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

Guarantee

Technology

Effectiveness

Spirit

Broaden our Vision
Focus on Future

2020 Annual Report

Important Notice

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

II. This report was approved at the sixth meeting of the fifth session of the Board of the Company. eight out of eight directors attended the meeting in person.

III. KPMG has issued a standard unqualified independent auditor's report to the Company under the Hong Kong Standard on Auditing, in connection with the Company's 2020 financial statements prepared under International Financial Reporting Standards.

IV. Wang Xiangxi, Chairman of the Company, Xu Shancheng, Chief Financial Officer, and Ban Jun, person-in-charge of the accounting department, warrant the authenticity, accuracy and completeness of the financial statements contained in this report.

V. The Board proposed the payment of a final dividend in cash of RMB1.81 per share (inclusive of tax) for the year 2020 based on the total registered share capital on the equity registration date of the implementation of the equity distribution. The profit distribution proposal is subject to the approval by shareholders at the general meeting. According to the total share capital of 19,868,519,955 shares of the Company as at 26 March 2021, the final dividend totalling RMB35,962 million (inclusive of tax) will be paid.

VI. Change in the scope of consolidated financial statements: on 1 September 2020, transaction of capital increase in Shenhua Finance Company was completed and the Company decreased its shareholding in Shenhua Finance Company to 40%, and Shenhua Finance Company will not be consolidated to the consolidated financial statements of the Company ("Financial Statement of Shenhua Finance Company").

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

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

IX. Disclaimer of forward-looking statements: the forward-looking statements in this report made on the basis of subjective assumptions and judgments on future policies and economic conditions, which are subject to risks, uncertainties and assumptions, may differ materially from the actual outcome. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to risks of investment.

X. Warning on Major Risks: impacted by the supply and demand of coal and power generation and the adjustment to industrial policies, the Group is exposed to some uncertainties on achieving the business targets for 2021. In addition, investors please note that the Company has disclosed risks including macro economy, production safety, environmental protection, market competition and international operation, etc. in the section headed "Directors' Report".

Contents

04

Section I Definitions

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

China Shenhua/the Company	China Shenhua Energy Company Limited
The Group	The Company and its subsidiaries
China Energy/Shenhua Group Corporation	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), the new name of Shenhua Group Corporation Limited (神華集團有限責任公司)
China Energy Group/ Shenhua Group	China Energy and its subsidiaries (excluding the Group)
China Guodian	China Guodian Group Co., Ltd. (中國國電集團有限公司)
Guodian Group	China Guodian and its subsidiaries
GD Power	GD Power Development Co., Ltd.
Shendong Coal	Shenhua Shendong Coal Group Co., Ltd.
Shendong Power	Shenhua Shendong Power Co., Ltd.
Zhunge'er Energy	Shenhua Zhunge'er Energy Co., Ltd.
Beidian Shengli	Shenhua Beidian Shengli Energy Co., Ltd.
Shuohuang Railway	China Energy Shuohuang Railway Development Co., Ltd.
Railway Equipment	Shenhua Railway Transportation Co., Ltd.
Trading Group	China Energy Trading Group Limited

Huanghua Harbour Administration	China Energy Huanghua Harbour Administration Co., Ltd.
Baoshen Railway	China Energy Baoshen Railway Group Co., Ltd.
Baotou Energy	China Energy Baotou Energy Co., Ltd.
Baotou Coal Chemical	Shenhua Baotou Coal Chemical Co., Ltd.
Shenbao Energy	China Energy Baorixile Energy Co., Ltd.
Tianjin Coal Dock	Shenhua Tianjin Coal Port Dock Co., Ltd.
Zhuhai Coal Dock	China Energy Zhuhai Harbour Administration Co., Ltd.
Sichuan Energy	Shenhua Sichuan Energy Co., Ltd.
Fujian Energy	Shenhua Fujian Energy Co., Ltd.
EMM Indonesia	PT.GH EMM INDONESIA
Zhunge’er Power	Power-generating division controlled and operated by Zhunge’er Energy
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Taishan Power	Guangdong Guohua Yudean Taishan Power Co., Ltd.
Cangdong Power	Hebei Guohua Cangdong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.

Jiujiang Power	Shenhua Guohua Jiujiang Power Co., Ltd.
Huizhou Thermal	Guohua Huizhou Thermal Power Branch of China Shenhua
Beijing Gas-fired Power	Shenhua Guohua (Beijing) Gas-fired Power Co., Ltd.
Shouguang Power	Shenhua Guohua Shouguang Power Generation Company Limited
Liuzhou Power	Shenhua Guohua Guangtou (Liuzhou) Power Generation Co., Ltd.
Pembangkitan Jawa	PT. Shenhua Guohua Pembangkitan Jawa Bali
Shenhua Lease Company	Shenhua (Tianjin) Finance Lease Co., Ltd.
Beijing GD Power	Beijing GD Power Co., Ltd
Finance Company	China Energy Finance Co., Ltd. (formerly known as Shenhua Finance Co., Ltd.)
Capital Increase Transaction of Shenhua Finance Company	the Transaction that China Energy Group subscribed additional registered capital of RMB7.5 billion in Shenhua Finance Company at a consideration of RMB13,273.716 million in cash (for details, please refer to the H Share announcement on 27 March 2020 and A Share announcement on 28 March 2020 of the Company)
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves
SSE	Shanghai Stock Exchange

HKEx	The Stock Exchange of Hong Kong Limited
Shanghai Listing Rules	Rules Governing the Listing of Stocks on SSE
Hong Kong Listing Rules	Rules Governing the Listing of Securities on the HKEx
China Accounting Standards for Business Enterprises	the latest Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the related application guidance, interpretations and other related requirements
International Financial Reporting Standards	International Financial Reporting Standards issued by the International Accounting Standards Board
Articles of Association	Articles of Association of China Shenhua Energy Company Limited
EBITDA	Profit for the year + net financial costs + income tax + depreciation and amortization – share of profits and losses of associates
Gearing ratio	total liabilities/total assets
Total debt to total debt and total equity ratio	[long-term interest bearing debt + short term interest bearing debt (including notes payable)]/[long term interest bearing debt + short term interest bearing debt (including notes payable) + total equity]
Shanghai-Hong Kong Stock Connect	A mutual access and connect mechanism for transactions in stock markets between SSE and HKEx
Shenzhen-Hong Kong Stock Connect	A mutual access and connect mechanism for transactions in stock markets between Shenzhen Stock Exchange and HKEx
RMB	Renminbi unless otherwise specified

Section II Company Profile and Major Financial Indicators

I. INFORMATION OF THE COMPANY

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

II. CONTACTS AND CONTACT DETAILS

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

	Office of the Board of the Company	Hong Kong Office of the Company
Address	22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code: 100011)	Room B, 60th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong
Tel	(8610) 5813 1088/3399/3355	(852) 2578 1635
Fax	(8610) 5813 1804/1814	(852) 2915 0638

III. PARTICULARS

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

IV. INFORMATION DISCLOSURE AND PLACE FOR DOCUMENT INSPECTION

Designated Media for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Internet website designated by CSRC for publishing annual report	http://www.sse.com.cn and http://www.hkexnews.hk
Annual report is available at	SSE, Board Office of the Company and Hong Kong Office of the Company

V. BASIC INFORMATION ON SHARES

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

VI. OTHER RELEVANT INFORMATION

Auditor engaged by the Company (the PRC)	Name	KPMG Huazhen LLP
	Office Address	8th, Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing
	Signing Auditors	Zhang Nan, Wang Xia
Auditor engaged by the Company (Hong Kong)	Name	KPMG (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)
	Office Address	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
	Signing Auditors	Guen Kin Shing
Share Registrar and Transfer Office of the Company (A Share)	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office Address	188 Yanggao South 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 AND FINANCE INDEX

		2020	2019	Change %
Revenue	RMB million	**233,263**	241,871	(3.6)
Profit for the year	RMB million	**43,984**	49,777	(11.6)
Profit for the year attributable to equity holders of the Company	RMB million	**35,849**	41,707	(14.0)
Basic earnings per share	RMB/share	**1.803**	2.097	(14.0)
Net cash generated from operating activities	RMB million	**81,289**	63,106	28.8
Net cash generated from operating activities excluding the effect from Finance Company	RMB million	**62,690**	66,768	(6.1)
Return on total assets as at the end of the period	%	**7.8**	8.8	Decreased by 1.0 percentage point
Return on net assets as at the end of the period	%	**9.8**	11.7	Decreased by 1.9 percentage points
EBITDA	RMB million	**79,018**	86,992	(9.2)

		At the end of 2020	At the end of 2019	Change %
Total assets	RMB million	**562,904**	563,083	(0.0)
Total liabilities	RMB million	**133,317**	142,865	(6.7)
Total equity	RMB million	**429,587**	420,218	2.2
Equity attributable to equity holders of the Company	RMB million	**364,203**	356,077	2.3
Total share capital at the end of the period	RMB million	**19,890**	19,890	0.0
Equity attributable to equity holders per share	RMB/share	**18.33**	17.90	2.4
Gearing ratio	%	**23.7**	25.4	Decreased by 1.7 percentage points
Total debt to total debt and total equity ratio	%	**13.4**	10.6	Increased by 2.8 percentage points

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

Unit: RMB million

	Net profit attributable to equity holders of the Company		Net assets attributable to equity holders of the Company	
	2020	2019	**At the end of 2020**	At the end of 2019
Under China Accounting Standards for Business Enterprises	**39,170**	43,250	**360,189**	351,928
Adjustments for:				
Simple production maintenance, safety production and other related expenditure	**(3,321)**	(1,543)	**4,014**	4,149
Under International Financial Reporting Standards	**35,849**	41,707	**364,203**	356,077

Explanation on differences in domestic and overseas accounting standards:

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

IX. MAJOR FINANCIAL DATA OF EACH QUARTER OF 2020

Unit: RMB million

	First quarter (January – March)	Second quarter (April – June)	Third quarter (July – September)	Fourth quarter (October – December)
Revenue	51,077	53,939	61,087	67,160
Profit for the period attributable to equity holders of the Company	9,980	10,390	12,208	3,271
Net cash generated from operating activities	29,984	23,736	17,820	9,749

In the fourth quarter, the decrease in profit for the period attributable to owners of the Company as compared to the previous three quarters was primarily due to the following reasons: (1) The cost expenditure occurred in the fourth quarter is higher than that in the first three quarters; (2) According to relevant documents, and the relevant branches and subsidiaries of the Group continued to calculate the income tax preferential rate of 15% of the development of the Western region in the first three quarters of 2020; in the fourth quarter, upon a comprehensive evaluation, the Group expected that there was a great uncertainty to continue enjoying the preferential tax rate of 15% in 2020 for certain relevant subsidiaries. Based on the prudence principle, certain relevant subsidiaries adjusted the annual enterprise income tax rate without the preferential tax rate of the development of the Western region, and the annual enterprise income tax would be calculated at the rate of 25%; (3) the Group conducted impairment assessment on assets with impairment indications and accrued provisions for impairment of assets based on the assessment results; (4) other expenses incurred in the fourth quarter increased as compared to the previous three quarters, mainly due to the rectification expenditure of certain coal mines, the loss on the retirement of fixed assets, and the expected loss of guarantees, etc.

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

The Group owns high-quality coal resources in Shendong Mines, Zhunge'er Mines, Shengli Mines and Baorixile Mines, etc. On 31 December 2020, the Company had coal reserves of 29.68 billion tonnes and recoverable coal reserves of 14.42 billion tonnes under the PRC Standard; the marketable coal reserve of 7.73 billion tonnes under the JORC Standard. In 2020, the Group realized commercial coal production volume of 291.6 million tonnes and the sales volume of coal of 446.4 million tonnes. The Group controls and operates high capacity clean coal-fired power generators with great parameters, the Group controls and operates power generators with an installed capacity of 32,279MW by the end of 2020, with a total power output dispatch of 127.65 billion kWh in 2020. The Group controls and operates completion of a network of concentric transportation railways around the major coal production bases in western Shanxi, northern Shaanxi and southern Inner Mongolia as well as "Shenshuo – Shuohuang Line", a major channel for coal transportation from western to eastern China. By the end of 2020, Huanghua-Dajiawa Railway, a new energy channel in Bohai Sea, was put into trial operation. The total length of railways controlled and operated by the Group has increased to 2,371 km. The transportation turnover of the self-owned railway completed 285.7 billion tonnes km all year. The Group also controls and operates a number of ports and docks (approximately 270 million tonnes/year vessel loading capability in aggregate), such as Huanghua Port, possesses the shipping transportation team comprising its own vessels with approximately 2.18 million tonnes of loading capacity and conducts coal-to-olefins businesses with approximately 0.6 million tonnes/year of operation and production capacity. The Group's technology in coal exploitation and production safety has secured a leading position in the global market, and that of clean coal-fired power generation and heavy-loaded railway transportation has secured a leading position in the domestic market.

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

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

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

As of 31 December 2020, the total assets of the Group amounted to RMB562,904 million, which was basically the same as compared with that at the end of last year; the net assets attributable to owners of the Company amounted to RMB364,203 million, representing an increase of 2.3% as compared with that at the end of last year. The total offshore assets of the Group (including Hong Kong, Macau and Taiwan) amounted to RMB26,027 million, representing 4.6% to total assets, which are mainly composed of the power generation assets in Indonesia, and assets from U.S. dollar-denominated bonds issued in Hong Kong, the PRC.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The core competitiveness of the Group is mainly:

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

In 2020, the Company adhered to market orientation, further promoted the in-depth supply-side structural reform, strengthened resource organization and transportation management, fully developed its advantages of coal-power-transportation synergic effect and unified operation, highlighted the precise management of production, transportation and marketing, and comprehensively completed the maintenance and supply of energy in key regions and key period, in order to continuously strengthen the overall competitiveness.

(II) Coal reserve: The Group possesses an abundant pool of high-quality coal resources which are suitable for modern high-output and high-efficient mining. As of the end of 2020, among the coal mining rights possessed and controlled by the Group, the coal resources are 29.68 billion tonnes and recoverable coal reserves 14.42 billion tonnes under the PRC Standard; the marketable coal reserves are 7.73 billion tonnes under the JORC Standard. The coal reserves of the Group is among the top of listed coal companies in China.

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

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

In 2020, the Group focused on promoting the research of digital intelligent technology in coal mine, ecological restoration and renovation of coal-fired power base, clean and efficient coal-fired power generation technology and intelligent heavy-haul technologies and port transportation technology, etc. During the reporting period, China Shenhua was granted a total of 915 patents, including 198 invention patents.

Dear Shareholders,

On behalf of the Board, I am delighted to present you the 2020 annual report of China Shenhua, and express sincere gratitude to all of you for your support!

2020 was an extremely unusual year. Amid the severe and complicated internal and external environment, especially the severe impact of the COVID-19 pandemic, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at the core, China Shenhua deeply implemented the spirit of the important speeches and the important instructions made by General Secretary Xi Jinping, the decision-making deployment of the Party Central Committee of stability on the six fronts and security in the six areas, accelerated the implementation of "One Target, Three Models and Five Strategies, and Seven First-class" enterprise development strategy, organized the promotion of various work, and completed the annual target tasks. The "13th Five-Year" plan has come to a successful conclusion. In this year, the Company achieved RMB35,849 million in profit for the year attributable to equity holders of the Company and basic earnings per share of RMB1.803, the gearing ratio at the end of the period was 23.7%, and the total market value reached USD52.3 billion, showing a stable performance while at the same time securing progress.

Over the past year, we steadily pushed forward the epidemic prevention and control, ensured the safe production, health of employees and energy supply, and carried out a series of activities including "being a pioneer in the fight against COVID-19, and being brave in times of crisis". There was no cluster of infection incident throughout the entire Company. We overcame challenges and took courage to assume heavy responsibilities. We have taken the lead in the full resumption of work and production, actively supported the socioeconomic development of Hubei and other places, and completed the task of ensuring supply, warmth and people's livelihood in key regions at the critical moment. We firmly upheld the concept of safe development and comprehensively carried out the three-year action of special rectification in safe production, and 22 coal mines were awarded the most safe and highly efficient mines in 2018-2019. We have vigorously implemented pollution control and ecological governance, and 15 coal mines were included in the list of national green mines. The Company also won the title of advanced enterprise in coal industry for energy conservation and emission reduction.

Over the past year, we fully leveraged our core competitive advantages of integration and implemented coal-fired power synergy, coal chemical synergy, production and transportation synergy, transportation and marketing synergy, continued to promote digital empowerment and industrial connectivity, improved the price coordination mechanism, smoothed production, transportation and marketing channels, and maintained integrated high-end operation. Production and operation have improved month by month, with better-than-expected and better-than-peers key indicators, making positive contributions to the steady growth of the national economy and creating higher value for stakeholders such as investors and customers.

Over the past year, we adhered to the new development concept, advanced in-depth supply-side structural reform, focused on expanding effective investment, strengthened breakthroughs in core technologies for key field, and continued to promote transformation and upgrade. We focused on the target tasks of peak carbon dioxide emissions and carbon neutrality and prepared the "14th Five-Year" development plan in a scientific manner. We made great contribution in coal production, increased the proportion of high-quality production capacity and promoted safe, clean, intelligent and efficient mining. We optimised coal power, built clean and highly efficient units with high standards and reduced unit energy consumption, such as commencing production of the world's first turbine platform high-level layout project of Jinjie Power, and operation for power generation of the million kilowatt coal power project in Java, Indonesia. We excelled ourselves in modern coal chemical, enhanced technological transformation and upgrade, and ensured the safe, stable and clean operation of the project. We implemented the construction of transportation system and the adjustment to the transportation structure of "road to railway". The Huangda Railway has been in full operation and the logistics business has actively expanded. We led the business development with digital transformation, construction of intelligent mine, intelligent power station, intelligent transportation, and intelligent chemical industry achieved remarkable results, and the dispatch center command platform project was successfully launched.

Over the past year, we adhered to the two "consistent implementation principles", gave full play to the role of the Party committee in "providing direction, managing the overall situation and ensuring implementation", continued to reinforce theoretical arms, enhanced the building of team of cadre talents, encouraged a number of cadres and employees to take up their role and work hard to build a world-class comprehensive listed energy company with strong synergy. We continued to consolidate the foundation of the "three basics", promoted the integration of party building and core businesses, and steadily carried out the action of making contributions on the position of "formation of socialism by action", created an excellent culture and brand, and strengthened the building of Party style and clean government and the fight against anticorruption in order to provide a strong guarantee for the reform development of the Company.

Over the past year, we won the final battle against poverty in all respects, invested RMB136 million in targeted poverty alleviation funds, and helped all three deeply impoverished counties get rid of poverty. We implemented the Securities Law, protected the interests of minority investors and carried out H share repurchase. We continued to distribute a large proportion of dividends, with a distributed annual profit paid in cash no less than 50% of the net profit attributable to shareholders of the Company achieved at the year during the year 2019-2021. We comprehensively strengthened ESG governance and promoted the standardisation of ESG management system construction. The Company won a number of awards and honors, including China Securities Golden Bauhinia Awards, New Fortune's Best Listed Company, and the Annual Sustainability Award "Golden Awards", and maintained a good record of A-level performance evaluation of information disclosure by SSE for 7 consecutive years.

2021 will embrace the 100th anniversary of the founding of the Communist Party of China as well as the beginning of "14th Five-Year" plan. It is also the first year that our country will march towards the Second Centenary Goal. Adhering to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will be on a new development stage, completely and accurately implement the new development concept in all aspects, accelerate the construction of a new development pattern, implement the "14th Five-Year" development plan with high standards, actively contribute to the construction of a clean, low-carbon, safe and efficient modern energy system, spared no effort to create a new situation in green transformation, innovation driving, quality and efficiency improvement, management improvement, reform deepening, and party building, and strive to achieve new development, show new achievements, and create new performance in the new journey of the "14th Five-Year" plan.

We firmly believe that we would not have brilliant results unless we strive our best prudently. There is no way out for hesitation, and we can only achieve progress by taking on responsibilities. With a complete industrial chain, China Shenhua has obvious integrated competitive advantages and strong market advantages, brand advantages, capital advantages and talent advantages. With the joint efforts of the Board, management and all employees as always, as well as the strong support of shareholders and all walks of life, we will seize opportunities, overcome challenges, and achieve better performance on the new journey of building a modern socialist country in an all aspect, so as to make greater contributions to the national economic and social development, and create greater value for investors, customers and society.

Wang Xiangxi
Chairman

Section V Directors' Report


新型工业化道

Overview of China Shenhua's Operating Results for the Year of 2020

Table 1 Business Targets of 2021

		Target for 2021	Actual amount in 2020	Change %
Commercial coal production	100 million tonnes	**2.84**	2.916	(2.6)
Coal sales	100 million tonnes	**4.76**	4.464	6.6
Power generation	billion kWh	**135**	136.33	(1.0)
Revenue	RMB100 million	**2,426**	2,332.63	4.0
Cost of sales	RMB100 million	**1,704**	1,623.74	4.9
Selling, general and administrative expenses, R&D and net finance costs	RMB100 million	**125**	114.44	9.2
Change in unit production costs of self-produced coal	/	**Year-on-year increase of about 5%**	Year-on-year increase of 3.6%	

Table 2 Financial Indicators

		2020	2019	Change %
Revenue	RMB million	**233,263**	241,871	(3.6)
Profit for the year	RMB million	**43,984**	49,777	(11.6)
EBITDA	RMB million	**79,018**	86,992	(9.2)
Profit for the year attributable to equity holders of the Company	RMB million	**35,849**	41,707	(14.0)
Basic earnings per share	RMB/share	**1.803**	2.097	(14.0)
Net cash generated from operating activities	RMB million	**81,289**	63,106	28.8
Net cash generated from operating activities excluding Finance Company	RMB million	**62,690**	66,768	(6.1)

Table 3 Results of Each Segment

	Coal 2020 RMB million	Coal 2019 RMB million	Power 2020 RMB million	Power 2019 RMB million	Railway 2020 RMB million	Railway 2019 RMB million	Port 2020 RMB million	Port 2019 RMB million
Revenue from external customers	**169,197**	173,471	**49,348**	52,484	**5,804**	6,464	**974**	652
Inter-segment revenue	**20,832**	23,925	**138**	142	**32,919**	33,237	**5,385**	5,274
Sub-total of segment revenue	**190,029**	197,396	**49,486**	52,626	**38,723**	39,701	**6,359**	5,926
Segment cost of sales	**(153,373)**	(157,224)	**(38,729)**	(40,540)	**(20,304)**	(20,641)	**(3,314)**	(3,064)
Segment profit/(loss) from operations	**29,832**	33,188	**7,976**	9,779	**16,636**	17,360	**2,678**	2,536
	As at 31 December 2020 RMB million	As at 31 December 2019 RMB million	**As at 31 December 2020 RMB million**	As at 31 December 2019 RMB million	**As at 31 December 2020 RMB million**	As at 31 December 2019 RMB million	**As at 31 December 2020 RMB million**	As at 31 December 2019 RMB million
Segment total assets	**222,984**	224,344	**150,299**	148,754	**124,113**	128,578	**21,619**	22,197
Segment total liabilities	**(106,897)**	(108,449)	**(110,040)**	(109,730)	**(50,470)**	(56,774)	**(6,629)**	(8,285)

	Shipping 2020 RMB million	Shipping 2019 RMB million	Coal chemical 2020 RMB million	Coal chemical 2019 RMB million	Unallocated items 2020 RMB million	Unallocated items 2019 RMB million	Eliminations 2020 RMB million	Eliminations 2019 RMB million	Total 2020 RMB million	Total 2019 RMB million
Revenue from external customers	**1,747**	1,813	**5,165**	5,327	**1,028**	1,660	**–**	–	**233,263**	241,871
Inter-segment revenue	**1,365**	1,484	**–**	–	**825**	1,153	**(61,464)**	(65,215)	**–**	–
Sub-total of segment revenue	**3,112**	3,297	**5,165**	5,327	**1,853**	2,813	**(61,464)**	(65,215)	**233,263**	241,871
Segment cost of sales	**(2,755)**	(2,913)	**(4,675)**	(4,693)	**(28)**	(33)	**60,804**	64,129	**(162,374)**	(164,979)
Segment profit/(loss) from operations	**209**	232	**259**	311	**1,047**	1,960	**(660)**	(1,086)	**57,977**	64,280
	As at 31 December 2020 RMB million	As at 31 December 2019 RMB million	**As at 31 December 2020 RMB million**	As at 31 December 2019 RMB million	**As at 31 December 2020 RMB million**	As at 31 December 2019 RMB million	**As at 31 December 2020 RMB million**	As at 31 December 2019 RMB million	**As at 31 December 2020 RMB million**	As at 31 December 2019 RMB million
Segment total assets	**6,410**	6,516	**8,938**	9,202	**424,257**	449,806	**(395,716)**	(426,314)	**562,904**	563,083
Segment total liabilities	**(257)**	(397)	**(2,950)**	(3,346)	**(154,901)**	(188,866)	**298,827**	332,982	**(133,317)**	(142,865)

Table 4 Operation Data

		2020	2019	Change %
Commercial coal production	million tonnes	**291.6**	282.7	3.1
Coal sales	million tonnes	**446.4**	447.1	(0.2)
Transportation turnover of self-owned railway	billion tonne km	**285.7**	285.5	0.1
Loading volume at Huanghua Port	million tonnes	**203.8**	199.7	2.1
Loading volume at Shenhua Tianjin Coal Dock	million tonnes	**45.4**	44.7	1.6
Shipping volume	million tonnes	**113.0**	109.8	2.9
Shipping turnover	billion tonne nautical miles	**93.0**	89.6	3.8
Gross power generation	billion kwh	**136.33**	153.55	(11.2)
Total power output dispatch	billion kwh	**127.65**	144.04	(11.4)
Sales of polyethylene	thousand tonnes	**356.9**	319.0	11.9
Sales of polypropylene	thousand tonnes	**331.2**	302.3	9.6

Table 5 Commercial Coal Production Volume

	2020 million tonnes	2019 million tonnes	Change %
Total production	**291.6**	282.7	3.1
By mines			
Shendong Mines	**185.0**	184.8	0.1
Zhunge'er Mines	**62.2**	54.1	15.0
Shengli Mines	**21.1**	13.7	54.0
Baorixile Mines	**21.5**	28.1	(23.5)
Baotou Mines	**1.8**	2.0	(10.0)
By regions			
Inner Mongolia	**195.4**	188.8	3.5
Shaanxi	**93.2**	91.1	2.3
Shanxi	**3.0**	2.8	7.1

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 2019 MW	Increase/ (decrease) in installed capacity for 2020 MW	Total installed capacity as at 31 December 2020 MW	Equity Installed capacity as at 31 December 2020 MW
Zhunge'er Power	North China Power Grid	Inner Mongolia	32.9	29.9	4,482	390	219	660	–	660	381
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	223.7	207.0	3,914	324	290	5,814	(100)	5,714	5,228
Cangdong Power	North China Power Grid	Hebei	114.2	108.7	4,532	298	318	2,520	–	2,520	1,285
Dingzhou Power	North China Power Grid	Hebei	114.2	105.6	4,533	305	322	2,520	–	2,520	1,021
Taishan Power	South China Power Grid	Guangdong	177.2	166.4	3,462	312	369	5,090	30	5,120	4,096
Huizhou Thermal	South China Power Grid	Guangdong	39.5	35.8	5,992	311	347	660	–	660	660
Fujian Energy	East China Power Grid	Fujian	143.4	137.4	5,104	294	347	2,810	–	2,810	1,459
Jinjie Energy	North China Power Grid	Shaanxi	136.5	124.8	5,687	321	277	2,400	1,320	3,720	2,400
Shouguang Power	North China Power Grid	Shandong	102.1	97.2	5,053	278	343	2,020	–	2,020	1,212
Jiujiang Power	Central China Power Grid	Jiangxi	103.3	98.6	5,163	278	363	2,000	–	2,000	2,000
Sichuan Energy (coal-fired power)	Sichuan Power Grid	Sichuan	39.6	36.0	3,139	334	382	1,260	–	1,260	604
Mengjin Power	Central China Power Grid	Henan	44.1	41.2	3,672	304	301	1,200	–	1,200	612
Liuzhou Power	Guangxi Power Grid	Guangxi	32.0	30.4	4,572	316	309	700	–	700	490
EMM Indonesia	PLN	Indonesia	15.8	13.7	5,266	366	523	300	–	300	210
Total of coal-fired power plants/weighted average			**1,318.5**	**1,232.7**	**4,412**	**307**	**327**	**29,954**	**1,250**	**31,204**	**21,658**
Other power plants											
Beijing Gas Power	North China Power Grid	Beijing	38.4	37.5	4,045	192	563	950	–	950	950
Sichuan Energy (hydropower)	Sichuan Provincial Local Power Grid	Sichuan	6.4	6.3	5,124	–	232	125	–	125	48

Table 7 Cost of Sales of Coal Segment

	2020 RMB million	2019 RMB million	Change %
Cost of coal purchased	**48,742**	53,831	(9.5)
Materials, fuel and power	**7,897**	7,458	5.9
Personnel expenses	**8,119**	7,686	5.6
Repairs and maintenance	**2,756**	2,680	2.8
Depreciation and amortization	**5,318**	4,961	7.2
Cost of transportation	**51,557**	52,497	(1.8)
Other costs	**19,453**	19,312	0.7
Taxes and surcharges	**9,531**	8,799	8.3
Total cost of sales	**153,373**	157,224	(2.4)

Table 8 Cost of Sales of Power Segment

	2020 Cost RMB million	2020 Power output dispatch 100 million kWh	2020 Unit cost RMB/mWh	2019 Cost RMB million	2019 Power output dispatch 100 million kWh	2019 Unit cost RMB/mWh	Change in unit cost %
Cost of power output dispatch	**35,246**	**1,276.5**	**276.1**	39,785	1,440.4	276.2	(0.0)
Materials, fuel and power	**24,827**	**1,276.5**	**194.5**	28,739	1,440.4	199.5	(2.5)
Personnel expenses	**2,307**	**1,276.5**	**18.1**	2,371	1,440.4	16.5	9.7
Repairs and Maintenance	**2,086**	**1,276.5**	**16.3**	1,956	1,440.4	13.6	19.9
Depreciation and amortization	**4,911**	**1,276.5**	**38.5**	5,319	1,440.4	36.9	4.3
Others	**1,115**	**1,276.5**	**8.7**	1,400	1,440.4	9.7	(10.3)
Other operating costs	**2,852**			51			
Taxes and surcharges	**631**			704			
Total cost of sales	**38,729**			40,540			

Table 9 Domestic Coal Sales Volume

		2020 million tonnes	Proportion of domestic sales %	2019 million tonnes	Change %
Domestic sales		**444.3**	100.0	442.3	0.5
By regions	North China	**137.7**	31.0	137.4	0.2
	Eastern China	**180.4**	40.6	174.8	3.2
	Central China and Southern China	**76.6**	17.2	81.6	(6.1)
	Northeast China	**35.6**	8.0	35.9	(0.8)
	Others	**14.0**	3.2	12.6	11.1
By usage	Thermal coal	**356.3**	80.3	355.8	0.1
	Metallurgy	**23.2**	5.2	26.3	(11.8)
	Chemical (including coal slurry)	**60.2**	13.5	54.9	9.7
	Others	**4.6**	1.0	5.3	(13.2)

Table 10 Capital Expenditure Plan for 2021 (Excluding equity investment)

	Plan for 2021 RMB100 million	Completion in 2020 RMB100 million
1. Coal segment	**74.48**	81.51
2. Power segment	**147.99**	77.66
3. Transportation segment	**92.06**	38.40
Including: Railway	**79.29**	34.41
Port	**12.45**	3.88
Shipping	**0.32**	0.11
4. Coal chemical segment	**30.81**	5.64
5. Others	**10.48**	12.02
Total	**355.82**	215.23

Table 11 Cost of Sales of Transportation and Coal Chemical Segments

	Railway 2020 RMB million	Railway 2019 RMB million	Railway Change %	Port 2020 RMB million	Port 2019 RMB million	Port Change %	Shipping 2020 RMB million	Shipping 2019 RMB million	Shipping Change %	Coal Chemical 2020 RMB million	Coal Chemical 2019 RMB million	Coal Chemical Change %
Cost of internal transportation business	**15,871**	16,087	(1.3)	**2,463**	2,493	(1.2)	**1,156**	1,290	(10.4)	**/**	/	/
Materials, fuel and power	**2,372**	2,459	(3.5)	**365**	366	(0.3)	**231**	255	(9.4)	**2,475**	2,244	10.3
Personnel expenses	**4,185**	4,043	3.5	**344**	352	(2.3)	**3**	1	200.0	**311**	333	(6.6)
Repairs and Maintenance	**3,231**	3,642	(11.3)	**316**	334	(5.4)	**8**	22	(63.6)	**298**	387	(23.0)
Depreciation and amortization	**3,917**	3,879	1.0	**736**	791	(7.0)	**113**	114	(0.9)	**811**	852	(4.8)
External transportation charges	**665**	913	(27.2)	**/**	/	/	**671**	752	(10.8)	**/**	/	/
Others	**1,501**	1,151	30.4	**702**	650	8.0	**130**	146	(11.0)	**51**	176	(71.0)
Cost of external transportation business	**2,976**	3,013	(1.2)	**254**	271	(6.3)	**1,591**	1,620	(1.8)	**/**	/	/
Cost of prime business	**18,847**	19,100	(1.3)	**2,717**	2,764	(1.7)	**/**	/	/	**3,946**	3,992	(1.2)
Other operating costs	**1,036**	1,119	(7.4)	**410**	113	262.8	**/**	/	/	**609**	549	10.9
Taxes and surcharges	**421**	422	(0.2)	**187**	187	–	**8**	3	166.7	**120**	152	(21.1)
Total cost of sales	**20,304**	20,641	(1.6)	**3,314**	3,064	8.2	**2,755**	2,913	(5.4)	**4,675**	4,693	(0.4)

Table 12 Coal Sales Price

	2020 Sales volume million tonnes	2020 Percentage to total sales volume %	2020 Price (excluding tax) RMB/tonne	2019 Sales volume million tonnes	2019 Percentage to total sales volume %	2019 Price (excluding tax) RMB/tonne	Change Sales volume %	Change Price (excluding tax) %
Total sales volume/average price (excluding tax)	**446.4**	**100.0**	**410**	447.1	100.0	426	(0.2)	(3.8)
I. Classify by contract pricing mechanism								
(I) Sales through Trading Group	**430.1**	**96.3**	**419**	431.0	96.4	434	(0.2)	(3.5)
1. Annual long-term agreement	**190.0**	**42.5**	**380**	193.3	43.2	392	(1.7)	(3.1)
2. Monthly long-term agreement	**163.5**	**36.6**	**465**	176.9	39.6	478	(7.6)	(2.7)
3. Spot commodity	**76.6**	**17.2**	**418**	60.8	13.6	440	26.0	(5.0)
(II) Direct sales at the coal mine pit	**16.3**	**3.7**	**176**	16.1	3.6	204	1.2	(13.7)
II. Classify by internal and external customers								
(I) Sales to external customers	**394.0**	**88.2**	**416**	389.9	87.2	432	1.1	(3.7)
(II) Sales to internal power segment	**47.7**	**10.7**	**374**	53.0	11.9	387	(10.0)	(3.4)
(III) Sales to internal coal chemical segment	**4.7**	**1.1**	**322**	4.2	0.9	363	11.9	(11.3)

Table 13 Coal Resources Reserve

Mines	Coal resources (under PRC standard) As at 31 December 2020 100 million tonnes	Coal resources As at 31 December 2019 100 million tonnes	Coal resources Change %	Recoverable reserve (under PRC standard) As at 31 December 2020 100 million tonnes	Recoverable reserve As at 31 December 2019 100 million tonnes	Recoverable reserve Change %	Marketable reserve (under JORC standard) As at 31 December 2020 100 million tonnes	Marketable reserve As at 31 December 2019 100 million tonnes	Marketable reserve Change %
Shendong Mines	**156.0**	158.1	(1.3)	**88.9**	90.5	(1.8)	**44.4**	46.3	(4.1)
Zhunge'er Mines	**37.9**	38.5	(1.6)	**30.2**	30.8	(1.9)	**19.5**	20.1	(3.0)
Shengli Mines	**19.9**	20.1	(1.0)	**13.5**	13.7	(1.5)	**1.8**	2.0	(10.0)
Baorixile Mines	**13.5**	13.7	(1.5)	**11.3**	11.5	(1.7)	**11.6**	11.8	(1.7)
Baotou Mines	**0.5**	0.5	–	**0.3**	0.3	–	**0.0**	0.0	/
Xinjie Mines (under exploration rights permit to Taigemiao North Area)	**64.2**	64.2	–	/	/	/	/	/	/
Others	**4.8**	4.8	–	/	/	/	/	/	/
Total	**296.8**	299.9	(1.0)	**144.2**	146.8	(1.8)	**77.3**	80.2	(3.6)

Table 14 Seaborne Coal at Ports

	2020 million tonnes	2019 million tonnes	Change %
Self-owned ports	**239.1**	232.1	3.0
Huanghua Port	**193.9**	187.1	3.6
Shenhua Tianjin Coal Dock	**45.2**	45.0	0.4
Third-party ports	**29.0**	37.6	(22.9)
Total seaborne coal sales	**268.1**	269.7	(0.6)

Table15 Railway Cargo Transportation Turnover

	2020 billion tonne km	2019 billion tonne km	Change %
Self-owned railways	**285.7**	285.5	0.1
Shenshuo Railway	**54.1**	52.4	3.2
Shuohuang-Huangwan Railway	**183.4**	176.8	3.7
Dazhun Railway	**26.9**	31.7	(15.1)
Baoshen Railway	**8.6**	9.1	(5.5)
Ganquan Railway	**1.1**	1.4	(21.4)
Bazhun Railway	**1.7**	3.4	(50.0)
Zhunchi Railway	**9.9**	10.7	(7.5)
Tahan Railway	**–**	–	/
Huangda Railway	**–**	/	/
State owned railways	**44.9**	50.5	(11.1)
Total	**330.6**	336.0	(1.6)

Table 16 Shipping Volume

	2020 million tonnes	2019 million tonnes	Change %
The Group's internal customers	**43.0**	44.7	(3.8)
External customers	**70.0**	65.1	7.5
Total of shipping volume	**113.0**	109.8	2.9

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

2020

煤礦 COAL MINE

A1. 神東礦區 Shendong Mines

A2. 准格爾礦區 Zhunge'er Mines

A3. 勝利礦區 Shengli Mines

A4. 寶日希勒礦區 Baorixile Mines

A5. 包頭礦區 Baotou Mines

A6. 澳大利亞沃特馬克煤礦項目（前期工作階段）
Watermark Coal Project in Australia
(preliminary work in progress)

A7. 新街台格廟勘查區（前期工作階段）
Xinjie Taigemiao Exploration Area
(preliminary work in progress)

電廠 POWER

B1. 滄東電力 Cangdong Power

B2. 定州電力 Dingzhou Power

B3. 准能電力 Zhunge'er Power

B4. 神東電力 Shendong Power

B5. 北京燃氣 Beijing Gas Power

B6. 錦界能源 Jinjie Energy

B7. 台山電力 Taishan Power

B8. 惠州熱電 Huizhou Thermal

B9. 孟津電力 Mengjin Power

B10. 四川能源 Sichuan Energy

B11. 福建能源 Fujian Energy

B12. 南蘇EMM EMM Indonesia

B13. 壽光電力 Shouguang Power

B14. 柳州電力 Liuzhou Power

B15. 九江電力 Jiujiang Power

B16. 爪哇7號 Java 7

鐵路 RAILWAY

C1. 神朔鐵路 Shenshuo Railway

C2. 朔黃鐵路 Shuohuang Railway

C3. 黃萬鐵路 Huangwan Railway

C4. 大准鐵路 Dazhun Railway

C5. 包神鐵路 Baoshen Railway

C6. 巴准鐵路 Bazhun Railway

C7. 甘泉鐵路 Ganquan Railway

C8. 准池鐵路 Zhunchi Railway

C9. 黃大鐵路 Huangda Railway

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2020年12月31日之分佈圖，僅做示意
② 以審圖號GS(2016)1600號地圖為基礎編制

Note: ① This map as at 31 December 2020 is for illustrative purpose only.
② Prepared on the basis of the map with the approval number of GS(2016)1600.

