904,500	0.02	0.00
				Lending Pool	169,509,745	4.98	0.85

Notes:

(1) Among H shares in long position and short position held by BlackRock, Inc., 421,000 H shares in long position and 7,000 H shares in short position involve derivatives, and their type is unlisted derivatives – cash settled.

(2) Among 178,294,047 H shares in long position held by Citigroup Inc., 24,500 H shares are held in its capacity as the person having a security interest in shares, 8,759,802 H shares are held in its capacity as the interest of corporation controlled by the substantial shareholder, and 169,509,745 H shares are held in its capacity as the approved lending agent. 904,500 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. 187,496 H shares in long position: listed derivatives – physically settled;

b. 600,000 H shares in short position: unlisted derivatives – physically settled;

c. 47,500 H shares in long position and 304,500 H shares in short position: unlisted derivatives – cash settled.

(3) Information disclosed above is based on information available on the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

As at 30 June 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.

III. CHANGES IN CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER

☐ Applicable ✓ Not applicable

Section VIII Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDING

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

During the reporting period, there were no changes in shareholding in the Company held by the directors, supervisors and senior management of the Company that were required to be disclosed pursuant to the "Rules on the Management of Shares Held by Directors, Supervisors and Senior Management of Listed Companies and the Changes Thereof" promulgated by the China Securities Regulatory Commission ("CSRC").

All the directors and supervisors of the Company have confirmed that they have fully complied with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Hong Kong Listing Rules, which was adopted by the Company, for the six months ended 30 June 2019.

As of 30 June 2019, none of the directors, supervisors and chief executive of the Company held any share of the Company nor had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations within the meaning of Part XV of the SFO (Chapter 571 of the laws of Hong Kong), as recorded in the register required to be kept under section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers.

As at 30 June 2019, the Company did not grant any equity securities or warrants to directors, supervisors and chief executive or their respective spouses or children under the age of 18.

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

☐ Applicable ✓ Not applicable

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

Name	Position	Change
Wang Xiangxi	Executive Director	Elected at the 2018 Annual General Meeting on 21 June 2019
	Chairman	Elected at the 21st meeting of the fourth session of the Board on 21 June 2019
Ling Wen	Chairman, Executive Director	Resigned from the position on 26 April 2019 due to adjustments to work

Notes: 1. During the reporting period, Mr. Jia Jinzhong has been appointed as the chief legal counsel of the Company.

2. On 6 August 2019, due to personal reasons, Dr. Huang Ming, the independent non-executive Director, has resigned from his post.

3. On 8 August 2019, due to work adjustment, Mr. Zhang Jiming has resigned from his post.

4. Upon review and approval at the 22nd meeting of the fourth session of the Board on 23 August 2019, Mr. Yang Jiping has been appointed as the Chief Executive Officer of the Company, and Mr. Zhao Yongfeng has been appointed as the Executive Vice President of the Company.

III. CORPORATE GOVERNANCE

The board of directors is responsible for the corporate governance of the Company. The Company has established its own system of corporate governance pursuant to the corporate governance policies as set out in Appendix 14 of the Hong Kong Listing Rules. The convening, voting, disclosure procedures and rules of procedure of meetings of the board of directors of the Company, and procedures for nomination and election of directors, are in compliance with regulatory requirements. The board of directors is the standing decision-making entity of the Company. The Articles of Association sets out in detail the separate responsibilities of the Chairman and the Chief Executive Officer. During the six months ended 30 June 2019, the Company has been in full compliance with the principles and code provisions and most of the recommended best practices as specified therein. For the terms of reference of the board of directors and its special committees in performing duties under the Corporate Governance Code, please refer to the Articles of Association, Rules of Procedure of Meetings of the Board of Directors and rules of procedure of its special committees.

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

The Company has appointed independent non-executive directors and established an Audit Committee in accordance with the Hong Kong Listing Rules. As at the end of the reporting period, the Audit Committee comprised Ms. Zhong Yingjie, Christina (chairwoman of the Audit Committee, with professional qualifications and experience in finance-related fields such as accounting), Dr. Tam Wai Chu, Maria and Dr. Jiang Bo. The principal duties of the Audit Committee include: overseeing and evaluating the work of the external auditor; providing guidance on the internal audit; reviewing the financial reports of the Company and issuing opinions; evaluating the effectiveness of the risk management and internal control; coordinating the communication of the management, internal audit department and the relevant departments with the external auditor; other matters authorized by the board of directors of the Company or required under the relevant laws and regulations.

During the reporting period, the Audit Committee performed its duties in strict compliance with the Rules of Procedures of the Audit Committee of the Board of Directors and the Work Procedures of the Audit Committee of the Board of Directors of China Shenhua. On 19 August 2019, the Audit Committee reviewed the Group's interim financial statements for the six months ended 30 June 2019 and approved the submission of the same to the board of directors for consideration and approval.

As at the end of the reporting period, two Executive Vice President of China Shenghua also acted concurrently as assistant to chief executive officer and chief economist of China Energy, but they were not entitled to remuneration from China Energy.

During the reporting period, China Shenhua adhered to the leadership of the Party, continuously improved the management system and process and optimized operating management mechanism, establishing the daily operation mechanism of the state-owned enterprise in line with its own characteristics. There are potential peer competitions between the coal business and other business of China Energy Group and the major business of the Company. In accordance with the resolution on entering into Supplemental Agreement to the Existing Non-Competition Agreement with China Energy 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.

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.

IV. EMPLOYEES OF THE COMPANY

As at 30 June 2019, the total number of employees of the Group was 74,996. Number of resigned and retired employees which the Company and subsidiaries are responsible for is 9,316. The structure of employees is as follows:

1. By Function

Function	As of 30 June 2019 Number of employees	As of 31 December 2018 Number of employees	Change %
Operation and maintenance	43,736	53,233	(17.8)
Management and administration	11,935	13,218	(9.7)
Finance and accounting	1,597	1,830	(12.7)
R&D	2,815	2,603	8.1
Technical support	9,597	11,364	(15.5)
Sales and marketing	810	902	(10.2)
Others	4,506	3,706	21.6
Total	74,996	86,856	(13.7)

2. By Educational Level

Educational Level	As of 30 June 2019 Number of employees	As of 31 December 2018 Number of employees	Change %
Postgraduate or above	2,902	3,093	(6.2)
University graduate	27,181	31,965	(15.0)
College graduate	19,568	23,039	(15.1)
Specialised secondary school graduate	10,843	12,824	(15.4)
Technical school graduate, high school graduate or below	14,502	15,935	(9.0)
Total	74,996	86,856	(13.7)

Explanation: due to the completion of subject asset transfer of the joint company, there is material change in the consolidated data of the listed company and certain enterprises involved are not included in the statements of consolidated statement of the Company, resulting in the decrease in the total number of employees of the Group as compared to the end of 2018.

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

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

Section IX Investor Relations

In the first half of the year, China Shenhua continued to optimise investor relations work, and adhered to fair disclosures of information to promote protection of investors' legitimate rights.