航運 SHIPPING

E1. 神華中海航運 Shenhua Zhonghai Shipping Company

煤化工 COAL CHEMICAL

F1. 包頭煤化工 Baotou Coal Chemical

圖例 Legend

省界線 Provincial Boundary

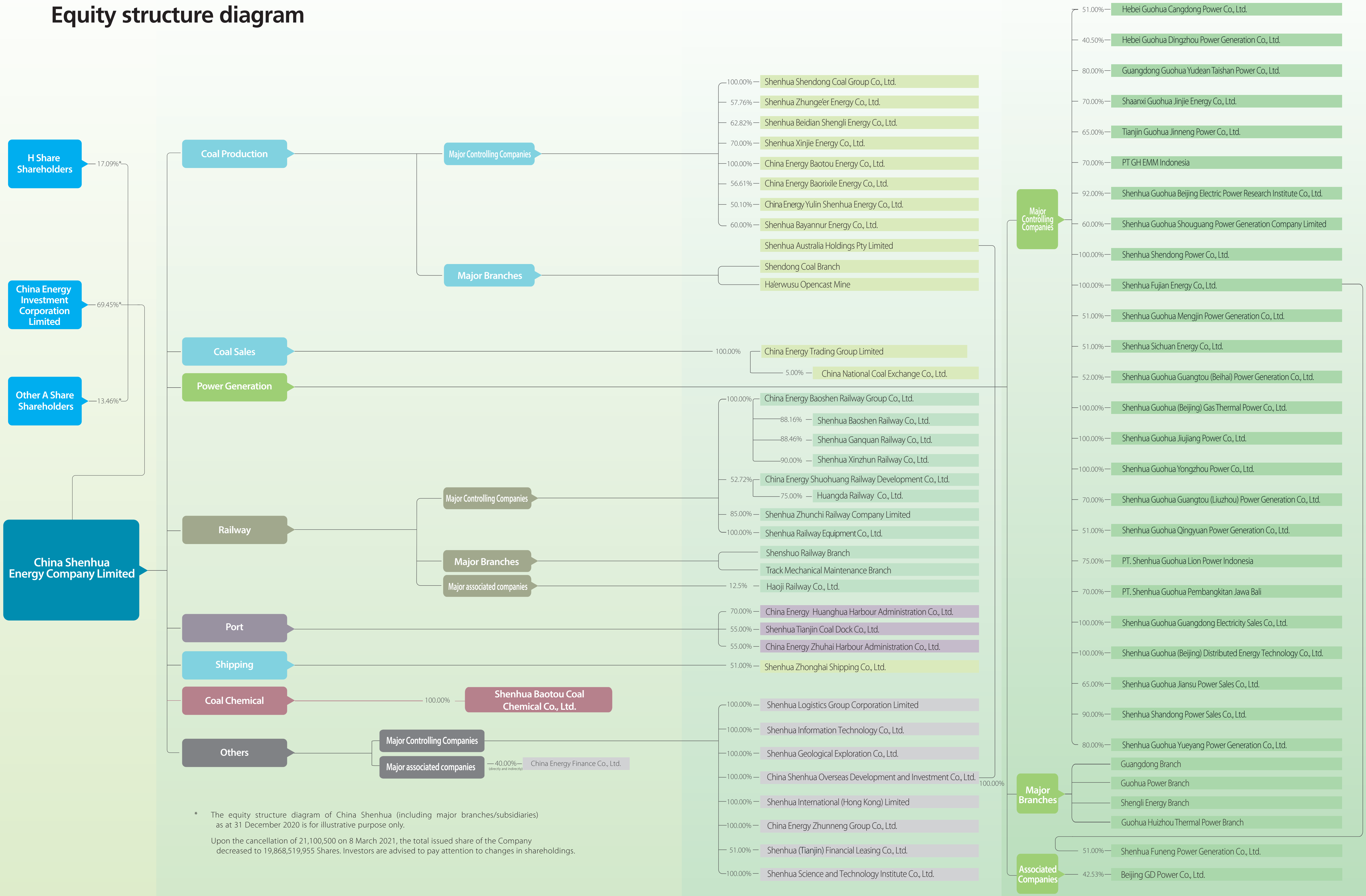
國有或地方鐵路線 State-owned or Local Railway

自有運營鐵路 Self-owned Railway (in operation)

自有礦區 Self-owned mines

准班輪航線 Quasi-liner Shipping Route

Equity structure diagram



* The equity structure diagram of China Shenhua (including major branches/subsidiaries) as at 31 December 2020 is for illustrative purpose only.

Upon the cancellation of 21,100,500 on 8 March 2021, the total issued share of the Company decreased to 19,868,519,955 Shares. Investors are advised to pay attention to changes in shareholdings.

I. DISCUSSION AND ANALYSIS ON OPERATION RESULTS

In 2020, in the face of the complicated domestic and international environment and the severe impact of the COVID-19 pandemic, the Group actively responded, precisely implemented measures, enhanced the supply-sales channels, and gave full play to the integrated operation advantages to better achieve the annual operation targets.

The Group recorded a profit before tax for the year of RMB59,362 million (2019: RMB64,922 million), representing a year-on-year decrease of 8.6%; a profit for the year attributable to equity holders of the Company of RMB35,849 million (2019: RMB41,707 million), and basic earnings per share of RMB1.803/share (2019: RMB2.097/share), representing a year-on-year decrease of 14.0%.

		Actual amount for 2020	Target for 2020	Proportion of Completion %	Actual amount for 2019	Year-on-year change %
Commercial coal production	100 million tonnes	**2.916**	2.68	108.8	2.827	3.1
Coal sales	100 million tonnes	**4.464**	4.03	110.8	4.471	(0.2)
Power generation	100 million kWh	**1,363.3**	1,451	94.0	1,535.5	(11.2)
Revenue	RMB100 million	**2,332.63**	2,163	107.8	2,418.71	(3.6)
Costs	RMB100 million	**1,623.74**	1,484	109.4	1,649.79	(1.6)
Sales, General and Administration, R&D fee and net finance costs	RMB100 million	**114.44**	143	80.0	126.92	(9.8)
Changes in unit production costs of self-produced coal	/	**Year-on-year increase of 3.6%**	Year-on-year increase of approximately 8%	/	Year-on-year increase of 16.1%	/

II. MAJOR OPERATION RESULTS DURING THE REPORTING PERIOD

(I) Analysis on principal business

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

Unit: RMB million

Items	2020	2019	Change %
Revenue	233,263	241,871	(3.6)
Cost of sales	(162,374)	(164,979)	(1.6)
Research and development costs	(1,362)	(940)	44.9
Other gains and losses	(194)	(2)	9,600.0
Loss allowances, net of reversal	(524)	(139)	277.0
Other expenses	(1,090)	(278)	292.1
Interest income	1,684	1,170	43.9
Finance costs	(2,263)	(3,294)	(31.3)
Share of results of associates	947	433	118.7
Income tax expense	(15,378)	(15,145)	1.5
Net cash inflows from operating activities	81,289	63,106	28.8
Of which: Net cash inflows from operating activities of Shenhua Finance Company Note	18,599	(3,662)	(607.9)
Net cash inflows from operating activities excluding the effect of Shenhua Finance Company	62,690	66,768	(6.1)
Net cash inflows/(outflows) in investing activities	32,048	(46,307)	(169.2)
Net cash outflows in financing activities	(42,079)	(37,172)	13.2

Note: As 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 from January to August 2020.

1. Revenue and costs

(1) Factors affecting the revenue

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

① The year-on-year decrease of 3.8% in the Group's average sales price of coal resulted in the decrease in revenue from coal sales;

② Change in consolidation scope of financial statement of the Company and year-on-year decrease in power output dispatch and average power output price resulted in the decrease in revenue from sale of power : (i) the revenue in January 2019 including the revenue generated from the power assets invested by the Company in the transaction of establishing Beijing GD Power is no longer consolidated to the consolidated financial statement of the Company since February 2019; (ii) except the above factor, year-on-year decrease of 2.6% in power output dispatch and decrease of 1.2% in average power output price of the Group in 2020 on a comparative basis.

Major operating indicators	Unit	**2020**	2019	Change for 2020 compared with that for 2019 %	2018
(I) Coal					
1. Commercial coal production	Million tonnes	**291.6**	282.7	3.1	296.6
2. Coal sales	Million tonnes	**446.4**	447.1	(0.2)	460.9
Of which: Self-produced coal	Million tonnes	**296.0**	284.8	3.9	300.7
Purchased coal	Million tonnes	**150.4**	162.3	(7.3)	160.2
(II) Transportation					
1. Turnover of self-owned railway	Billion tonne km	**285.7**	285.5	0.1	283.9
2. Loading volume at Huanghua Port	Million tonnes	**203.8**	199.7	2.1	/
3. Loading volume at Shenhua Tianjin Coal Dock	Million tonnes	**45.4**	44.7	1.6	/
4. Shipping volume	Million tonnes	**113.0**	109.8	2.9	103.6
5. Shipment turnover	Billion tonne nautical miles	**93.0**	89.6	3.8	89.9
(III) Power generation					
1. Gross power generation	Billion kWh	**136.33**	153.55	(11.2)	285.32
2. Total power output dispatch	Billion kWh	**127.65**	144.04	(11.4)	267.59
(IV) Coal chemical					
1. Sales of polyethylene	Thousand tonnes	**356.9**	319.0	11.9	315.4
2. Sales of polypropylene	Thousand tonnes	**331.2**	302.3	9.6	297.7

Note: According to the comparative basis, the power generation and power output dispatch of the Group in 2019 were 139.78 billion kWh and 131.04 billion kWh, respectively.

(2) Analysis of costs

Unit: RMB million

Breakdown of cost items	Amount for 2020	Percentage to cost of sales for 2020 %	Amount for 2019	Percentage to cost of sales for 2019 %	Year-on-year change in amount %
Cost of coal purchased	48,742	30.0	53,831	32.6	(9.5)
Raw materials, fuel and power	19,501	12.0	19,863	12.0	(1.8)
Personnel expenses	16,066	9.9	15,585	9.5	3.1
Depreciation and amortisation	16,647	10.3	16,798	10.2	(0.9)
Repairs and maintenance	9,124	5.6	9,491	5.8	(3.9)
Transportation charges	15,076	9.3	16,155	9.8	(6.7)
Tax and surcharge	10,926	6.7	10,299	6.2	6.1
Others	26,292	16.2	22,957	13.9	14.5
Total cost of sales	162,374	100.0	164,979	100.0	(1.6)

Among the cost of sales of the Group in 2020:

① Main reason for the year-on-year decrease in the cost of coal purchased : decreases in sales volume of coal purchased and unit purchase cost of the Group;

② Main reason for the year-on-year decrease in the transportation charges: decreases in volume of coal transported by state-owned railways and cost of vessel lease;

③ Main reason for the increase in tax and surcharges over the same period: the increase of resource tax rate in major coal district of the Group, resulting in the increase of resource tax;

④ Main reason for the year-on-year increase in other costs: the Indonesia Java No. 7 Power Generating Project was audited based on the service concession arrangement, resulting in the increase in operation cost of single unit business and increase of the relevant cost of port dredging business.

Unit: RMB million

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

Business segment	Items of costs	2020	2019	Change %
Coal	Cost of coal purchased, raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, transportation charges, other costs, and taxes and surcharges	153,373	157,224	(2.4)
Power	Raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, other costs, other operating costs, and taxes and surcharges	38,729	40,540	(4.5)
Railway	Cost of internal transportation business (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, external transportation charges, and other expenses), external transportation charges, other operating costs, and taxes and surcharges	20,304	20,641	(1.6)
Port	Cost of internal transportation business (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, and other expenses), external transportation charges, other operating costs, and taxes and surcharges	3,314	3,064	8.2
Shipping	Cost of internal transportation business (raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, external transportation charges, and other expenses), external transportation charges, and taxes and surcharges	2,755	2,913	(5.4)
Coal chemical	Raw materials, fuel and power, personnel expenses, repairs and maintenance, depreciation and amortisation, other expenses, other operating costs, and taxes and surcharges	4,675	4,693	(0.4)

(3) *Major Business segments*

The major business model of the Group is the integrated coal industry chain: i.e. coal production → coal transportation (railway, port and shipping) → conversion of coal (power and coal chemical), and there are business intercourses between each segment. The percentages of profits (before elimination on consolidation) from operations of coal, power, transportation and coal chemical segments of the Group was 52%,14%, 34% and 0% in 2020 respectively (2019: 52%, 15%, 32% and 1%).

Major business segments in 2020 (before eliminations on consolidation)

Business segment	Revenue	Cost of sales	Gross profit margin	Increase/ decrease in revenue as compared with previous year	Increase/ decrease in cost of sales as compared with previous year	Increase/ decrease in gross profit margin as compared with previous year
	RMB million	*RMB million*	*%*	*%*	*%*	
Coal	190,029	(153,373)	19.3	(3.7)	(2.4)	Decreased by 1.1 percentage points
Power	49,486	(38,729)	21.7	(6.0)	(4.5)	Decreased by 1.3 percentage points
Railway	38,723	(20,304)	47.6	(2.5)	(1.6)	Decreased by 0.4 percentage point
Port	6,359	(3,314)	47.9	7.3	8.2	Decreased by 0.4 percentage point
Shipping	3,112	(2,755)	11.5	(5.6)	(5.4)	Decreased by 0.1 percentage point
Coal chemical	5,165	(4,675)	9.5	(3.0)	(0.4)	Decreased by 2.4 percentage points

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

Major products	Unit	Production	Sales volume	Inventory at the end of the period	Year-on-year increase/ decrease in production volume	Year-on-year increase/ decrease in sales volume	Increase/ decrease in inventory as compared with the beginning of the year
				%	%	%	%
Coal	million tonnes	291.6	446.4	19.7	3.1	(0.2)	(13.6)
Power	billion kWh	136.33	127.65	/	(11.2)	(11.4)	/

(5) *Major customers*

In 2020, the total revenue from the top five customers of the Group amounted to RMB87,857 million, accounting for 37.7% of the revenue of the Group, including the revenue of the Group from its largest customer of RMB65,260 million, accounting for 28.0%of the revenue of the Group. The largest customer of the Group was China Energy and its subsidiaries, the controlling shareholder of the Company. The Group mainly sells coal products and provides coal transportation service to the company.

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

(6) *Major suppliers*

In 2020, the total procurement from the top five suppliers of the Group amounted to RMB22,436 million, accounting for 17.5% (less than 30%) of the total procurement for the year, among which, the procurement from the largest supplier amounted to RMB10,725 million, representing 8.3% of the total procurement for the year.

2. **Other items of income statement**

(1) Other gains and losses were aggregated as losses, the main reasons for increase year-on-year: the relevant accumulated fair value gains were realized and transferred for the recovery of wealth management products of banks upon maturity.

(2) Main reasons for year-on-year increase of loss allowances: provision for bad debt loss for some coal sales receivable and the receivables.

(3) Main reasons for year-on-year increase of other expenses: expenditure related to rectification of certain coal mines has increased; debt guarantee losses and loss on write-off of fixed assets were expected to increase during the reporting period as compared with the same period last year.

(4) Main reasons for the year-on-year increase of interest income: Deconsolidation of Finance Company, the interest income deposited by the Group in the Finance Company will no longer be offset on a consolidated basis, and an increase in the average balance of deposits with financial institutions other than Finance Company.

(5) Main reasons for the year-on-year decrease in finance costs: lowered interest rate of loan market, and the repayment of matured bonds during the reporting period.

(6) The main reason for year-on-year increase of profit and loss attributable to associates: the year-on-year increase in the Company's investment income from Beijing GD Power and other associates.

(7) Main reasons for year-on-year increase of income tax: Since some subsidiaries of the Group enjoy the preferential income tax rate of 15% for the Western Development, in 2020, such subsidiaries will calculate the annual income tax at the income tax rate of 25%. This increased the Group's average income tax rate to 25.9%, representing a year-on-year increase of 2.6 percentage points.

3. Research and development expenditure

Expensed research and development expenditure in the period *(RMB million)*	1,362
Capitalised research and development expenditure in the period *(RMB million)*	787
Total research and development expenditure *(RMB million)*	2,149
Ratio of capitalised research and development expenditure *(%)*	36.6
Percentage of total research and development expenditure to revenue *(%)*	0.9
Number of research and development personnel in the Company *(number of person)*	2,904
The ratio of research and development personnel to the total number of persons in the Company *(%)*	3.8

In 2020, investment in the research and development of the Group amounted to RMB2,149 million (2019: RMB1,245 million), which is mainly utilized in development of the technology and equipment integration of intelligent and mechanised mining with massive in Shendong Mines, key technology development and demonstration project for open-pit coal mine underground reservoir; 150,000 tonnes/year level whole-flow demonstration project of capture and storage of CO_2; research and application of railway intelligent loading and conveying system, the moving block expansion test and engineering application of heavy-haul railway, the intelligent driving technology of AC drive freight electric locomotive, research and development of technology and equipment of condition maintenance of freight cars.

4. Cash flow

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

(1) Net cash generated from operating activities: net cash generated in 2020 recorded a year-on-year increase of 28.8%, of which, net cash inflows from operating activities of Finance Company was RMB18,599 million (2019: RMB3,662 million used in operating activities), representing a year-on-year change of 607.9%, which was mainly attributable to the increase in deposits accepted by Finance Company for the period from January to August 2020 and the corresponding increase in net cash inflow, while the loans issued decreased year on year. After excluding the effects of Finance Company, net cash of operating activities of the Group represented a year-on-year decrease of 6.1%, which was mainly attributable to the decrease in cash flows due to decreased income.

(2) Net cash inflows in investing activities: net cash inflows of RMB32,048 million in 2020 recorded a year-on-year change of 169.2% (2019: net outflow of RMB46,307 million), which was mainly attributable to the recovery of due wealth management products, and the year-on-year decrease in cash paid for investment during the reporting period.

(3) Net cash used in financing activities: net cash outflows in 2020 recorded a year-on-year increase of 13.2%, which was mainly attributable to the increase in the percentage of dividends payable by the Company, and the increase in final dividend for 2019 as compared to 2018.

(II) Analysis on Assets and Liabilities

1. Assets and Liabilities

Unit: RMB million

Items	Amount at the end of the year	Percentage of total assets at the end of the year %	Amount at the end of the previous year	Percentage of total assets at the end of the previous year %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Construction in progress	39,845	7.1	34,495	6.1	15.5	The Group pushed forward construction in progress, such as the construction of Huangda Railway, Sichuan Jiangyou Coal Reserves Power Integration Project and Hunan Yongzhou Phase I Project
Exploration and evaluation assets	0	0.0	484	0.1	(100.0)	Exploitation rights of Watermark Open-pit Mine Project in Australia was made full provision for impairment
Interests in associates	49,556	8.8	40,539	7.2	22.2	Due to Deconsolidation of Finance Company's financial statements, and the Company recognized the long-term equity investment according to the equity method in the Finance Company
Other non-current assets	35,890	6.4	54,006	9.6	(33.5)	Due to Deconsolidation of Finance Company's financial statements, the loans granted by Finance Company and treasury bonds purchased by Finance Company were no longer included in the Group
Inventories	12,750	2.3	12,053	2.1	5.8	Increase of spare tools and spare parts related to coal mine production
Accounts and bills receivables	11,759	2.1	10,436	1.9	12.7	The notes receivable of power generation and coal sales business increased

Unit: RMB million

Items	Amount at the end of the year	Percentage of total assets at the end of the year %	Amount at the end of the previous year	Percentage of total assets at the end of the previous year %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Prepaid expenses and other current assets	**17,480**	**3.1**	86,524	15.4	(79.8)	Due to Deconsolidation of Finance Company's financial statements, the short-term loans and advances of the Finance Company were no longer included in the Group, as well as recovery of interbank certificates of deposits upon maturity
Restricted bank deposits	**3,391**	**0.6**	7,664	1.4	(55.8)	Due to Deconsolidation of Finance Company's financial statements, the legal deposit reserves deposited by Finance Company with the Central Bank were no longer included in the Group
Time deposits with original maturity over three months	**11,186**	**2.0**	1,990	0.4	462.1	Increase in the Group's deposits with Finance Company
Cash and cash equivalents	**112,880**	**20.1**	41,827	7.4	169.9	Recovery of wealth management products and the effect of deconsolidation of Finance Company's financial statements
Assets classified as held for sale	**2,783**	**0.5**	0	0.0	N/A	Shendong Power signed the Equity Transfer Contract with China Energy Guoyuan Power Co., Ltd. ("Guoyuan Power"), which transferred the 100% equity of China Energy Shaanxi Fuping Thermal Power Co., Ltd. ("Fuping Thermal Power") to Guoyuan Power, which is mainly the related assets of Fuping Thermal Power
Short-term borrowings	**8,847**	**1.6**	4,172	0.7	112.1	Due to Deconsolidation of Finance Company's financial statements, the short-term borrowings of the Group borrowed from Finance Company were no longer offset;

Unit: RMB million

Items	Amount at the end of the year	Percentage of total assets at the end of the year %	Amount at the end of the previous year	Percentage of total assets at the end of the previous year %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Accounts and bills payables	**28,980**	**5.1**	25,043	4.4	15.7	Increase in engineering, equipment and material payments due for coal mines and power plants under construction
Accrued expenses and other payables	**18,949**	**3.4**	53,578	9.5	(64.6)	Due to Deconsolidation of Finance Company's financial statements, the deposits it accepted were no longer included in the Group.
Bonds due within 1 year	**0**	**0.0**	3,488	0.6	(100.0)	The USD-denominated bonds classified as bonds due within one year in 2019 were due and repaid in January 2020
Long-term liabilities due within 1 year	**689**	**0.1**	1,493	0.3	(53.9)	Some of the matters involved in the estimated liabilities were solved, and the relevant accounts payable decreased
Income tax payable	**6,313**	**1.1**	2,727	0.5	131.5	In 2020, the enterprise income tax of some subsidiaries of the Group that originally enjoyed the preferential tax rate of 15% for Western Development will be calculated at the rate of 25%
Long-term borrowings	**50,251**	**8.9**	36,943	6.6	36.0	Due to Deconsolidation of Finance Company's financial statements, the long-term borrowings of the Group borrowed from Finance Company were no longer consolidated and offset

Unit: RMB million

Items	Amount at the end of the year	Percentage of total assets at the end of the year %	Amount at the end of the previous year	Percentage of total assets at the end of the previous year %	Change of the amount at the end of the year compared to the end of the previous year %	Main reasons for changes
Long-term payables	**2,661**	**0.5**	2,201	0.4	20.9	Due to the continuous loss of Liangyi Railway Company, Shenbao Energy is expected to repay the principal and interest on behalf of Liangyi Railway Company; the new fixed assets for financing leasing of the railway segment
Accrued reclamation obligations	**6,169**	**1.1**	3,372	0.6	82.9	Increase in mine environment restoration fund accrued by the Company as in accordance with the relevant requirements of the local government

2. Restrictions on main assets

The Group is free from seizure and detention of main assets. As at the end of the reporting period, the balance of the restricted assets of the Group was RMB5,178 million, among which, security deposits for bank acceptance bills, relevant deposits related to port operations, deposit for letter of credit and mine geographical environment governance recovery fund amounted to RMB3,391 million in total; Other restricted assets mainly consisted of fixed assets, intangible assets and various deposits secured and guaranteed for acquiring bank borrowings.

3. Distributable reserves

As of 31 December 2020, the distributable reserves of the Company were RMB183,374 million.

(III) Operation results by business segment

1. Coal segment

(1) Production, operation and construction

The majority of the coal products produced and sold by the Group were thermal coal. In 2020, the Group overcame the impact of COVID-19 pandemic, took multiple measures to guarantee coal production and market supply, and realized a commodity coal output of 291.6 million tonnes (2019: 282.7 million tonnes), representing a year-on-year increase of 3.1%. The total footage of advancing tunnels at underground mines was 426 thousand meters (2019: 356 thousand meters), representing an increase of 70 thousand meters year on year, of which, the total footage of advancing tunnels at Shendong Mines was 377 thousand meters.

We strive to improve the quality and efficiency of coal business. The coal slurry reduction process was promoted in coal preparation plants, and the structure of coal products was continuously optimized. The average calorific value of self-produced commercial coal increased by 20 kcal/kg compared with the previous year.

We promote the parallel development of coal mining and environmental protection. We will continue to optimize production processes, accelerate technological transformation, and achieve remarkable results in soil pollution control and ecological restoration. There were 20 national or provincial-level green mines, representing an increase of 8 compared with the previous year; the reclamation rate of Zhunge'er Mines reached 100%, the vegetation coverage was over 80%, and the soil erosion control rate reached 80%.

Great progress has been made in intelligent coal mining. In Shendong Mines, 10 intelligent fully mechanised mining surface, 3 intelligent demonstration projects and 3 kinds of intelligent comprehensive mining models have been set up. Yujialiang Mines realizes transparent and intelligent coal mining in medium-thick and thin coal seams; Shigetai Mines realizes intelligent mining in thin coal seams and other heights; Jinjie Coal Mine implements intelligent coal cutting in prediction.

We will accelerate the application for mining land and access to mining resources to ensure the continuity and stability of coal production. Zhunge'er Mines has obtained the blank area mining right between Ha'erwusu and Heidaigou Open-pit Mine, and the processing of resource mining license for the expanded area of Wanli No.1 Mines has been steadily advanced.

In 2020, the Group's coal exploration expenses (which were incurred before the conclusion of feasibility study and represented the expenses related to exploration and evaluation of coal resources) amounted to approximately RMB22 million (2019: RMB12 million), which was mainly attributable to the relevant expenses of Watermark Project in Australia. The Group's relevant capital expenditure of mining development and exploration amounted to approximately RMB3,152 million (2019: RMB2,175 million), which was mainly attributable to the acquisition of fixed assets and engineering construction expenditures in relation to coal mining for Shendong Mines, Shengli Mines, Zhungeer Mines, and the expenditure on the preliminary development of Taigemiao District of Xinjie Mining Area.

The Group has independently operated railway collection and distribution channels. These channels are centralised and distributed in the rim of self-owned core mines, and can transport coal in the core mines.

(2) Sales of coal

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

In 2020, the Group overcame the negative impact of periodical imbalance of demand and supply in the coal market and substantial fluctuation of coal price, further improved the sales network, enriched the logistics modes, and ensured the stable operation of production-transportation-sales integration. During the year, sales volume of coal of the Group reached 446.4 million tonnes (2019: 447.1 million tonnes), representing a year-on-year decrease of 0.2%. Sales volume of coal under the annual long-term contracts was 190.0 million tonnes, accounting for 42.5% of the domestic sales volume of coal of the Group, of which 144.5 million tonnes of coal were sold to 15 external customers who had signed the three-year (2019-2021) thermal coal annual long-term contract and accounts for 76.1% of the annual long-term contract sales volume. The sales volume for the top five external coal customers was 153.3 million tonnes, accounting for 34.3% of the total coal sales volume; in particular, the sales volume of China Energy, the largest customer, was 133.1 million, representing 29.8% of the total coal sales volume. The top five external coal customers are mainly electrical, chemical and coal trading companies. The domestic seaborne coal sales for the year reached 267.4 million tonnes, accounting for 35.7% of 750 million tonnes of the seaborne coal volume of major ports in China.

The Group implemented three unified pricing mechanisms, namely, the pricing mechanisms for annual long-term contracts, monthly long-term contracts and spot commodity, for all internal and external customers. In 2020, the average coal sales price of the Group was RMB410/tonne (tax exclusive) (2019: RMB426/tonne (tax exclusive)), representing a year-on-year decrease of 3.8%.

The production and sales of each kind of coal of the Group in 2020 are set out below:

Types of coal	Output *Million tonnes*	Sales volume *Million tonnes*	Sales income *RMB million*	Sales cost *RMB million*	Gross profit *RMB million*
Thermal coal	291.6	445.9	182,645	140,369	42,276
Others	/	0.5	436	435	1
Total	291.6	446.4	183,081	140,804	42,277

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

The coal sales of the Group in 2020 is set out below:

① By contract pricing mechanisms

	2020			2019			Changes	
	Sales volume	Proportion of total sales	Price (exclusive of tax)	Sales volume	Proportion of total sales	Price (exclusive of tax)	Sales volume	Price (exclusive of tax)
	Million tonnes	*%*	*RMB/ tonne*	*Million tonnes*	*%*	*RMB/ tonne*	*%*	*%*
I. Sales through sales group Limited	430.1	96.3	419	431.0	96.4	434	(0.2)	(3.5)
1. Annual long-term contracts	190.0	42.5	380	193.3	43.2	392	(1.7)	(3.1)
2. Monthly long-term contracts	163.5	36.6	465	176.9	39.6	478	(7.6)	(2.7)
3. Spot commodity	76.6	17.2	418	60.8	13.6	440	26.0	(5.0)
II. Direct sales in coal mines	16.3	3.7	176	16.1	3.6	204	1.2	(13.7)
Total sales volume/average price (exclusive of tax)	446.4	100.0	410	447.1	100.0	426	(0.2)	(3.8)

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

② By internal and external customers

	2020			2019			Changes	
	Sales volume	Proportion of total sales	Price (exclusive of tax)	Sales volume	Proportion of total sales	Price (exclusive of tax)	Sales volume	Price (exclusive of tax)
	Million tonnes	*%*	*RMB/ tonne*	*Million tonnes*	*%*	*RMB/ tonne*	*%*	*%*
Sales to external customers	394.0	88.2	416	389.9	87.2	432	1.1	(3.7)
Sales to internal power segment	47.7	10.7	374	53.0	11.9	387	(10.0)	(3.4)
Sales to internal coal chemical segment	4.7	1.1	322	4.2	0.9	363	11.9	(11.3)
Total sales volume/average price (exclusive of tax)	446.4	100.0	410	447.1	100.0	426	(0.2)	(3.8)

③ By sales regions

	2020			2019			Changes	
	Sales volume	Proportion of total sales	Price (exclusive of tax)	Sales volume	Proportion of total sales	Price (exclusive of tax)	Sales volume	Price (exclusive of tax)
	Million tonnes	*%*	*RMB/ tonne*	*Million tonnes*	*%*	*RMB/ tonne*	*%*	*%*
I. Domestic sales	444.3	99.5	410	442.3	98.9	425	0.5	(3.5)
(I) Self-produced coal and purchased coal	429.5	96.2	411	430.6	96.3	427	(0.3)	(3.7)
1. Direct arrival	162.1	36.3	317	162.6	36.4	329	(0.3)	(3.6)
2. Seaborne	267.4	59.9	468	268.0	59.9	486	(0.2)	(3.7)
(II) Sales of domestic trading coal	9.7	2.2	353	8.2	1.8	343	18.3	2.9
(III) Sales of imported coal	5.1	1.1	418	3.5	0.8	441	45.7	(5.2)
II. Export sales	0.7	0.2	556	1.7	0.4	626	(58.8)	(11.2)
III. Overseas sales	1.4	0.3	435	3.1	0.7	446	(54.8)	(2.5)
Total sales volume/average price (exclusive of tax)	446.4	100.0	410	447.1	100.0	426	(0.2)	(3.8)

(3) Production safety

In 2020, the Group took various measures to ensure coal mine production safety. The Group fully carried out the three-year special rectification action for safety production with generally stable situation of safety production, conducted safety supervision to ensure the implementation of the safety system, as well as upgraded the equipment and facilities of the emergency rescue base to improve safety guarantee capability. In 2020, the fatality rate per million tonnes of raw coal output in the coal mines of the Group was 0.0034, which was below the national average of 0.0580.

Efforts in ensuring safe coal production are detailed in the 2020 ESG Report of the Company.

(4) Coal resources

As at 31 December 2020, under the PRC Standard, the Group had coal reserves amounting to 29.68 billion tonnes, representing a decrease of 0.31 billion tonnes as compared with that of the end of 2019 and recoverable coal reserve amounting to 14.42 billion tonnes, representing a decrease of 0.26 billion tonnes as compared with that of the end of 2019. The Group's marketable coal reserve amounted to 7.73 billion tonnes under the JORC Standard, representing a decrease of 0.29 billion tonnes as compared with that of the end of 2019.

Unit: '00 million tonnes

Mines	Coal reserve (under the PRC Standard)	Recoverable coal reserve (under the PRC Standard)	Marketable coal reserve (under the JORC Standard)
Shendong Mines	156.0	88.9	44.4
Zhunge'er Mines	37.9	30.2	19.5
Shengli Mines	19.9	13.5	1.8
Baorixile Mines	13.5	11.3	11.6
Baotou Mines	0.5	0.3	0.0
Xinjie Mines (under exploration rights permit to Taigemiao North Area)	64.2	/	/
Others	4.8	/	/
Total	296.8	144.2	77.3

Note: As of 31 December 2020, the marketable coal reserve of Baotou Mines under the JORC Standard was 547 thousand tonnes.

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

No.	Mines	Major types of coal	Calorific value of major commercial coal products *kcal/kg*	Sulphur Content *%*	Ash content *average, %*
1	Shendong Mines	Long flame coal/ non-caking coal	5,000-5,800	0.2-0.6	5-18
2	Zhunge'er Mines	Long flame coal	4,700-5,300	0.4-0.6	18-26
3	Shengli Mines	Lignite	2,900-3,100	0.7-0.8	18-22
4	Baorixile Mines	Lignite	3,500-3,700	0.15-0.3	12-15
5	Baotou Mines	Long flame coal/non-caking coal	4,300-4,800	0.5-1.0	10-15

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

(5) Operating results

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

		2020	2019	Change %	Main reasons for changes
Revenue	RMB million	**190,029**	197,396	(3.7)	Decrease in average price of coal of the Group year-on-year
Cost of sales	RMB million	**(153,373)**	(157,224)	(2.4)	Decrease in sales volume and purchase price of purchased coal resulting in the reduction of the cost of purchased coal; decrease in volume of coal transported through national railways resulting in a reduction in transportation costs
Gross profit margin	%	**19.3**	20.4	Decreased by 1.1 percentage points	
Profit from operations	RMB million	**29,832**	33,188	(10.1)	
Profit margin from operations	%	**15.7**	16.8	Decreased by 1.1 percentage points	

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

	2020				2019			
	Revenue *RMB million*	**Costs** *RMB million*	**Gross profit** *RMB million*	**Gross profit margin** *%*	Revenue *RMB million*	Costs *RMB million*	Gross profit *RMB million*	Gross profit margin *%*
Domestic	**182,082**	**139,976**	**42,106**	**23.1**	188,052	142,718	45,334	24.1
Export and overseas	**999**	**828**	**171**	**17.1**	2,450	1,987	463	18.9
Total	**183,081**	**140,804**	**42,277**	**23.1**	190,502	144,705	45,797	24.0

③ Unit production cost of self-produced coal

Unit: RMB/tonne

	2020	2019	Change %	Main reasons for changes
Unit production cost of self-produced coal	**139.6**	134.8	3.6	
Raw materials fuel and power	**27.1**	26.2	3.4	The increase in depth of exploration led to the increase of related costs
Personnel expenses	**27.8**	27.0	3.0	Larbor cost increased in certain coal mines
Repairs and maintenance	**9.4**	9.4	0.0	
Depreciation and amortisation	**18.8**	17.4	8.0	Increase in fixed assets of coal mines
Other costs	**56.5**	54.8	3.1	Increase mineral engineering fee and washing and processing fees year-on-year

Other costs consist of the following three components: (1) expenses directly related to production, including coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for 63%; (2) auxiliary production expenses, accounting for 21%; (3) land requisition and surface subsidence compensation, environmental protection expenses and tax, accounting for 16%.

④ Cost of coal purchased from third parties

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

In 2020, sales volume of coal purchased by the Group from third parties was 150.4 million tonnes (2019: 162.3 million tonnes), representing a year-on-year decrease of 7.3%, accounting for 33.7% of the Group's total sales volume of coal (2019: 36.3%). The costs of coal purchased from third parties for the year was RMB48,742 million (2019: RMB53,831 million), representing a year-on-year decrease of 9.5%.

2. Power segment

(1) *Production and operations*

In 2020, the Group strengthened its marketing measures to improve the stable operation of the units and the power generation efficiency has remained stable. The Group realised a total power generation of 136.33 billion kWh and a total power sales of 127.65 billion kWh throughout the year, accounting for 1.7% of 751.1 billion kWh of the total power consumption of the society in the corresponding period. In active response to the market-based reform of power, the market-based transaction power and power sales business developed rapidly. During the year, the Group has realised 67.54 billion kWh of market-based transaction power with a proportion of the total power output dispatch increased by 52.9%.

(2) *Power consumption and power tariffs*

Power type/ operation location	Gross power generation *(billion kWh)*			Total power output dispatch *(billion kWh)*			Power tariff *(RMB/mWh)*		
	2020	2019	Change %	**2020**	2019	Change %	**2020**	2019	Change %
(I) coal-fired power	**131.85**	135.18	(2.5)	**123.27**	126.54	(2.6)	**327**	332	(1.5)
Hebei	**22.84**	25.73	(11.2)	**21.43**	24.18	(11.4)	**320**	317	0.9
Shaanxi	**26.07**	26.53	(1.7)	**23.88**	24.37	(2.0)	**277**	277	(0.0)
Guangdong	**21.68**	21.11	2.7	**20.21**	19.69	2.6	**365**	389	(6.2)
Fujian	**14.34**	13.21	8.6	**13.74**	12.65	8.6	**347**	345	0.6
Inner Mongolia	**7.59**	7.44	2.0	**6.90**	6.74	2.4	**224**	229	(2.2)
Henan	**4.41**	5.18	(14.9)	**4.12**	4.88	(15.6)	**301**	308	(2.3)
Sichuan	**3.96**	3.87	2.3	**3.60**	3.52	2.3	**382**	392	(2.6)
Chongqing	**5.64**	6.55	(13.9)	**5.40**	6.26	(13.7)	**360**	353	2.0
Shandong	**10.21**	10.86	(6.0)	**9.72**	10.35	(6.1)	**343**	348	(1.4)
Guangxi	**3.20**	2.32	37.9	**3.04**	2.19	38.8	**309**	344	(10.2)
Jiangxi	**10.33**	10.78	(4.2)	**9.86**	10.31	(4.4)	**363**	359	1.1
Indonesia	**1.58**	1.60	(1.3)	**1.37**	1.40	(2.1)	**523**	523	0.0
(II) gas-fired power	**3.84**	3.90	(1.5)	**3.75**	3.81	(1.6)	**563**	573	(1.7)
Beijing	**3.84**	3.90	(1.5)	**3.75**	3.81	(1.6)	**563**	573	(1.7)
(III) hydropower	**0.64**	0.70	(8.6)	**0.63**	0.68	(7.4)	**232**	229	1.3
Sichuan	**0.64**	0.70	(8.6)	**0.63**	0.68	(7.4)	**232**	229	1.3
Subtotal	**136.33**	139.78	(2.5)	**127.65**	131.03	(2.6)	**334**	338	(1.2)
Other	**–**	13.77	–	**–**	13.01	–	**–**	–	–
Total	**136.33**	153.55	(11.2)	**127.65**	144.04	(11.4)	**–**	–	–

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

(3) Installed capacity

At the end of the reporting period, the total installed capacity of power generation of the Group reached 32,279MW, among which, the total installed capacity of the coal-fired power generators was 31,204MW, accounting for 2.5% of the total installed capacity of thermal power generators of the society (being 1.25 billion kW).

Unit: MW

Power type	Gross installed capacity as at 31 December 2019	Installed capacity increased/ (decreased) during the reporting period	**Gross installed capacity as at 31 December 2020**
Coal-fired power	29,954	1,250	**31,204**
Gas-fired power	950	0	**950**
Hydro power	125	0	**125**
Total	31,029	1,250	**32,279**

In 2020, the Group's variation of installed capacity for coal-fired power generating units are as follows:

Unit	**Location**	**Newly installed capacity** *MW*	**Description**
No. 5, 6 Unit of Phase III of Jinjie Coal and Power Integration Project	Shaanxi	1,320	Operation of newly-added generating unit
Unit No. 4 of Taishan Power	Guangdong	30	Reduction in consumption, transform and increase in capacity
Unit No. 1, 2 of Shenhua Shendong Power Chongqing Wanzhou Harbor Co., Ltd.	Chongqing	(100)	Adjustment in accordance with the approved capacity of generating unit of power business license
Total	–	1,250	–

As at the end of 2020, the major coal-fired power generating units under construction and approved but not yet constructed by the Group are as follows:

Project	**Location**	**Planned installed capacity**
Inner Mongolia Shengli Power Plant	Inner Mongolia	2×660 MW
Phase I of Hunan Yongzhou Power Plant Project	Hunan	2×1,000 MW
Sichuan Jiangyou Coal Reserves Power Integration Project	Sichuan	2×1,000 MW
Fujian Luoyuanwan Port Power Storage Integration Project	Fujian	2×1,000 MW
Guangxi Beihai Thermal Power Plant Project	Guangxi	2×1,000 MW

(4) Utilisation rate of power generation equipment

The average utilisation hours of coal-fired generators of the Group reached 4,412 hours for the year of 2020, representing a year-on-year decrease of 173 hours and 4,340[1] hours above the national average utilisation hours (being 72 hours) of coal-fired power plant equipment with capacity of 6,000kW and above.

Power type	**Average utilisation hours** *(Hour)*			**Power consumption rate of power plant** *(%)*		
	2020	2019	Change %	**2020**	2019	Change
Coal-fired power (includes Gangue-fired Power Plant)	**4,412**	4,585	(3.8)	**5.73**	5.73	–
Gas-fired power	**4,045**	4,092	(1.1)	**1.67**	1.72	Decreased by 0.05 percentage point
Hydro power	**5,124**	5,567	(8.0)	**0.30**	0.26	Increased by 0.04 percentage point
Weighted average	**4,403**	4,574	(3.7)	**5.59**	5.60	Decreased by 0.01 percentage point

Source: China Electricity Council

(5) Market Transaction of Power

	2020	2019	Change %
Total volume of power in market-based transactions *(billion kWh)*	**67.54**	41.72	61.9
Total volume of on-grid power *(billion kWh)*	**127.65**	144.04	(11.4)
Percentage of the power in market-based transactions *(%)*	**52.9**	29.0	Increased by 23.9 percentage points

(6) Operation results of the power sales business

The Group owns three power sales companies located in Shandong, Jiangsu and Guangdong, respectively. The principal operation model is to make profit through the price difference between sales and purchase of electricity, to provide customers with value-added services, including preventive test of transformers, insulation test, energy-saving diagnosis, power consumption related data, etc.. The provision of value-added services has positive impact on the Group's development of the electricity market and enhancement of its competitiveness.

In 2020, the power output dispatch of purchased electricity sold by the above three power sales companies was 6.51 billion kWh, achieving total income of RMB208 million with total operating cost of RMB96 million.

No.	**Province of the power sales companies**	**Sold power** *Billion kWh* **2020**	2019	**Average selling price of sold power (excluding tax)** *RMB/MWh* **2020**	2019
1	Shandong	**0.69**	0.37	**339**	332
2	Jiangsu	**4.76**	2.82	**367**	370
3	Guangdong	**1.06**	1.19	**371**	372

(7) Capital Expenditure

In 2020, the total capital expenditure of the power generation segment was RMB7,766 million, mainly for the following items:

Unit: RMB Million

No.	Name of Project	The contribution amount for the Reporting Period	Percentage of accumulated in project accounting for the total budget as of the end of the Reporting Period %
1	Sichuan Jiangyou Coal Reserves Power Integration Project (2×1,000MW)	1,575	66
2	Phase I of Hunan Yongzhou Project(2×1,000MW)	1,169	35
3	Shaanxi Jinjie Coal Power Integration Project (2×660MW)	965	76
4	Phase I of Inner Mongolia Shengli Power Plant Construction(2×660MW)	488	31
5	Fujian Luoyuan Bay Port Power Storage Integration Project Power Plant Construction(2×1,000MW)	234	37

(8) Operation results

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

		2020	2019	Change %	Main reasons for changes
Revenue	RMB million	**49,486**	52,626	(6.0)	Exclusion of the investment in the establishment of the power plant contributed by Beijing GD Power in the consolidation of the Group's account from February 2019; decrease in electricity sales and average electricity price year-on-year
Cost of sales	RMB million	**(38,729)**	(40,540)	(4.5)	Decrease in coal-fired costs of power plants
Gross profit margin	%	**21.7**	23.0	Decreased by 1.3 percentage points	
Profit from operations	RMB million	**7,976**	9,779	(18.4)	
Profit margin from operations	%	**16.1**	18.6	Decreased by 2.5 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	**2020**	**2019**	**Change**	**2020**	**Percentage to total cost of sale of power in 2020**	2019	Percentage to total cost of sale of power in 2019	Change in 2020 over 2019
			%		%		%	%
Coal-fired power	**42,188**	49,125	(14.1)	**33,084**	**93.9**	37,411	94.1	(11.6)
Gas-fired power	**2,111**	2,338	(9.7)	**2,074**	**5.9**	2,282	5.7	(9.1)
Hydro power	**146**	156	(6.4)	**88**	**0.2**	91	0.2	(3.3)
Wind power	**0**	0	N/A	**0**	**0.0**	1	0.0	(100.0)
Total	**44,445**	51,619	(13.9)	**35,246**	**100.0**	39,785	100.0	(11.4)

The Group's cost of sale of power is mainly comprised of such costs as raw materials, fuel and power, personnel expenses, depreciation and amortisation and other costs. repairing and maintenance, The unit cost of power output dispatch of the Group in 2020 was RMB276.1/MWh (2019: RMB276.2/MWh).

The power segment consumed a total of 47.8 million tonnes of China Shenhua's coal, accounting for 82.6% of the total thermal coal consumption (being 57.9 million tonnes), representing a year-on-year decrease of 4.4 percentage points, primarily due to the relatively low procurement price of purchased coal in the second quarter of 2020 and the increase in coals purchased by the power plant.

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

	2020		2019		Change
	Costs	**Percentage**	Costs	Percentage	in costs
	RMB million	*%*	*RMB million*	*%*	*%*
Raw materials, fuel and power	**23,103**	**69.9**	26,802	71.7	(13.8)
Personnel expenses	**2,265**	**6.8**	2,328	6.2	(2.7)
Repairs and maintenance	**1,989**	**6.0**	1,862	5.0	6.8
Depreciation and amortisation	**4,742**	**14.3**	5,133	13.7	(7.6)
Others	**985**	**3.0**	1,286	3.4	(23.4)
Total cost of sale of power of coal-fired power plant	**33,084**	**100.0**	37,411	100.0	(11.6)

3. Railway segment

(1) Production and operations

In 2020, the Group has actively implemented the state policy of "road to railway", promoted the construction of Huangda Railway, special lines and connect lines, and continuously optimized the road network layout. The Group promoted the market reforms of the self-owned railways to expand new customers and market, and ensured an adequate and stable supply of goods. The non-coal transportation business has been continuously developed, the cargo transportation volume of noncoal was 20.8 million tonnes, representing a year-on-year increase of 31.4% while reverse transportation volume of iron ore, manganese ore was 14.3 million tonnes, representing a year-on-year increase of 51.2%. During the year, the turnover volume of self-owned railways of the Group reached 285.7 billion tonne km (2019: 285.5 billion tonne km), representing a year-on-year increase of 0.1%.

Huangda Railway commenced trial operation in December 2020.

(2) Operation results

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

		2020	2019	Change %	Main reasons for changes
Revenue	RMB million	**38,723**	39,701	(2.5)	Increase in freight turnover of railway lines with relatively low freight rates
Cost of sales	RMB million	**(20,304)**	(20,641)	(1.6)	
Gross profit margin	%	**47.6**	48.0	Decreased by 0.4 percentage point	
Profit from operations	RMB million	**16,636**	17,360	(4.2)	
Profit margin from operations	%	**43.0**	43.7	Decreased by 0.7 percentage point	

In 2020, the unit transportation cost in the railway segment was RMB0.066/tonne km (2019: RMB0.067/tonne km), representing a year-on-year decrease of 1.5%.

4. Port segment

(1) Production and operations

In 2020, the port segment of the Group fully promoted the improvement of equipment capability and efficiency, and the efficiency of loading volume was continuously enhanced. During the year, the accumulated loading volume of vessels at Huanghua Port and Shenhua Tianjin Coal Dock was 249.2 million tonnes (2019: 244.4 million tonnes), representing a year-on-year increase of 2.0%. The Group further promoted the construction of smart and green ports. Huanghua Port has become the first coal port in the world to achieve intelligent management and control of turning-stacking-fetching-loading full-process equipment, and the operation quality and efficiency have been significantly improved. The Group has achieved intelligent and precise management and control in sprinkling and dust suppression, and the total water consumption, storage yard and dumpers water consumption are significantly reduced. The rain and sewage treatment rate and reuse rate of Tianjin Coal Dock reached 100%.

Ports capacity improvement project prompted steadily. The 70 thousand-tonne round-way channel construction of Huanghua Port passed the navigation safety evaluation and other preliminary work, and the construction of break-bulk berths and oil terminals promoted steadily. The project preliminary approval work of Zhuhai Coal Dock No. 6 Storage Yard was completed.

(2) Operation results

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

		2020	2019	Change %	Main reasons for changes
Revenue	RMB million	**6,359**	5,926	7.3	Increase in loading volume of vessels at the ports
Cost of sales	RMB million	**(3,314)**	(3,064)	8.2	Increase in loading volume of vessels at the ports and the increase in dredging business volume resulting in an increase in related costs
Gross profit margin	%	**47.9**	48.3	Decreased by 0.4 percentage point	
Profit from operations	RMB million	**2,678**	2,536	5.6	
Profit margin from operations	%	**42.1**	42.8	Decreased by 0.7 percentage point	

The unit transportation cost in the port segment was RMB10.1/tonne in 2020 (2019: RMB10.5/tonne), representing a year-on-year decrease of 3.8%.

5. Shipping segment

(1) Production and operations

In 2020, the shipping segment of the Group overcame unfavorable situation of market downturn. The Group actively expanded external market and promoted non-coal transportation provided that the transport demand of power plants within the Group and the port logistics of coal in self-own port is guaranteed. The shipping volume for the year was 113.0 million tonnes (2019: 109.8 million tonnes), representing a year-on-year increase of 2.9% while shipment turnover amounted to 93.0 billion tonne nautical miles (2019: 89.6 billion tonne nautical miles), representing a year-on-year increase of 3.8%.

(2) Operation results

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

		2020	2019	Change %	Main reasons for changes
Revenue	RMB million	**3,112**	3,297	(5.6)	Decrease in freight rates
Cost of sales	RMB million	**(2,755)**	(2,913)	(5.4)	Decrease in vessel rental charges resulting in a decrease in external transportation costs; decrease in fuel price resulting in a decrease in fuel costs
Gross profit margin	%	**11.5**	11.6	Decreased by 0.1 percentage point	
Profit from operations	RMB million	**209**	232	(9.9)	
Profit margin from operations	%	**6.7**	7.0	Decreased by 0.3 percentage point	

In 2020, the unit transportation cost of the shipping segment was RMB0.030/tonne nautical mile (2019: RMB0.032/tonne nautical mile), representing a year-on-year decrease of 6.3%.

6. Coal chemical segment

(1) Production and operations

The coal chemical business of the Group comprises the coal-to-olefins project of Baotou Coal Chemical (Phase I). 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 byproducts including industrial sulfur, mixed C5, industrial propane, mixed C4, industrial methanol, etc.. The methanol-to-olefins (MTO) equipment of the coal-to-olefins project was the first large-scale MTO equipment in China.

In 2020, Baotou Coal Chemical strived to overcome the impact of unfavorable factors such as fluctuations in international crude oil prices and the COVID-19 pandemic, made overall arrangement in production load, adjusted product structure in a timely manner, carried out R&D of new products, and hit a record high in the production and sales of polyolefin products. Throughout the year, the coal-to-olefins facilities had maintained stable and consecutive operation for 8,760 hours, with the average production capacity reaching 100%, and produced 700.5 thousand tonnes (2019: 615.7 thousand tonnes) of polyolefin products in aggregate, representing a year-on-year increase of 13.8%. Product quality continued to improve, and the cumulative pass rates of polyethylene and polypropylene products reached 98.96% and 100%, respectively. Polypropylene S2040 high melt index spinning material, the raw material for the production of medical protective products such as masks and protective clothing, has passed the US Food and Drug Administration (FDA) testing, national standard testing and EU RoHS testing. Significant results have been achieved in energy conservation and consumption reduction, with the lowest level of the comprehensive energy and water consumption per unit product in history.

The Baotou coal-to-olefins upgrade and demonstration project has been in the preparation stage, and the environmental impact assessment and approval work has been proceeding in an orderly manner.

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

	2020		2019		Change	
	Sales volume	**Price**	Sales volume	Price	Sales volume	Price
	Thousand tonnes	***RMB/ tonne***	*Thousand tonnes*	*RMB/ tonne*	*%*	*%*
Polyethylene	**356.9**	**5,459**	319.0	6,292	11.9	(13.2)
Polypropylene	**331.2**	**6,015**	302.3	6,797	9.6	(11.5)

(2) Operation results

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

		2020	2019	Change %	Main reasons for changes
Revenue	RMB million	**5,165**	5,327	(3.0)	Decrease in sale price of olefin products
Cost of sales	RMB million	**(4,675)**	(4,693)	(0.4)	
Gross profit margin	%	**9.5**	11.9	Decreased by 2.4 percentage points	
Profit from operations	RMB million	**259**	311	(16.7)	
Profit margin from operation	%	**5.0**	5.8	Decreased by 0.8 percentage point	

(3) Unit production cost of major products

	2020		2019		Change	
	Production volume	**Unit production**	Production volume	Unit production	Production volume	Unit production
	Thousand tonnes	***RMB/ tonne***	*Thousand tonnes*	*RMB/ tonne*	*%*	*%*
Polyethylene	**360.4**	**5,079**	319.4	5,857	12.8	(13.3)
Polypropylene	**340.1**	**4,970**	296.3	5,759	14.8	(13.7)

(IV) Regional operation analysis

Unit: RMB million

	2020	2019
Revenue from external transactions in domestic markets	**227,539**	238,889
Revenue from external transactions in overseas markets	**5,724**	2,982
Total	**233,263**	241,871

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

The Group is mainly engaged in the production and sales of coal and power, railway, port and shipping transportation as well as coal-to-olefins businesses in the PRC. In 2020, the revenue from external transactions in domestic markets was RMB227,539 million, accounting for 97.5% of the Group's revenue; revenue from external transactions in overseas markets was RMB5,724 million, representing a year-on-year increase of 92.0%, mainly due to commencement of operation of the single unit business of Indonesia Java No. 7 Power Generating Project.

In 2020, the Company conducted international operation stably to promote the construction and operation of overseas projects. The Guohua Sumsel EMM Coal-fired Power Project (Phase I) (2 × 150MW) in Indonesia has been under safe and stable operation for many consecutive years with No. 1 unit under safe and stable operation for more than 1,300 days and both units for more than 660 days, winning two awards "Independent Power Generation Enterprise of the Year (Indonesia)" and "Environmental Protection Enterprise of the Year (Indonesia)". The No. 1 unit of Indonesia Java No. 7 Power Generating Project (2×1,050MW) has been under safe and stable operation with high load for 301 days consecutively after its commissioning, which has effectively improved the stability of the Java-Bali power system; the No. 2 unit has been completed in all aspects with high standards in September 2020. the Indonesia South Sumatra No. 1 Project in Indonesia (2×350MW) started construction in September 2020. The 29 gas wells of the shale gas project in Pennsylvania, the U.S. have been in normal production. Affected by the decline in international oil prices, the COVID-19 pandemic and the rare warm winter, the project has been in a state of loss in the current period, however, the risk is under control as the total investment can be fully recovered based on the calculation from the whole project cycle. Other external projects are in progress under the principle of stability and prudence.

(V) Analysis on Investments

The equity investments of the Company in 2020 amounted to RMB3,400 million (2019: RMB33,047 million), representing a significant year-on-year decrease, mainly due to the long-term equity investment in Beijing GD Power of RMB27,213 million recognized in the same period of the previous year. The equity investment in 2020 was mainly used to increase the capital of the Company's subsidiaries in coal, power and transportation to accelerate the project construction.

1. Material investment in equity interest

☐ Applicable ✔ Not applicable

2. Material investment in non-equity interest

☐ Applicable ✔ Not applicable

3. Financial assets at fair value

During the Reporting Period, the financial assets at fair value held by the Group were mainly bank wealth management products, US dollar-denominated forward purchases, thermal coal short selling and the non-tradable equity investments that have no significant impact on the investee.

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	33,334	0	(33,334)	323
Forward foreign exchange contracts	31	0	(31)	(1)
Futures trading	70	0	(70)	(12)
Other investments in equity instruments	1,789	1,845	56	0
Total	35,224	1,845	(33,379)	310

(1) Thermal coal futures

In 2020, the Group has completed the delivery of 1.52 million tons of thermal coal futures with 2,000 tons of thermal coal futures offset. As of 31 December 2020, the Group has no thermal coal futures.

(2) USD debt hedging

In order to avoid the USD debt risk, the Group used financial derivatives to make exchange rate hedge against the debt of USD150 million. As of 31 December 2020, the above financial derivatives had all been delivered.

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

(VI) Disposal of material assets and equity interest

☐ Applicable ✔ Not applicable

(VII) Analysis on major holding and associated companies

1. Major subsidiaries

Unit: RMB million

No.	Company	Registered capital	Total assets	Net assets	Net profit attributable to the equity holders of the parent company			
		As at 31 December 2020			2020	2019	Change %	Main reasons for changes
1	Shendong Coal	4,989	31,927	22,971	10,528	12,945	(18.7)	Decrease in sales volume and average price of coal, and increase in enterprise income tax
2	Shuohuang Railway	15,231	42,554	34,479	7,668	7,601	0.9	
3	Jinjie Energy	2,278	10,604	8,835	2,959	3,211	(7.8)	
4	Zhunge'er Energy	7,102	41,802	34,518	1,291	2,769	(53.4)	Decrease in transportation turnover of railway and the decrease average price of coal
5	Trading Group	1,889	21,223	7,841	1,835	2,514	(27.0)	Decrease in sales volume and average price of coal
6	Huanghua Harbour Administration	6,790	13,789	11,091	1,542	1,391	10.9	
7	Beidian Shengli	2,858	6,674	4,644	743	28	2,553.6	Reduction in production affected by the approval cycle for mining land use resulting in a lower coal production in 2019, and the increase in sales volume and average price of coal in 2020
8	Baotou Energy	2,633	7,028	5,810	515	963	(46.5)	Decrease in sales volume and average price of coal, and increase in enterprise income tax
9	Shenbao Energy	1,169	6,037	4,533	790	935	(15.5)	Decrease in coal production and sales
10	Indonesia Java	2,540	13,703	3,993	778	(9)	(8,744.4)	Indonesia Java No. 7 power generating single unit business operation project

Notes:

(1) The financial information of the major subsidiaries in the above table was prepared in accordance with the China Accounting Standards for Business Enterprises. The data have not been audited or reviewed.

(2) Shendong Coal recorded a revenue of RMB53,364 million and a profit from operations of RMB14,085 million in 2020.

(3) Shuohuang Railway recorded a revenue of RMB20,585 million and a profit from operations of RMB10,259 million in 2020.

2. Major companies in which the Company has invested

After the deconsolidation of Finance Company, the Finance Company was directly and indirectly owned 40% by the Company, and 60% by China Energy, the controlling shareholder of the Company. The provision of financial services by the Finance Company to the Group constitutes connected/related party transactions of the Company.

(1) Major financial indicators of the Finance Company

	Unit	**2020**	2019	Change %
Revenue	RMB million	**3,547**	3,131	13.3
Total profit	RMB million	**1,318**	1,443	(8.7)
Net profit	RMB million	**1,020**	1,078	(5.4)

		31 December 2020	31 December 2019	Change %
Total asset	RMB million	**105,607**	118,251	(10.7)
Total liability	RMB million	**83,136**	110,068	(24.5)
Ownership interest	RMB million	**22,471**	8,183	174.6

Note: The financial data of the above table is prepared in accordance with the PRC Accounting Standards for Business Enterprises and has been audited.

(2) Major risk indicators of Finance Company

No.	**Indicators**	**Completion in 2020**	Compliant with regulatory requirements or not
1	Capital adequacy rate not lower than 10%	**24.75%**	Yes
2	Non-performing asset rate not higher than 4%	**0.00%**	Yes
3	Non-performing loan rate not higher than 5%	**0.00%**	Yes
4	Capital loss coverage ratio not lower than 100%	**2,955.36%**	Yes
5	Loan loss coverage ratio not lower than 100%	**2,951.33%**	Yes
6	Liquidity ratio not lower than 25%	**38.06%**	Yes
7	Ratio of self-owned fixed assets not higher than 20%	**0.07%**	Yes
8	Ratio of investment (against total capital) not higher than 70%	**44.32%**	Yes
9	Inter-bank borrowing ratio not higher than 100%	**0.00%**	Yes
10	Guarantee ratio not higher than 100%	**0.01%**	Yes

(3) Deposits and loans of Finance Company

Unit: RMB million

	As of 31 December 2020	As of 31 December 2019	Change (%)
Balance of deposits	82,866	109,512	(24.3)
Of which: balance of deposits of the Group	19,726	77,328	(74.5)
Balance of loans	76,264	43,003	77.3
Of which: balance of loans of the Group	24,046	17,725	35.7

(VIII) Structured Vehicle Controlled by the Company

☐ Applicable ✔ Not applicable

(IX) Compliance with Relevant Laws and Regulations

So far as the Board and management of the Company are aware, the Group has complied in all material aspects with the relevant laws and regulations that are related to the business and operation of the Group. In 2020 there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

(X) Relationship with Stakeholders

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

The Group attaches great emphasis on good relationships with stakeholders such as customers, suppliers and other business partners to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business updates with them when appropriate. For details, please refer to the 2020 ESG Report of the Company.

In 2020, there was no material dispute between the Group and its stakeholders.

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

(I) Competition and Development Trend in the Industry

(I) Macro economy

2020 is an extraordinary year in the history of the new China. Confronted with a complex international environment and an arduous task of domestic reform, development and stability, especially the severe impact of the COVID-19 epidemic, the Chinese government has led the country, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, maintained strategic focus, accurately judged the situation, carefully planned, acted decisively, coordinated both the domestic and international situations, coordinated the prevention and control of the epidemic and economic and social development, continuously persisted with "Four Confidences", exploited the advantages of the system of tackling major events with centralized power, overcome all the difficulties and achieve great success, achieve decisive achievements in the three tough battles, achieved significant progress in scientific innovation, made major breakthroughs in reform and opening up and effectively guaranteed people 's livelihood. The Gross Domestic Product (GDP) for the year has seen a year-on-year increase of 2.3%. The Consumer Price Index (CPI) has seen a year-on-year increase of 2.5%. The Producer Price Index for Industrial Products (PPI) has seen a year-on-year decrease of 1.8%.

In 2021, the Chinese government will adhere to the general principle of making progress while ensuring stability, secure the continuity, stability and sustainability of macro policies, base the new development stage, adhere to new development ideologies, forge a new development landscape and promote high-quality development. The Chinese government will continue to deepen the result of the supply-side structural reform, take reform and innovation as the fundamental driving force, consolidate and expand the prevention and control of the epidemic and economic and social development achievements, better coordinate development and safety, exert all efforts on "stability on the six fronts", fully implement "security in the six areas" and strive to keep the economic operation in a reasonable range.

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

2. Market environment of the coal industry

(1) Thermal coal market in the PRC

Review of 2020

In 2020, the domestic coal market maintained fundamental balance in terms of supply and demand. Due to a number of factors, there may be loose or tight supply in some periods and regions and the price fluctuation increases. As of the end of 2020, the price index of Bohai Bay thermal coal (5,500 kcal) was RMB585/tonne, increasing by RMB34/tonne compared with the end of the previous year; the average value of the price index was RMB549/tonne, decreasing by RMB24/tonne compared with the previous year. The fluctuation of the spot price of coal intensifies.

	2020	Year-on-year change %
Raw coal production volume above national scale *(100 million tonnes)*	38.4	0.9
Coal import *(100 million tonnes)*	3.0	1.5
National coal transportation volume by railway *(100 million tonnes)*	23.6	(4.1)

In respect of the supply side, the production enterprises of coal have actively responded to the epidemic, coordinated and promoted the prevention and control of the epidemic and the resumption and achievement of production and maintained a relatively high level of coal production. With the continuous advancement of the supply-side structural reform of the coal industry, the safety and environmental protection inspections of the coal industry has been normalized, high-quality coal production capacity has been continuously released and the coal production volume has further concentrated in the main production areas. In 2020, the raw coal production volume above national scale reached 3.84 billion tonnes, representing a year-on-year increase of 0.9%. The raw coal production volume in Inner Mongolia, Shanxi and Shaanxi accounted for 71.4% of the national output, representing an increase of approximately 0.9 percentage points over the previous year. Among them, the raw coal production of Shanxi was 1,060 million tonnes, representing a year-on-year increase of 8.2%; as affected by policy factors such as resources, environmental protection and safety, the raw coal production of Inner Mongolia was 1,000 million tonnes, representing a year-on-year decrease of 7.8%; the raw coal production of Shaanxi was 680 million tonnes, representing a year-on-year increase of 6.3%. The total output of Shanxi, Shaanxi and Inner Mongolia increased by 36.871 million tonnes, which was 108.9% of the national increase. The coal supply channel was smoother. The coal transportation volume through railways in China was 2,360 million tonnes, representing a year-on-year decrease of 4.1%. The transportation volume of coal through major ports in China was 750 million tonnes, representing a year-on-year decrease of 3.7%.

The import volume of coal continued to grow, and the total import volume of coal throughout the year amounted to 300 million tonnes, representing a year-on-year increase of 1.5%.

In respect of the demand side, in early 2020, the epidemic threw an impact on the economy and the demand for coal declined. Since the second quarter of the year when China had achieved significant results in the prevention and control of the epidemic as well as economic and social development, the economy has been steadily recovering and the coal demand has been rising. Demand for coal has increased significantly since the winter, driven by factors such as economic recovery and weather conditions. Total consumption of coal of the nation increased slightly by 0.5%, while the consumption of coal by the power industry has increased year-on-year by 0.8%, accounting for 52.9% of the national total consumption of coal. The coal consumption in the steel, building materials and chemical industries recorded rapid growth.

Prospects for 2021

In 2021, the promotion of high-quality development serves the key theme of the PRC's economy and society. The recovery growth of the macro economy will play a supporting role in energy consumption, the coal consumption is expected to maintain a small increase, and the coal consumption structure will be further optimized. The effect of "structural de-capacity and systematic capacity optimization" of coal will continue to emerge, and the utilisation rate of coal production capacity will improve. Coal imports are expected to remain generally stable. The capacity of major coal rail transportation channels will be sufficient, and domestic coal supply will be stable.

Overall, the supply and demand of coal are expected to be practically balanced in 2021. However, subject to factors including environmental protection safety crackdown, seasonal fluctuations and unexpected events, there may be structural tight supply in certain periods and regions.

(2) Thermal coal market in the Asia Pacific region

Review of 2020

In 2020, affected by the epidemic, global industrial production slowed down and energy demand declined. Under the influence of factors including environmental protection agreements such as carbon reduction, fossil energy continued to fall short of expectations and the proportion of coal in primary energy continued to decline. The Asia Pacific region remains the focus of global coal consumption. In the second half of the year, with the economic recovery of some countries, especially China, industrial activities accelerated and the demand for coal consumption rebounded.