I. PROVIDING VALID INFORMATION AND RESPONDING TO MARKET CONCERNS

Since the supply side structural reform of the domestic coal industry entered a new stage, and the layout of world energy experienced constant changes, the Company focused on core concerns in capital market. Firstly, the Company focused on shareholders return, use of capital, project investment, coal prices and so on to engage in in-depth and direct communication with investors, secondly, the Company strengthened the analysis on the changes in policy and industry, focused on the explanation of understanding and judgement of the Company on the future coal and power industry to the capital markets, and thirdly, the Company increased the disclosure and exchange of the information of environment, society and governance (ESG). The Company has disclosed 125 documents in the first half of the year to protect investors' information rights.

II. MAINTAINING THE EFFORTS TO INVESTOR RELATIONS WORK

In the first half of the year, the Company actively carried out investor relations work. The Company also engaged in honest and sufficient communication with investors and analysts in an on-going fashion through results announcement conferences, trading roadshows, online forums and other means. We have communicated with over 350 analysts and fund manager. In particular, communications have been made with over 130 persons at results announcement conferences and roadshows, over 70 persons at investment forums and over 150 persons during company visits and by conference calls and the Company has also held one online forum.

Section X Report on Review of Condensed Consolidated Financial Statements

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 90 to 137 which comprises the condensed consolidated statement of financial position of China Shenhua Energy Company Limited (the "Company") as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

23 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2019	2018 (Note)
	Note	***RMB million***	*RMB million*
Revenue			
Goods and services	4	**116,365**	127,380
Cost of sales	6	**(76,732)**	(82,642)
Gross profit		**39,633**	44,738
Selling expenses		**(328)**	(312)
General and administrative expenses		**(3,788)**	(4,274)
Research and development costs		**(128)**	(186)
Other gains and losses	10	**1,867**	(4)
Other income	7	**362**	247
Loss allowances	10	**232**	(9)
Other expenses		**(160)**	(187)
Interest income		**645**	476
Finance costs	8	**(1,594)**	(2,271)
Share of results of associates		**192**	274
Profit before income tax		**36,933**	38,492
Income tax expense	9	**(7,937)**	(8,605)
Profit for the period	10	**28,996**	29,887
Other comprehensive income for the period			
Items that will not be reclassified to profit or loss, net of income tax:			
Remeasurement of defined benefit obligations		**37**	(24)
Fair value changes on investments in equity instruments at fair value through other comprehensive income		**–**	65
Share of other comprehensive income of associates		**2**	–
Items that may be reclassified subsequently to profit or loss, net of income tax:			
Exchange differences		**6**	(7)
Share of other comprehensive income of associates		**(19)**	9
Fair value changes on investments in debt instruments at fair value through other comprehensive income		**9**	–
Other comprehensive income for the period, net of income tax		**35**	43
Total comprehensive income for the period		**29,031**	29,930

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

for the six months ended 30 June 2019 – unaudited

(Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June 2019 RMB million	2018 (Note) RMB million
Profit for the period attributable to:			
Equity holders of the Company		**24,240**	24,520
Non-controlling interests		**4,756**	5,367
		28,996	29,887
Total comprehensive income for the period attributable to:			
Equity holders of the Company		**24,273**	24,551
Non-controlling interests		**4,758**	5,379
		29,031	29,930
Earnings per share			
– Basic (RMB)	12	**1.219**	1.233

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 3.

Condensed Consolidated Statement of Financial Position

at 30 June 2019 – unaudited
(Expressed in RMB)

	Note	30 June 2019 RMB million	31 December 2018 (Note) RMB million
Non-current assets			
Property, plant and equipment	13	**251,349**	257,349
Construction in progress	13	**39,968**	36,585
Exploration and evaluation assets		**951**	951
Intangible assets		**3,500**	3,623
Right-of-use assets	16	**17,280**	—
Interests in associates	14	**39,734**	10,047
Equity instruments at fair value through other comprehensive income		**811**	811
Other non-current assets	15	**30,338**	29,456
Lease prepayments	16	—	16,425
Deferred tax assets		**3,233**	3,083
Total non-current assets		**387,164**	358,330
Current assets			
Inventories	17	**12,951**	9,967
Accounts and bills receivables	18	**13,379**	13,055
Prepaid expenses and other current assets	19	**25,282**	54,702
Restricted bank deposits		**6,483**	8,607
Time deposits with original maturity over three months		**1,762**	1,735
Cash and cash equivalents	20	**120,082**	61,863
Assets classified as held for sale		**–**	83,367
Total current assets		**179,939**	233,296

Condensed Consolidated Statement of Financial Position (Continued)

at 30 June 2019 – unaudited
(Expressed in RMB)

	Note	30 June 2019 RMB million	31 December 2018 (Note) RMB million
Current liabilities			
Borrowings	21	**4,527**	5,772
Accounts and bills payables	22	**22,490**	26,884
Accrued expenses and other payables	23	**71,122**	52,737
Current portion of bonds		**3,433**	–
Current portion of lease liabilities	3(c)	**163**	—
Current portion of long-term liabilities	24	**382**	457
Income tax payable		**3,074**	4,213
Contract liabilities		**5,661**	3,404
Liabilities associated with assets classified as held for sale		**–**	29,914
Total current liabilities		**110,852**	123,381
Net current assets		**69,087**	109,915
Total assets less current liabilities		**456,251**	468,245
Non-current liabilities			
Borrowings	21	**40,386**	46,765
Bonds		**3,407**	6,823
Long-term liabilities	24	**2,381**	2,092
Accrued reclamation obligations	25	**3,272**	3,191
Deferred tax liabilities		**537**	537
Lease liabilities	3(c)	**715**	—
Total non-current liabilities		**50,698**	59,408
Net assets		**405,553**	408,837

Condensed Consolidated Statement of Financial Position (Continued)

at 30 June 2019 – unaudited
(Expressed in RMB)

	Note	**30 June 2019** **RMB million**	31 December 2018 *(Note)* *RMB million*
Equity			
Share capital	26	**19,890**	19,890
Reserves		**318,497**	311,803
Equity attributable to equity holders of the Company		**338,387**	331,693
Non-controlling interests		**67,166**	77,144
Total equity		**405,553**	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 3.

Approved and authorised for issue by the board of directors on 23 August 2019.