As a result of the decrease in demand, the import volume from the major importers of coal showed a decreasing trend throughout the year. India imported 216 million tonnes of coal for the year, representing a year-on-year decrease of 11.0%; Japan imported 174 million tonnes of coal for the year, representing a year-on-year decrease of 6.8%; Korea imported 141 million tonnes of coal for the year, representing a year-on-year decrease of 12.7%. Indonesia, Australia and Russia were still the major exporters of coal. India exported 407 million tonnes of coal for the year, representing a year-on-year decrease of 11.3%; Australia exported 358 million tonnes of coal for the year, representing a year-on-year decrease of 7.7%; Russia exported 191 million tonnes of coal for the year, representing a year-on-year increase of 1.6%.

Global coal price dropped first and then rose, the spot price of Newcastle NEWC thermal coal dropped to a low of US$47.53/tonne during the year and rebounded to US$83.72/tonne at the end of the year, representing an increase of 29.2% as compared to the beginning of the year.

Prospects for 2021

In 2021, there is still some uncertainty in the global economic recovery, and the fluctuation of coal market will be mainly dominated by demand. South Asia and Southeast Asia, affected by the growth of power demand, are still the main force of coal demand growth. Indonesia and Australia will continue to be the major coal suppliers in the Asia Pacific region. Russia and Mongolia have growth potential in coal exports, while the US coal exports are expected to continue to decline.

It is expected that in 2021 the supply in global coal market will be loose as a whole, and there may be tight supply for a short time due to demand fluctuations in certain periods and regions.

3. Market environment of the power industry

Review of 2020

In 2020, after the impact at the beginning of the year, the national power consumption demand gradually picked up in the second quarter, and the growth rate of the whole social electricity consumption in the fourth quarter stood higher than that in the same period of last year. In the whole year, the power supply capacity was generally loose, the installed capacity of renewable energy grew rapidly, and the scope and proportion of market transaction of power were further expanded.

The total electricity consumption for the year was 7,511.0 billion kWh, representing a year-on-year increase of 3.1%, and the growth rate decreased by 1.4 percentage points as compared with that of last year. The generating capacity of power plants above national scale was 7,417.4 billion kWh, representing a year-on-year increase of 2.7%, and the growth rate decreased by 2.0 percentage points as compared with that of last year. Among them, thermal power generated 5,279.9 billion kWh, representing a year-on-year increase of 1.2%, and accounting for 71.1% of the power generation in the PRC, which was 2.2 percentage points higher than that of the previous year. The average utilisation hours of power generation equipment of power plants with capacity of 6,000 kW and above in the PRC was 3,758 hours, decreasing by 70 hours year-on-year. Among them, the average utilisation time of thermal power equipment was 4,216 hours, decreasing by 92 hours year-on-year. The average utilisation hours of hydropower were 3,827 hours, representing a year-on-year increase of 130 hours.

The installed capacity of renewable energy increased significantly, and the proportion of the installed capacity of thermal power generation decreased. In 2020, the new installed capacity of power supply in China was 190.87 million kW, including 56.37 million kW of thermal power, accounting for 29.5% of the total annual installed capacity, and 133.10 million kW of hydropower, wind power and solar power, accounting for 69.7% of the total annual installed capacity. By the end of 2020, the installed capacity of power generation equipment in China was 2.20 billion kW, an increase of 9.5% over the end of last year. Among them, thermal power was 1.25 billion kW, accounting for 56.6% of the total installed capacity, which was 2.6 percentage points lower than that at the end of last year.

In 2020, the power market-oriented reform was progressing rapidly and deeply, the market participants continued to increase, the market openness was significantly improved, and the market vitality was further released. The market electricity accumulated trading volume of all trading center across the whole country is 3,166.33 billion kWh, accounting for 42.2%% of the total electricity consumption of the whole society; the medium and long-term power direct trading volume of the electricity market is 2,475.99 billion kWh, accounting for 33.0% of the total electricity consumption of the whole society.

Prospects for 2021

The stable operation of macro economy in 2021 will support the growth of electricity demand. The overall power supply capacity is surplus. Affected by extreme factors such as weather, there may be power shortage in certain areas and periods. The installed capacity of non-fossil energy will keep growing, and the development space of thermal power will further incline to high-parameter power generation units with large capacity. The scale of direct electricity trading will be further expanded, the number of medium and long-term contracts will be increased, and the short-term market competition pressure will gradually go down.

(II) Development Strategy of China Shenhua

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company fully implemented the spirit of the 19th CPC National Congress and the second, third, fourth and fifth plenary sessions of the 19th CPC National Congress, responded to the great call of "socialism is realized by earnest work", adhered to the general working tone of seeking progress while ensuring stability, implemented the new strategy for energy security highlighting "four reform and one cooperation", closely followed the requirements of the State-owned Assets Supervision and Administration Commission of the State Council to create a world-class model enterprise - "three services, three practical and three bans", and implemented the overall development strategy requirements of "One target, Three Model and Five Strategies and Seven First-class" of China Energy Group. Taking the promotion of high-quality development as the theme, deepened supply-side structural reforms as the main line, reforms and innovation as the fundamental driving force, the Company adhered to the principles of strategic orientation, market orientation, value creation, green and low-carbon, transformed development concepts and methods, adjusted the industrial structure and layout, innovated systems and mechanisms as well as management models, ensured energy security and energy supply, enhanced its capability in scientific and technological innovation and investment profitability, continuously improved its competitiveness, innovation and risk resistance, and took the lead to build the world-class comprehensive energy listed company with global competitiveness.

(III) Business Targets for 2021

Item	Unit	Target of 2021	Actual amount in 2020	Increase/ (decrease) %
Commercial coal production	100 million tonnes	**2.84**	2.916	(2.6)
Coal sales	100 million tonnes	**4.76**	4.464	6.6
Gross power generation	100 million kWh	**1,350**	1,363.3	(1.0)
Revenue	RMB100 million	**2,426**	2,332.63	4.0
Cost of sales	RMB100 million	**1,704**	1,623.74	4.9
Selling, general and administrative expenses and net finance costs	RMB100 million	**125**	114.44	9.2
Percentage change of unit production cost of the self-produced coal	/	**Year-on-year increase of approximately 5%**	Year-on-year increase of 3.6%	/

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

The explanation of conditions under which the Company's net profit attributable to shareholders of the Company in the first quarter of 2021 is expected to reach a year-on-year change of 50% or above:

☐ Applicable ✔ Not applicable

(IV) Capital expenditure plan for 2021

Unit: RMB100 million

	Target of 2021	Actual amount in 2020
1. Coal segment	**74.48**	81.51
2. Power segment	**147.99**	77.66
3. Transportation segments	**92.06**	38.40
Of which: Railway	**79.29**	34.41
Port	**12.45**	3.88
Shipping	**0.32**	0.11
4. Coal chemical segment	**30.81**	5.64
5. Others	**10.48**	12.02
Total	**355.82**	215.23

Total capital expenditure of the Group in 2020 amounted to RMB21.523 billion, which were mainly used for the expenses in the prepayment of the mining rights costs, the purchase for the exploitation equipment for coal mines and the construction of the coal distribution system; the power generation projects under construction, such as Phase I of Hunan Yongzhou Project, Sichuan Jiangyou Coal Reserves Power Integration Project; the upgraded demonstration projects such as Huangda Railway construction and the coal-to-olefins project of Baotou Coal Chemical.

Based on the principles of strict control of investment and focusing on quality and efficiency, the Board of the Company approved a total planned capital expenditure of 2021 of RMB35.582 billion (excluding equity investment), including:

(1) Among the capital expenditures of the coal segment, RMB3.008 billion will be used in new construction as well as renovation and expansion projects (including the purchase of infrastructure-related equipment); RMB1.791 billion will be used in technical renovation for equipment purchase; RMB2.438 billion will be used in technical renovation for non-equipment purchases. The major investment projects include: the purchase of equipment for the capacity expansion project of Shengli No. 1 Open-pit Mines, the green and high-efficiency energy-saving heating project in the Shendong Mines, the second panel project in Guojiawan coal mine and etc.

(2) Among the capital expenditure of the power segment, RMB13.19 billion will be used in new projects (including the purchase of related equipment); RMB304 million will be used in technology renovation in environmental protection; RMB1.170 billion will be used in technology renovation in non-environmental protection. The major investment projects include: Fujian Luoyuan Bay Port Power Storage Integration Project (2×1,000MW), Sichuan Jiangyou Coal Reserves Power Integration Project (2×1,000MW), Guangxi Beihai Power Plant Project (2× 1,000MW) and etc.

(3) The capital expenditure of the railway segment will be mainly used for the Huangda Railway, the expansion renovation of 300-million-tonne capacity project of Shenshuo, and the purchase of railway locomotives, vehicles and other equipment.

(4) The capital expenditure of the coal chemical segment will be mainly used for coal-to-olefins upgrade demonstration project of Baotou Coal Chemical, coal coking project construction of Bayannur Energy and others.

The capital expenditure plans of the Group in 2021 are subject to the development of business plans (including potential acquisitions), progress of capital projects, market conditions, outlook for future operation environment and the obtaining of the requisite permissions and approval documents. Unless required by laws, the Company shall not assume any responsibilities for updating the data of its capital expenditure plans. The Company intends to finance its capital expenditures by cash generated from operating activities, short-term and long-term borrowings, and other debt and equity financing.

(V) Major risks faced and countermeasures

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

1. Risk of macroeconomic fluctuations

The industry in which the Group operates is closely correlated to the prosperity of the macro economy. Currently, with complex and severe external environment, there have been increased pressure on economic structure adjustment and economic downward pressure due to the impact of the COVID-19 pandemic. Besides, the reform and innovation in the energy sector will have a significant impact on the Group's development strategy.

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

2. Risk of safety production and environmental protection

The Group has established the production safety targets of preventing major and above production safety accidents as well as effectively curbing general accidents to achieve "zero deaths". Although the Group has been sustaining stable performance in safe production for its coal mines, there are uncertainties in the course of safe production. Given the facts that national policies on energy-saving and environmental protection have been further tightened, that local standards on ultra-low emissions are even stricter than national standards, that operating costs of enterprises are increased due to the levy of environmental tax, and that the demand for better ecological environment puts more stringent requirements on the development and operation of enterprises, the constraints on energy-saving, emission reduction and environmental protection are further imposed on the Group.

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

To cope with the risks of environmental protection, the Group continues to strengthen environmental monitoring, strictly adheres to the ecological red line, vigorously promotes the construction of green mines, focuses on the development strategy of clean energy, and takes the efficient development, use and conversion of clean coal as the core. The Group spares no effort in constructing ecological civilization through continuously strengthening its soft power of environmental protection and the brand image building of ultra-low emissions in coal power on an on-going basis. It continues to identify environmental hidden dangers, further improves the environmental risk pre-control management system and strengthens the identification, remediation of potential issues and environmental emergency management in order to achieve energy-saving and emission reduction targets as well as to prevent severe environmental pollution incidents.

3. Risk of market competition

In 2020, the energy consumption structure continued to be adjusted, the proportion of coal consumption kept declining, coal production continued to grow, coal enterprise mergers and reorganizations advanced on an ongoing basis, and the market competition intensified. As reforms of the electricity market accelerated, the proportion of power transactions continued to increase; the market competition intensified, and the transaction size and price were uncertain. The state has increased the construction of cross-provincial coal transportation railway channels, and local coal transportation railways have been putting into operation or under expansion. The coal transportation capacity will be gradually released, and the transportation formats tends to be diversified.

In response to the risks of market competition, the Group will improve the accuracy of the pre-judgment to coal market, strictly implement long-term contracts, enhance quality control, increase brand advantage on an ongoing basis, strengthen the development of new markets, maintenance of existing markets and construction of interchange bases, and deepen the comprehensive coordination of production, transportation, sales, storage and use. It will also further conduct quality improvement and efficiency enhancement in the power industry and conduct risk pre-control, production safety and power market transactions in compliance with laws and regulations; the Company will actively participate in investment in coal flowing channels of national railways, increase the collection and distribution capacity of railways owned by the Company and keep improving the core competitiveness of transportation of the Company.

4. Risk of international operations

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

To cope with the risk of international operations, the Group will further carry out overseas resource evaluation, operation performance evaluation and technology assessment based on sound information collection, analysis and research prior to making any decision on overseas project investment so as to ensure economic and technological feasibility. The Group will actively respond to the impact of the COVID-19 pandemic on overseas business, strengthen overseas risk screening, and take multiple measures to prevent and resolve risks. Furthermore, the Company will strengthen the cultivation and introduction of interdisciplinary talents to lay a solid cornerstone for its "Going Overseas" strategy.

5. Legal risk

The Group is large in size and has a long industrial chain with complicated and changeable risk factors. It is difficult to identify and prevent risks, which may trigger contract disputes and regulatory penalties. Changes in the international political and economic situation as well as the global spread of the COVID-19 pandemic have increased the legal compliance risks in the construction and operation of overseas projects.

To cope with the legal risk, the Group will optimize the legal risk prevention system on a continuous basis, carry out compliance risk identification and early warning in layers and categories, and use information technology to improve the effectiveness of compliance management. The Group will promote the "standardization of main business contracts", proceed the "layered listing supervision" mechanism for major cases, and improve the prevention and response capabilities for major legal cases. The Group will strengthen the compliance management of coal-fired power projects, such as project approval and licensing, and standardize the construction and operation of projects. The Group will enhance the follow-up research on overseas legal systems, conduct overseas legal investigations, monitor overseas legal compliance risks in a regular manner, and implement risk prevention and control measures.

6. Risk of project management

The overall progress of the Group's existing projects is stable, however, there are uncertainties to a certain extent in the construction of specific projects, which includes risks arising from safety incidents due to the inadequate fulfillment of safety responsibilities and the lack of safety awareness of some of the construction workers; risks of prolonged construction period, excessive changes, delayed construction period and increased investment due to insufficient project risk prediction and insufficient capacity of the design unit.

To cope with the risk of project management, the Group will strengthen its construction safety management, enforce its administration in safety emergency plans and eliminate major and more severe safety incidents. Strict control of project design and settlement will be implemented, and construction cost control at the early stage will be strengthened. Each project team will keep track, timely and comprehensively interpret the general information of the project, actively communicate with each participating unit and supplier, and formulate effective measures to reduce or eliminate the impact of the factors of phase expansion.

7. Risk of integrated operations

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

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

8. Policy risk

The business activities of the Group are affected by the national industrial control policies. Establishing the goal of "carbon peak and carbon neutrality ", the country has put forward new and higher requirements for the high-quality development of the energy industry. Policies stipulated to continue deepening the supply-side structural reform of the coal industry, actively promote the elimination of backward production capacity in the coal industry, accelerate the release of high-quality production capacity, and realise the conversion of new and old development momentum, may objectively affect the Company's industrial layout, the approval and operation of new and expansion projects, as well as the renovation of management models.

To cope with the risk of changes in industrial policies, the Group will strengthen the research on the latest national industrial policies and industry regulations, enhance policy coordination, reasonably match the investment scale of each sector, actively promote industrial upgrading and structural adjustment, and actively implement the "carbon peak and carbon neutrality "goals.

IV. REASONS AND CASES OF FAILURE OF DISCLOSURE IN ACCORDANCE WITH GUIDELINES BY THE COMPANY DUE TO NON-APPLICABLE GUIDELINES OR SPECIAL REASONS

☐ Applicable ✔ Not applicable

V. PERFORMANCE OF THE BOARD AND ITS SPECIAL COMMITTEES

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

VI. OTHERS

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

Section VI Significant Events

I. PROFIT DISTRIBUTION PLAN

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

In accordance with the requirements of the relevant laws and regulations and the Articles of Association, the profit distribution policy of the Company shall maintain continuity and stability and emphasize on achieving reasonable returns for investors. The Company shall give priority to profit distribution in cash dividends. The profit distribution policy of the Company complies with the Opinions of the State Council on Further Improving the Quality of Listed Companies (《國務院關於進一步提高上市公司品質的意見》) and the Guideline on Encouragement of Cash Dividend Distribution of Listed Companies announced by the CSRC.

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

In order to implement the securities Law of the PRC, strengthen the protection of investors' legitimate rights and interests, and respond to the demands of investors, especially minority shareholders, as approved on the AGM of the Company in 2019 and in line with the Article of Association, the profit distributed by the Company in cash from 2019 to 2021 shall not be less than 50% of the net profit attributable to shareholders of the Company realized in that year.

(II) Profit distribution scheme/plan

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

	Dividend per 10 shares (inclusive of tax) *RMB*	Amount of cash dividend (inclusive of tax) *RMB million*	Net profit attributable to equity holders of the Company in the consolidated financial statements of the respective dividend year in accordance with China Accounting Standards for Business Enterprises *RMB million*	Percentage to the net profit attributable to equity holders of the Company in the consolidated financial statements *%*
Final dividend for year 2020 (Proposed)	18.1	35,962	39,170	91.8
Final dividend for year 2019	12.6	25,061	43,250	57.9
Final dividend for year 2018	8.8	17,503	43,867	39.9

Net profit for the year attributable to equity holders of the Company for 2020 under the China Accounting Standards for Business Enterprises amounted to RMB39,170 million, with basic earnings per share of RMB1.970/share; profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards amounted to RMB35,849 million, with basic earnings per share of RMB1.803/share. As at 31 December 2020, the retained earnings available for distribution to shareholders of the Company under the China Accounting Standards for Business Enterprises amounted to RMB183,374 million.

The Board proposed the payment of a final dividend in cash of RMB1.81 per share (inclusive of tax) for the year 2020 based on the total share capital registered on the equity registration date of implementing equity distribution. According to the total share capital of 19,868,519,955 shares of the Company as at 26 March 2021, the final dividend totals RMB35,962 million (inclusive of tax), accounting for 100.3% of the profit for the year attributable to equity holders of the Company under the International Financial Reporting Standards, or 91.8% of the net profit for the year attributable to equity holders of the Company under the China Accounting Standards for Business Enterprises. In addition, in 2020, the Company repurchased a total of 21,100,500 H shares for a consideration of HKD303.12 million (excluding commission and other expenses), accounting for approximately 0.7% of the profit for the year attributable to the owners of the Company under the International Financial Reporting Standards and 0.7% of the net profit attributable to the equity holders of the Company under the China Accounting Standards for Business.

2. The above final dividend plan for year 2020 is in compliance with the requirement of the Articles of Association and endorsed by the independent directors and approved by the Board. When recommending the plan for year 2020, the Board has attended to and considered the opinions and concerns of the shareholders of the Company. The Company will hold the 2020 annual general meeting on Friday, 25 June 2021 to consider the relevant resolutions, including the above dividend plans as proposed by the Board.

3. The final dividend for year 2020, which is denominated and declared in RMB, will be paid in RMB to holders of the Company's A shares, including holders of the Company's A shares through the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect, hereinafter referred to as the "Northbound Shareholders", and holders of the Company's H shares through the Southbound Trading Link (including Shanghai and Shenzhen markets, hereinafter referred to as the "Southbound Shareholders"). Dividends to holders of the Company's H shares, except the Southbound Shareholders, are paid in HKD. The dividend paid in HKD is calculated according to the exchange rate based on the average benchmark rate of RMB against HKD, as published by the Bank of China five business days preceding the date of declaration of such dividend.

In accordance with the preliminary arrangement of profit distribution plan for year 2020 and annual general meeting of the Company, the final dividend for year 2020 for the Company's H shareholders are estimated to be distributed on or about 27 August 2021.

4. Pursuant to the Articles of Association:

(1) After the SSE is closed in the afternoon on Tuesday, 22 June 2021, the shareholders of A shares of the Company and the proxies of shareholders as registered in the China Securities Depository and Clearing Corporation Limited Shanghai Branch are entitled to attend and vote at the 2020 annual general meeting of the Company;

(2) According to the relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and market practice adopted for final dividend distribution for A shares, the Company will publish a separate announcement on implementation of equity distribution in respect of the distribution of final dividend for year 2020 to holders of A shares after the 2020 annual general meeting to determine the record date, ex-rights date and dividend distribution date for the distribution of final dividend for year 2020 to holders of A shares.

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

Temporary closure of the register of members

No.	Corresponding Rights	First Day (inclusive)	Last Day (inclusive)	The last day for registering members	The Company's share registrar for H shares
1	Attending and voting at the 2020 annual general meeting	22 June 2021 (Tuesday)	25 June 2021 (Friday)	4:30 p.m. on 21 June 2021 (Monday)	Computershare Hong Kong Investor Services Limited
2	Entitled to the final dividend for year 2020	3 July 2021 (Saturday)	9 July 2021 (Friday)	4:30 p.m. on 2 July 2021 (Friday)	Computershare Hong Kong Investor Services Limited

6. In accordance with the Enterprise Income Tax Law of the PRC and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends. The Company shall withhold and pay enterprise income tax in respect of the final dividend for year 2020 of the Company for the non-resident enterprise shareholders whose name would appear on the register of members for H shares of the Company on 9 July 2021.

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

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

The Company shall use the registered address (hereinafter referred to as "registered address") as recorded in the register of members of H shares on 9 July 2021 as the criterion in determining the residence of the individual shareholders of H shares who are entitled to receive the final dividend for year 2020 of the Company, and withhold and pay individual income tax accordingly. If the residence of the individual shareholders of H shares is inconsistent with the registered address, such shareholders shall notify the Company's share registrar for H shares at or before 4:30 p.m. on 2 July 2021 with the relevant evidence at Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

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

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

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

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

II. PERFORMANCE OF COMMITMENT

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

To further formulate the performance of the Non-competition Agreement, the Resolution on the Performance of Non-competition Undertaking was approved at the 45th meeting of the second session of the Board on 27 June 2014 and the Announcement in relation to the Performance of Non-competition Undertaking was disclosed to public. The Company disclosed that it will gradually commence the acquisition of 14 assets of the former Shenhua Group Corporation Limited and its subsidiaries as planned ("Original Undertaking Assets") (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 the way of absorption. As approved in the 2018 first extraordinary general meeting of the Company, the Company entered into the Supplemental Agreement to the Existing Non-Competition Agreement with China Energy. It is agreed by both parties that other than the amendments in the Supplemental Agreement to the Existing Non-Competition Agreement, the clauses of the Existing Non-competition Agreement will not be changed.

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 the way of absorption, the Company will discretionally exercise the Options and the Pre-emptive Rights to acquire the assets within the retained businesses, and will no longer implement the 2014 Non-Competition Undertakings. The retained business refer to (1) original committed assets (excluding the completed acquisition of three equity assets by the Company in 2015) other than the assets of Conventional Power Generation Business, and (2) the unlisted businesses held by China Guodian which directly or indirectly compete with the core businesses of the Company (excluding the relevant assets that China Guodian undertook to inject into its subsidiary Inner Mongolia Pingzhuang Energy Co., Ltd. in 2007). For details, please refer to the H share announcement of the Company dated 1 March 2018 and the A shares announcement of the Company dated 2 March 2018.

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

☐ Applicable ✔ Not applicable

IV. AUDIT OPINIONS AND OTHER EXPLANATIONS

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

☐ Applicable ✔ Not applicable

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

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

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

☐ Applicable ✔ Not applicable

V. APPOINTMENT AND REMOVAL OF AUDITORS

Name of Domestic Auditors of the Company	KPMG Huazhen LLP
Remuneration of Domestic Auditors of the Company *(RMB million)*	7.15
Term of Auditing of Domestic Auditors of the Company *(year)*	2
Name of International Auditors of the Company	KPMG
Remuneration of International Auditors of the Company *(RMB million)*	1.4
Term of Auditing of International Auditors of the Company *(year)*	2

On 29 May 2020, KPMG Huazhen LLP and KPMG were appointed as the domestic and international (Hong Kong) auditors of the Company respectively for 2020 at the Company's 2019 Annual General Meeting. Saved as disclosed above, the Company did not replace auditors in any year of the last three years.

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

In 2020, the above two auditors did not serve as the external auditors of subsidiaries of the Company.

VI. INSOLVENCY OR RESTRUCTURING RELATED MATTERS

☐ Applicable ✔ Not applicable

VII. MATERIAL LITIGATION AND ARBITRATION

☐ Applicable ✔ Not applicable

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

As at 31 December 2020, the Group was the plaintiff, defendant or the party of certain non-material litigations and arbitration. The management of the Company believes that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

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

☐ Applicable ✔ Not applicable

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

☐ Applicable ✔ Not applicable

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

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

☐ Applicable ✔ Not applicable

XI. MATERIAL RELATED/CONNECTED TRANSACTIONS

(I) Related/Connected transactions during the daily operation

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

On 21 June 2019, as approved at the 2018 annual general meeting, the Company and China Energy renewed the Mutual Coal Supply Agreement, Mutual Supplies and Services Agreement, and the Financial Services Agreement ("Former Financial Services Agreement") for 2020–2022 and the annual caps of transactions contemplated under the connected/related party transactions mentioned above for each year from 2020 to 2022 on 22 March 2019.

The capital increase transaction of the Finance Company was completed and settled upon the approval of the 2019 annual general meeting of the Company, and in accordance with the Reply to the Intended Change of Registered Capital and Adjustment of Equity Structure of Shenhua Finance Co., Ltd. (《關於神華財務有限公司變更註冊資本及調整股權結構的批覆》) (Jing Yin Bao Jian Fu [2020] No. 529) issued by Beijing Regulatory Bureau of China Banking and Insurance Regulatory Commission ("CBIRC"). The Finance Company has changed from a subsidiary of the Company into a subsidiary of China Energy. The provision of financial services by the Finance Company to the Company and its holding subsidiaries (collectively referred to as "Members of the Group") constitutes the related/connected transactions of the Company. The 2020 Financial Services Agreement ("New Financial Services Agreement") entered into by the Company and the Finance Company on 27 March 2020 has become effective on 1 September 2020, and the Former Financial Services Agreement becomes invalid at the same time.

As being considered and approved by the fifth meeting of the fifth session of the Board of the Company, the 2021 Financial Services Agreement entered into by the Company and the Finance Company on 29 December 2020 has become effective on 1 January 2021 and shall remain in force until 31 December 2021.

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

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

The related/connected transactions are beneficial for the Company to obtain a reliable and quality-assured provision of materials and services, lower operation risks and costs. The continuing provision of financial services by the Finance Company for Members of the Group after the deconsolidation is conducive to maintain the continuity of receiving financial services by Members of the Group, make full use of the functions of internal platform for financing and capital management, and reduce financing costs.

A. Mutual Coal Supply Agreement

On 22 March 2019 the Company and China Energy, the controlling shareholder of the Company, entered into the Mutual Coal Supply Agreement. The Mutual Coal Supply Agreement is effective from 1 January 2020 and will expire on 31 December 2022. Pursuant to the Mutual Coal Supply Agreement, the Group and China Energy Group mutually supplies coal.

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

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

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

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

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

(5) The quantity of coal; and

(6) The transportation fees.

B. Mutual Supplies and Services Agreement

On 22 March 2019, the Company entered into the Mutual Supplies and Services Agreement with China Energy, the controlling shareholder of the Company. The Mutual Supplies and Services Agreement is effective from 1 January 2020 and will expire on 31 December 2022. Pursuant to the Mutual Supplies and Services Agreement, the Group and China Energy Group mutually supply products and provide services.

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

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

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

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

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

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

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

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

(c) Oil products: government-guided price;

(d) Power transaction: government-guided price shall prevail if there is any; the uniform clearing price shall prevail in centralized price bidding transaction; the price of recent comparable transaction shall be referred to in independently negotiated transactions;

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

(f) Chemical products: market price;

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

(h) Tendering services: price prescribed by NDRC;

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

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

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

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

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

C. ***The Former Financial Services Agreement entered into by the Company and China Energy***

On 22 March 2019, the Company entered into the Former Financial Services Agreement with China Energy. The Former Financial Services Agreement is effective from 1 January 2020 and will expire on 31 December 2022. The Former Financial Services Agreement terminated on the completion date of capital increase transaction of the Finance Company (i.e. 1 September 2020).

Pursuant to the Former Financial Services Agreement, from January to August 2020, the Company has agreed to provide, through the Finance Company, financial services to members of China Energy Group, and the China Energy Group has agreed to provide, at the request of the Group and through the Finance Company, entrustment loans to the Group.

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

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

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

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

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

D. *The New Financial Services Agreement entered into by the Company and Finance Company*

The Company entered into the New Financial Services Agreement with Finance Company on 27 March 2020. The agreement came into effect from the date of completion of capital increase transaction of Finance Company and expired on 31 December 2020. Hence, the agreement came into effect on 1 September 2020. After the completion of capital increase transaction, Finance Company is owned 60% by China Energy (the controlling shareholder of the Company) and becomes the related party (connected person) of the Company.

Pursuant to the New Financial Services Agreement, Finance Company would provide comprehensive facilities and credit (without any pledge and guarantee provided by the Members of the Group) and other financial services to the Members of the Group, and the Members of the Group may place deposit in Finance Company.

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

(1) In terms of deposits and loans or similar services provided by Finance Company to Members of the Group, subject to compliance with the relevant rules and regulations of PBOC, CBIRC and other relevant regulatory authorities:

(i) The interest rates for deposits placed by Members of the Group with Finance Company shall be no less than the interest rate paid by major commercial banks in the PRC for comparable deposits services provided to Members of the Group and shall be negotiated in normal commercial terms;

(ii) The interest rates for loans granted by Finance Company to Members of the Group shall be no more than the benchmark loan interest rate for the corresponding period stipulated by the PBOC and no more than the interest rate charged by major commercial banks in the PRC for comparable loans services provided to Members of the Group and shall be negotiated in normal commercial terms.

With respect to the deposit interest rate offered by Finance Company for deposits placed by Members of the Group, Finance Company will pay close attention to the benchmark interest rate stipulated by the PBOC on monthly basis and, by way of inquiry, ascertain the deposit interest rates of major commercial banks in the PRC (i.e. Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, and Bank of Communications), to ensure the interest rates for deposits placed by Members of the Group with Finance Company shall be no less than the interest rate paid by major commercial banks in the PRC for comparable deposits services provided to Members of the Group. Furthermore, price determination of deposits interest rate offered by Finance Company will be under strict supervision and the Company will enforce relevant internal approval procedures.

(2) In terms of paid services provided by Finance Company to Members of the Group:

(i) Finance Company can provide paid consultation, agency, settlement, transfer, investment, letter of credit, online banking, entrusted loan, guarantee, bill acceptance and other related services to Members of the Group.

(ii) Subject to compliance with the relevant rules and regulations of PBOC, CBIRC and other relevant regulatory authorities, the service fees charged by Finance Company for the provision of the above financial services to Members of the Group shall be no more than the service fees charged by major commercial banks in the PRC for comparable financial services provided to Members of the Group and shall be negotiated in normal commercial terms.

With respect to the service fees charged by Finance Company for provision of financial services to Members of the Group, Finance Company will, by way of inquiry, ascertain the service fees rate charged by major commercial banks on monthly basis and ensure the service fees charged by Finance Company for provision of financial services to Members of the Group shall be no more than the service fees charged by major commercial banks in the PRC for comparable financial services provided to Members of the Group. In addition, price determination of service fees charged by Finance Company will be under strict supervision and the Company will enforce relevant internal approval procedures.

E. The 2021 Financial Services Agreement entered into by the Company and Finance Company

The Company entered into the 2021 Financial Services Agreement with Finance Company on 29 December 2020. The agreement is effective from 1 January 2021 and will expire on 31 December 2021. Finance Company, 60% owned by China Energy (the controlling shareholder of the Company), is a related party (connected person) of the Company.

The pricing policy adopted by Finance Company in the provision of financial services to Members of the Group under the 2021 Financial Services Agreement is the same as the policy of the New Financial Services Agreement as stipulated in Clause D.

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

F. Continuing Connected Transactions Framework Agreement between the Company and China State Railway Group Co., Ltd. ("China Railway")

China Railway Taiyuan Group Co., Ltd. ("Taiyuan Railway Bureau") is the parent company of Daqin Railway Co., Ltd., which is a substantial shareholder of Shuohuang Railway, a significant subsidiary of the Company. China Railway is the controlling shareholder of Taiyuan Railway Bureau. Therefore China Railway constitutes a connected person of the Company under the Hong Kong Listing Rules. On 28 October 2019, the Company and Taiyuan Railway Bureau which acted for and on behalf of China Railway entered into the Continuing Connected Transactions Framework Agreement, effective from 1 January 2020 to 31 December 2022. Pursuant to the agreement, the Group and China Railway Group (China Railway and its subsidiaries, including Taiyuan Railway Bureau Group (including Taiyuan Railway Bureau and its subsidiaries)) have agreed to provide transportation service, supply coal and provide other products and services to each other.

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

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

(i) the prices as determined by the government;

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

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

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

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

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

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

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

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

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

(iv) the quality of the coal;

(v) the quantity of coal; and

(vi) the estimated transportation fees.

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

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

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

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

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

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

(i) Rolling stock usage: market price.

(ii) Overhaul services and railway track maintenance services: price prescribed by NDRC or other related government competent authorities.

(iii) Equipment supply: tender and bidding price.

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

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

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

In 2020, the implementation of the agreements A to D and F above is set out in the table below. In particular, the total amount of related/connected transactions for sale of products and provision of services by the Group to China Energy Group under the Mutual Coal Supply Agreement and the Mutual Supplies and Services Agreement amounted to RMB64,640 million, representing 27.7% of the revenue of the Group during the reporting period.

		Provision of products and services by the Group to related/connected persons and other inflows			Purchase of products and services from related/connected persons by the Group and other outflows		
No.	Name of agreement	Prevailing transaction cap	Transaction amount during the reporting period	Proportion in the same type of transactions	Prevailing transaction cap	Transaction amount during the reporting period	Proportion in the same type of transactions
		RMB million	*RMB million*	*%*	*RMB million*	*RMB million*	*%*
A	Mutual Coal Supply Agreement	65,500	54,906	33.5	16,000	9,131	18.7
B	Mutual Supplies and Services Agreement	13,000	9,734	–	9,000	3,270	–
	including: (1) Products		7,927	16.1		1,501	2.0
	(2) Services		1,807	9.4		1,769	7.3
F	Continuing Connected Transactions Framework Agreement	7,300	932	0.5	19,800	7,873	5.3

No.	Name of agreement	Transaction item		Transaction cap during the valid period of agreement *RMB million*	Transaction amount during the reporting period *RMB million*
C	Former Financial Services Agreement	(1)	Total amount in relation to the provision of financial services of guarantee (including guarantee business within the business scope of financial enterprises, such as performance guarantee and quotation sharing) to members of China Energy Group	3,500	–
		(2)	Annual total transaction amount of bill acceptance and discount services	10,000	33
		(3)	Maximum daily balance (including interests accrued thereon) of deposits placed by members of China Energy Group	65,000	50,783
		(4)	Maximum daily balance of loans, consumption credit, buyer's credit and financial leasing (including relevant accrued thereon) granted to members of China Energy Group	30,000	26,875
		(5)	Maximum daily balance (including interests accrued thereon) of entrusted loans granted by China Energy and its subsidiaries to the Company and/or its subsidiaries through Finance Company	10,000	900
		(6)	Annual total fee charged for providing the members of China Energy Group with consultancy, agency, settlement, transfer, investment, lease finance, letter of credit, online banking, entrusted loan, guarantee, acceptance of bill and other financial services	200	13

No.	Name of agreement	Transaction item		Transaction cap during the valid period of agreement *RMB million*	Transaction amount during the reporting period *RMB million*
D	New Financial Services Agreement	(1)	Maximum daily balance of comprehensive facilities provided by Finance Company to the members of the Company (including loans, credits, bill acceptance and discount, guarantee, performance guarantee, overdrafts, opening letters of credit, etc., inclusive of accrued interest thereon)	100,000	24,222
		(2)	Daily deposit balance of the members of the Company in Finance Company (inclusive of accrued interest thereon)	20,500	20,364
		(3)	Total fee charged by Finance Company for providing the members of the Company with financial services, including but not limited to consultancy, agency, settlement, transfer, investment, letter of credit, online banking, entrusted loan, guarantee, acceptance of bill and other services to the members of the Company	200	1

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

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

KPMG, the international auditors of the Company, have reviewed the continuing connected transactions under the agreements A to D and F above and issued a letter to the Board, indicating that they were not aware of any matter for which they would consider that the continuing connected transactions above (1) were not approved by the Board; (2) were not conducted according to the Company's pricing policy in terms of all material aspects; (3) were not conducted according to the terms of the relevant agreements in terms of all material aspects; and (4) incurred an aggregate amount for the year ended 31 December 2020 that had exceeded the annual caps disclosed in the Company's announcements on the continuing connected transactions.

21 types of related party transactions were disclosed in Note 44 of the financial statements for the year 2020 prepared by the Company under the International Financial Reporting Standards. According to the Hong Kong Listing Rules, except for the transactions under item ii "income from entrusted loans" and the transactions in relation to the purchase of coal from associates of the Group under item vi "ancillary and social services", item x "purchase of coal" and item xvi "other income", all of the other related party transactions disclosed in Note 44 constituted connected transactions under the Hong Kong Listing Rules and were required to be disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules in respect of disclosure of the above connected transactions and continuing connected transactions.

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

As considered and approved at the fifth meeting of the fifth session of the Board of the Company, Shendong Power, a wholly-owned subsidiary of the Company transferred 100% equity interests of Fuping Thermal Power to Guoyuan Power at a price of RMB2,258.2617 million which is the appraised value. Guoyuan Power, 100% owned by China Energy (controlling shareholder of the Company), is a related party (connected person) of the Company. After the transfer, Fuping Thermal Power ceased to be consolidated into the financial statements of the Company. For details, please refer to the H share announcement dated 29 December 2020 and A share announcement dated 30 December 2020 of the Company.

(III) Material related transactions regarding joint external investments

1. On 27 March 2020, the Company, Shuohuang Railway, Zhunge'er Energy, Baoshen Railway, China Energy (the controlling shareholder of the Company) and Finance Company entered into the Capital Increase Agreement of Finance Company. China Energy proposed to subscribe additional registered capital of RMB7.5 billion in Finance Company by way of cash contribution at a consideration of RMB13,273.7160 million. The Company, Shuohuang Railway, Zhunge'er Energy and Baoshen Railway, all being subsidiaries controlled by the Company, waived the pre-emptive rights in respect of the capital increase. As approved at the 2019 annual general meeting of the Company as well as relevant regulatory authorities, the above capital increase transaction of Finance Company was completed on 1 September 2020. Since then, Finance Company is 60% owned by China Energy and not consolidated into the financial statements of the Company. For details, please refer to the H share announcement on 27 March 2020, A share announcement on 28 March 2020, the H share announcement on 9 September 2020 and the A share announcement on 10 September 2020 of the Company.

2. As approved at the fifth meeting of the fifth session of the Board of the Company, on 22 January 2021 the Company, as a limited partner, contributed RMB4 billion with its own funds to participate in the establishment of Beijing Guoneng New Energy Industrial Investment Fund (Limited Partnership)and signed the Partnership Agreement of Beijing Guoneng New Energy Industrial Investment Fund (Limited Partnership) with limited partners including Guohua Energy Investment Co., Ltd. ("Guohua Investment") and general partners including Guohua Investment Development Asset Management (Beijing) Co., Ltd. ("Guohua Asset Management"). Guohua Investment is a wholly-owned subsidiary of China Energy, the controlling shareholder of the Company and Guohua Asset Management is a wholly-owned subsidiary of Guohua Investment, all being the related parties (connected persons) of the Company. For details, please refer to H share announcement on 29 December 2020, 22 January 2021, 9 February 2021 and 26 February 2021 and A share announcement on 30 December 2020, 23 January 2021, 10 February 2021 and 27 February 2021 of the Company.

(IV) Debts and liabilities between related parties

Unit: RMB million

Related parties	Relationship	Funds provided to related parties			Funds offered by related parties to the Group		
		Opening balance	Amount incurred	Closing balance	Opening balance	Amount incurred	Closing balance
China Energy	Controlling shareholder	–	–	–	874	–	874
Finance Company	Controlling subsidiary of the parent company	–	19,750	19,750	–	24,076	24,076
Anhui Anqing Wanjiang Power Generation Co., Ltd.	Controlling subsidiary of the parent company	176	(121)	55	–	–	–
Other related parties	Others	484	(23)	461	–	–	–
Total		660	19,606	20,266	874	24,076	24,950

Reasons for debts and liabilities between related parties	(1) Long and short-term borrowing were provided by the Company to China Energy. (2) The Group's deposits and loans with Finance Company. (3)Prior to the jointly establishment of Beijing GD by the Company with GD Power, the finance lease provided by the Company to Anhui Anqing Wanjiang Power Generation Co., Ltd., its former subsidiary, through Shenhua Lease Company. As approved at the general meeting of the Company, the financial lease payment will be gradually returned in accordance with the original agreement/contract arrangement, that is, the repayment will be gradually completed in 2021. (4)The funds provided to other related parties are entrusted loans. Internal decision procedures have been performed in respect of the above transfer of related debts and liabilities in accordance with relevant regulations.
Repayment of debts and liabilities between related parties	Currently, the principal and interests of the above entrusted loans, finance leasing receivables and borrowings are repaid in a normal manner in accordance with the repayment schedule.
Undertakings related to debts and liabilities between related parties	N/A
Impacts of debts and liabilities between related parties on the operating results and financial position of the Company	The above entrusted loans and borrowings are beneficial to the normal commencement of relevant project construction and production operation of the Company and have no material impact on the operating results and financial position of the Company.

XII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Trust, contracting and leasing

☐ Applicable ✔ Not applicable

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

(II) Guarantees

Unit: RMB million

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

Guarantor	Relationship between the guarantor and the listed company	Guaranteed	Amount guaranteed	Date of provision of guarantee (execution date of agreement	Beginning date of guarantee	Expiry date of guarantee	Type of guarantee	Whether performance has been completed	Whether guarantee is overdue	Amount of guarantee overdue	Whether counter guarantee is provided	Whether guarantee is for the benefit of related parties	Relationship
Shenbao Energy	Controlling subsidiary	Hulunbei'er Liangyi Railway Company Limited	81.30	2008.08.30	2008.08.30	2029.08.29	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)	(121.69)
Total balance of guarantee at the end of the reporting period (A) (excluding guarantee provided to its subsidiaries)	81.30

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

Total amount of guarantee provided for the benefit of subsidiaries during the reporting period	(3,763.75)
Total balance of guarantee provided for the benefit of subsidiaries at the end of the reporting period (B)	3,262.45

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

Total amount of guarantee (A+B)	3,343.75
Proportion of total amount of guarantee to the net assets attributable to equity holders of the Company at the end of the year under China Accounting Standards for Business Enterprises in 2020 (%)	0.9
Including:	
Amount of guarantee provided for the benefit of shareholders, de facto controller and their related parties (C)	0
Amount of guarantee directly or indirectly provided for the benefit of parties with a gearing ratio in excess of 70% (D)	3,343.75
Portion of the total amount of guarantee in excess of 50% of net assets (E)	0
Aggregated amount of the above three amounts of guarantee (C+D+E)	3,343.75
Description of the potential joint and several repayment liability for outstanding guarantee	Please refer to below
Description of guarantee	Please refer to below

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

As at the end of the reporting period, the total balance of the amount of guarantee provided by the Group amounted to RMB3,343.75 million, including:

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

    Given that Liangyi Railway Company failed to pay the loan interest on time due to its deteriorating business operation, as resolved by the shareholders' general meeting of Liangyi Railway Company, additional capital was injected into Liangyi Railway Company by its shareholders (including Shenbao Energy). Shenbao Energy has injected an accumulated amount of RMB11.82 million into Liangyi Railway Company. As of the end of the reporting period, Shenbao Energy, in proportion to its shareholding, repaid the principal on the loans on behalf of Liangyi Railway Company Limited amounting to a total of RMB57.59 million. Shenbao Energy already made full provision for impairment on its 14.22% equity interest in Liangyi Railway Company and the repayment amount paid on its behalf. Together with other shareholders, Shenbao Energy will continue to call for improvement of business operation of Liangyi Railway Company. As at 31 December 2020, Liangyi Railway Company had a gearing ratio of 149.3%.

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

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

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

As of 31 December 2020, loan of RMB233 million to Coal Dock granted by Zhuhai branch of SPD Bank has been all repaid.

(3) As of the end of the reporting period, the amount of guarantee between subsidiaries in consolidated reports of the Company, in proportion to its shareholding, amounted to approximately RMB3,262.45 million, which was mainly due to the fact that Shenhua Hong Kong Limited, the wholly-owned subsidiary of the Company, provided guarantees for the issuance of USD0.5 billion bonds by China Shenhua Overseas Capital Co., Ltd., its wholly-owned subsidiary. The loan guarantees provided by Shenhua Funeng Power Co., Ltd., which was 51% indirectly held by the Company, for its holding subsidiaries has been released.

For the details of the opinions of the independent Directors, please refer to the relevant reports simultaneously disclosed with this Report.

(III) Entrusted cash asset management

I. Entrusted wealth management

(1) General status of entrusted wealth management

Unit: RMB million

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

Note: Maximum balance refers to the daily highest balance of the entrusted wealth management of such type of the Group in 2020.

(2) Individual entrusted wealth management

Unit: RMB million

No.	Trustor	Trustee	Type of entrusted wealth management products	Amount of entrusted wealth management	Initial date of entrusted wealth management	Expiry date of entrusted wealth management	Source of fund	Investment of fund	Determination of compensation	Annualized rate of return		Amount of principal redeemed in 2020	Whether it has been through legal procedures
1	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	5,000	26 December 2019	2 April 2020	Own fund	High-liquidity assets including bonds and deposits	One-off payment of principal with accrued interest upon expiry	3.50%	89.4	5,000	Yes
2	China Shenhua	Agricultural Bank of China	Banks' wealth management products	5,000	29 September 2019	30 March 2020	Own fund	High-liquidity assets including bonds and deposits	One-off payment of principal with accrued interest upon expiry	3.15%	79.0	5,000	Yes
3	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	500	24 October 2019	23 January 2020	Own fund	Bonds and money market instrument assets, non-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.70%	5.2	500	Yes
4	China Shenhua	China Construction Bank	Banks' wealth management products	2,000	22 November 2019	20 May 2020	Own fund	High-liquidity assets including bonds and deposits	One-off payment of principal with accrued interest upon expiry	3.00%	29.6	2,000	Yes
5	China Shenhua	China Merchants Bank	Banks' wealth management products	1,000	22 November 2019	21 February 2020	Own fund	Bonds and money market instrument assets, non-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.80%	9.5	1,000	Yes
6	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	200	22 November 2019	21 February 2020	Own fund	Bonds and money market instrument assets, non-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.70%	1.9	200	Yes
7	China Shenhua	Industrial Bank (China)	Banks' wealth management products	8,000	29 November 2019	29 May 2020	Own fund	High-liquidity assets including bonds and deposits	One-off payment of principal with accrued interest upon expiry	3.05%	121.7	8,000	Yes

Unit: RMB million

No.	Trustor	Trustee	Type of entrusted wealth management products	Amount of entrusted wealth management	Initial date of entrusted wealth management	Expiry date of entrusted wealth management	Source of fund	Investment of fund	Determination of compensation	Annualized rate of return		Amount of principal redeemed in 2020	Whether it has been through legal procedures
8	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	500	2 December 2019	1 March 2020	Own fund	Bonds and money market instrument assets, non-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.70%	4.7	500	Yes
9	China Shenhua	Postal Savings Bank of China	Banks' wealth management products	1,000	17 December 2019	17 March 2020	Own fund	Bonds and money market instrument assets, non-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.60%	8.9	1,000	Yes
10	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	1,000	18 December 2019	22 June 2020	Own fund	High-liquidity assets including bonds and deposits	One-off payment of principal with accrued interest upon expiry	3.15%	16.2	1,000	Yes
11	China Shenhua	Industrial and Commercial Bank of China	Banks' wealth management products	1,000	18 December 2019	23 June 2020	Own fund	High-liquidity assets including bonds and deposits	One-off payment of principal with accrued interest upon expiry	3.15%	16.3	1,000	Yes
12	China Shenhua	China Everbright Bank	Banks' wealth management products	1,000	20 December 2019	19 March 2020	Own fund	Bonds and money market instrument assets, non-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.80%	9.4	1,000	Yes
13	China Shenhua	Bank of China	Banks' wealth management products	1,000	24 December 2019	24 March 2020	Own fund	Bonds and money market instrument assets, non-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.55%	8.9	1,000	Yes
14	China Shenhua	China Construction Bank	Banks' wealth management products	1,000	24 December 2019	24 March 2020	Own fund	Bonds and money market instrument assets, non-standardized credit assets and equity assets	One-off payment of principal with accrued interest upon expiry	3.55%	8.9	1,000	Yes

Unit: RMB million

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

As of the end of 2020, all the entrusted wealth management products of the Group have been recovered upon maturity. The Group did not have any failure of redeeming or cashing principal when due and no provision for impairment for the above wealth management products has been made.

II. Entrusted loans

(1) General status of entrusted loans

Unit: RMB million

Type of products	Source of funding	Maximum balance in 2020 Note	Outstanding ending balance	Overdue uncollectible amount
Entrusted loans	Own fund	857.4	400.0	37.4

Note: Maximum balance in 2020 refers to the daily highest balance of the entrusted loans of such type of the Group in 2020.

(2) Individual entrusted loan

Unit: RMB million

Borrower	Relationship between the Borrower and the Group	Trustee	Amount of entrusted loans	Initial date of entrusted loans	Expiry date of entrusted loans	Maturity	Source of funding	Capital flow	Determination of remuneration	Interest rate	Actual gain 2020	Actual gain 2019	Whether it has been through legal procedures
Sanxin Railway Company	joint stock company	Bank of Beijing	37.4	13 February 2014	13 February 2015	1 year	Own fund	Working capital	One-off payment of principal with accrued interest upon expiry	6%	0	0	Yes
Yili Chemical	joint stock company	Bank of China	420.0	29 December 2017	29 December 2020	3 years	Own fund	Replacement of loans	Settlement of interest on quarterly basis	4.75%	20.4	0	Yes
Yili Chemical	joint stock company	Bank of China	400.0	24 December 2020	24 December 2023	3 years	Own fund	Replacement of loans	Settlement of interest on quarterly basis	4.75%	0	0	Yes

Notes:

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

2. The entrusted loan of RMB420 million entered into between Shendong Power, a wholly owned subsidiary of the Company, and Inner Mongolia Yili Chemical Industry Co., Ltd. ("Inner Mongolia Yili Chemical") is fully recovered. As of December 2020, Shendong Power entered into the entrusted loan agreement with amount to RMB400 million with Yili Chemical.

As of 31 December 2020, the Group did not grant entrusted loans with an amount exceeding 5% of the Group's latest audited net assets attributable to equity holders of the Company to any individual party. The Company did not utilise the proceeds raised to grant entrusted loans, and there was no entrusted loan that was involved in litigations. No provision for impairment for the above entrusted loans has been made by the Group.

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

XII. FULFILLING THE WORK OF SOCIAL RESPONSIBILITY

(I) Poverty alleviation

1. Targeted poverty alleviation plan

The Group has intensified the implementation of the Opinions of the State Council on Winning the Tough Battle against Poverty and China Energy Group Working Plan on Poverty Alleviation 2018–2020, followed basic strategy of targeted poverty alleviation and targeted poverty relief, and effectively combined targeted assistance with overall regional development, extensive input with leadership, as well as poverty alleviation through development with ecological conservation. Focusing on "Tibet, Tibetan ethnic areas in the provinces of Sichuan, Yunnan, Gansu, and Qinghai and Kashi Prefecture, Hotan Prefecture, Kizilsu Kirghiz Autonomous Prefecture and Akesu Prefecture in South Xinjiang, and Liangshan Prefecture, Sichuan, Nujiang Prefecture, Yunnan and Linxia Prefecture, Gansu", which are extremely poverty-stricken areas and old revolutionary areas, the Company was committed to improving public services, including education, culture and health, in extremely poverty-stricken areas, and took various assistance measures in terms of livelihood, intellectuality and industry, based on local conditions, improved infrastructure and production facilities, implemented a number of targeted poverty alleviation projects, helped all assisted poverty-stricken counties shake off poverty, and also helped rural poor people live a wealthy life with enough food and clothes and access to compulsory education, basic health care and housing. The Company tried to establish a long-term mechanism to stabilize poverty alleviation, consolidated the achievements of poverty alleviation, and worked hard to coordinate poverty alleviation with rural revitalization strategy.

In 2020, the Group planned to invest RMB81 million in designated poverty alleviation counties, introduced RMB1.1 million as assisting fund, trained 1,180 grass-root cadres and 1,130 technicians, purchased RMB35.92 million of agricultural products from poverty-stricken counties and helped sell RMB2.5 million of agricultural products from poverty-stricken areas.

2. Summary of the targeted poverty alleviation for the year

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. In 2020, the Group resolutely implemented the work plan of the Party Central Committee, the State Council and China Energy on poverty alleviation, took the initiative to help Butuo County win the battle against poverty, continued to implement the poverty alleviation work idea of "providing aids in health and education, industrial development support, joint development of party branches and supporting mentally as well as intellectually", and coordinated the two key tasks of epidemic prevention and poverty alleviation to complete the various tasks of poverty alleviation.

In 2020, the Group spent approximately RMB135.7483 million in targeted poverty alleviation in the above-mentioned three counties in the following 33 projects: (1) Poverty alleviation through industrial development. The Company carried out the walnut forest improvement project in Guanjiazui Village of Mizhi County, the native chicken breeding project in ecological mountains and 300 mu red plum planting project in Bozuo Village, Juesa Town of Butuo County; 2) Poverty alleviation through ecological conservation. About 400 mu of ecological forests were built along Yanhuang Road in Wubao County, 160 mu of ecological economic forests were built in Jiangxingzhuang Village of Mizhi County, 300 mu of ecological forests were built in Guanjiazui Village of Mizhi County, and more than 200 mu of ecological economic forests were built in DuoLuo Village, Hejing Town of Butuo County and etc.; 3) Poverty alleviation through education support. The Company built a nine-year school in Mixi District of Mizhi County and No. 2 Primary School in Zeluo Town of Butuo County. Moreover, the Company bought auxiliary teaching materials for all the students in the primary and middle schools in Butuo County, donated teaching instruments and equipment and built a standardized library for Abuzelu Primary School. (4) Poverty alleviation through medical care. The Company donated anti-epidemic supplies, carried out the Love Red Ribbon project in Butuo County, and provided free clinic services of "dispatching doctors to the townships" in Mizhi County and Wubao County; (5) Construction of infrastructure. The Company built a new rural safe drinking water project, emergency water source and water cellar in Wubao County, and began a new tourist road construction project in Suomahua Scenic Area in Wuke Town, Butuo County; (6) Offering of training to grass-root cadres and skill training.

3. Targeted poverty alleviation results

Index				Number and Circumstances
I.	**General**			
	In which:	1.	Capital *(RMB0'000)*	13,574.83
		2.	in kind converted into RMB0'000	
		3.	Number of filed poverty-stricken people who overcome poverty	48,537
II.	**Contribution By Category**			
	1. Industry development support			
	In which:	1.1	Category of industry support project	Agriculture and forestry support project, e-commerce support project
		1.2	Number of industry support project *(unit)*	3
		1.3	Amount of industry support project *(RMB0'000)*	143.64
		1.4	Number of filed poverty-stricken people who overcome poverty	975
	2. Employment transfer for poverty alleviation			
	In which:	2.1	Amount of subsidy for vocational skill training *(RMB0'000)*	552
		2.2	Number of people received vocational skill training	3,019
		2.3	Number of filed poverty-stricken people who overcome poverty	455
	3. Education Support			
	In which:	3.1	Amount for supporting poor students *(RMB0'000)*	1,076.8
		3.2	Number of supported poor students	1,666
		3.3	Investment amount for improving educational resources in deprived regions *(RMB0'000)*	6,384.2
	4. Health support			
	In which:	4.1	Amount contributed to medical and clinical resources in deprived regions *(RMB0'000)*	453.25
	5. Poverty alleviation by ecological protection			
	In which:	5.1	Name of Project	Carry out ecological conservation and maintenance
		5.2	Investment amount *(RMB0'000)*	590
	6. Other projects			
	In which:	6.1	Number of projects *(unit)*	10
		6.2	Investment amount *(RMB0'000)*	4,374.94
		6.3	Number of filed poverty-stricken people who overcome poverty	47,107
		6.4	Other details of the projects	Rural drinking water consolidation and improvement project in Wubao County; water supply project at Dongzhuang noodle factory; poverty alleviation by consuming products and services from poor areas, etc.
III.	**Awards**	1.	Shendong Coal won the Innovation Award of Shaanxi Province Poverty Alleviation Institutions in 2020; at provincial and ministerial level.	
		2.	Luo Hong, a poverty alleviation cadre in Sichuan Energy, won the title of 2019 Excellent Resident Team Member awarded by Sichuan Provincial Party Committee and Provincial Government; at provincial and ministerial level.	
		3.	Hu Xiaoming, a poverty alleviation cadre in Sichuan Energy, won the honorary title of "National Advanced Individual in Poverty Alleviation"; national level	

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

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

The Group unswervingly followed the decisions and arrangements of the CPC Central Committee, further increased financial input, kept optimising work mechanism, made steady progress in key assistance projects, and obtained significant results from poverty alleviation and assistance work. In November 2020, Butuo County was delisted successfully as the poverty-stricken county. So far, after Mizhi County and Wubao County of Yulin City, Shaanxi Province being delisted as poverty-stricken counties in May 2019, all the three counties where the Company undertook the targeted poverty alleviation task have been lifted out of poverty. The relevant data of each county from the time the Company undertaking the poverty alleviation task to 31 December 2020 are as follows:

	Wubao County	Mizhi County	Butuo County	Total
Accumulated capital investment *(RMB0'000)*	7,727.42	11,400	16,552.34	35,679.76
Introduction of external assistance funds *(RMB0'000)*	99.8	95	48.65	243.45
Total Number of projects implemented	92	242	48	382
Number of filed poverty-stricken people who overcome poverty	8,621	13,500	81,006	103,127
Training to skilled talents and grassroots cadre *(person-time)*	792	1,190	3,855	5,837
Amount of purchasing and selling agricultural products *(RMB0'000)*	767.7	1,501.29	250.58	2,519.57

In addition to the above three counties, the Group carried out poverty alleviation work by delivering medical and health support through the platform of China Energy Group Foundation. In 2020 the capital expenditure stood at approximately RMB137.8040 million[1], which was mainly used for the treatment of children with leukemia and congenital heart disease, screening of neonatal congenital heart disease and donation to schools and students, etc. 14 subsidiaries including Shendong Coal commenced partner poverty alleviation , and donations and educational assistance activities within the territory of the subsidiaries. Throughout the year approximately RMB110 million were donated and 114 projects were implemented.

5. Subsequent targeted poverty alleviation plan

The Group will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics in the New Era, earnestly implement the spirit of the 19th CPC National Congress and a series of important instructions of General Secretary Xi Jinping on poverty alleviation and rural revitalization, implement the requirements of "no responsibility, policy, assistance and supervision are lifted after the poverty is lifted" and further strengthen the support and work in Butuo, Mizhi and Wubao counties, consolidate and expand the achievements of poverty alleviation and effectively link up with rural revitalization, take preventing poverty return as the focus, take improving development power as the goal, promote sustainable and balanced development, and build beautiful villages in three counties.

1. Financial input is calculated based on capital expenditure of Foundation for poverty alleviation on education and health care × the proportion of donation made by China Shenhua to Foundation. The proportion of donation made by China Shenhua has been 80.52% since the establishment of China Energy Public Welfare Foundation.

(II) Environmental Protection

1. Environmental Policies and Performance

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

The Group takes "striving to achieve the peak of carbon dioxide emissions in 2025, actively exploring effective paths and striving to achieve 'carbon neutrality' by 2060" as the goal, actively carried out technical transformation, reduced coal consumption of power supply for coal-fired units, promoted energy conservation and emission reduction, increased greenhouse gas emission control and investment in CCUS technology research, vigorously developed new energy, actively participated in national carbon market, adopted a series of measures such as forest carbon sink to explore the way of carbon neutralization and usher in low-carbon era.

2. Environmental Protection Measures and Achievements

In 2020, the coal segment has continued promoting the clean development of the coal industry. It has strengthened coal quality management, improved coal preparation efficiency, controlled pollution sources, and improved the utilization rate of waste water and solid waste. It has carried out green mine construction, protected and improved the local ecological environment. During the year, the water utilization rate of the mine (pit) was 75%, and the comprehensive utilization volume of coal gangue was 12.54 million tonnes. Daliuta coal mine of Shendong Coal was awarded the "National Soil and Water Conservation Technology Demonstration Park"; Shengli Energy was named the "Most Beautiful Mine in China" by National Energy Administration and China Energy News, and was awarded as the Model Advanced Unit of Greening in Inner Mongolia Autonomous Region; Zhunge'er Mine Park was awarded the title of "National Mine Park". As at the end of 2020, balance of the accrued reclamation obligations of the Group amounted to RMB6.169 billion.

The transport segment has accelerated the progress of "road to railway" of coal transportation and the dust control of road and port. It has continued to implement the closed transformation of railway loading platform and silo construction, spraying dust suppressant strictly in accordance with the regulations. It has carried out the upgrading and discharge transformation of small sewage treatment stations and sewage treatment plants along the railway. Huanghua Port has independently researched and developed the whole process dust control scheme with long-effect dust suppression technology for coal port as the core, which won the gold medal at the 45th Geneva International Invention Expo, becoming the first 3A level industrial scenic spot coal port in China.

The power generation segment has implemented dust control and boiler technical transformation to reduce air pollutant emissions. The conventional coal-fired generating units have achieved 100% ultra-low emissions in 2019. The emission indicators of certain power plants, such as Jiujiang Power, have reached the world's leading level. Guohua Power has won the 10th "China Environment Award" outstanding award. The average standard coal consumption for power sold of coal-fired power generators of the Group for the year was 307 g/kWh, representing a year-on-year decrease of 1 g/kWh.

All facilities at Baotou Coal Chemical have been under safe operation for 10 consecutive years, and has been rated as the second level enterprise of safety production standardization of hazardous chemicals enterprises in Inner Mongolia Autonomous Region for 5 consecutive years. In 2020, the upgrading of sulfur dioxide emission has been completed. Throughout the year the coal to olefin project has achieved the standardized discharge of waste water and waste gas, and all hazardous solid wastes have been transferred and disposed in compliance with related regulations.

In 2020, no major or above environmental safety incidents has occurred to the Group.

3. Environmental protection information of the companies and their significant subsidiaries classified as the key pollutant discharge units as published by the competent environmental protection authorities of the PRC

(1) Information on pollutant discharge

During the reporting period, total emission of major pollutants of enterprises whose pollution sources were under key supervision and control of the state and enterprises whose pollution sources were under key supervision and control of the Company is as follows: sulfur dioxide of 8.9 thousand tonnes, nitrogen oxides of 18.7 thousand tonnes, soot of 1.5 thousand tonnes and chemical oxygen demand (COD) of 550.9 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 8.7 thousand tonnes, nitrogen oxides of 18.1 thousand tonnes, soot of 1.4 thousand tonnes and chemical oxygen demand (COD) of 429.2 tonnes.

As at 31 December 2020, 25 subsidiaries of the Group were categorized as national major pollution source under supervision (among which 20 were waste gas exhausting enterprises, 1 were wastewater discharging enterprises, 3 was waste gas and wastewater discharging enterprise, and 1 was waste gas, wastewater and hazardous solid waste discharging enterprise), mainly are coal-fired power plants, coal chemical plants and coal preparation plants, etc. which are located in places including Inner Mongolia, Shaanxi, Hebei, Fujian and Guangdong.

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

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

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

Company	Major pollutant	Total Emissions *tonnes*	Average emission concentration *mg/Nm³*	Total approved emissions *tonne/year*	Number of discharge ports	Distribution of discharge ports	Discharge method	Excessive emissions	Operation rate of pollution prevention facilities *%*
Power Plant of Shenhua Yili Energy Co., Ltd.	SO_2 NO_X Soot	1,089 2,387 195	76 166 13	3,200 3,200 480	4	Each unit has one discharge port.	Organised continuous discharge	4 hours 6 hours 2 hours	100 100 100
Jinjie Power	SO_2 NO_X Soot	1,045 1,856 239	18.33 32.69 4.19	1,535 4,910.97 1,314.35	2	Units 1 and 2 share one discharge port; Units 3 and 4 share one discharge port.	Organised continuous discharge	Nil Nil Nil	100 100 100
Taishan Power	SO_2 NO_X Soot	1,199 1,826 110	18.33 27.93 1.69	4,780 9,560 1620	6	Units 1 and 2 share one discharge port; each of Units 3–7 has one discharge port.	Organised continuous discharge	6 hours Nil Nil	99.99 100 100
Shenhua Funeng	SO_2 NO_X Soot	746 1,563 103	19.48 42.11 2.76	3,675 3,675 309	2	Each unit has one discharge port.	Organised continuous discharge	Nil Nil Nil	100 99.82 100
Baotou Coal Chemical	SO_2 NO_X Soot	433 853 149	28.2 70.25 11.15	2,674 1,337 401	3	The flue gas of the thermoelectric boiler system shares one discharge port, and a separate discharge port is set for the offgas of the sulfur recovery facilities.	Organised continuous or intermittent discharge	Nil Nil Nil	100 100 100
Cangdong Power	SO_2 NO_X Soot	533 1,048 89	11.61 22.71 1.92	1,842.65 2,632.36 292.06	2	Units 1 and 2 share one discharge port; Units 3 and 4 share one discharge port.	Organised continuous discharge	Nil 24 hours Nil	100 99.75 100

Company	Major pollutant	Total Emissions *tonnes*	Average emission concentration *mg/Nm³*	Total approved emissions *tonne/year*	Number of discharge ports	Distribution of discharge ports	Discharge method	Excessive emissions	Operation rate of pollution prevention facilities *%*
Dingzhou Power	SO_2	358	11.71	1,814.31	2	Units 1 and 2 share one discharge port; Units 3 and 4 share one discharge port.	Organised continuous discharge	Nil	100
	NO_X	929	21.67	2,591.87				Nil	100
	Soot	51	1.20	521.86				Nil	100
Sichuan Energy Jiangyou Power Plant	SO_2	339	60.63	2,427	1	The units share one discharge port.	Organised continuous discharge	Nil	100
	NO_X	537	99.93	1,320				17 hours	99.53
	Soot	64	11.63	383				Nil	100
Shendong Power Chongqing Wanzhou Port and Power Co., Ltd.	SO_2	399	16.42	1,000	2	Each unit has one discharge port.	Organised continuous discharge	Nil	100
	NO_X	836	37.31	1,500				25 hours	99.67
	Soot	56	2.63	200				Nil	100
Huizhou Thermal	SO_2	419	38.97	883.63	1	The units share one discharge port.	Organised continuous discharge	Nil	100
	NO_X	657	24.72	1,767.27				6 hours	99.97
	Soot	21	1.25	353.45				Nil	100
Mengjin Power	SO_2	371	23.31	1,079	2	Each unit has one discharge port.	Organised continuous discharge	Nil	100
	NO_X	533	35.92	1,542				Nil	100
	Soot	43	2.49	308				Nil	99.99
Dianta Power Plant of Shendong Power	SO_2	205	10.5	1,031.81	1	The units share one discharge port.	Organised continuous discharge	Nil	100
	NO_X	621	31.89	1,474.02				3 hours	99.63
	Soot	38	2.17	294.80				Nil	100
Shouguang Power	SO_2	208	6.81	1,347.50	2	Each unit has one discharge port.	Organised continuous discharge	Nil	100
	NO_X	803	26.01	1,925				Nil	99.94
	Soot	14	0.505	192.50				Nil	100
Jiujiang Power	SO_2	218	7.01	2,805	2	Each unit has one discharge port.	Organised continuous discharge	Nil	100
	NO_X	669	21.08	3,014				Nil	100
	Soot	32	0.94	1,065				Nil	100
Zhunge'er Power	SO_2	280	22.03	3,840	2	One discharge port each for Phase I and Phase II.	Organised continuous discharge	Nil	100
	NO_X	393	31.70	3,840				7 hours	100
	Soot	36	3.05	576				Nil	100
Fujian Jinjiang Thermal Power Co., Ltd.	SO_2	257	64.81	831.77	1	The units share one discharge port.	Organised continuous discharge	Nil	100
	NO_X	372	94.30	831.11				Nil	100
	Soot	48	12.24	124.77				Nil	100

Company	Major pollutant	Total Emissions *tonnes*	Average emission concentration *mg/Nm³*	Total approved emissions *tonne/year*	Number of discharge ports	Distribution of discharge ports	Discharge method	Excessive emissions	Operation rate of pollution prevention facilities *%*
Sichuan Bashu Jiangyou Coal-fired Power Generation Co., Ltd.	SO_2	78	9.7	2,400	1	The units share one discharge port.	Organised continuous discharge	Nil	100
	NO_X	246	30.69	1,200				21 hours	99.8
	Soot	51	6.42	343				Nil	100
Liuzhou Power	SO_2	96	11.22	3,727.20	1	The units share one discharge port.	Organised continuous discharge	Nil	100
	NO_X	334	35.6	1,863.60				Nil	100
	Soot	25	3.1	559				Nil	100
Shenhua Funeng (Fujian Yanshi) Power Co., Ltd.	SO_2	193	20.67	2,092	1	The units share one discharge port.	Organised continuous discharge	4 hours	100
	NO_X	406	43.74	2,090				2 hours	99.6
	Soot	23	2.42	440				Nil	100
Shendong Power Daliuta Thermal Power Plant	SO_2	85	69	290.90	1	The units share one discharge port.	Organised continuous discharge	3 hours	100
	NO_X	185	141	290.90				4 hours	100
	Soot	9	10	43.63				1 hour	100
Shendong Power Guojiawan Power Plant	SO_2	23	2.42	420	1	The units share one discharge port.	Organised continuous discharge	Nil	100
	NO_X	312	33.29	600				3 hours	100
	Soot	3	0.28	120				Nil	100
Fuping Thermal Power	SO_2	67	7.32	609.88	2	Each unit has one discharge port.	Organised continuous discharge	Nil	100
	NO_X	212	23.36	871.26				Nil	100
	Soot	8	0.92	174.25				Nil	100
Shenmu Power	SO_2	61	6.66	634.5	1	The units share one discharge port.	Organised continuous discharge	3 hours	100
	NO_X	188	23.45	675				5 hours	99.23
	Soot	12	1.51	108				Nil	100
Bayan Nur Energy	SO_2	23	16.9	75	1	There is one discharge port at the coke oven chimney.	Organised continuous discharge	27 hours	99.56
	NO_X	285	213.85	750				1 hour	99.96
	Soot	9	6.89	45				Nil	99.96

Note: The discharge permit of Shenmu Power expired on 18 June 2020. During the extension period, Yulin Ecological Environment Bureau re-assessed the total annual emission of Shenmu Power in accordance with the Emission Standards for Air Pollutants Produced by Boilers in Shaanxi Province (DB61/1226-2018).

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

Company	Total Emissions *tonnes*	Average emission concentration *mg/Nm³*	Total approved emissions *tonne/year*	Number of discharge ports	Distribution of discharge ports	Discharge method	Excessive Emissions	Operation rate of pollution prevention facilities *%*
Baotou Coal Chemical	136	47.63	150	1	One external sewage outlet	Continuous or intermittent discharge	Nil	100
Jinjie Energy (coal ` mine)	246	10	N/A	3	Outlet of well water treatment plant for the main shaft; Zaoshaogou forced outlet; Hezegou forced outlet	Continuous or intermittent discharge	Nil	99.94
Daliuta well at Daliuta Coal Mine of Shendong Coal	44	12	N/A	1	Outlet of well water treatment plant for the main shaft	Continuous or intermittent discharge	Nil	100
Sichuan Energy Jiangyou Power Plant	1.53	7.4	100mg/L	1	Fujiang	Continuous or intermittent discharge	Nil	100
Sichuan Bashu Jiangyou Coal-fired Power Generation Co., Ltd.	1.69	7.2	100mg/L	1	Fujiang	Continuous or intermittent discharge	Nil	100

Notes:

(1) Currently local environmental protection administration does not issue discharge permit for sewage and waste water to coal enterprises and accordingly there is no approved total emission.