Wang Xiangxi
Chairman and Executive Director

Li Dong
Executive Director

The notes on pages 102 to 137 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019 – unaudited

(Expressed in RMB)

	Equity attributable to equity holders of the Company									
	Share capital *RMB million* *(Note 26)*	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 period	–	–	–	–	–	–	24,240	24,240	4,756	28,996
Other comprehensive income for the period	–	–	–	6	–	27	–	33	2	35
Total comprehensive income for the period	–	–	–	6	–	27	24,240	24,273	4,758	29,031
Dividend declared *(Note 11)*	–	–	–	–	–	–	(17,503)	(17,503)	–	(17,503)
Appropriation of maintenance and production funds *(Note (iii))*	–	–	–	–	2,052	–	(2,052)	–	–	–
Utilisation of maintenance and production funds *(Note (iii))*	–	–	–	–	(1,725)	–	1,725	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	340	340
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(218)	(218)
Disposal of subsidiaries *(Note 14)*	–	–	–	–	–	–	–	–	(14,885)	(14,885)
Others	–	–	–	–	–	–	(76)	(76)	27	(49)
At 30 June 2019	19,890	85,001	3,612	17	26,867	(14,840)	217,840	338,387	67,166	405,553

Condensed Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2019 – unaudited
(Expressed in RMB)

	Equity attributable to equity holders of the Company									
	Share capital *RMB million (Note 26)*	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 period	–	–	–	–	–	–	24,520	24,520	5,367	29,887
Other comprehensive income for the period	–	–	–	(19)	–	50	–	31	12	43
Total comprehensive income for the period	–	–	–	(19)	–	50	24,520	24,551	5,379	29,930
Dividend declared *(Note 11)*	–	–	–	–	–	–	(18,100)	(18,100)	–	(18,100)
Appropriation of maintenance and production funds *(Note (iii))*	–	–	–	–	2,692	–	(2,692)	–	–	–
Utilisation of maintenance and production funds *(Note (iii))*	–	–	–	–	(952)	–	952	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	80	80
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(386)	(386)
Others	–	–	–	–	–	22	–	22	–	22
At 30 June 2018	19,890	85,001	3,612	(84)	26,233	(14,834)	192,196	312,014	78,637	390,651

Notes:

(i) Share premium represents the difference between the total amount of the par value of shares issued and the amount of net proceeds received upon the global initial public offering of H shares in 2005 and the issuance of A shares in 2007.

(ii) The capital reserve represents the difference between the total amount of the par value of shares issued and the amount of the net assets, net of other reserves, transferred from Shenhua Group Corporation Limited ("Shenhua Group", its name was changed to China Energy Investment Corporation Limited (the "China Energy Group" on 28 November 2017), in connection with the Restructuring (as defined in Note 1).

Condensed Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2019 – unaudited
(Expressed in RMB)

(iii) Statutory reserves

Statutory surplus reserve

According to the PRC Company Law and the Company's Articles of Association, the Company (as defined in Note 1) is required to transfer 10% of its net profit as determined in accordance with the China Accounting Standards for Business Enterprises ("China Accounting Standards") to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders.

The statutory surplus reserve has reached 50% of the registered capital in 2009. Accordingly, no further 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 the financial year through appropriation of profit after tax as determined in accordance with China Accounting Standards at a certain ratio of the ending balance of gross risk-bearing assets to cover potential losses against such assets.

Discretionary surplus reserve

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

The directors of the Company (the "Directors") have not proposed any appropriation to the discretionary surplus reserve for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

(iv) Other reserves

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

(v) Retained earnings

Included in the retained earnings of the Group were its share of the surplus reserve of its domestic subsidiaries amounting to RMB21,462 million (31 December 2018: RMB25,198 million) as at 30 June 2019.

(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 3.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2019 – unaudited
(Expressed in RMB)

		Six months ended 30 June	
		2019	2018 *(Note(i))*
	Note	***RMB million***	*RMB million*
Operating activities			
Profit before income tax		**36,933**	38,492
Adjustments for:			
Depreciation and amortisation	10	**9,932**	12,268
Other gains and losses	10	**(1,867)**	4
Loss allowances	10	**(232)**	9
Interest income		**(645)**	(476)
Share of results of associates		**(192)**	(274)
Interest expense		**1,522**	2,135
Exchange loss, net	8	**72**	136
Operating cash flows before movements in working capital		**45,523**	52,294
Increase in inventories		**(2,944)**	(3,278)
Decrease/(increase) in accounts and bills receivable		**778**	(390)
Decrease/(increase) in prepaid expenses and other receivables		**7,963**	(1,840)
Decrease in accounts and bills payable		**(2,991)**	(4,000)
(Decrease)/increase in accrued expenses and other payables		**(320)**	165
Increase in contract liabilities		**2,257**	–
Cash generated from operations		**50,266**	42,951
Income tax paid		**(9,223)**	(11,014)
Net cash generated from operating activities		**41,043**	31,937

Condensed Consolidated Statement of Cash Flows (Continued)

for the six months ended 30 June 2019 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	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	**(7,611)**	(7,480)
Increase in lease prepayments	**(194)**	(40)
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets	**127**	309
Disposal of equity instruments at fair value through other comprehensive income	**–**	2
Proceeds from disposal of derivative financial instruments	**–**	106
Investments in associates	**(1,460)**	(39)
Cash and cash equivalent disposed of to establish Beijing GD Power Co., Ltd. (the "Beijing GD")	**(1,510)**	–
Repayments of net cash received from Shenhua Contributed Entities during the transition period *(Note ii)*	**(1,562)**	–
Dividend received from associates	**104**	51
Interest received	**1,026**	385
Decrease/(increase) in restricted bank deposits	**2,124**	(1,125)
Placing of time deposits with original maturity over three months	**(82)**	(971)
Maturity of time deposits with original maturity over three months	**55**	369
Disposal of financial assets	**25,986**	–
Collection of entrusted loans	**9,465**	–
Net cash generated from/(used in) from investing activities	**26,468**	(8,433)

Condensed Consolidated Statement of Cash Flows (Continued)

for the six months ended 30 June 2019 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2019	2018 *(Note(i))*
	RMB million	*RMB million*
Financing activities		
Capital element of lease rentals paid	**(75)**	–
Interest element of lease rentals paid	**(22)**	–
Interest paid	**(1,761)**	(2,380)
Proceeds from borrowings	**2,177**	13,438
Repayments of borrowings	**(9,869)**	(6,759)
Repayments of bonds	**–**	(3,208)
Contributions from non-controlling shareholders	**340**	80
Distributions to non-controlling shareholders	**(574)**	(2,798)
Proceeds from bills discounted	**470**	29
Net cash used in financing activities	**(9,314)**	(1,598)
Net increase in cash and cash equivalents	**58,197**	21,906
Cash and cash equivalents, at the beginning of the period	**61,863**	71,872
Effect of foreign exchange rate changes	**22**	(17)
Cash and cash equivalents, at the end of the period	**120,082**	93,761

Condensed Consolidated Statement of Cash Flows (Continued)

for the six months ended 30 June 2019 – unaudited

(Expressed in RMB)

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 3.

(ii) Non-cash transaction

On 1 March 2018, the Company and GD Power Development Co., Ltd. (the "GD Power") entered into a joint venture agreement (the "Agreement"). Pursuant to the Agreement, the Company proposed to contribute the assets and liabilities of certain coal-fired power generation entities ("Shenhua Contributed Entities") into Beijing GD. Based on the Agreement, GD Power holds 57.47% of equity interests in Beijing GD, and the Company holds 42.53% of equity interests in Beijing GD. During the transition period (i.e. the period between the valuation reference date and the transaction completion date), the profits or losses associated with operating activities of Shenhua Contributed Entities is retained or borne by Beijing GD. To maintain the agreed shareholding percentages of the Company and GD Power in Beijing GD, when the rights and interests of Shenhua Contributed Entities changes during the transition period due to changes in capital, distribution of interest or forth, the relevant party shall, by cash or other legally allowed methods, make up the contributed amounts corresponding to the changes of the rights or interests aforementioned.