(2) Sichuan Energy Jiangyou Power Plant and Sichuan Bashu Jiangyou Coal-fired Power Generation Co., Ltd. adopt the emission concentration as the standard for approval as there is no approved total emission.

In 2020, the total emission of major enterprises under the state's key supervision and control of pollution sources (solid and hazardous waste) of the Group is as follows: 450.58 tonnes from Baotou Coal Chemical, all of which are disposed and transferred in compliance with the laws and regulations with no external discharge.

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

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

(2) Construction and operation of pollution prevention and control facilities

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

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

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

(4) Emergency plan for unexpected environmental incidents

During the reporting period, the Company has 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 monitoring frequency and time limit for publication as determined in the monitoring plan. During the reporting period, all facilities were under normal operation.

(6) Other environmental information that should be disclosed

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

Unit Name	**Date**	**Penalty No.**	**Fine Amount** *RMB0,000*	**Reason for Penalty**	**Rectification Progress**
Shouguang Power	20 February 2020	Wei Huan Fa Zi [2020] SG028	10	Online monitoring data on 24 March 2019 showed that the average daily nitrogen oxide emission concentration exceeded the standard by 0.64 times	Please refer to 2020 interim report of the Company
Baotou Energy Wanli No.1 mine	28 June 2020	Dong Huan Fa [2020] 32	50	The acceptance of the environmental impact assessment report of the capacity increase construction project of Wanli No.1 mine has not been completed	The acceptance investigation report and the acceptance monitoring plan have been prepared, and it is expected that the rectification will be completed by the end of June 2021
	24 July 2020	Dong Huan Fa [2020] 37	10	Mine water flowed out from the southeast side of the mining area	The leaking pipeline has been repaired; pipeline inspection has been strengthened
	24 July 2020	Dong Huan Fa [2020] 38	5	The coal preparation plant dumps the solid wastes such as underground waste and domestic waste into the waste dump	Domestic waste and underground waste have been transported to the municipal landfill for harmless treatment

Unit Name	Date	Penalty No.	Fine Amount *RMB0,000*	Reason for Penalty	Rectification Progress
	21 September 2020	E Huan Fa [2020] 245	10	The washing water and road sprinkling water in the coal preparation plant area were not collected in time and flowed out of the area through ditches without any anti-seepage measures.	Increase the frequency of sweeping the access road for coal-purchasing vehicles and plant area; spray water appropriately according to the weather conditions, and prohibit excessive water spraying.
	16 November 2020	Dong Huan Fa [2020] 65	20	The company failed to provide the account for the transfer and disposal of waste oil drums. Some waste oil was stored in the maintenance workshop without proper recovery.	The account for recycling and disposal has been established. The waste oil has been transferred to the mine hazardous waste temporary storage on the same day.
	14 December 2020	Dong Huan Fa [2020] 67	10	The dust and sulfur dioxide of heating boiler in mining area exceed the standard.	The new 20-tonne boiler has been put into use, and the small heating boiler has been shut down. On 22 December 2020, the third-party monitoring data have satisfied the standard.
Zhunge'er Energy Ha'erwusu Open-pit Mine	26 April 2020	E Huan Fa [2020] 78	10	On 11 December 2019, no effective measures were taken to prevent dust pollution during stripping and transportation operation.	The frequency of sprinkling water has been increased to reduce dust.
Shendong Coal Bulianta Coal Mine	28 June 2020	E Huan Fa [2020] 66	10	Improperly discharge the gangue to the abandoned Huhewusu mining pit without the approval of environmental protection.	The environmental approval procedure is underway.

Unit Name	Date	Penalty No.	Fine Amount *RMB0,000*	Reason for Penalty	Rectification Progress
Shendong Coal Shigetai Coal Mine	28 June 2020	Shan K Shenmu Huan Fa [2020] 71	5	On 17 June 2020, the contractor of gangue plant did not spray water to reduce dust in time.	Strictly in accordance with the "Standard for Pollution Control of General Industrial Solid Waste Storage and Disposal Site" and the planning and design scheme, the inspection and assessment to the gangue discharge contractor's operation has been strengthened.
Shendong Coal Shangwan Coal Mine	24 July 2020	E Huan Fa [2020] 135	10	Wujiata gangue dump has been in service beyond the permit term, and the actual floor area exceeds the total floor area indicated in the approval documents.	The environmental approval procedure is underway.
Shenbao Energy	10 July 2020	Hu Huan Fa Zi [2020] 4	10	On 10 July 2020, the water and electricity center did not operate normally. The water pollution prevention and control facilities of No. 2 industrial water treatment station discharged certain pollutants.	The damaged equipment has been repaired and checked by Hulunbei'er Ecological Environment Bureau. All the equipment are in normal operation.
Shenbao Energy	28 October 2020	Hu Huan (Chen) Fa Zi [2020] 3	126.93	On 28 October 2020, the capacity expansion and reconstruction project of the ground production system of the storage and loading center started construction without environmental impact assessment.	In December 2020, the EIA approval for the capacity expansion and reconstruction project of the ground production system has been obtained, and the environmental protection acceptance work for completion is in progress.
Yushen Energy Qinglongsi Coal Mine	10 July 2020	Shan K Fugu Huan Fa [2020] 37	30	The company failed to satisfy the indicated index of air pollutant emission standard.	In October 2020, the boiler desulfurization and denitrification transformation has been completed, and the emission concentration has satisfied the relevant requirements.

4. **Environmental issues of companies other than those classified as the key pollutant discharging units**

   During the reporting period, companies other than those classified as the key pollutant discharging units of the Group implemented their environmental protection responsibilities in accordance with the unified requirements of the Company, regularly carried out special environmental monitoring and hidden danger investigation and treatment, built and operated pollution control facilities, and carried out land reclamation and vegetation restoration to minimize the impact of production on the environment.

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

   ☐ Applicable ✔ Not applicable

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

   ☐ Applicable ✔ Not applicable

   For the details of the related environmental protection work, please refer to the 2020 Environmental, Social Responsibility and Corporate Governance Report disclosed as the same time of the report.

(III) Donations

During the reporting period, the Group made external donations of approximately RMB178 million.

For the details of the related environmental protection work, please refer to the 2020 Environmental, Social Responsibility and Corporate Governance Report disclosed as the same time of the report.

XIV. CONVERTIBLE COMPANY BOND

☐ Applicable ✔ Not applicable

I. CHANGE IN ORDINARY SHARE CAPITAL

(I) Change in the number of ordinary shares

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

	As at 31 December 2020	
	Number	Percentage %
I. Shares with selling restrictions	0	0.00
II. Shares without selling restrictions	19,889,620,455	100.00
1. RMB ordinary shares	16,491,037,955	82.91
2. Overseas listed foreign shares	3,398,582,500	17.09
III. Total number of shares	19,889,620,455	100.00

On 25 September 2020, the Resolution on Granting General Mandate to Repurchase H Shares to the Board (the "General Mandate") were considered and approved by the 2020 first extraordinary general meeting, the 2020 second class meeting of the holders of A shares and the 2020 second class meeting of the holders of H shares of the Company (collectively, the "General Meetings"), respectively. According to the General Mandate, during the period from 23 November 2020 to 31 December 2020, the Company repurchased an aggregate of 21,100,500 H shares on the HKEx (accounting for 0.6209% of the total number of H shares issued by the Company as at the date when the General Mandate was approved by the General Meetings and 0.1061% of the total number of shares of the Company,), the total consideration of the payment amounted to HKD303.12 million (excluding commission and other fees). As at 8 March 2021, the Company cancelled all the above repurchased H shares. After the cancellation, the total number of issued shares of the Company has been reduced to 19,868,519,955 shares, of which 16,491,037,955 shares of A shares and 3,377,482,000 shares of H shares..

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

(II) Changes of shares with selling restrictions

☐ Applicable ✔ Not applicable

II. ISSUANCE AND LISTING OF SECURITIES

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

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

☐ Applicable ✔ Not applicable

(II) Pre-emptive rights

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

III. SHAREHOLDERS

(I) Total number of shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period *(accounts)*		204,357
Including:	Holders of A shares (including China Energy)	202,297
	Registered holders of H shares	2,060
Total number of ordinary shareholders at the end of last month prior to the date of this annual report *(accounts)*		200,331
Including:	Holders of H shares (including China Energy)	198,284
	Registered holders of H shares	2,047

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

Unit: share

Shareholdings of top ten shareholders							
Name of shareholders	Increase/ decrease during the reporting period	Number of shares held at the end of the reporting period	Percentage %	Number of shares with selling restrictions	Shares subject to pledge or lock-up Status	Number	Nature of shareholders
China Energy Investment Corporation Limited	0	13,812,709,196	69.45	0	Nil	N/A	State-owned corporation
HKSCC NOMINEES LIMITED	–110,500	3,390,320,722	17.05	0	Unknown	N/A	Overseas corporation
China Securities Finance Corporation Limited	0	594,718,049	2.99	0	Nil	N/A	Others
Central Huijin Asset Management Ltd.	0	110,027,300	0.55	0	Nil	N/A	State-owned corporation

Shareholdings of top ten shareholders							
Name of shareholders	Increase/ decrease during the reporting period	Number of shares held at the end of the reporting period	Percentage %	Number of shares with selling restrictions	Shares subject to pledge or lock-up Status	Number	Nature of shareholders
Hong Kong Securities Clearing Company Limited	+2,496,884	100,085,573	0.50	0	Nil	N/A	Overseas corporation
Industrial Bank Co., Ltd. – Xingquan New Vision Flexible Allocation Regular Open-end Hybrid Sponsored Securities Investment Fund	+52,567,732	67,636,276	0.34	0	Nil	N/A	Others
Shanghai Pudong Development Bank Co., Ltd. - Guangfa High-end Manufacturing Stock Sponsored Securities Investment Fund	+41,902,451	41,902,451	0.21	0	Nil	N/A	Others
Industrial and Commercial Bank of China - Shanghai Index 50 Trading Open-end Index Securities Investment Fund	–869,443	24,547,748	0.12	0	Nil	N/A	Others
National Social Security Fund - Eight Portfolios	+24,003,213	24,003,213	0.12	0	Nil	N/A	State
Zhuhai Ruifeng Huibang Asset Management Co., Ltd. - Ruifeng Huibang No.3 Privately Offered Fund	+18,225,644	22,233,848	0.11	0	Nil	N/A	Others

Unit: share

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	3,390,320,722	Overseas-listed foreign shares	3,390,320,722
China Securities Finance Corporation Limited	594,718,049	RMB ordinary shares	594,718,049
Central Huijin Asset Management Ltd.	110,027,300	RMB ordinary shares	110,027,300
Hong Kong Securities Clearing Company Limited	100,085,573	RMB ordinary shares	100,085,573
Industrial Bank Co., Ltd. – Xingquan New Vision Flexible Allocation Regular Open-end Hybrid Sponsored Securities Investment Fund	67,636,276	RMB ordinary shares	67,636,276
Shanghai Pudong Development Bank Co., Ltd. – Guangfa High-end Manufacturing Stock Sponsored Securities Investment Fund	41,902,451	RMB ordinary shares	41,902,451
Industrial and Commercial Bank of China - Shanghai Index 50 Trading Open-end Index Securities Investment Fund	24,547,748	RMB ordinary shares	24,547,748
National Social Security Fund – Eight Portfolios	24,003,213	RMB ordinary shares	24,003,213
Zhuhai Ruifeng Huibang Asset Management Co., Ltd. – Ruifeng Huibang No.3 Privately Offered Fund	22,233,848	RMB ordinary shares	22,233,848
Details regarding the connected relationships among the above shareholders or whether they are parties acting in concert	Both HKSCC NOMINEES LIMITED and Hong Kong Securities Clearing Company Limited are 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 of CSRC.		
Details regarding the holders of preference shares with voting rights restored and the number of shares held	N/A		

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

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

As at 31 December 2020, persons set out in the table below had an interest and/or short position in the shares or underlying shares of the Company which is required to be recorded in the register of equity interests and/or short positions pursuant to section 336 of Part XV of the Securities and Futures Ordinance (the "SFO", Chapter 571 of the Laws of Hong Kong):

No.	Name of shareholders	Capacity	H shares/A shares	Nature of interest	Number of H shares/ A shares held	Percentage of H shares/ A shares over total issued H shares/ A shares respectively %	Percentage of total issued share capital of the Company %
1	China Energy	Beneficial owner	A shares	N/A	13,812,709,196	83.76	69.45
2	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H shares	Long position	202,783,549	5.97	1.02

As at 31 December 2020, save as disclosed above, there was no other person who held interests and/or short positions in the shares or underlying shares of the Company which are required to be recorded in the register to be kept under section 336 of Part XV of the SFO, or was a substantial shareholder of the Company.

IV. CHANGES IN CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

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

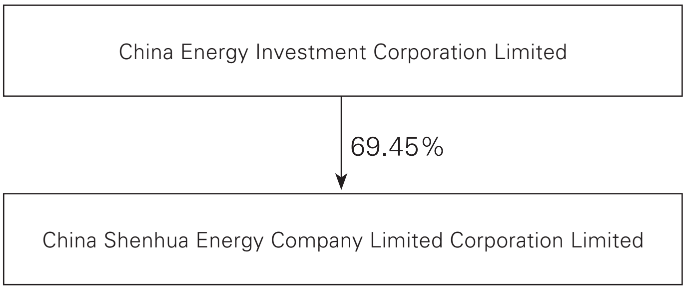
1. Legal person

Name	China Energy Investment Corporation Limited
Legal representative	Wang Xiangxi
Date of incorporation	23 October 1995
Principal business	State-owned assets operating activities within the scope authorized by the State Council; investment and management activities in various sectors, including resource products (such as coal), coal-to-liquids, coal chemical, power, thermal, port, various transportation, finance, domestic and international trade and logistics, real estate, advanced technology and information consultation and etc.; planning, organizing, coordinating and managing the production and operating activities in above sectors of members of China Energy Group; and sales of chemical materials and chemical products (excluding hazardous chemicals), textiles, construction materials, machinery, electronic equipment and office equipment. (Market entity is allowed to choose the business to be engaged in and carry out such business activities pursuant to laws; for projects that are subject to approval pursuant to the law, business operations shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no business activities which are prohibited or restricted by the state or Beijing industrial policies shall be carried out.)
Shareholdings in other domestic and overseas listed subsidiaries and associates during the reporting period	Directly or indirectly holding 46.09% shares of GD Power Development Co., Ltd.; Directly or indirectly holding 58.44% shares of China Longyuan Power Group Corporation Limited; Effectively controlling 78.40% shares of Guodian Technology & Environment Group Corporation Limited; Effectively controlling 61.42% shares of Inner Mongolia Pingzhuang Energy Co., Ltd.; Effectively controlling 51.25% shares of Ningxia Yinglite Chemicals Co., Ltd.; Effectively controlling 42.00% shares of Yantai Longyuan Power Technology Co., Ltd. Effectively controlling 37.39% shares of Guodian Changyuan Electric Power Co., Ltd.; Indirectly holding 20.84% shares of Shenzhen Laibao Hi-Tech Co., Ltd.

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

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

3. Diagram of the equity and controlling relationship between the Company and the controlling shareholder at the end of the Reporting Period



On 8 March 2021, after the Company canceled the repurchased 21,100,500 H shares, the shareholding ratio of China Energy became 69.52%.

(II) De facto controller

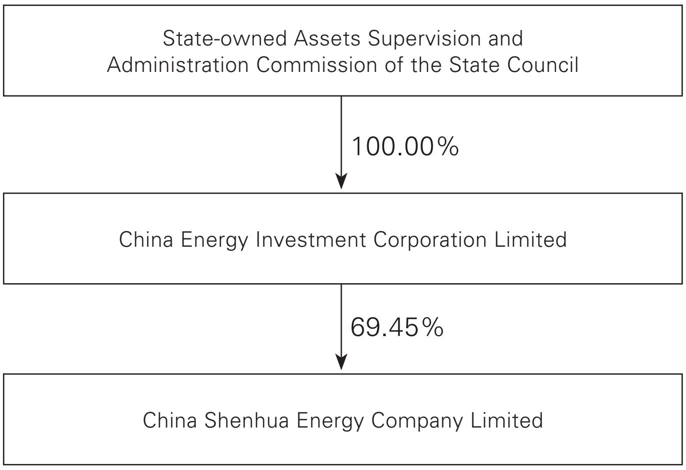
1. Legal person

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

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

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

3. Diagram of the equity and controlling relationship between the Company and the de facto controller at the end of the Reporting Period



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

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

VI. RESTRICTIONS ON THE REDUCTION IN THE SHAREHOLDING

☐ Applicable ✔ Not applicable

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Changes in shareholding and remuneration

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

Unit: RMB ten thousand

Name	Positions	Gender	Age	Date of Appointment (from the first appointment date)	Scheduled expiration of term of office	Remuneration paid (before tax)				Unit payment and deposit of social insurance, housing funds and corporate annuities			Other monetary income	Total remuneration before tax	Remark
						Basic remuneration	Performance remuneration (including emoluments)	Including: performance remuneration for the previous year	Subtotal 1	Basic healthcare, unemployment, work-related injury, maternity insurance and housing provident funds	Retirement plan: basic pension insurance and corporate annuities	Subtotal 2			
Wang Xiangxi	Chairman and Executive Director	Male	58	21 June 2019	28 May 2023	–	–	–	**–**	–	–	**–**	–	**–**	Paid at the unit of shareholder
Yang Jiping	Executive Director	Male	50	29 May 2020	28 May 2023	31.30	55.96	15.26	**87.26**	7.00	6.35	**13.35**	–	**100.61**	
	General Manager, Deputy Secretary to the Party Committee of the Company			23 August 2019	–										
Xu Mingjun	Executive Director	Male	57	29 May 2020	28 May 2023	31.30	87.70	47.00	**119.00**	7.00	6.51	**13.51**	–	**132.51**	
	Secretary of the Party Committee and Deputy General Manager			29 November 2018	–										
Jia Jinzhong	Non-Executive Director	Male	57	29 May 2020	28 May 2023	–	–	–	**–**	–	–	**–**	–	**–**	Paid at the unit of shareholder
Yuen Kwok Keung	Independent Non-Executive Director	Male	56	29 May 2020	28 May 2023	–	15.00	–	**15.00**	–	–	**–**	–	**15.00**	Paid in the Company since July 2020
Bai Chong-En	Independent Non-Executive Director	Male	57	29 May 2020	28 May 2023	–	15.00	–	**15.00**	–	–	**–**	–	**15.00**	Paid in the Company since July 2020
Chen Hanwen	Independent Non-Executive Director	Male	52	29 May 2020	28 May 2023	–	15.00	–	**15.00**	–	–	**–**	–	**15.00**	Paid in the Company since July 2020
Wang Xingzhong	Employee' Representative Director	Male	52	29 May 2020	28 May 2023	25.04	34.96	–	**60.00**	7.00	6.93	**13.93**	–	**73.93**	
	Deputy General Manager and Member of the Party Committee of the Company			30 December 2019	–										
Luo Meijian	Chairman of the Supervisory Committee	Male	56	29 May 2020	28 May 2023	–	–	–	**–**	–	–	**–**	–	**–**	Paid at the unit of shareholder
Zhou Dayu	Supervisor	Male	55	17 June 2016	28 May 2023	–	–	–	**–**	–	–	**–**	–	**–**	Paid at the unit of shareholder
Zhang Changyan	Employees' Representative Supervisor	Male	50	2 December 2019	28 May 2023	25.04	46.35	11.39	**71.39**	7.00	6.27	**13.27**	–	**84.66**	
Huang Qing	Secretary to the Board, Company Secretary and member to the Party Committee of the Company and General Counsel	Male	55	6 November 2004	–	25.04	84.88	43.92	**109.92**	7.00	7.22	**14.22**	–	**124.14**	
Yang Suping	Secretary to the Disciplinary Committee and member to the Party Committee of the Company	Female	55	21 June 2018	–	25.04	70.04	35.08	**95.08**	7.00	6.43	**13.43**	–	**108.51**	
Xu Shancheng	Chief Financial Officer and member to the Party Committee of the Company	Male	56	28 December 2018	–	25.04	79.12	44.16	**104.16**	7.00	6.23	**13.23**	–	**117.39**	
Total						187.80	504.01	196.81	**691.81**	49.00	45.94	**94.94**	–	**786.75**	

Note:

(1) The remuneration of Directors received from shareholders of the Company for 2020 will be disclosed on the website of China Energy upon completion of assessment made by the SASAC of the State Council.

(2) The remuneration package of Directors and supervisors for 2020 is subject to approval by the Company at the 2020 annual general meeting; the remuneration package of the senior management was approved by the Board.

(3) The remuneration received from the Company covers the year of 2020 or the period from the commencement of term of office of the Company to 31 December 2020.

(4) None of the personnel mentioned above hold any shares in the Company during the term of service in 2020.

(5) The 2019 annual general meeting of the Company approved that term of service of the fifth session of the Board and the supervisory committee is three years (29 May 2020 to 28 May 2023). The terms of office in the above table are identical to the dates of appointment by the general meeting or the Board. If there are no dates of appointment by the general meeting or the Board, the terms of office are identical to the dates of appointment by Party Organisations.

(6) The ages were calculated as of 31 December 2020.

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

Unit: RMB ten thousand

Name	Positions	Gender	Age	Date of appointment of directors, supervisors and senior management (from the first appointment date)	Date of expiry of term of office	Remuneration paid (before tax): Basic remuneration	Remuneration paid (before tax): Performance remuneration (including emoluments)	Remuneration paid (before tax): Performance remuneration (including emoluments) – Including: performance remuneration for the previous year	Remuneration paid (before tax): Subtotal 1	Unit payment and deposit of social insurance, housing funds and corporate annuities: Basic healthcare, unemployment, work-related injury, maternity insurance and housing provident funds	Unit payment and deposit of social insurance, housing funds and corporate annuities: Retirement plan: basic pension insurance and corporate annuities	Unit payment and deposit of social insurance, housing funds and corporate annuities: Subtotal 2	Other monetary income	Total remuneration before tax	Remark
Li Dong	Executive Director	Male	60	17 June 2016	29 March 2020	–	–	–	-	–	–	-	–	-	Paid at the unit of shareholder
Gao Song	Executive Director	Male	59	27 April 2018	29 May 2020	–	–	–	-	–	–	-	–	-	Paid at the unit of shareholder
Mi Shuhua	Executive Director	Male	58	27 April 2018	29 May 2020	–	–	–	-	–	–	-	–	-	Paid at the unit of shareholder
Zhao Jibin	Non-Executive Director	Male	68	17 June 2016	29 May 2020	–	–	–	-	–	–	-	–	-	Paid at the unit of shareholder
Zhao Yongfeng	Non-Executive Director Executive Vice President and member to the Party Committee of the Company	Male	56	29 May 2020 23 August 2019	23 December 2020 26 March 2020	6.26	20.03	11.29	26.29	1.63	1.90	3.53	–	29.82	
Tam Wai Chu, Maria	Independent Non-Executive Director	Female	75	23 June 2017	29 May 2020	–	22.50	–	22.50	–	–	-	–	22.50	
Peng Suping	Independent Non-Executive Director	Male	61	27 April 2018	29 May 2020	–	22.50	–	22.50	–	–	-	–	22.50	
Jiang Bo	Independent Non-Executive Director	Female	65	23 June 2017	29 May 2020	–	22.50	–	22.50	–	–	-	–	22.50	
Zhong Yingjie, Christina	Independent Non-Executive Director	Female	52	23 June 2017	29 May 2020	–	22.50	–	22.50	–	–	-	–	22.50	
Zhai Richeng	Chairman of the Supervisory Committee	Male	56	22 August 2014	29 May 2020	–	–	–	-	–	–	-	–	-	Paid at the unit of shareholder
Zhang Guangde	Executive Vice President and member to the Party Committee of the Company	Male	58	24 August 2018	28 May 2020	10.43	58.63	44.06	69.06	2.54	2.92	5.46	–	74.52	
Total						16.69	168.66	55.35	185.35	4.17	4.82	8.99	–	194.34	

Note:

(1) The remuneration of Directors received from shareholders of the Company for 2020 will be disclosed on the website of China Energy upon completion of assessment made by the SASAC of the State Council.

(2) The remuneration package of Directors for 2020 is subject to approval by the Company at the 2020 annual general meeting; the remuneration package of the senior management was approved by the Board.

(3) None of the personnel mentioned above holds any shares in the Company during the term of service in 2020.

(4) The ages were calculated as of 31 December 2020.

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

(1) Directors

Name	Biographical details
 **Wang Xiangxi** Chairman, Executive Director	Born in August 1962, male, Chinese, a member of the Communist Party and a senior engineer. Mr. Wang received a master's degree of Engineering in Mining Engineering from Department of Resources and Materials Engineering of Jiaozuo Institute of Technology in 2003. Mr. Wang has extensive experience in economic management, laws and regulations as well as management in coal industry. Mr. Wang has been serving as the Chairman and Executive Director of the fifth session of the Board of the Company since May 2020, the Chairman and Executive Director of the fourth session of the Board of the Company from June 2019 to May 2020, as well as the secretary of the Leading Party Members' Group and chairman of China Energy Group since March 2019. From July 2017 to March 2019, he served as a member of the standing committee of the Party Committee, secretary of the provincial committee of political and legal affairs of Hubei Province. From June 2017 to July 2017, he served as a member of the standing committee of the Party Committee, secretary general and member of the Leading Party Members' Group of the provincial government, secretary and director of the Leading Party Members' Group of the provincial government office of Hubei Province. From July 2012 to June 2017, he served as secretary general and member of the Leading Party Members' Group of the provincial government, secretary and director of the Leading Party Members' Group of the provincial government office of Hubei Province. Prior to the foregoing, Mr. Wang had also served in various positions, including the secretary of Municipal Party Committee and director of the Standing Committee of the Municipal People's Congress of Suizhou, Hubei Province, deputy secretary of Municipal Party Committee, mayor of Jingzhou, Hubei Province, director and secretary of the Leading Party Members' Group of Hubei Quality and Technical Supervision Bureau, deputy director and member of the Leading Party Members' Group of Hubei Provincial Economic and Trade Commission, director and secretary of the Leading Party Members' Group of the Coal Industry Management Office of Hubei Province, deputy director and member of the Leading Party Members' Group of Hubei Coal Industry Department.

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

Name	Biographical details
 **Xu Mingjun** Executive Director, Secretary of the Party Committee, Deputy General Manager	Born in October 1963, male, Chinese, a member of the Communist Party of China, a graduate of postgraduate program and a senior political engineer. Mr. Xu has extensive experience in corporate management. Mr. Xu has served as the Executive Director of the fifth session of the Board of the Company since May 2020, the secretary of the Party Committee of the Company since September 2018, and the executive vice president of the Company since November 2018. Mr. Xu has served as the assistant to the general manager of China Energy concurrently from May 2018 to October 2019, and assistant to general manager of former China Guodian, secretary to the Leading Party Group, secretary to the Party Committee and deputy general manager of GD Power, assistant to general manager of the China Energy and secretary to the Party Committee and deputy general manager of GD Power from May 2016 to September 2018. From October 2008 to May 2016, he successively served as the chief of political work office, a member and a deputy secretary to the Party Committee directly under China Guodian, the secretary to the board of directors, the assistant to the general manager and the head of general office of former China Guodian. Prior to the foregoing, Mr. Xu had served in various capacities, including the director of people work division of the Departmental Party Committee of the State Bureau of Coal Industry, the deputy director of labour union working division, deputy director of general division of people work department and a director-level investigator and researcher under the Central Enterprise Working Committee, the director of news division and assistant inspector of the bureau of publicity under the State-owned Assets Supervision and Administration Commission of the State Council, a deputy secretary of prefectural committee in Tacheng, Xinjiang, a deputy inspector of the bureau of publicity under the SASAC.

Name	Biographical details
 **Jia Jinzhong** Non-Executive Director	Born in July 1963, male, Chinese, a member of the Communist Party, a professor-level senior engineer, and received a master's degree of engineering. Mr. Jia has been engaged in railway transportation production management. Mr. Jia has served as the Non-executive Director of the fifth session of the Board of the Company since May 2020, and the chief economist of China Energy Investment Corporation Limited since May 2018. Mr. Jia served as vice president of the Company from March 2017 to September 2019, and as the deputy general manager, standing deputy general manager, secretary of the Party Committee, chairman of the board of Shuohuang Railway Development Co., Ltd. from June 2005 to March 2017. Prior to the foregoing, Mr. Jia successively served as deputy section head of Yuanping Train Depot of Taiyuan Railway Branch, deputy director of Taiyuan West Railway Station of Taiyuan Railway Branch, manager of Yuanping Branch of Shuohuang Railway Development Co., Ltd., secretary of the Party Committee and manager of Suning Branch of Shuohuang Railway Development Co., Ltd.

Name	Biographical details
 **Yuen Kwok Keung** Independent Non-Executive Director	Born in June 1964, male, Chinese, Senior Counsel, Hong Kong Grand Bauhinia Medal, and Justice of the Peace. Dr. Yuen received a master of laws degree from City University of Hong Kong in 1997 and an honorary doctor of laws degree from Hong Kong Shue Yan University in 2018. Dr. Yuen has extensive legal experience. Dr. Yuen has served as the Independent Non-executive Director of the fifth session of the Board of the Company since May 2020 and is a senior barrister with Temple Chambers. Dr. Yuen is also a committee member of the International Commercial Expert Committee of the International Commercial Court of the Supreme People's Court of the People's Republic of China, a council member of the Hong Kong International Arbitration Centre and a member of the Exchange Fund Advisory Committee concurrently. Dr. Yuen served as Secretary for Justice of the HKSAR (2012–2018), Recorder of the High Court (2006–2012), a member of the Judicial Officers Recommendation Commission (2009–2018), chairman of the Hong Kong Bar Association (2007–2009), a non-official member of the Advisory Committee on Corruption of the Independent Commission Against Corruption (2009–2012), and a non-executive director of Mandatory Provident Fund Schemes Authority (2010–2012).

Name	Biographical details
 **Bai Chong-En** Independent Non-Executive Director	Born in October 1963, male, Chinese. Dr. Bai received a Ph.D. in Mathematics from the University of California, San Diego in 1988, and a Ph.D. in Economics from Harvard University in 1993. Dr. Bai has extensive experience in economic management, finance and corporate governance. Dr. Bai has served as the Independent Non-executive Director of the fifth session of the Board of the Company since May 2020. Dr. Bai has been the dean of the School of Economics and Management of Tsinghua University since 2018 and Mansfield Freeman chair professor since 2004. Dr. Bai currently also serves as the vice president of the tenth session of Society of Public Finance of China and a member of the Academic Committee of the Council, vice president of China Association of Labour Economics, and member of the Executive Committee of the International Economic Association concurrently. Dr. Bai has served as department chair of department of economics, associate dean and executive associate dean of School of Economics and Management of Tsinghua University, and associate professor at the School of Economics and Finance of the University of Hong Kong. He also served as an independent director of China CITIC Bank Corporation Limited.

Name	Biographical details
 **Chen Hanwen** Independent Non-Executive Director	Born in January 1968, male, Chinese and a member of the Communist Party. Dr. Chen graduated from Accounting Department of School of Economics of Xiamen University in 1997 with a doctorate degree in economics. Dr. Chen has extensive experience in auditing, internal control, accounting theory and methods. Dr. Chen has served as the Independent Non-executive Director of the fifth session of the Board of the Company since May 2020. Dr. Chen is a distinguished professor of Huiyuan, University of International Business and Economics, a first-level professor at the International Business School, a professor and a doctoral tutor of the Accounting Department of the International Business School, and a national second-level professor. Dr. Chen also serves as chair professor at China Business Executives Academy, Dalian and executive director of the China Auditing Society concurrently. Dr. Chen serves as an external supervisor of Bank of Communications Co., Ltd. and an independent director of Beijing Tri-Prime Gene Pharmaceutical Co., Ltd.. Prior to the foregoing, Dr. Chen had served as the deputy dean of the Graduate School, the deputy dean of the School of Management, the director, professor, and doctoral tutor of the Accounting Department of Xiamen University.

Name	Biographical details
 **Wang Xingzhong** Employee Director, Deputy General Manager, Member to the Party Committee	Born in April 1968, male, Chinese, a member of the Communist Party and a professor-level senior engineer. Mr. Wang has extensive experience in railway transport operation and management. He graduated from the Shanghai Railway Institute (上海鐵道學院) in 1989, majoring in railway engineering and obtained the master academic qualification and a Ph.D. degree in engineering from China Academy of Railway Sciences (中國鐵道科學研究院) in 2011. Mr. Wang has served as the Employee Director of the fifth session of the Board of the Company since May 2020, and an executive vice president and a member to the Party Committee of the Company since December 2019. Mr. Wang served as the director and deputy secretary of operating management center of transport industry of China Energy and the Company from May 2018 to December 2019, and the general manager of transport management department of former Shenhua Group Corporation and the Company from February 2015 to May 2018. From June 2013 to February 2015, he successively served as deputy secretary of the Party Committee and chairman of Shenhua Baoshen Railway Group Co., Ltd. Prior to that, Mr. Wang successively served as deputy secretary of the Party Committee, chairman and general manager of Shenhua Baoshen Railway Group Co., Ltd., chairman of Shenhua Ganquan Railway Co., Ltd., and the deputy general manager of Shenhua Zhunge'er Energy Co., Ltd and general manager of Dazhun Railway Company.

(2) Supervisors

Name	Biographical details
 **Luo Meijian** Chairman of the Supervisory Committee	Born in May 1964, male, Chinese, a member of the Communist Party, and Ph. D in Management, senior economist. Mr. Luo has served as the Chairman of Supervisory Committee of the Company since May 2020, and a director of the Organization and Personnel Department (Human Resources Department) of China Energy since June 2018. Mr. Luo served as the general manager of Human Resources Department at former Shenhua Group Corporation and the Company from March 2017 to June 2018. From March 2015 to March 2017, he served as the secretary of the Party Committee and standing deputy president of former Shenhua Management College, the standing deputy president of former Shenhua Group Corporation Communist Party School and the deputy general manager of Human Resources Department of former Shenhua Group Corporation and the Company. From May 2013 to March 2015, he served as director of human resources department, deputy president of the Party School and deputy secretary of the Party Committee of China Commercial Aircraft Corporation Limited. Prior to the foregoing, Mr. Luo had served as secretary of the Party Committee and disciplinary committee secretary of Shenhua Science and Technology Development Co., Ltd., deputy general manager of Human Resources Department of former Shenhua Group Corporation and the Company, the deputy president and member of the Party Committee of China Shenhua Coal Liquefaction and Chemical Company Limited, and deputy director, director of Education Bureau of the Organisation Department of the Central Committee of the Communist Party.

Name	Biographical details
 **Zhou Dayu** Supervisor	Born in October 1965, male, Chinese, a member of the Communist Party and a researcher. Mr. Zhou obtained a bachelor's degree in National Economic Management at Peking University in 1986 and a master's degree in International Finance at Peking University in 2001. Mr. Zhou has served as the Supervisor of the fifth session of the Supervisory Committee of the Company since May 2020, and a director of the Materials and Procurement Supervision Department of the China Energy since March 2020. Mr. Zhou has served as a Supervisor of the fourth session of Supervisory Committee of the Company from June 2017 to May 2020 and a Supervisor of the third session of Supervisory Committee of the Company from June 2016 to June 2017, the Director of the Industrial Coordination Department of China Energy from May 2018 to March 2020, the General Manager of the Capital Operation Department of former Shenhua Group Corporation and the Company from March 2016 to May 2018, and the General Manager of the Business Administration Department of former Shenhua Group Corporation and the Company from November 2009 to March 2016. Prior to the foregoing, Mr. Zhou had successively held the post of the deputy General Manager and General Manager of the Planning Department and a Deputy Director of the Policy and Law Research Office of Shenhua Group Corporation.

Name	Biographical details
 **Zhang Changyan** Employee Supervisor	Born in August 1970, male, Chinese, a member of the Communist Party and a senior economist. Mr. Zhang graduated from Xi'an Jiaotong University in 1993, majoring in electrical engineering and received a master's degree of Business Administration from Tsinghua University in 2001. Mr. Zhang has been serving as the Employees' Representative Supervisor of the fifth session of the Supervisory Committee since May 2020, and since December 2020 the chairman (legal representative) and secretary to the Party Committee of China Energy Fujian Energy Co., Ltd. and Shenhua Fujian Energy Co., Ltd.. Mr. Zhang has been serving as the Employees' Representative Supervisor of the fourth session of the Supervisory Committee from December 2019 to May 2020, the deputy secretary to the Party Committee of the Company from August 2019 to December 2020 and General Legal Adviser of the Company from December 2019 to January 2021. From May 2018 to August 2019, he served as the secretary and a deputy director of the coal industry operation and management center of China Energy. From January 2012 to May 2018, he served as the director of the coal and chemical management department of the former China Guodian. Prior to the foregoing, Mr. Zhang served as the general manager and deputy secretary of the Leading Party Members' Group of Guodian Anhui Power Co., Ltd., group leader of the preparatory team of Guodian Anhui Power Co., Ltd., deputy general manager and a member of the Leading Party Members' Group of the East China Branch of former China Guodian, and the deputy general manager of Guodian East China New Energy Investment Co., Ltd.

(3) Senior management

For the biographical details of Yang Jiping, general manager and Deputy Secretary to the Party committee of the Company, Xu Mingjun, Secretary to the Party committee and deputy general manager, and Wang Xingzhong, deputy general manager and member of the Party committee, please refer to the biographical details of Directors. The biographical details of other senior management are as follows:

Name	Biographical details
 **Huang Qing** Secretary to the Board, Member to the Party Committee, General Counsel	Born in November 1965, male, Chinese, a member of the Communist Party and a senior engineer. Mr. Huang obtained a board secretary certification from the Shanghai Stock Exchange in 2004. Mr. Huang is a fellow of the Hong Kong Institute of Chartered Secretaries and a senior visiting scholar of the Eisenhower Foundation. Mr. Huang received a master's degree from Guangxi University in 1991. Mr. Huang has served as Secretary to the Board of the Company and Company Secretary of the Company since November 2004, a member to the Party Committee of the Company since June 2018, the General Counsel of the Company since January 2021, the Vice Chairman of Beijing GD Power Co., Ltd. since March 2019, and Chairman of Supervisory Committee of Shenhua Trading Group Limited and Shenhua Coal Trading Co., Ltd. since November 2019. Prior to the foregoing, Mr. Huang had served in various capacities, including Secretary to the Chairman of former Shenhua Group Corporation, Deputy Director of the General Office of former Shenhua Group Corporation, Deputy General Manager of Hubei Provincial Railway Company and Secretary to the Deputy Governor of the Hubei provincial government.

Name	Biographical details
 **Xu Shancheng** Chief Financial Officer, Member to the Party Committee of the Company	Born in March 1964, male, Chinese, a member of the Communist Party and a senior accountant. Mr. Xu has extensive experience in financial management. He obtained a master's degree in Economics from Renmin University of China in 2001. Mr. Xu has served as the chief financial officer and a member to the Party Committee of the Company since December 2018, a Non-executive Director of China Energy Finance Co., Ltd. (former Shenhua Finance Company) since August 2016 and the Chairman of the board of supervisors of Beijing GD Power Co., Ltd. since March 2019. Mr. Xu has served as the chairman of Shenhua (Tianjin) Finance Lease Co., Ltd. from August 2016 to September 2020, the secretary and deputy officer of the financial property department of China Energy from May 2018 to December 2018, the general manager of the financial department of the Company and former Shenhua Group Corporation Limited from August 2016 to May 2018, the deputy general manager and chief financial officer of Beijing Guohua Power Company Limited, and Guohua Power Branch of the Company from March 2015 to August 2016, the deputy general manager and chief financial officer of former Shenhua Guoneng Group Co., Ltd. and Shenhua Shendong Power Co., Ltd. from December 2012 to March 2015. Prior to the foregoing, Mr. Xu held the post of the head of financial department of Electric Power Industry Bureau of Hebei Province (Company), manager of financial department of North China Power Group Company, chief accountant of Qinghai Electric Power Company (Bureau), chief accountant of North China Grid Company, deputy officer of Social Insurance Management Center of State Grid Corporation of China (Grid Corporate Annuity Management Center) and a member of the Leading Party Group, deputy general manager, chief accountant and other positions of State Grid Energy Development Co. Ltd.

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

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

The Directors and supervisors of the Company have performed their duties in accordance with the requirements of the Articles of Association, Rules of Procedure of Board Meeting and Rules of Procedure of the Supervisory Committee Meeting of the Company. Under the decision and authorization of the Board, the senior management is responsible for business operation of the Company. Yang Jiping, chief executive officer and Deputy Secretary to the Party Committee, is responsible for the Board and exercises his responsibilities as the General Manager in accordance with the requirements of the Articles of Association. Mr. Yang presides over the daily production and operation work of the Company, and is responsible for administration and management, production and operation and auditing affairs; Xu Mingjun, Secretary to the Party Committee and executive vice president, presides over the overall work of the Party, and is in charge of Party building, establishment of integrity, ideology and politics, cadre talents, organization of work, news propaganda, united front, labour union and groups and construction of corporate culture affairs; Huang Qing, Secretary to the Board, member to the Party Committee and General Counsel is in charge of Board affairs, Supervisory Committee's work, and is in charge of investor relationship management, corporate management, legal affairs, material procurement and international business affairs; Wang Xingzhong, executive vice president and member to the Party Committee, is in charge of Company's development planning, scientific and technological information, industry coordination, and production and operation management of coal and transportation industry affairs; Yang Suping, secretary to the Disciplinary Committee and member of Party Committee, is responsible for discipline inspection and supervision and the building of Party style and anti-corruption government, tour inspection and trade union work; Xu Shancheng, chief financial officer and member to the Party Committee, is in charge of financial operation, cost control, capital operation, and property rights management.

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

☐ Applicable ✔ Not applicable

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

(I) Positions held in the shareholders of the Company

Category	Name	Name of shareholder	Positions	Commencement of term of office	Expiry of term of office
Directors of China Shenhua	Wang Xiangxi	China Energy	Chairman and Secretary to the Leading Party Members' Group	2019-03	–
	Yang Jiping	China Energy	Director of Operating Management Centre of Coal Industry	2019-08	2020-03
		China Energy	Director of Operating Management Centre of Transportation Industry	2019-12	2020-03
	Jia Jinzhong	China Energy	Chief Economist	2018-05	–
Supervisors of China Shenhua	Luo Meijian	China Energy	Director of the Organization and Personnel Department (Human Resources Department)	2018-06	–
	Zhou Dayu	China Energy	Director of the Industrial Coordination Department	2018-05	2020-03
			Director of the Materials and Procurement Supervision Department	2020-03	–
	Zhang Changyan	China Energy Fujian Energy Co., Ltd.	Chairman (legal representative) and Secretary to the Party Committee	2020-12	–
Senior Management of China Shenhua	Huang Qing	Beijing GD Power	Vice Chairman	2019-03	–
		Shenhua Coal Trading Co., Ltd.	the Chairman of the Supervisory Committee	2019-11	–
	Xu Shancheng	Beijing GD Power	the Chairman of the board of supervisors	2019-03	–
		China Energy Finance Co., Ltd. (former Shenhua Finance Company)	Non-Executive Director	2016-08	–

(II) Positions held in other entities

Name	Name of other entities	Positions	Commencement of term of office	Expiry of term of office
Yuen Kwok Keung	Temple Chambers	Senior Counsel	2018-05	–
	International Commercial Court of the Supreme People's Court of the People's Republic of China	Committee Member of the International Commercial Expert Committee	2018-08	–
	Hong Kong Exchange Fund Advisory Committee	Member	2018-09	–
	Hong Kong International Arbitration Centre	Council Member	2018-10	–
Bai Chong-En	School of Economics and Management of Tsinghua University	Dean	2018-08	–
	School of Economics and Management of Tsinghua University	Professor	2004-07	–
	National Center of Fiscal and Tax Policy Research at Tsinghua University	Director	2008-08	
	International Economic Association	Member of the Executive Committee	2014-06	–
	Society of Public Finance of China	Vice President of the Tenth Session and a Member of the Academic Committee of the Council	2019-10	–
	China Association of Labour Economics	Vice President	2016-11	–
Chen Hanwen	International Business School of University of International Business and Economics	Professor and Doctoral Tutor of the Accounting Department	2015-06	–
	University of International Business and Economics	Distinguished Professor of Huiyuan	2017-05	–
	International Business School of University of International Business and Economics	First-level Professor	2018-01	
	China Business Executives Academy, Dalian	Chair Professor	2013-01	–
	China Auditing Society	Executive Director	2005-07	–
	Xiamen Bank Co., Ltd	Independent Director	2018-01	2021-01
	Bank of Communications Co., Ltd.	External Supervisor	2019-06	–
	Beijing Tri-Prime Gene Pharmaceutical Co., Ltd.	Independent Director	2018-11	–
	Yango Group Co., Ltd.	Independent Director	2017-04	2020-04

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Particulars of changes	Reason for the change
Wang Xiangxi	Executive Director	Elected	Elected by the annual general meeting on 29 May 2020
	Chairman	Elected	Elected by the first meeting of the fifth session of the Board
Yang Jiping	Executive Director	Elected	Elected by the annual general meeting on 29 May 2020
Xu Mingjun	Executive Director	Elected	Elected by the annual general meeting on 29 May 2020
Jia Jinzhong	Non-Executive Director	Elected	Elected by the annual general meeting on 29 May 2020
Yuen Kwok Keung	Independent Non- Executive Director	Elected	Elected by the annual general meeting on 29 May 2020
Bai Chong-En	Independent Non- Executive Director	Elected	Elected by the annual general meeting on 29 May 2020
Chen Hanwen	Independent Non- Executive Director	Elected	Elected by the annual general meeting on 29 May 2020
Wang Xingzhong	Employee Director	Elected	Elected by democratic election of employees
Luo Meijian	Supervisor	Elected	Elected by the annual general meeting on 29 May 2020
	Chairman of Supervisory Committee	Elected	Elected by the first meeting of the fifth session of the Supervisory Committee
Zhou Dayu	Supervisor	Elected	Elected by the annual general meeting on 29 May 2020
Zhang Changyan	Employees' Representative Supervisor	Elected	Elected by democratic election of employees
Li Dong	Executive Director	Resigned	Retirement
Gao Song	Executive Director	Resigned	Expiration of the term of office
Mi Shuhua	Executive Director	Resigned	Expiration of the term of office
Zhao Jibin	Non-Executive Director	Resigned	Expiration of the term of office
Tam Wai Chu, Maria	Independent Non- Executive Director	Resigned	Expiration of the term of office
Peng Suping	Independent Non- Executive Director	Resigned	Expiration of the term of office
Jiang Bo	Independent Non- Executive Director	Resigned	Expiration of the term of office
Zhong Yingjie, Christina	Independent Non-Executive Director	Resigned	Expiration of the term of office
Zhai Richeng	Chairman of Supervisory Committee	Resigned	Job change (effective after the election of a new supervisory committee at the annual general meeting on 29 May 2020)
Zhang Guangde	Deputy General Manager	Resigned	Job change
Zhao Yongfeng	Deputy General Manager	Resigned	Job change
	Non-Executive Director	Elected	Elected by the annual general meeting of meeting of shareholders on 29 May 2020
	Non-Executive Director	Resigned	Job change

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

☐ Applicable ✔ Not applicable

VI. OTHER SIGNIFICANT MATTERS

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

As of 31 December 2020, none of the directors, supervisors or chief executives of the Company hold any shares of the Company, nor did they have any interest or short position in the shares or underlying shares of the Company or of any of its associated corporations within the meaning of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong) required, pursuant to section 352 of the SFO, to be recorded in the register which shall be kept by the Company, or to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

The securities transactions of the directors of the Company have been carried out in accordance with the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the Hong Kong Listing Rules. The Model Code is also applicable to the supervisors and senior management of the Company. The directors, supervisors or senior management have confirmed that they have fully complied with the Model Code in 2020 or during their respective terms of office.

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

When considering any matters or transactions at any board meeting, the directors are required to declare any direct or indirect interests and recluse themselves where appropriate. Saved as their own service contracts, and the Mutual Coal Supply Agreement for 2020-2022, the Mutual Supplies and Services Agreement for 2020-2022, the Financial Services Agreement for 2020–2022 (lapse on 1 September 2020), the Financial Services Agreement for 2020 (effective on 1 September 2020 and terminated on 31 December 2020) and the Financial Services Agreement for 2021 entered into between the Company and China Energy on 22 March 2019, and the related/connected transactions with the controlling shareholder China Energy and its subsidiaries disclosed by the Company, none of the directors and supervisors of the Company has any material personal interests, directly or indirectly, in material contracts, transactions or arrangements entered into by the Company or any of its subsidiaries in 2020 and subsisting during or at the end of the year; The directors and supervisors of the Company have confirmed that they and their associates have not entered into any connected transaction with the Company and its subsidiaries.

The Company has entered into service contracts with all of its directors and supervisors. None of the directors or supervisors has entered into or proposed to enter into any service contract with members of the Group which cannot be terminated by the Group within one year without any compensation (other than the statutory compensation). The Company has maintained appropriate liability insurance for its directors, supervisors and senior management. Directors of the Company are entitled to be indemnified for the verification and inspection costs, individual investigation costs, tax liabilities and loss prevention expenses incurred by or relating to the execution and performance of duties subject to the applicable laws and under the coverage of directors liability insurance taken out by the Company for the directors. These provisions are valid during the period ended 31 December 2020 and remain to be valid as at the date of this report.

Other than their working relationships in the Company, none of the directors, supervisors or the senior management has any financial, business or family relationship or any relationship in other material aspects with each other. As of 31 December 2020, the Company had not granted any equity securities or warrants to its directors, supervisors and senior management or their respective spouses or children under the age of 18.

VII. EMPLOYEES OF THE GROUP

(I) Employees as at the end of 2020

Number of current employees of the headquarter of the Company *(number of person)*	213
Number of current employees of the branches/subsidiaries of the Company *(number of person)*	75,969
Total number of current employees of the Group *(Number of person)*	**76,182**
Number of retired employees in respect of which the Company and subsidiaries bore cost *(number of person)*	12,079

Function

Function	Number of person
Operation and repair	44,951
Management and administration	11,741
Finance	1,646
Research and development	2,904
Technical support	9,774
Sales and marketing	643
Others	4,523
Total	**76,182**

Education Level

Education Level	Number of person
Postgraduate and above	3,454
University graduate	30,728
College graduate	19,645
Specialized secondary school graduate	9,554
Graduate of technical school, high school and below	12,801
Total	**76,182**

(II) Remuneration policy

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

(III) Training program

The Company has established a training system with different levels and channels to provide the employees with appropriate training in job skills, safe production and group management etc. During 2020, the accrued capital used for training was approximately RMB166 million. The number of attendances in training was approximately 1,186,400 with training hours of approximately 6.7021 million hours in aggregate. For details, please refer to the 2020 ESG Report of the Company.

(IV) Outsourced Work in 2020

Total number of working hours of outsourced work	Approximately 77.2693 million hours
Total remuneration paid for outsourced work	RMB3,404 million

I. CORPORATE GOVERNANCE

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

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

During the year ended 31 December 2020, the Company has been in full compliance with the provisions of principle and codes and most of the recommended best practices as specified therein. For the terms of functions and powers of the Board and the Board Committees under the Corporate Governance Code, please refer to the Articles of Association, Rules of Procedure of the Board and the Board Committees, which have been published on the websites of the stock exchanges where the Company is listed and on the Company's website. During the reporting period, the Company has made one amendment to the Articles of Association. For details, please refer to the H Share Announcements of the Company dated 27 March and 29 May 2020 and the A Share Announcements of the Company dated 28 March and 30 May 2020.

The Board of the Company has set out the board diversity policy for members of the Board, which was set out in the terms of reference of the nomination committee of the Board of the Company and has been disclosed. When selecting the candidates in accordance with the board diversity policy of the Company, the Board will use a series of diversified terms, including but not limited to gender, age, culture and educational background, race, skills, knowledge and professional experience as standard, and will determine in conjunction with the characteristics and role of the personnel. As at the end of the reporting period, the Board of the Company consisted of 8 Directors, including 3 Executive Directors, 1 Non-Executive Director and 3 Independent Non-Executive Directors and 1 Employee Director. Directors are from various domestic and overseas industries, and the composition of the members features diversity. Each Director's knowledge base and field of expertise are professional and complementary in the overall board structure, which guarantees the scientific decision-making of the Board.

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

II. GENERAL MEETINGS

1. Shareholders' rights

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

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

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

2. Convening of general meetings during the reporting period

Meetings	Date	The designated website for publishing the voting results	Date of disclosure of the voting results
2019 Annual General Meeting	29 May 2020	The website of the SSE	30 May 2020
2020 First A Shareholders Class Meeting		The website of the HKEx	29 May 2020
2020 First H Shareholders Class Meeting			
2020 First Extraordinary General Meeting	25 September 2020	The website of the SSE	26 September 2020
2020 Second A Shareholders Class Meeting		The website of the HKEx	25 September 2020
2020 Second H Shareholders Class Meeting			

All the resolutions tabled at the general meeting above were passed.

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

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

III. PERFORMANCE OF DUTIES OF THE DIRECTORS

(I) Attendance at Board meetings and general meetings

1. Directors in office at the end of the period

		Attendance at Board meetings						
Name of Director	Independent Director or not	Required attendance at Board meetings this year	Attendance in Person	Attendance by correspondence	Attendance by proxy	Absence	Absent at two consecutive meetings in person or not	Attendance at general meetings/ require attendance
Wang Xiangxi	No	7	7	0	0	0	No	3/6
Yang Jiping	No	5	5	0	0	0	No	3/3
Xu Mingjun	No	5	5	1	0	0	No	3/3
Jia Jinzhong	No	5	5	0	0	0	No	3/3
Yuen Kwok Keung	Yes	5	5	5	0	0	No	0/3
Bai Chong-En	Yes	5	5	0	0	0	No	0/3
Chen Hanwen	Yes	5	5	0	0	0	No	3/3
Wang Xingzhong	No	5	5	0	0	0	No	3/3

2. Resigned Directors during the reporting period

		Attendance at Board meetings						
Name of Director	Independent Director or not	Required attendance at Board meetings this year	Attendance in person			Required attendance at Board meetings this year	Attendance in person	Attendance at general meetings/ require attendance
Li Dong	No	1	0	0	1	0	No	0/0
Gao Song	No	2	1	0	1	0	No	3/3
Mi Shuhua	No	2	2	0	0	0	No	0/3
Zhao Jibin	No	2	2	0	0	0	No	0/3
Tam Wai Chu, Maria	Yes	2	2	2	0	0	No	0/3
Peng Suping	Yes	2	2	0	0	0	No	3/3
Jiang Bo	Yes	2	2	0	0	0	No	3/3
Zhong Yingjie, Christina	Yes	2	2	2	0	0	No	3/3
Zhao Yongfeng	No	4	4	0	0	0	No	0/3

Notes:

(1) On 29 March 2020, Li Dong resigned as the Executive Director of the Company and a member of the Safety, Health and Environment Committee of the Board.

(2) On 29 May 2020, the Directors of the fifth session of the Board of the Company was elected at the 2019 annual general meeting of shareholders, and the director of the fourth session of the Board, namely Gao Song, Mi Shuhua, Zhao Jibin, Tam Wai Chu, Maria, Peng Suping, Jiang Bo and Zhong Yingjie, Christina retired at the expiration of their terms of office.

(3) On 23 December 2020, Zhao Yongfeng resigned as a Non-Executive Director of the Company and a member of the Safety, Health and Environment Committee of the Board.

3. Board Meetings

Number of Board meetings held during the year	7
Including: Number of meetings held on-site	0
Number of meetings held by correspondence	0
Number of meetings held on-site with correspondence	7

In 2020, the Board of the Company held a total of 7 meetings, at which all the proposals were considered and approved. Details of the meetings are as follows:

No.	Name	Date	Methods
1	The 25th meeting of the fourth session of the Board	27 March 2020	On-site with correspondence
2	The 26th meeting of the fourth session of the Board	24 April 2020	On-site with correspondence
3	The 1st meeting of the fifth session of the Board	29 May 2020	On-site with correspondence
4	The 2nd meeting of the fifth session of the Board	29 May 2020	On-site with correspondence
5	The 3rd meeting of the fifth session of the Board	28 August 2020	On-site with correspondence
6	The 4th meeting of the fifth session of the Board	25 October 2020	On-site with correspondence
7	The 5th meeting of the fifth session of the Board	29 December 2020	On-site with correspondence

(II) Performance of duties of independent Directors

As of the end of the reporting period, the fourth session of the Board of the Company had four Independent Non-Executive Directors, namely Tam Wai Chu, Maria, Peng Suping, Jiang Bo, and Zhong Yingjie, Christina, among whom Jiang Bo and Zhong Yingjie, Christina are accounting professionals. The fifth session of the Board of the Company has three Independent Non-Executive Directors: Yuen Kwok Keung, Bai Chong-En and Chen Hanwen, among whom Chen Hanwen is an accounting professional.

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

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

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

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

Dissenting views of independent Directors on matters of the Company:

☐ Applicable ✔ Not applicable

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

General Meeting	Subject Matter	Status
2019 Annual General Meeting	To approve the profit distribution plan of the Company for the year 2019	Completed in June 2020
	To approve the remuneration of directors and supervisors for the year 2019	Executed
	To approve the purchase of liability insurance for directors, supervisors and senior management with liability limit	Executed
	To approve the appointment KPMG Huazhen LLP and KPMG as the PRC and the international auditors of the Company for the year of 2020, respectively	For details of remuneration, please see the section headed "Significant Events" of this report
	To approve Shenhua Finance Co., Ltd. to increase registered capital and the Company waive the priority of subscription	Relevant transaction has been completed by 1 September 2020
	To approve the Company entering into the Financial Services Agreement with Shenhua Finance Co., Ltd. and the proposed annual caps for the transactions contemplated thereunder for 2020	For details, please see the section headed "Significant Events" of this report
	To approve the plan to increase the proportion of cash dividends of the Company for 2019-2021	For details, please see the section headed "Significant Events" of this report
	To approve the amendments to the Articles of Association	Executed
	To approve the amendments to the Rules of Procedure of General Meeting	Executed
	To approve the amendments to the Rules of Procedure of the Board	Executed
	To approve the amendments to the Rules of Procedure of the Supervisory Committee	Executed

General Meeting	Subject Matter	Status
	To approve the election of Wang Xiangxi, Yang Jiping and Xu Mingjun as Executive Directors of the fifth session of the Board of the Company, and Jia Jinzhong and Zhao Yongfeng as Non-Executive Directors of the fifth session of the Board of the Company	Executed
	To approve the election of Yuen Kwok Keung, Bai Chong-En and Chen Hanwen as Independent Non-Executive Directors of the fifth session of the Board of the Company	Executed
	To approve the election of Luo Meijian and Zhou Dayu as shareholders' representative supervisors of the fifth session of the Supervisory Committee of the Company	Executed
2020 First A Shareholders Class Meeting	To approve the amendments to the Articles of Association	Executed
2020 First H Shareholders Class Meeting	To approve the amendments to the Articles of Association	Executed
2020 First Extraordinary General Meeting	To approve the general mandate of the Board to repurchase H Shares	For details, please see the section headed "Changes in Share Capital and Shareholders" of this report
2020 First A Shareholders Class Meeting	To approve the general mandate of the Board to repurchase H Shares	
2020 Second H Shareholders Class Meeting	To approve the general mandate of the Board to repurchase H Shares	

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

(I) Composition of the committees

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

The fifth session of the Board committees	
Strategy Committee	Wang Xiangxi (Chairman), Yang Jiping, Jia Jinzhong
Audit Committee	Chen Hanwen (Chairman), Yuen Kwok Keung, Bai Chong-En
Remuneration Committee	Yuen Kwok Keung (Chairman), Chen Hanwen, Xu Mingjun
Nomination Committee	Bai Chong-En (Chairman), Chen Hanwen, Xu Mingjun
Safety, Health and Environment Committee	Yang Jiping (Chairman), Wang Xingzhong

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

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

1. Strategy Committee

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

In 2020, the Strategy Committee of the Board held two meetings by correspondence to consider the increase of registered capital of Shenhua Finance Co., Ltd. and the Company waive the priority of subscription, the 14th Five-Year Plan, 2021 Production Plan, 2021 Investment Plan, and Investment Management Measures of the Company, all of which were approved at the meetings.

2. Audit Committee

The main duties of the Audit Committee were to supervise and assess the work of the external audit institutions; to propose to employ or replace the external auditor; to supervise and evaluate the internal audit work; to coordinate the internal audit and the external audit; to audit the financial information and its disclosure of the Company; to supervise and evaluate the internal control of the Company; and other matters authorized by laws and regulations, the Articles of Association and the Board.

During the reporting period, the Audit Committee fulfilled its duties strictly in accordance with the Rules of Procedure of Meetings of the Audit Committee of the Board, Rules on Work of the Audit Committee of the Board and Rules on Work of Annual Reports of the Audit Committee of the Board of China Shenhua.

In 2020, the Audit Committee held 7 meetings to consider proposals such as the financial reports, internal control reports, and connected transactions of the Company; debriefing on the progress of the XINJIE TAIGEMIAO project and the implementation and management measures for the general repurchase of H Shares, all of which were approved at the meetings and all members attended all meetings in person.

The Audit Committee has performed required procedures for the preparation of the 2020 annual report and internal control report of the Company:

(1) Before the accounting firms for 2020, namely KPMG Huazhen LLP and KPMG ("KPMG"), proceeded with on-site auditing, the Audit Committee had negotiation with KPMG on the determination of the schedule of the Company's 2020 audit. On 26 August 2020, the Audit Committee reviewed the internal control assessment plan for the year 2020. On 22 November 2020, the Audit Committee reviewed the Company's plans for the audit work for the year 2020.

(2) After the issue of preliminary audit opinions by KPMG, the Audit Committee reviewed the draft internal control assessment report and financial statements for 2020. On 16 March 2021, the Audit Committee reviewed the 2020 Assessment Report on Internal Control (Draft) and 2020 Financial Statements (Draft) of China Shenhua prepared by the Company.

(3) KPMG completed all audit procedures within the agreed time and reported to the Audit Committee its intention to issue a standard unqualified audit report for 2020. On 23 March 2021, the Audit Committee voted on and formed resolutions in respect of the audited annual financial and accounting statements, the assessment report on internal control and the social responsibility and corporate governance report for the year 2020 and agreed to submit such reports to the Board for consideration.

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

3. Remuneration Committee

The main duties of the Remuneration Committee are to make recommendations to the Board on formulation of the remuneration plan or proposal for Directors, supervisors, Chief Executive Officer and other senior management, including but not limited to the criteria, procedures and the major systems of performance assessment, key incentive and punishment plans and systems; to study the assessment standards for Directors, supervisors, Chief Executive Officer and other senior management, and examine the performance of duties by Directors, supervisors, Chief Executive Officer and other senior management of the Company and carry out annual performance assessment on them; to supervise the implementation of the remuneration system of the Company, review and approve the remuneration determined by performance in accordance with the Company's objectives approved by the Board from time to time; to exercise the following duties as authorized by the Board: to determine the specific remuneration of all the Executive Directors, supervisors, Chief Executive Officer and other senior management, including non-monetary benefits, pension rights and compensation; to review and approve the payment of compensation to Executive Directors, supervisors, Chief Executive Officer and other senior management in relation to the loss or termination of their duties or appointment, so as to ensure that such compensation is determined in accordance with the related terms of the contract; to review and approve the compensation arrangements involved in the dismissal or removal of Directors due to their improper conduct, so as to ensure that such arrangements are determined in accordance with the related terms of the contract; to make recommendations to the Board on the remuneration of the Non-Executive Directors; to ensure that none of the Directors or any of their associates determines their own remunerations; and to execute other matters as authorized by the Board.

In 2020, the Remuneration Committee held 2 meetings to consider proposals including the remuneration of Directors, supervisors and senior management for the year 2019, the purchase of liability insurance for Directors, supervisors and senior management with liability limit and the recommended index of business performance assessment of the management of the Company in 2021, all of which were approved at the meetings and all members attended the on-site meetings or attended the meetings by way of communications. During the reporting period, the Remuneration Committee reviewed the remuneration management system of the Company and the remuneration level for Directors, supervisors and senior management for the relevant period. The Remuneration Committee is of the view that the Company has established a relatively complete remuneration management system, which embodies the value concept of listed companies centered on economic benefits as well as the political, social and economic responsibilities of state-owned holding companies. The Remuneration Committee agrees to various remuneration management system of the Company.

4. **Nomination Committee**

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

In 2020, the Nomination Committee held 2 meetings to consider the candidates for Executive Directors, Non-Executive Directors and Independent Non-Executive Directors, and the proposals of four committees including Strategy Committee under the fifth session of Board, all of which were approved at the meetings and all members attended all meetings in person.

5. **Safety, Health and Environment Committee**

The principal duties of the Safety, Health and Environment Committee are to supervise the implementation of safety, health and environmental protection plans of the Company; to make recommendations to the Board or the Chief Executive Officer on material issues in respect of safety, health and environmental protection of the Company, including but not limited to employee development, climate change, biodiversity and water resources management; to inquire into the material incidents and responsibilities regarding the Company's production, operations, property assets, staff or other facilities; as well as to review and supervise the resolution of such incidents; to review the Company's annual Environmental, Social Responsibility and Governance ("ESG") report; to review the Statement of the Board Governance disclosed in the Company's annual ESG report; to supervise and review the identification, evaluation and management process of the matters related to the Company's ESG activities and the progress of related objectives; and other issues as authorized by the Board.

In 2020, the Safety, Health and Environment Committee held 3 meetings in the form of writing to consider and approved the proposals on the 2019 ESG Report, Improving the Company's ESG System, and ESG Management Measures.

V. THE SUPERVISION OPINION OF THE SUPERVISORY COMMITTEE

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

VI. EXPLANATION OF INDEPENDENCE AND COMPETITION

During the reporting period, China Shenhua improved the establishment of business management departments and regional branches, enhanced the efficiency of business coordination and management, strengthened the management system and control mechanism, and further improved the daily operation mechanism of the listed state-owned company in line with its own characteristics.

There are potential peer competitions between the coal business and other business of China Energy Group and the major business of the Company. In accordance with the resolution on entering into Supplemental Agreement to the Existing Non-Competition Agreement with China Energy Group (effective after conditions are satisfied) considered and approved at the 2018 first extraordinary general meeting of the Company, China Shenhua, as an integration platform of the coal business of China Energy Group, will discretionally exercise the Options, the Pre-emptive Rights and the option to acquire pursuant to the Existing Non-Competition Agreement and the supplemental agreement entered between the two parties, thereby gradually reducing horizontal competition. For details, please refer to Section VI "Performance of Commitment" of this report.

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

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

The remuneration package of senior management is formulated by the Company in accordance with relevant provisions on the administration of the annual remuneration of the senior management and annual performance assessment results, and is implemented subject to the approval by the Board.

VIII. INTERNAL CONTROL AND RISK MANAGEMENT

The Company has established a risk-oriented internal control system. The internal control and risk management procedures of the Company include risk assessment and reporting at the beginning of the year, quarterly major risk monitoring, daily system internal control risk review and specialized supervision and inspection on internal control, and annual internal control evaluation, forming an integrated closed-loop management system. Also, a hierarchical work organizational structure comprising the Board and the Audit Committee, the functional departments of the headquarters and the subsidiaries and branches of the Company was established to safeguard the effective operation of internal control and risk management. The Board is responsible for risk management and internal monitoring and control systems, and is accountable for reviewing the effectiveness of such systems. The Board conducts review on risk management and internal monitoring and control systems once a year. The Board considers that the risk management and internal monitoring and control systems of the Group were effectively operated in 2020.

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

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

An internal control supervision and inspection mechanism was formed to conduct evaluation on internal control on annual basis. Procedures for internal control evaluation include: formulating a proposal for internal control evaluation, establishing a working committee of internal control inspection, conducting self-evaluation on internal control, conducting evaluation on internal control by inspectors, communicating and identifying deficiencies in internal control, rectifying deficiencies in internal control and preparing report on internal control. The Company has evaluated the effectiveness of internal control for 2020 in accordance with the aforementioned procedures.

The 2020 Proposal for Internal Control Evaluation of the Company was considered and approved by the Audit Committee under the Board, and the 2020 Annual Report on Internal Control Evaluation was considered and approved by the Board. The Board and the Audit Committee of the Company are of the view that such inspection and supervision mechanism is able to evaluate the effectiveness of internal control and risk management operation of the Company.

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

As presented in the 2020 Annual Self-assessment Report on Internal Control of the Board, no material defects were found in the internal control of financial reporting as at the base date of the Assessment Report on Internal Control, pursuant to the identification of material defects in the internal control over the financial reporting of the Company. The Board is of the opinion that the Company has maintained effective internal control over its financial reporting in all material aspects in accordance with the requirements under the Enterprise Internal Control Normative System and relevant regulations and its supplementary guidelines as well as other regulatory requirements on internal control. Based on the identification of material defects in the internal control over non-financial reporting of the Company, no material defects were identified by the Company in the internal control over non-financial reporting as at the base date of the Assessment Report on Internal Control. Nothing that would affect the evaluation result of the effectiveness of internal control occurred from the base date of the Assessment Report on Internal Control to the date of issuance of the Assessment Report on Internal Control.

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

Material defects in the internal control during the reporting period:

☐ Applicable ✔ Not applicable

IX. DESCRIPTION OF THE AUDIT REPORT ON INTERNAL CONTROL AUDIT DEPARTMENT TO CONFIRM

KPMG Huazhen LLP, engaged by the Company, has issued the standard unqualified Audit Report on Internal Control. The Audit Report on Internal Control is of the opinion that as at 31 December 2020, China Shenhua had maintained effective internal control over its financial reporting in all material aspects in accordance with the Basic Standard for Enterprise Internal Control and the relevant requirements. The above audit opinions are in line with the opinions set out in the Self-assessment Report of the Board.

Please refer to the relevant announcement disclosed by the Company on the website of the SSE on 27 March 2021 for the 2020 Assessment Report on Internal Control and Audit Report on Internal Control.

Section X Supervisory Committee's Report

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

I. PERFORMANCE OF DUTIES OF THE SUPERVISORY COMMITTEE

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

In 2020, the Supervisory Committee of the Company held five meetings in total.