On 31 January 2019, the transfer of Shenhua Contributed Entities into Beijing GD was completed, subsequent to which Shenhua Contributed Entities are no longer subsidiaries of the Group. The net assets attributable to the Shenhua Contributed Entities as at 31 January 2019 are as follows:

	31 January 2019 *RMB million*
Net assets disposed of	24,530
Add: repayments of net cash received from Shenhua Contributed Entities during the transition period	1,562
Add: net gain on disposal of Shenhua Contributed Entities	1,121
Set off with 42.53% interest in Beijing GD	27,213

The notes on pages 102 to 137 form part of this interim financial report.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in RMB)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

Principal activities

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

Organisation

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

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

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

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

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

Immediate parent and ultimate controlling party

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

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

2 BASIS OF PREPARATION

This interim financial report have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (IASB). It was authorised for issue on 23 August 2019.

The interim financial report have been prepared in accordance with the same accounting policies adopted in the 2018 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual consolidated financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial report contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual consolidated financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Group's annual consolidated financial statements for that financial year but is derived from those financial statements. The annual consolidated financial statements for the year ended 31 December 2018 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in the report dated 22 March 2019.

3 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 in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and there was no impact on the opening balance of equity at 1 January 2019 upon the initial application of IFRS 16. Comparative information has not been restated and continues to be reported under IAS 17.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, *Leases* (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) Changes in the accounting policies

(i) 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 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.

(ii) Lessee accounting

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. As far as the Group is concerned, these newly capitalised leases are mainly relating to plant, machinery and equipment.

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.

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.

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.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, *Leases* (Continued)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting (Continued)

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.

(b) Transitional impact

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:

(i) 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;

(ii) 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).

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, *Leases* (Continued)

(b) Transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in Note 28(b) 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.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, *Leases* (Continued)

(b) Transitional 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	–	17,532	17,352
Lease prepayments	16,425	(16,425)	–
Lease liabilities (current)	–	162	162
Lease liabilities (non-current)	–	765	765

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019 ***RMB million***	At 1 January 2019 *RMB million*
Included in "right-of-use assets":		
Land use rights, carried at depreciated cost	**16,407**	16,425
Leased land and buildings	**59**	41
Leased plant, machinery and equipment	**812**	883
Leased other properties	**2**	3
	17,280	17,352

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, *Leases* (Continued)

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 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	**163**	**212**	162	201
After 1 year but within 2 years	**163**	**184**	156	187
After 2 years but within 5 years	**387**	**427**	401	456
After 5 years	**165**	**171**	208	219
	715	**782**	765	862
	878	**994**	927	1,063
Less: total future interest expenses		**(116)**		(136)
Present value of lease liabilities		**878**		927

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

(Expressed in RMB)

4. REVENUE FROM GOODS AND SERVICES

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

	For the six months ended 30 June															
Segments	Coal		Power		Railway		Port		Shipping		Coal chemical		Others		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Types of goods or service																
Sales of goods																
Coal	**80,068**	77,490	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**80,068**	77,490
Power	**–**	–	**25,727**	40,114	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**25,727**	40,114
Coal chemical products	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2,806**	2,775	**–**	–	**2,806**	2,775
Others	**1,928**	1,879	**451**	500	**–**	–	**–**	–	**–**	–	**278**	257	**–**	–	**2,657**	2,636
	81,996	79,369	**26,178**	40,614	**–**	–	**–**	–	**–**	–	**3,084**	3,032	**–**	–	**111,258**	123,015
Transportation and other services																
Railway	**–**	–	**–**	–	**2,844**	2,451	**–**	–	**–**	–	**–**	–	**–**	–	**2,844**	2,451
Port	**–**	–	**–**	–	**–**	–	**280**	311	**–**	–	**–**	–	**–**	–	**280**	311
Shipping	**–**	–	**–**	–	**–**	–	**–**	–	**835**	438	**–**	–	**–**	–	**835**	438
Others	**–**	–	**–**	–	**473**	351	**29**	55	**–**	–	**–**	–	**646**	759	**1,148**	1,165
	–	–	**–**	–	**3,317**	2,802	**309**	366	**835**	438	**–**	–	**646**	759	**5,107**	4,365
Total	**81,996**	79,369	**26,178**	40,614	**3,317**	2,802	**309**	366	**835**	438	**3,084**	3,032	**646**	759	**116,365**	127,380
Geographical markets																
Domestic markets	**80,895**	78,190	**25,825**	40,246	**3,317**	2,802	**309**	366	**835**	438	**3,084**	3,032	**646**	759	**114,911**	125,833
Overseas markets	**1,101**	1,179	**353**	368	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,454**	1,547
	81,996	79,369	**26,178**	40,614	**3,317**	2,802	**309**	366	**835**	438	**3,084**	3,032	**646**	759	**116,365**	127,380
Timing of revenue recognition																
A point in time	**81,996**	79,369	**26,178**	40,614	**3,317**	2,802	**309**	366	**835**	438	**3,084**	3,032	**–**	–	**115,719**	126,621
Over time	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**646**	759	**646**	759
Total	**81,996**	79,369	**26,178**	40,614	**3,317**	2,802	**309**	366	**835**	438	**3,084**	3,032	**646**	759	**116,365**	127,380

The Group's revenue from contracts with customers is RMB116,337 million for the six months ended 30 June 2019.

4. REVENUE FROM GOODS AND SERVICES (CONTINUED)

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

	For the six months ended 30 June															
Segments	Coal		Power		Railway		Port		Shipping		Coal chemical		Others		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	**81,996**	79,369	**26,178**	40,614	**3,317**	2,802	**309**	366	**835**	438	**3,084**	3,032	**646**	759	**116,365**	127,380
Inter-segment	**11,642**	20,610	**43**	154	**16,857**	16,339	**2,643**	2,616	**753**	1,596	**–**	–	**554**	494	**32,492**	41,809
	93,638	99,979	**26,221**	40,768	**20,174**	19,141	**2,952**	2,982	**1,588**	2,034	**3,084**	3,032	**1,200**	1,253	**148,857**	169,189
Adjustment and eliminations	**(11,642)**	(20,610)	**(43)**	(154)	**(16,857)**	(16,339)	**(2,643)**	(2,616)	**(753)**	(1,596)	**–**	–	**(554)**	(494)	**(32,492)**	(41,809)
Revenue	**81,996**	79,369	**26,178**	40,614	**3,317**	2,802	**309**	366	**835**	438	**3,084**	3,032	**646**	759	**116,365**	127,380

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 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 at a point in time as the Group rendering the services.

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.

5. SEGMENT AND OTHER INFORMATION

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

(1) Coal operations – which produce coal from surface and underground mines, and the sale of coal to external customers, the power operations segment and the coal chemical operations segment. The Group sells its coal under long-term supply contracts, which allow periodical price adjustments, and at spot market.

(2) Power operations – which use coal from the coal operations segment and external suppliers, thermal power, wind power, water power and gas power to generate electric power for the sale to coal operations segment and external customers. Electric power is sold to the power grid companies in accordance with planned power output at the tariff rates as approved by the relevant government authorities. Electric power produced in excess of the planned power output is sold at the tariff rate as agreed upon with the respective power grid companies which are generally lower than the tariff rates for planned power output.

(3) Railway operations – which provide railway transportation services to the coal operations segment, the power operations segment, the coal chemical operations segment and external customers. The rates of freight charges billed to the coal operations segment, the power operations segment, the coal chemical operations segment and external customers are consistent and do not exceed the maximum amounts approved by the relevant government authorities.

(4) Port operations – which provide loading, transportation and storage services to the coal operations segment and external customers. The Group charges service fees and other expenses, which are reviewed and approved by the relevant government authorities.

(5) Shipping operations – which provide shipment transportation services to the power operations segment, the coal operations segment and external customers. The rates of freight charges billed to the power operations segment, the coal operations segment and external customers are consistent.

(6) Coal chemical operations – which use coal from the coal operations segment to first produce methanol and further process into polyethylene and polypropylene, together with other by-products, for sale to external customers. The Group sells its polyethylene and polypropylene at spot market.

5. SEGMENT AND OTHER INFORMATION (CONTINUED)

(a) Segment results

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

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 is set out below:

	Six months ended 30 June													
	Coal		Power		Railway		Port		Shipping		Coal chemical		Segments total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018 (Note)
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue from external customers	**81,996**	79,369	**26,178**	40,614	**3,317**	2,802	**309**	366	**835**	438	**3,084**	3,032	**115,719**	126,621
Inter-segment revenue	**11,642**	20,610	**43**	154	**16,857**	16,339	**2,643**	2,616	**753**	1,596	**–**	–	**31,938**	41,315
Reportable segment revenue	**93,638**	99,979	**26,221**	40,768	**20,174**	19,141	**2,952**	2,982	**1,588**	2,034	**3,084**	3,032	**147,657**	167,936
Reportable segment profit	**19,384**	23,112	**4,207**	4,374	**9,117**	8,383	**1,174**	1,253	**93**	452	**354**	318	**34,329**	37,892
Including:														
Interest expenses	**343**	612	**790**	1,328	**528**	473	**191**	188	**4**	14	**12**	38	**1,868**	2,653
Depreciation and amortisation	**3,573**	3,668	**2,648**	4,882	**2,417**	2,506	**529**	568	**148**	147	**437**	447	**9,752**	12,218
Share of results of associates	**22**	83	**96**	179	**–**	–	**–**	–	**–**	–	**–**	–	**118**	262
Loss allowances	**(64)**	(20)	**(1)**	–	**(3)**	–	**–**	–	**–**	–	**–**	–	**(68)**	(20)

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 3.

5. SEGMENT AND OTHER INFORMATION (CONTINUED)

(b) Reconciliations of reportable segment revenue, segment profit and other items of profit or loss for the six months ended 30 June 2019 and 2018 are set out below:

	Reportable segment amounts		Unallocated head office and corporate items		Elimination of inter-segment amounts		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue	**147,657**	167,936	**1,200**	1,253	**(32,492)**	(41,809)	**116,365**	127,380
Profit before income tax	**34,329**	37,892	**2,849**	792	**(245)**	(192)	**36,933**	38,492
Interest expenses	**1,868**	2,653	**557**	520	**(903)**	(1,038)	**1,522**	2,135
Depreciation and amortisation	**9,752**	12,218	**180**	50	**–**	–	**9,932**	12,268
Share of results of associates	**118**	262	**79**	12	**(5)**	–	**192**	274
Loss allowances	**(68)**	(20)	**(164)**	29	**–**	–	**(232)**	9

5. SEGMENT AND OTHER INFORMATION (CONTINUED)

(c) Other information

Certain other information of the Group's segments for the six months ended 30 June 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	**24,073**	27,863	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**24,073**	27,863
Cost of coal production	**21,337**	19,966	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(2,628)**	(5,389)	**18,709**	14,577
Cost of coal transportation	**25,598**	25,238	**-**	-	**7,882**	7,901	**1,329**	1,254	**668**	608	**-**	-	**-**	-	**(20,253)**	(20,551)	**15,224**	14,450
Power cost	**-**	-	**20,513**	33,842	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(8,053)**	(14,596)	**12,460**	19,246
Cost of coal chemical production	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**2,375**	2,349	**-**	-	**(700)**	(608)	**1,675**	1,741
Others	**1,197**	1,557	**49**	128	**2,161**	1,729	**142**	159	**752**	918	**278**	258	**12**	16	**-**	-	**4,591**	4,765
Total cost of sales	**72,205**	74,624	**20,562**	33,970	**10,043**	9,630	**1,471**	1,413	**1,420**	1,526	**2,653**	2,607	**12**	16	**(31,634)**	(41,144)	**76,732**	82,642
Profit from operations *(note (ii))*	**19,211**	23,250	**4,672**	5,393	**9,608**	9,029	**1,349**	1,443	**94**	451	**356**	342	**1,193**	714	**(858)**	(665)	**35,625**	39,957
Additions to non-current assets *(note (iii))*	**1,916**	1,489	**2,663**	4,736	**2,584**	1,230	**30**	49	**2**	1	**19**	63	**3**	14	**-**	-	**7,217**	7,582

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	June 30 2019	December 312018	**June 30 2019**	December 312018	**June 30 2019**	December 312018	**June 30 2019**	December 31 2018	**June 30 2019**	December 312018	**June 30 2019**	December 312018	**June 30 2019**	December 312018	**June 30 2019**	December 31 2018	**June 30 2019**	December 31 2018
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Total assets *(note (iv))*	**241,709**	228,641	**149,698**	222,941	**138,172**	129,353	**23,989**	23,735	**7,058**	7,058	**9,357**	9,821	**450,426**	416,213	**(453,306)**	(446,136)	**567,103**	591,626
Total liabilities *(note (iv))*	**(107,955)**	(109,845)	**(109,514)**	(158,033)	**(59,963)**	(56,341)	**(9,490)**	(10,094)	**(577)**	(636)	**(1,069)**	(1,816)	**(234,611)**	(191,617)	**361,629**	345,593	**(161,550)**	(182,789)

5. SEGMENT AND OTHER INFORMATION (CONTINUED)

(c) Other information (Continued)

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 3.

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

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

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

6. COST OF SALES

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Coal purchased	**24,073**	27,863
Materials, fuel and power	**10,565**	10,701
Personnel expenses	**6,487**	6,593
Depreciation and amortisation	**8,733**	10,761
Repairs and maintenance	**4,842**	4,912
Transportation charges	**7,552**	7,453
Taxes and surcharges	**5,024**	4,940
Other operating costs	**9,456**	9,419
	76,732	82,642

7. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Government grants	**169**	124
Claim income	**57**	19
Other	**136**	104
	362	247

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

(Expressed in RMB)

8. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Interest expense	**1,824**	2,475
Less: amount capitalised	**(377)**	(422)
	1,447	2,053
Unwinding of discount	**75**	82
Exchange loss, net	**72**	136
	1,594	2,271

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Current tax, mainly PRC enterprise income tax	**7,103**	7,362
Under provision in respect of prior year	**984**	1,110
Deferred tax	**(150)**	133
	7,937	8,605

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% (six months ended 30 June 2018: 25%) except for Group's overseas subsidiaries and branches as well as subsidiaries operating in the western developing region of the PRC which are entitled to a preferential tax rate of 15% from 2011 to 2020.

9. INCOME TAX EXPENSE (CONTINUED)

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

	Six months ended 30 June	
	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	**8.25/16.5***	16.5

During the six months ended 30 June 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%.

10. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB million	*RMB million*
Personnel expenses, including	**11,861**	12,406
– contributions to defined contribution plans	**1,572**	1,501
Depreciation of property, plant and equipment	**8,933**	11,358
Depreciation of right-of-use assets	**303**	–
Amortisation of intangible assets, included in cost of sales	**189**	196
Amortisation of lease prepayments, included in cost of sales	**–**	243
Amortisation of other non-current assets	**507**	471
Depreciation and amortisation	**9,932**	12,268
Loss allowances		
– loans receivable	**(173)**	29
– Trade receivable	**(59)**	(20)
	(232)	9

10. PROFIT FOR THE PERIOD (CONTINUED)

	Six months ended 30 June	
	2019	2018 (Note)
	RMB million	*RMB million*
Other (gains) and losses, represent		
– (gains)/losses on disposal of property, plant and equipment, intangible assets and non-current assets	**(110)**	9
– gains on disposal of wealth management products	**(409)**	–
– gains on disposal of subsidiaries and interest in an associate	**(1,234)**	–
– losses on disposal of derivative financial instruments	**–**	6
– net gain arising on financial assets measured at FVTPL	**(110)**	(7)
– net gain arising on financial liabilities measured at FVTPL	**–**	(4)
– write down of inventories	**(4)**	–
	(1,867)	4
Carrying amount of inventories sold	**57,683**	64,241
Operating lease expenses in respect of properties and equipment	**106**	176
Exchange loss, net	**72**	136

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 3.

11. DIVIDENDS

During the current interim period, a final dividend in respect of the year ended 31 December 2018 of RMB0.88 per ordinary share totaling RMB17,503 million (six months ended 30 June 2018: RMB0.91 per ordinary share totaling RMB18,100 million in respect of the year ended 31 December 2017) was approved at the annual general meeting held on 21 June 2019 and paid in full by August 2019.

The Directors have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2018: Nil).

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2019 was based on the profit attributable to ordinary equity holders of the Company of RMB24,240 million (six months ended 30 June 2018: RMB24,520 million) and the number of shares in issue during the six months ended 30 June 2019 of 19,890 million shares (six months ended 30 June 2018: 19,890 million shares).

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

13. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

During the six months ended 30 June 2019, the additions of property, plant and equipment (excluding transferred from construction in progress) and construction in progress amounted to RMB2,163 million (six months ended 30 June 2018: RMB561 million) and RMB4,168 million (six months ended 30 June 2018: RMB6,018 million), respectively. The disposals of property, plant and equipment amounted to RMB909 million (six months ended 30 June 2018: RMB1,176 million).

The Group is in the process of applying for the title certificates of certain of its properties with an aggregate carrying amount of RMB8,189 million as at 30 June 2019 (31 December 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.

As at 30 June 2019, the Group is in the process of obtaining requisite permits for certain of its power plants and railways from the relevant government authorities. The Directors are of the opinion that the Group will be able to obtain the requisite permits in due course.

No impairment loss was recognised by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

As at 30 June 2019, the Group has bank loans secured by the Group's property, plant and equipment with carrying amount of RMB1,016 million (31 December 2018: RMB1,058 million).

14. INTERESTS IN ASSOCIATES

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Unlisted shares, at cost	**37,889**	8,170
Share of post-acquisition profits and other comprehensive income, net of dividend received	**1,845**	1,877
	39,734	10,047

Name of associate	**Proportion of ownership interest and voting power held by the Group** **30 June 2019** %	31 December 2018 %	Principal activities
Mengxi – Huazhong Railway Co., Ltd. *(Note(i))*	**10**	10	Provision of transportation service
Shendong Tianlong Group Co., Ltd.	**20**	20	Coal production and sale
Sichuan Guang'an Power Co., Ltd.	**20**	20	Generation and sale of electricity
Guohua (Hebei) Renewables Co., Ltd.	**25**	25	Generation and sale of electricity
Tianjin Yuanhua Shipping Co., Ltd.	**44**	44	Provision of transportation service
Inner Mongolia Yili Chemical Industry Co., Ltd.	**25**	25	Production and sale of chemicals
Beijing GD *(Note (ii))*	**43**	–	Generation and sale of electricity

Notes:

(i) The Group is able to exercise significant influence over Mengxi – Huazhong 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.

(ii) Pursuant to the Agreement the Company and GD Power entered into on 1 March 2018, the Company proposed to contribute the Shenhua Contributed Entities into Beijing GD. On 31 January 2019, the transfer of Shenhua Contributed Entities to Beijing GD was completed, subsequent to which Shenhua Contributed Entities are no longer subsidiaries of the Group, and the Company recognises the 42.53% of equity interests in Beijing GD as investment in associates.

(Expressed in RMB)

15. OTHER NON-CURRENT ASSETS

	30 June 2019 ***RMB million***	31 December 2018 *RMB million*
Prepayments in connection with construction work, equipment purchases and others *(Note (i))*	**7,691**	6,748
Prepayment for mining projects	**8,000**	8,000
Deductible VAT and other tax	**946**	1,314
Loans to China Energy Group and fellow subsidiaries *(Note (ii))*	**8,843**	8,932
Long-term entrusted loans *(Note (iii))*	**420**	420
Goodwill	**253**	278
Others	**4,185**	3,764
	30,338	29,456

Notes:

(i) At 30 June 2019, the Group had prepayments to subsidiaries of China Energy Group ("fellow subsidiaries") amounting to RMB40 million (31 December 2018: RMB42 million).

(ii) The loans to China Energy Group and fellow subsidiaries bear interest at rates ranging from 4.28% to 4.75% per annum (31 December 2018:4.28% to 4.41% per annum) and are receivables within two to seven years.

(iii) The Group has long-term entrusted loan of RMB420 million to an associate through a PRC state-owned bank, bearing interest at rate of 4.75% per annum and variable by reference to the interest rate promulgated by the People's Bank of China (the "PBOC").

16. RIGHT-OF-USE ASSETS

As discussed in Note 3, 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 3(b).

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 RMB2,421 million as at 30 June 2019 (31 December 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.

As at 30 June 2019, the Group has bank loans secured by the Group's right-of-use assets with carrying amount of RMB853 million (31 December 2018: RMB866 million).

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

(Expressed in RMB)

17. INVENTORIES

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Coal	**5,376**	3,546
Materials and supplies	**6,462**	5,302
Others *(Note)*	**1,113**	1,119
	12,951	9,967

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

18. ACCOUNTS AND BILLS RECEIVABLES

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Accounts receivable		
– China Energy Group and fellow subsidiaries	**3,324**	2,447
– Associates	**609**	218
– Third parties	**7,478**	6,951
	11,411	9,616
Less: allowance for credit losses	**(1,056)**	(1,128)
	10,355	8,488
Bills receivable		
– China Energy Group and fellow subsidiaries	**106**	120
– Associates	**4**	70
– Third parties	**2,914**	4,377
	3,024	4,567
	13,379	13,055

As at 30 June 2019 and 31 December 2018, accounts and bills receivables from contracts with customers amounted to RMB14,435 million and RMB14,183 million, respectively.

Bills receivable were mainly issued by PRC banks and are expiring within one year. As at 30 June 2019, bills receivable with carrying amount of RMB16 million (31 December 2018: RMB100 million) were pledged to secure bills payable.

18. ACCOUNTS AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Less than one year	**8,202**	5,772
One to two years	**819**	846
Two to three years	**773**	1,326
More than three years	**561**	544
	10,355	8,488

19. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Financial assets at FVTPL		
– Derivative financial instruments	**17**	5
– Wealth management products *(Note (i))*	**5,098**	32,447
	5,115	32,452
Financial assets at FVOCI		
Interbank Certificate of Deposits *(Note (ii))*	**1,461**	–
Prepaid expenses and deposits	**8,907**	7,110
Loans and advances to China Energy Group and fellow subsidiaries *(Note (iii))*	**3,272**	5,877
Loans to third parties	**37**	2,992
Amounts due from associates	**569**	361
Deductible VAT and other tax	**3,753**	3,033
Other receivables	**2,168**	2,877
	25,282	54,702

Notes:

(i) As at 30 June 2019, the Group invested RMB5,000 million in principal-guaranteed floating income wealth management products with a term of 273 days and an expected annual return rate of 3.8%. The fair values were determined using discounting cash flow approach, the detailed fair value measurements are disclosed in Note 29.

(ii) As at 30 June 2019, the Group invested RMB1,461 million in interbank certificate of deposit with a maturity of 365 days and an expected annualised rate of return of 3.45%. The fair values were determined using discounting cash flow approach, the detailed fair value measurements are disclosed in Note 29.

(iii) As at 30 June 2019, the Group had unsecured loans to China Energy Group and fellow subsidiaries amounting to RMB3,272 million (31 December 2018: RMB5,655 million), which bear interest at rates ranging from 3.92% to 4.28% per annum (31 December 2018: 3.92% to 4.93% per annum).

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

(Expressed in RMB)

20. CASH AND CASH EQUIVALENTS

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

21. BORROWINGS

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

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Current borrowings		
– Short-term bank and other borrowings	**1,297**	2,000
– Current portion of long-term borrowings	**3,230**	3,772
	4,527	5,772
Non-current borrowings:		
– Long-term borrowings, less current portion	**40,386**	46,765
	44,913	52,537
Secured	**4,813**	5,473
Unsecured	**40,100**	47,064
	44,913	52,537

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

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Within one year	**3,230**	3,772
More than one year, but not exceeding two years	**3,754**	5,223
More than two years, but not exceeding five years	**8,301**	9,414
More than five years	**28,331**	32,128
	43,616	50,537

As at 30 June 2019, the Group had entrusted loans from China Energy Group and fellow subsidiaries amounting to RMB874 million (31 December 2018: RMB874 million).

22. ACCOUNTS AND BILLS PAYABLES

	30 June 2019 RMB million	31 December 2018 RMB million
Accounts payable		
– China Energy Group, an associate of China Energy Group and fellow subsidiaries	**1,049**	1,912
– Associates	**336**	269
– Third parties	**20,214**	23,398
	21,599	25,579
Bills payable	**891**	1,305
	22,490	26,884

As at 30 June 2019, certain bills payable were secured by bills receivables held by the Group (see Note 18).

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

	30 June 2019 RMB million	31 December 2018 RMB million
Less than one year	**13,812**	17,689
One to two years	**4,295**	5,367
Two to three years	**673**	881
More than three years	**3,710**	2,947
	22,490	26,884

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

(Expressed in RMB)

23. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Accrued staff wages and welfare benefits	**4,861**	3,947
Accrued interests	**475**	419
Taxes payable other than income tax	**3,717**	5,655
Dividends payable	**18,649**	1,501
Deposits from China Energy Group and fellow subsidiaries *(Note(i))*	**30,654**	30,143
Other accrued expenses and payables *(Note (ii))*	**12,766**	11,072
	71,122	52,737

Notes:

(i) As at 30 June 2019, deposits from China Energy Group and fellow subsidiaries bore interest at 0.42% to 1.62% per annum (31 December 2018: 0.42% to 1.62% per annum).

(ii) Other accrued expenses and payables of the Group include:

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Amounts due to China Energy Group and fellow subsidiaries	**947**	1,095
Amounts due to associates	**20**	19
	967	1,114

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

24. LONG-TERM LIABILITIES

	30 June 2019 RMB million	31 December 2018 RMB million
Payables for acquisition of mining rights *(Note (i))*	**783**	773
Deferred income *(Note (ii))*	**1,552**	1,235
Defined benefit plans	**8**	9
Others	**420**	532
	2,763	2,549
Analysed for reporting purpose as:		
– Current liabilities	**382**	457
– Non-current liabilities	**2,381**	2,092
	2,763	2,549

Notes:

(i) The balances mainly represent the present value of long-term payables for acquisition of mining rights which are to be settled over the period of production set out in the contracts on an annual basis. The annual payment is determined by fixed rates on a per tonne basis with reference to the annual production volume of the acquired mines in the acquisition agreements.

(ii) Deferred income mainly represents grants provided by several local governments in the PRC to encourage the construction of non-current assets.

25. ACCRUED RECLAMATION OBLIGATIONS

The accrual for reclamation costs has been determined based on management's best estimates. However, so far as the effect on the land from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change. Accordingly, the actual costs and cash flows may differ from estimates. The Directors believe that the accrued reclamation obligations at 30 June 2019 are adequate and appropriate.

26. SHARE CAPITAL

	30 June 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.

27. CAPITAL MANAGEMENT

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

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

The Group monitors capital using a gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 30 June 2019 was 28% (2018: 31%).

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This adoption had no significant impact in the Group's total debt and adjusted net debt-to-capital ratio.

28. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

As at 30 June 2019, the Group had capital commitments for land and buildings and equipment as follows:

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Contracted for but not provided		
– Land and buildings	**16,768**	17,854
– Equipment	**19,513**	14,853
	36,281	32,707

28. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable 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 3). 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 3.

(c) Financial guarantees issued

As at 30 June 2019, the Group had issued certain guarantees in respect of certain banking facilities granted to an entity of which the Group held less than 20% equity interest and accounted for as equity instruments at FVTOCI. The maximum amount guaranteed is RMB164 million (31 December 2018: RMB171 million).

(d) 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.

28. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(e) 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.

29. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

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

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

(Expressed in RMB)

29. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	30 June 2019 ***RMB million***	31 December 2018 *RMB million*	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets:				
Cross-currency exchange rate swaps	**17**	5	Level 2	Quoted market prices or dealer prices for similar instruments.
Wealth management products	**5,098**	32,447	Level 2	Discounted cash flow. Future cash flows are estimated based on expected rate of return of comparable products.
Interbank Certificate of Deposits	**1,461**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on expected rate of return of comparable products.
Equity instruments	**811**	811	Level 3	Market comparison approach. Fair value is estimated based on value of comparable listed companies, multiples and discounted for lack of liquidity.

During the year ended 31 December 2018 and the period ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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.

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

(Expressed in RMB)

30. RELATED PARTY TRANSACTIONS

(a) 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 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 during both periods:

		Six months ended 30 June	
		2019	2018
	Note	***RMB million***	*RMB million*
Interest income	(i)	**295**	299
Income from entrusted loans	(ii)	**9**	9
Interest expense	(iii)	**171**	140
Purchases of ancillary materials and spare parts	(iv)	**496**	538
Mining service income	(v)	**–**	9
Ancillary and social services	(vi)	**171**	417
Transportation service income	(vii)	**759**	99
Sale of coal	(viii)	**24,824**	3,052
Purchase of coal	(ix)	**6,038**	4,569
Property leasing expense	(x)	**10**	19
Repairs and maintenance services expense	(xi)	**1**	–
Coal export agency	(xii)	**2**	3
Purchase of equipment and construction work	(xiii)	**325**	333
Sale of coal chemical product	(xiv)	**2,411**	2,414
Other income	(xv)	**1,002**	380
Granting of loans from Shenhua Finance	(xvi)	**2,731**	2,596
Repayment of loans from Shenhua Finance	(xvii)	**5,266**	1,446
Net deposits received/(paid) by Shenhua Finance	(xviii)	**511**	(2,402)

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) 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 People's Bank of China (the "PBOC").

(ii) Income from entrusted loans represents interest earned from entrusted loans to an associate of the Group. The applicable interest rate is determined in accordance with the prevailing interest rates published by the PBOC.

(iii) Interest expense represents interest incurred from deposits placed and loans from China Energy Group and fellow subsidiaries. The applicable interest rate is determined in accordance with the prevailing interest rates published by the PBOC.

(iv) Purchases of ancillary materials and spare parts represent purchase of materials and utility supplies related to the Group's operations from fellow subsidiaries 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 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) Sale of coal represents income from sale of coal to fellow subsidiaries.

(ix) Purchase of coal represents coal purchased from associates of the Group, associates of China Energy Group and fellow subsidiaries.

(x) Property leasing represents rental paid or payable in respect of properties leased from fellow subsidiaries.

(xi) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services.

(xii) Coal export agency expense represents expense related to coal export agency services provided by a fellow subsidiary.

(xiii) Purchase of equipment and construction work represents expenditure related to equipment and construction service provided by fellow subsidiaries.

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with China Energy Group, an associate of China Energy Group, fellow subsidiaries and associates of the Group (Continued)

(xiv) Sale of coal chemical product represents income from sale of coal chemical product to fellow subsidiaries.

(xv) Other income includes agency income, repairs and maintenance service income, sales of ancillary materials and spare parts, management fee income, sales of water and electricity, financial service income, etc. earned from China Energy Group and fellow subsidiaries.

(xvi) Granting of entrusted loan represents an entrusted loan granted by a related party.

(xvii) Repayment of entrusted loan represents an entrusted loan repaid by a related party.

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

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

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

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Accounts and bills receivables	**3,955**	2,768
Prepaid expenses and other current assets	**4,038**	6,250
Other non-current assets	**9,322**	9,394
Total amounts due from China Energy Group, an associate of China Energy Group, fellow subsidiaries and associates of the Group	**17,315**	18,412
Borrowings	**874**	874
Accounts payables	**1,385**	2,466
Accrued expenses and other payables	**43,943**	31,263
Contract liabilities	**835**	862
Total amounts due to China Energy Group, an associate of China Energy Group, fellow subsidiaries and associates of the Group	**47,037**	35,465

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel emoluments

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

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

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Short-term employee benefits	**4**	5

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

(c) Contributions to post-employment benefit plans

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

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

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

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

– Power sales;

– Sales and purchases of coal;

– Transportation services;

– Construction work;

– Purchases of ancillary materials and spare parts;

– Ancillary and social services; and

– Financial services arrangements.

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) 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 process, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the Directors are of the opinion that the following transactions with other government-related entities require disclosure:

(i) Transactions with other government-related entities, including state-controlled banks in the PRC

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Coal revenue	**42,067**	45,003
Power revenue	**24,899**	39,691
Transportation costs	**6,659**	5,234
Interest income	**595**	423
Interest expenses (including amount capitalised)	**1,528**	2,178

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

	30 June	31 December
	2019	2018
	RMB million	*RMB million*
Accounts and bills receivables	**4,971**	8,741
Prepaid expenses and other current assets	**4,743**	3,671
Cash and time deposits at banks	**121,844**	64,118
Restricted bank deposits	**6,483**	8,607
Borrowings	**44,039**	74,809
Accrued expenses and other payables	**1,939**	1,999
Contract liabilities	**86**	790

31. EMPLOYEE BENEFITS PLAN

The Group participates, in line with the regulations of the PRC, mainly in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employees. In addition, as approved by the government, the Group makes contribution to a supplemental defined contribution pension plan for its employees. The fund is managed by a qualified fund manager. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the six months ended 30 June 2019 were RMB1,572 million (six months ended 30 June 2018: RMB1,501 million).

32. COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 3. Certain comparative figures have been adjusted to conform to current period's presentation for the first time in the six months ended 30 June 2019.

Section XI Documents Available for Inspection

Documents available for inspection	The interim report for the year 2019 signed by the Chairman The financial statements signed by the Chairman and Executive Directors The original copy of the review report issued by the accounting firm The original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the reporting period The interim report for the year 2019 published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange

Wang Xiangxi, *Chairman*

Approval date of the board of directors for submission: 23 August 2019

Section XII Signing Page for Opinions

Pursuant to Article 68 of the Securities Law of the People's Republic of China and Article 14 of the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 3 – The Contents and Formats of Interim Report (Revised Edition 2017), having fully understood and reviewed the 2019 Interim Report of the Company, the directors, supervisors and senior management are of the opinion that information disclosed in the 2019 Interim Report of the Company is true, accurate and complete. We hereby guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the content thereof.

Directors

(Wang Xiangxi)	(Li Dong)	(Gao Song)
(Mi Shuhua)	(Zhao Jibin)	(Tam Wai Chu)
(Peng Suping)	(Jiang Bo)	(Zhong Yingjie)

Section XII Signing Page for Opinions (Continued)

Supervisors

(Zhai Richeng)

(Zhou Dayu)

(Shen Lin)

Senior Management

(Yang Jiping)

(Xu Mingjun)

(Jia Jinzhong)

(Huang Qing)

(Zhang Guangde)

(Zhao Yongfeng)

(Xu Shancheng)

China Shenhua Energy Company Limited
23 August 2019