Meeting	Date	Venue	Method of Meeting	Attendance of supervisors	Subject matter	Poll results
The 16th meeting of the fourth session of the Supervisory Committee	25 March	Beijing	On-site	All	Proposal of the 2019 Financial Report of China Shenhua Energy Company Limited	Passed unanimously
					Proposal of the 2019 Profit Distribution Plan of China Shenhua Energy Company Limited	Passed unanimously
					Proposal I of 419 project	Passed unanimously
					Proposal II of 419 project	Passed unanimously
					Proposal of the 2019 Enterprise Internal Control System Work Report of China Shenhua	Passed unanimously
					Proposal of the 2019 Assessment Report on Internal Control of China Shenhua Energy Company Limited	Passed unanimously
					Proposal of the 2019 Annual Report of China Shenhua Energy Company Limited	Passed unanimously
					Proposal of the 2019 ESG Report of China Shenhua Energy Company Limited	Passed unanimously
					Proposal of Amendment of Rules of Procedures of Meetings of the Supervisory Committee of China Shenhua Energy Company Limited	Passed unanimously
					Proposal of the Supervisory Committee's Report of China Shenhua Energy Limited for the year 2019	Passed unanimously

Meeting	Date	Venue	Method of Meeting	Attendance of supervisors	Subject matter	Poll results
The 17th meeting of the fourth session of the Supervisory Committee	23 April	Beijing	On-site	All	Proposal of Changing Accounting Estimate of Certain Fixed Assets Depreciation of the Company	Passed unanimously
					Proposal of the 2020 First Quarterly Financial Report of China Shenhua Energy Limited	Passed unanimously
					Proposal of the 2020 First Quarterly Report of China Shenhua Energy Limited	Passed unanimously
					Proposal of the Nomination of Shareholder Representative Candidate for the Fifth Session of the Supervisory Committee of the Company	Passed unanimously
The 1st meeting of the fifth session of the Supervisory Committee	29 May	Beijing	On-site	All	Proposal of the Election of the Chairman of the Fifth Session of the Supervisory Committee	Passed unanimously
The 2nd meeting of the fifth session of the Supervisory Committee	28 August	Beijing	On-site	All	Proposal of the 2020 Interim Financial Report of China Shenhua Energy Limited	Passed unanimously
					Proposal of the 2020 Interim Report of China Shenhua Energy Limited	Passed unanimously
The 3rd meeting of the fifth session of the Supervisory Committee	25 October	Beijing	On-site	All	Proposal of the 2020 Third Quarterly Financial Report of China Shenhua Energy Limited	Passed unanimously
					Proposal of the 2020 Third Quarterly Report of China Shenhua Energy Limited	Passed unanimously

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

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

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

The Supervisory Committee is of the opinion that the financial statements of the Company give an objective, true and fair view of the financial position and the operating results of the Company in all material aspects and are true and reliable with its regulated financial audit and sound internal control system. The financial report for 2020 has been audited by KPMG Huazhen LLP and KPMG in accordance with China Accounting Standards for Business Enterprises and International Financial Reporting Standards, each of whom had issued a standard unqualified audit report.

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

After careful review of the connected transactions of the Company in 2020, the Supervisory Committee is of the opinion that all connected transactions in relation to finance company and connected transactions with China Energy Finance Co., Ltd., China Energy Guoyuan Power Co., Ltd. and Guohua Energy Investment Co., Ltd. are necessary for the routine operation of the Company. The relevant considerations are in accordance with prevailing market principle and the transactions are carried out in strict compliance with the principles of fairness, equality and openness under the statutory decision-making procedures.. The connected transactions carried out are in accordance with the applicable rules and requirements of the listing rules, and the disclosure of information is standardized and transparent. The Supervisory Committee is not aware of any act prejudicial to the interest of the Company.

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

Save for the asset disposals involved in the connected transactions as disclosed above, there were no major acquisition and disposal of assets of the Company.

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

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

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

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

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

I. EFFECTIVELY CARRYING OUT CAPITAL OPERATION AND ACCUMULATING CAPACITY FOR LONG-TERM DEVELOPMENT FOR THE COMPANY

In 2020, China Shenhua will continue promoting internal restructuring by means of property rights management, internal restructuring and equity trading, explore new development ideas, and promote the stable operation of the Company, actively implement the requirements of the new securities law, strengthen market value management, and safeguard the legitimate rights and interests of shareholders.

COMPLETING THE CAPITAL TRANSACTION PLAN OF CAPITAL INCREASE OF FINANCE COMPANY WITH HIGH QUALITY

In order to meet the regulatory requirements and protect the interests of minority shareholders, the Company's 2019 Annual General Meeting approved the "Capital Increase of Shenhua Finance Company and Waiver of the Preemptive Subscription Right". The Company finalised the completion of related assets of Shenhua Finance Company on 1 September 2020. The management of the Company has made a number adjustment to the plan for transactions of Shenhua Finance Company, reducing the compliance risk, striving for high-quality financial services for the Company to the maximum extent, and striving to enjoy the operating results of the future development of Shenhua Finance Company.

IMPLEMENTATION OF H SHARE REPURCHASE AND STRENGTHENING OF MARKET VALUE MANAGEMENT

In order to implement the Securities Law, protect the interests of small and medium-sized investors of the Company, respond to the demands of investors of the Company; considering operation condition, financial situation and future development prospects of the Company, the AGM granted the Board a general authorization to repurchase H shares on 25 September. This was the first time that the Company has launched share repurchase since listed on the market. The Company continued to optimize the transaction implementation details and contingency plans, carried out multi-scenario simulation rehearsal, and strictly guarded against various risks to ensure the smooth development of repurchase. By the end of 2020, the Company had repurchased a total of 21.1 million H shares, with a total of approximately HK$303 million, ranking ninth among H shares repurchased in 2020 in accordance with the repurchase amount.

ACTIVELY AND STEADILY PROMOTING INTERNAL RESTRUCTURING, EXPLORING NEW DEVELOPMENT DIRECTIONS, AND HELPING HIGH-QUALITY DEVELOPMENT

In 2020, the Company strengthened capital operation and improved management efficiency. The Company completed the equity restructuring of Zhunchi Railway and Xinshuo Railways by means of equity injection, effectively enhanced the competitiveness of regional railway transportation market, initiated to increase capital to Shenhua Sichuan Energy Co., Ltd. in a timely manner to solve the construction fund demand of Tianming project, helped Luoyuan Bay Port and Power acquire equity, further rationalized management relations, and completed the capital increase to Zhuhai Dock to ensure the leading position of the Company in the South China market and enhance the integrated operation capability. The Company completed the capital increase to Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd. to ensure the Company's leading position in the South China market, enhanced its integrated operation capability, promoted the regional integration of coal and electricity, transferred and held the equity of Fuping Thermal Power on the premise of protecting the legitimate rights and interests of shareholders, participated in the establishment of the Guoneng New Energy Industry Investment Fund, and actively explored the development in new fields.

II. DEDICATED AND RESPONSIBLE IN PROVIDING BETTER SERVICE FOR INVESTORS

In 2020, the management and headquarters staff of the Company earnestly studied the new Securities Law, actively implemented the requirements of the new Securities Law, and strengthened the investor relations management to improve service quality, advocate positive investment culture, promote the sharing of development results, and continue to advance the protection of legitimate rights and interests of investors.

CARING FOR SHAREHOLDERS AND RESOLUTELY SAFEGUARDING SHAREHOLDERS' RIGHT TO KNOW AND DECISION-MAKING

In 2020, the Company held two Board meetings and A Share general meeting and H share general meeting. In response to the proposals concerned by shareholders in the general meeting, the Company communicated with 34 domestic and oversea institutional investors and dozens of individual investors, and answered the relevant questions seriously, thus ensuring investors' right to know to the maximum extent. The Company took the cheap conditions of shareholders as the first priority, took into account the pandemic prevention requirements, and held the general meeting on the spot. Chairman of the Company had deeply communicated with management and shareholders attended and heard the opinions and suggestions for the operation and development for the Company of shareholders.

SERVING WITH INTEGRITY TO PROVIDE BETTER SERVICE FOR DAILY INVESTORS

In 2020, through the "Roadshow Center" platform of SSE, the Company convened the conference of annual results for year 2019 and briefings on the first, interim and third quarterly results for year 2020, reporting the operating results and operation of the Company to investors in a timely manner. The Company communicated with domestic and overseas investment institutions and shareholders through online and offline channels, hotlines, emails and other methods. Throughout the year, the Company convened a total of 88 communication meetings and received over 650 investors; answered 332 questions from investors by text through the "Roadshow Center" and E-interactive Platform of SSE; answered questions from investors promptly, and carefully and patiently provided services for investors.

STRENGTHENING PROTECTION OF INVESTORS AND GROWING TOGETHER WITH INVESTORS

In 2020, the Company actively launched the "Investor Protection Month" activities. The new Securities Law was closely integrated with the internal work of the Company to raise the awareness of investor protection among all employees, An "Investor Protection" column is set up on the Company's official website to communicate in detail about the industry information concerned by small and medium investors, domestic and overseas stock market rules, dividend implementation process, H-share repurchase dividends, H-share repurchase and other matters. In 2020, the Company's investor relations work case was selected into the SSE's "A+H-share Investment Management Case Exhibition" and "Spring Breeze, Rain and Prosperity-Investor Relations Management Case Exhibition"

ACTIVELY RETURNING SHAREHOLDERS AND SHARING ACHIEVEMENTS OF CORPORATE DEVELOPMENT WITH SHAREHOLDERS

Management of the Company has attached great importance to shareholders' demands and improved shareholders' returns. With the approval of the 2019 AGM, the Company increased the cash dividend ratio from 2019 to 2021 to not less than 50% of the net profit attributable to shareholders of the Company in that year, and the actual dividend ratio of the Company's final dividend in 2019 was approximately 60%. The Board recommended to pay a final dividend of RMB1.81 per share in 2020, RMB35,962 million in total, accounting for approximately 100.3% of the profit attributable to owners of the Company in 2020. Since its listing, China Shenhua has accumulated cash dividends (including the final dividend in 2020) of RMB300.998 billion to shareholders.

III. CHINA SHENHUA MAJOR AWARD LIST IN 2020

No.	Date of Award	Award Title	Award Institution
1	August 2020	The 14th (2020) China Listed Company Value Selection Benchmark Award for Capital Operation	Securities Times
2	September 2020	2019-2020 Information Disclosure Work Appraisal Grade A of Main Board Listed Companies of the SSE	CAPCO associated with SSE and Shenzhen Stock Exchange
3	September 2020	Rich Return List of Listed Companies (ranked 6th among 100 listed companies)	CAPCO associated with SSE and Shenzhen Stock Exchange
4	November 2020	The 2nd New Fortune Best Listed Company	New Fortune
5	November 2020	China Top 100 Enterprises Award in 2020	China Business Top 100
6	November 2020	Advanced Enterprises in Energy Conservation and Emission Reduction Of Coal Industry In 2018-2019	China Environment Chamber of Commerce
7	December 2020	Annual Sustainable Development Award – Gold Responsibility Award	Sina Finance

No.	Date of Award	Award Title	Award Institution
8	December 2020	2020 Energy Science and Technology Innovation Gold List Energy Social Responsibility Enterprise	Energy Magazine
9	December 2020	Outstanding Listed Company Award for the 30th Anniversary of Capital Market The 10th China Securities Golden Bauhinia Award	Hong Kong Ta Kung Wen Wei Media Group, The Listed Companies Association of Beijing, The Hong Kong Chinese Enterprises Association
10	December 2020	Outstanding Enterprise Award for Responsibility Information Disclosure of China Power Industry Enterprises in 2020	China electric power industry enterprise public transparency summit forum organizing Committee
11	December 2020	Embrace Guangdong-Hong Kong-Macao Greater Bay Area to the New World—2020 Hong Kong Listed Companies Development Summit Forum and the 8th Top 100 Hong Kong Stocks	Sponsored by the Research Center of Top 100 Hong Kong Stocks, co-organized by Caihua Society and Xize Investment Management
12	December 2020	2020 Listed Companies ESG with AAA Rating of China Petrochemical Industry (Top of the List)	ESG Summit Committee of China Petrochemical Industry
13	January 2021	2020 Evergreen Award - Sustainable Development Inclusive Award	Caijing Magazine

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

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

OPINION

We have audited the consolidated financial statements of China Shenhua Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 181 to 303, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment on coal mines related non-current assets

Refer to Note 17(i) to the consolidated financial statements and the accounting policies in Note 3.

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2020, the Group's coal mines related non-current assets, which comprise property, plant and equipment, construction in progress, exploration and evaluation assets and other non-current assets, had a total carrying value of RMB96,416 million. In accordance with the prevailing accounting standards, management performed assessment at the end of the reporting period to determine whether there was any indication that these coal mines related non-current assets may be impaired. An asset is impaired when its recoverable amount, or the recoverable amount of the cash generating unit to which it belongs, is less than its carrying amount. When indications of impairment exist, an impairment assessment should be performed accordingly. Consequently, as a result of the deferral of certain coal mine development plans and unsatisfactory financial performance of certain coal mines in 2020, management assessed the recoverable amounts of these coal mines related non-current assets by value in use calculations which are based on future discounted cash flows on a cash generating unit basis.	Our procedures in relation to impairment assessment on coal mines related non-current assets included: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to impairment assessment on non-current assets, understanding of the Group's procedures to identify impairment indicators of the non-current assets and evaluating management's identification of impairment indicators, if any, based on the internal sources and external sources of information; • assessing the appropriateness of the methodologies used by management to estimate value in use with reference to the requirements of the prevailing accounting standards; • challenging the reasonableness of significant judgements and estimates, such as sales growth rate related to future market supply and demand conditions, future coal price, future capital expenditure, future operating costs and discount rates used in management's calculation of value in use based on our knowledge of the business and industry;

KEY AUDIT MATTERS (CONTINUED)

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

Refer to Note 17(i) to the consolidated financial statements and the accounting policies in Note 3.

Key audit matter	How our audit addressed the key audit matter
When assessing the recoverable amounts, management is required to make a number of judgemental assumptions, particularly relating to the discount rates, the underlying cash flows projection based on the future market supply and demand conditions. Any changes in management's judgement may impact the results of the impairment assessment. As set out in Note 17(i) to the consolidated financial statements, management concluded that an impairment provision for coal mines related non-current assets of RMB948 million was required for the current year. We identified impairment assessment on coal mines related non-current assets as a key audit matter due to the significant judgment made by management in determining the recoverable amounts of the assets and considering the possibility of management bias in the selection of assumptions adopted.	• engaging our internal valuation specialists to assess whether the discount rates applied in the value in use calculations were within the range adopted by other companies in the same industry; • evaluating the historical accuracy of management's forecasts by comparing cash flow forecasts made in previous periods to the actual results in the current year on a sample basis; • evaluating the sensitivity analysis on discount rates and considering the resulting impact on the impairment assessment for the year and whether there were any indicators of management bias; and • assessing the relevant disclosures in the consolidated financial statements in respect of management's impairment assessment with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

Timing of revenue recognition from sale of coal

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

Key audit matter	How our audit addressed the key audit matter
Sale of coal accounted for 70% of the Group's revenue for the year ended 31 December 2020. Sale of coal is recognised when the control of the coal is transferred to the customer. Management evaluates the terms of individual contracts in order to determine the appropriate timing for revenue recognition, which varies amongst contracts. Revenue is one of the key performance indicators of the Group. We identified the timing of revenue recognition as a key audit matter because of the different terms of trade offered by the Group to its customers which increases the risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations.	Our audit procedures to assess the timing of revenue recognition from the sale of coal included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition from the sale of coal; • inspecting coal sale contracts on a sample basis, to identify terms and conditions relating to transfer of the control of the coal and assessing the Group's timing of revenue recognition with reference to the requirements of the prevailing accounting standards; • obtaining confirmations, on a sample basis, from customers of the Group in relation to coal sales transactions during the year and balances of trade receivables of the year end and, for unreturned confirmations, performing alternative procedures by comparing the sales amount of the transactions with relevant underlying documentation or cash receipts subsequent to the financial year end relating to trade receivable balances;

KEY AUDIT MATTERS (CONTINUED)

Timing of revenue recognition from sale of coal (Continued)

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

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

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Certified Public Accountants

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

26 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 RMB million	2019 RMB million
Revenue			
Goods and services	5	**233,263**	241,871
Cost of sales	7	**(162,374)**	(164,979)
Gross profit		**70,889**	76,892
Selling expenses		**(555)**	(640)
General and administrative expenses		**(8,948)**	(8,988)
Research and development costs		**(1,362)**	(940)
Other gains and losses	12	**(194)**	(2)
Other income	8	**778**	708
Loss allowances, net of reversal	12	**(524)**	(139)
Other expenses		**(1,090)**	(278)
Interest income	9	**1,684**	1,170
Finance costs	9	**(2,263)**	(3,294)
Share of results of associates		**947**	433
Profit before income tax		**59,362**	64,922
Income tax expense	10	**(15,378)**	(15,145)
Profit for the year	12	**43,984**	49,777
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss, net of income tax:			
Remeasurement of defined benefit obligations		**–**	37
Fair value changes on investments in equity instruments at fair value through other comprehensive income		**56**	2
Share of other comprehensive income of associates		**–**	4
Items that may be reclassified subsequently to profit or loss, net of income tax:			
Exchange differences		**(344)**	55
Share of other comprehensive income of associates		**(41)**	1
Fair value changes on investments in debt instruments at fair value through other comprehensive income		**(4)**	–
Other comprehensive income for the year, net of income tax		**(333)**	99
Total comprehensive income for the year		**43,651**	49,876

	Notes	Year ended 31 December 2020 RMB million	2019 RMB million
Profit for the year attributable to:			
Equity holders of the Company		**35,849**	41,707
Non-controlling interests		**8,135**	8,070
		43,984	49,777
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**35,607**	41,795
Non-controlling interests		**8,044**	8,081
		43,651	49,876
Earnings per share			
– Basic *(RMB)*	16	**1.803**	2.097

The notes on pages 192 to 303 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	31 December 2020 RMB million	31 December 2019 RMB million
Non-current assets			
Property, plant and equipment	17	**238,198**	245,993
Construction in progress	18	**39,845**	34,495
Exploration and evaluation assets	19	**–**	484
Intangible assets	20	**3,888**	3,648
Right-of-use assets	24	**18,597**	18,690
Interests in associates	21	**49,556**	40,539
Equity instruments at fair value through other comprehensive income	22	**1,845**	1,789
Other non-current assets	23	**35,890**	54,006
Deferred tax assets	30	**2,856**	2,945
Total non-current assets		**390,675**	402,589
Current assets			
Inventories	25	**12,750**	12,053
Accounts and bills receivables	26	**11,759**	10,436
Prepaid expenses and other current assets	27	**17,480**	86,524
Restricted bank deposits	28	**3,391**	7,664
Time deposits with original maturity over three months		**11,186**	1,990
Cash and cash equivalents	29	**112,880**	41,827
Assets classified as held for sale	11	**2,783**	–
Total current assets		**172,229**	160,494
Current liabilities			
Borrowings	31	**8,847**	4,172
Accounts and bills payables	34	**28,980**	25,043
Accrued expenses and other payables	35	**18,949**	53,578
Current portion of bonds	32	**–**	3,488
Current portion of lease liabilities	33	**242**	198
Current portion of long-term liabilities	36	**689**	1,493
Income tax payable		**6,313**	2,727
Contract liabilities		**5,256**	4,784
Liabilities associated with assets classified as held for sale	11	**217**	–
Total current liabilities		**69,493**	95,483
Net current assets		**102,736**	65,011
Total assets less current liabilities		**493,411**	467,600

	Notes	**31 December 2020 RMB million**	31 December 2019 RMB million
Non-current liabilities			
Borrowings	31	**50,251**	36,943
Bonds	32	**3,241**	3,460
Long-term liabilities	36	**2,661**	2,201
Accrued reclamation obligations	37	**6,169**	3,372
Deferred tax liabilities	30	**896**	783
Lease liabilities	33	**606**	623
Total non-current liabilities		**63,824**	47,382
Net assets		**429,587**	420,218
Equity			
Share capital	38	**19,890**	19,890
Reserves		**344,313**	336,187
Equity attributable to equity holders of the Company		**364,203**	356,077
Non-controlling interests		**65,384**	64,141
Total equity		**429,587**	420,218

Approved and authorised for issue by the board of Directors on 26 March 2021.

Wang Xiangxi
Chairman and Executive Director

Yang Jiping
Executive Director and Chief Executive Officer

The notes on pages 192 to 303 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Equity attributable to equity holders of the Company										
	Share capital RMB million (Note38 (i))	Treasury shares RMB million (Note38 (ii))	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 2020	19,890	–	85,001	3,618	56	25,118	(14,824)	237,218	356,077	64,141	420,218
Profit for the year	–	–	–	–	–	–	–	35,849	35,849	8,135	43,984
Other comprehensive income for the year	–	–	–	–	(257)	–	15	–	(242)	(91)	(333)
Total comprehensive income for the year	–	–	–	–	(257)	–	15	35,849	35,607	8,044	43,651
Dividend declared *(Note 15)*	–	–	–	–	–	–	–	(25,061)	(25,061)	–	(25,061)
Appropriation of maintenance and production funds *(Note (iii))*	–	–	–	–	–	2,995	–	(2,995)	–	–	–
Utilisation of maintenance and production funds *(Note (iii))*	–	–	–	–	–	(6,181)	–	6,181	–	–	–
Purchase of own shares	–	(256)	–	–	–	–	–	–	(256)	–	(256)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	606	606
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(7,950)	(7,950)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	627	627
Others	–	–	–	39	–	(1,696)	–	(507)	(2,164)	(84)	(2,248)
At 31 December 2020	19,890	(256)	85,001	3,657	(201)	20,236	(14,809)	250,685	364,203	65,384	429,587

	Equity attributable to equity holders of the Company									
	Share capital *RMB million* *(Note38 (i))*	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	19,890	85,001	3,612	11	26,540	(14,867)	211,506	331,693	77,144	408,837
Profit for the year	–	–	–	–	–	–	41,707	41,707	8,070	49,777
Other comprehensive income for the year	–	–	–	45	–	43	–	88	11	99
Total comprehensive income for the year	–	–	–	45	–	43	41,707	41,795	8,081	49,876
Dividend declared *(Note 15)*	–	–	–	–	–	–	(17,503)	(17,503)	–	(17,503)
Appropriation of maintenance and production funds *(Note (iii))*	–	–	–	–	4,159	–	(4,159)	–	–	–
Utilisation of maintenance and production funds *(Note (iii))*	–	–	–	–	(5,921)	–	5,921	–	–	–
Appropriation *(Note (iii))*	–	–	–	–	340	–	(340)	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	732	732
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(6,642)	(6,642)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(15,199)	(15,199)
Others	–	–	6	–	–	–	86	92	25	117
At 31 December 2019	19,890	85,001	3,618	56	25,118	(14,824)	237,218	356,077	64,141	420,218

Notes:

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

(ii) The capital reserve represents the difference between the total amount of the par value of shares issued and the amount of the net assets, net of other reserves, transferred from Shenhua Group Corporation Limited ("Shenhua Group") in connection with the Restructuring (as defined in Note 1).

(iii) Statutory reserves

Statutory surplus reserve

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

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

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

Specific reserve for maintenance and production funds

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

General reserve

Pursuant to relevant regulations issued by the Ministry of Finance, the Company's former subsidiary, Shenhua Finance Co., Ltd. ("Finance Company", renamed China Energy Finance Co., Ltd. from 1 September 2020.) (see Note 41), is required to set aside a general reserve by the end of each financial year through appropriations of profit after tax as determined in accordance with China Accounting Standards at a certain ratio of the ending balance of gross risk-bearing assets to cover potential losses against such assets.

As a result of the capital increase in Finance Company, from 1 September 2020, Finance Company became an associate of the Company. Finance Company was no longer consolidated into the consolidated financial statements of the Company. (see Note 41).

Notes: (Continued)

(iii) Statutory reserves (Continued)

Discretionary surplus reserve

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

The directors of the Company (the "Directors") have not proposed any appropriation to the discretionary surplus reserve in 2020 and 2019.

(iv) Other reserves

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

(v) Retained earnings

Included in the retained earnings of the Group were its share of the surplus reserve of its domestic subsidiaries amounted to RMB26,065 million as at 31 December 2020 (31 December 2019: RMB25,753 million).

The notes on pages 192 to 303 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Operating activities		
Profit before income tax	**59,362**	64,922
Adjustments for:		
Depreciation of property, plant and equipment *(Note 12)*	**17,954**	18,269
Depreciation of right-of-use assets *(Note 12)*	**689**	704
Amortisation of intangible assets *(Note 12)*	**400**	397
Amortisation of other non-current assets *(Note 12)*	**942**	1,009
Losses on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets *(Note 12)*	**160**	57
Losses/(gains) on disposal of subsidiaries and associates *(Note 12)*	**7**	(1,121)
Gains on changes in fair value arising from remeasurement of remaining equity interests after losing control *(Notes 12 and 41)*	**(1,181)**	(111)
Gains on disposal of financial assets at FVTPL *(Note 12)*	**(449)**	(568)
Losses/(gains) on changes in fair value of derivative financial instruments *(Note 12)*	**134**	(160)
Impairment losses on property, plant and equipment *(Note 12)*	**605**	775
Impairment losses on construction in progress *(Note 12)*	**268**	263
Impairment losses on exploration and evaluation assets *(Note 12)*	**505**	481
Impairment losses on right-of-use assets *(Note 12)*	**3**	25
Impairment losses on assets held for sale *(Note 12)*	**87**	–
Impairment losses on goodwill *(Note 12)*	**18**	–
Reversal of allowance for prepaid expenses *(Note 12)*	**(57)**	(1)
Write-down of inventories *(Note 12)*	**94**	362
Interest income *(Note 9)*	**(1,684)**	(1,170)
Share of results of associates	**(947)**	(433)
Loss allowances *(Note 12)*	**524**	139
Interest expenses	**2,334**	3,067
Exchange (gain)/loss, net *(Note 9)*	**(71)**	227
Operating cash flows before movements in working capital	**79,697**	87,133
Increase in inventories	**(909)**	(2,448)
(Increase)/decrease in accounts and bills receivables	**(2,689)**	2,941
Increase in prepaid expenses and other current assets and other non-current assets	**(2,609)**	(8,813)
Increase/(decrease) in accounts and bills payables	**3,693**	(1,736)
Increase in accrued expenses and other payables and long-term liabilities	**15,438**	897
Increase in contract liabilities	**472**	1,380
Cash generated from operations	**93,093**	79,354
Income tax paid	**(11,804)**	(16,248)
Net cash generated from operating activities	**81,289**	63,106

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Investing activities		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, additions to the construction in progress and other non-current assets	**(20,030)**	(18,133)
Increase in right-of-use assets	**(644)**	(876)
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets	**490**	1,129
Investments in equity instruments at fair value through other comprehensive income	**–**	(978)
Proceeds from disposal of wealth management products and derivative financial instruments included in prepaid expenses and other current assets	**33,736**	33,015
Investments in associates	**(123)**	(2,002)
Purchase of non-controlling interests	**(786)**	–
Net cash and cash equivalent increased from deconsolidation of Finance Company's financial statements	**1,350**	–
Repayments of net cash received for the transition period	**–**	(1,562)
Dividend received from associates	**937**	266
Interest received	**1,427**	1,096
Purchase of wealth management products included in prepaid expenses and other current assets	**–**	(33,200)
Purchase of derivative financial instruments included in prepaid expenses and other current assets	**–**	(70)
(Increase)/decrease in restricted bank deposits	**(3,023)**	943
Placing of time deposits with original maturity over three months	**(11,212)**	(1,883)
Maturity of time deposits with original maturity over three months	**2,016**	1,628
Investments in long-term loans included in other non-current assets	**(1,191)**	(5,009)
Disposal of/(investments in) interbank certificate of deposits included in prepaid expenses and other current assets	**28,621**	(28,629)
Collection of entrusted loans	**480**	–
Decrease in other current assets	**–**	7,958
Net cash generated from/(used in) investing activities	**32,048**	(46,307)

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Financing activities		
Capital element of lease rentals paid	**(250)**	(200)
Interest element of lease rentals paid	**(37)**	(39)
Interest paid	**(2,530)**	(3,177)
Proceeds from borrowings	**9,940**	3,541
Repayments of borrowings	**(13,840)**	(15,116)
Repayments of bonds	**(3,488)**	–
Proceeds from bills discounted	**996**	1,102
Purchase of own shares	**(256)**	–
Contributions from non-controlling shareholders	**606**	732
Distributions to non-controlling shareholders	**(8,159)**	(6,512)
Dividend paid to equity holders of the Company	**(25,061)**	(17,503)
Net cash used in financing activities	**(42,079)**	(37,172)
Net increase/(decrease) in cash and cash equivalents	**71,258**	(20,373)
Cash and cash equivalents, at the beginning of the year	**41,827**	61,863
Effect of foreign exchange rate changes	**(131)**	337
Cash and cash equivalents included in assets classified as held for sale	**(74)**	–
Cash and cash equivalents, at the end of the year	**112,880**	41,827

The notes on pages 192 to 303 form part of these financial statements.

1. PRINCIPAL ACTIVITIES AND ORGANISATION

Principal activities

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

Organisation

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

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

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

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

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

Immediate parent and ultimate controlling party

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

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

2. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(a) Changes in accounting policies

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

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

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

(b) Changes in accounting estimates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments as disclosed in Note 40.3, which have been measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Group's consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

Significant accounting policies adopted by the Group are disclosed below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee benefits* respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, after applying the expected credit losses (the "ECL") model to such other long-term interests where applicable), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

On acquisition of the investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss is recognised when the recoverable amount is less than the carrying value of the investment in associates. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of IFRS 9, which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

– the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than entity's functional currencies (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve, attributed to non-controlling interests as appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and a supplemental defined contribution pension plan approved by the government are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before income tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at the end of each reporting year and are recognised to the extent that it has become probable that future taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment, which consists of freehold land and buildings, mining structures and mining rights, mining related machinery and equipment, and other items of plant and equipment, held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write-off the cost of items of property, plant and equipment (other than freehold land and construction in progress, which are subject to impairment assessment) less their residual values over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment, except for freehold land, and mining structures and mining rights, are depreciated on a straight-line basis at the following rates per annum:

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

The Directors reviewed the estimated useful lives of the assets annually based on the Group's historical experience with similar assets and taking into account anticipated technological changes.

Construction in progress intended to be used for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Mining structures and mining rights

The costs of mining structures and mining rights, which include the costs of acquiring and developing mining structures and mining rights, are firstly capitalised as "construction in progress" in the year in which they are incurred and then reclassified to "Mining structures and mining rights" under property, plant and equipment when they are ready for commercial production.

Mining structures and mining rights are depreciated on a units-of-production basis utilising only proved and probable coal reserves in the depletion base.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

Stripping costs incurred to develop a mine (or pit) before the production commences or to improve access to the component of the ore body during the production stage are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a units-of-production basis. Stripping costs and secondary development expenditure, mainly comprising costs on blasting, haulage, excavation, etc. incurred during the production stage of the ore body and does not providing any improved access to the ore body are charged to profit or loss as incurred.

Commercial reserves are proved and probable reserves. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

Exploration and evaluation assets

Exploration and evaluation assets comprise costs which are directly attributable to the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource:

– researching and analysing historical exploration data;

– gathering exploration data through topographical, geochemical and geophysical studies;

– exploratory drilling, trenching and sampling;

– determining and examining the volume and grade of the resource;

– surveying transportation and infrastructure requirements; and

– conducting market and finance studies.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Exploration and evaluation assets (Continued)

Expenditure during the initial exploration preparation stage of a project is charged to profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project.

Once the final feasibility study has been completed and a development decision has been taken, accumulated capitalised exploration and evaluation expenditures in respect of an area of interest are transferred to property, plant and equipment. In circumstances when an area of interest is abandoned or management decides it is not commercially viable, any accumulated costs in respect of that area are written off in the period the decision is made.

Obligations for land reclamation

The Group's obligations for land reclamation consist of spending estimates at both surface and underground mines in accordance with the PRC rules and regulations. The Group estimates its liabilities for land reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash flows for the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final reclamation and mine closure. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination not under common control

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leased assets (Continued)

(i) As a lessee (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption method, then the Group classifies the sub-lease as an operating lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities measured at fair value through profit and loss (the "FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

– the financial asset is held within a business model whose objective is to collect contractual cash flows; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (the "FVTOCI"):

– the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the other reserves; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including accounts receivable, other receivables, long-term receivables, loans to China Energy Group and fellow subsidiaries, entrusted loans and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for credit-impaired debtors or using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external credit rating (if available);

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concessions that the lenders would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

– Nature of financial instruments (i.e. the Group's accounts and bills receivables and other receivables are each assessed as a separate group. Loans receivable are assessed for ECL on an individual basis);

– Past-due status; and

– External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognisation. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in other reserves is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Financial liabilities and equity (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

– it has been acquired principally for the purpose of repurchasing it in the near term; or

– on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including borrowings, accounts and bills payables, other payables, long-term liabilities, medium-term notes and bonds are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

– the amount of the loss allowance determined in accordance with IFRS 9/IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

– the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group's derivative financial instruments represent cross-currency exchange rate swaps, and are initially recognised at fair value at the date when the derivative contracts are entered into, and remeasured at fair value at the end of the reporting period, with any gains or losses recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity (Continued)

Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

   (i) The entity and the Group are members of the same group.

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

   (vi) The entity is controlled or jointly controlled by a person identified in (a).

   (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

   (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgements in applying accounting policies

The following are critical judgements, apart from those involving estimation (see Note 4.2 below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over Hebei Guohua Dingzhou Power Co., Ltd. ("Dingzhou Power")

Note 46 describes that Dingzhou Power is a subsidiary of the Company although the Company has only 41% ownership interest and voting rights in Dingzhou Power. The remaining 59% of ownership interest and voting rights are owned by two shareholders that are unrelated to the Group as to 19% and 40%, respectively. Details of Dingzhou Power are set out in Note 46.

The Directors evaluated whether the Company has the practical ability to lead the relevant activities of Dingzhou Power to determine whether the Company has actual control over Dingzhou Power. The Company is the largest equity owner of Dingzhou Power and no other equity owners individually or in aggregate had the power to control Dingzhou Power according to the articles of association. Historically, the Company controlled the operation of Dingzhou Power by appointing senior management, approving annual budget and determining the remuneration of employees etc. Considering above mentioned factors, the Directors are of the opinion that the Company has sufficiently dominant power over Dingzhou Power as the Company is the governing body of most of the relevant activities of it. Therefore the financial statements of Dingzhou Power are consolidated by the Company during the periods presented.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Coal reserves

Engineering estimates of the Group's coal reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated coal reserves can be designated as "proved" and "probable". Proved and probable coal reserve estimates are updated at regular basis and have taken into account recent production and technical information of each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable coal reserves also changes. This change is considered as a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment loss. Depreciation rates are determined based on estimated proved and probable coal reserve quantity (the denominator) and capitalised costs of mining structures and mining rights (the numerator). The capitalised cost of mining structures and mining rights are amortised based on the units of coal produced.

Impairment losses

In considering the impairment losses that may be required for certain of the Group's assets which mainly include property, plant and equipment, construction in progress, exploration and evaluation assets, right-of-use assets, interests in associates and other non-current assets, the recoverable amount of the asset need to be determined. The recoverable amount is the higher of its fair value less cost of disposal and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, the Group uses all readily available information in determining expected cash flows generated by the cash-generating unit to which the asset belongs and they are discounted to their present value, which requires significant judgement relating to cash flow items such as level of sale volume, selling price, amount of operating costs and future returns.

In considering the impairment losses that may be required for current receivables and other financial assets, future cash flows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables.

Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher or lower than the amount estimated.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.2 Key sources of estimation uncertainty (Continued)

Depreciation

Other than the freehold land and mining structures and mining rights, property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives and residual value of the assets regularly based on the Group's historical experience with similar assets and taking into account anticipated technological changes. Depreciation for future periods is adjusted if there is a significant change from previous estimates. The carrying amount of the property, plant and equipment is disclosed in Note 17.

Deferred tax assets

As at 31 December 2020, deferred tax assets of RMB2,856 million (2019: RMB2,945 million) have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB5,563 million (2019: RMB6,593 million) and deductible temporary differences of RMB9,244 million (2019: RMB7,521 million) due to the unpredictability of future profit streams. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further provision of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal or further provision takes place.

Fair value measurement of financial instruments

Certain of the Group's financial assets, unquoted equity instruments amounting to RMB1,845 million as at 31 December 2020 (RMB1,789 million as at 31 December 2019) are measured at fair values with fair values being determined based on unobservable inputs using valuation techniques as set out in Note 40.3. Changes in assumptions relating to any key inputs may have a material impact on the reported fair values of these instruments.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.2 Key sources of estimation uncertainty (Continued)

Provision of ECL for accounts receivables

The Group uses provision matrix to calculate ECL for accounts receivable. The provision rates are based on the aging of accounts receivable as groupings of receivables that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, accounts and bills receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable are disclosed in Notes 26 and 40.2, respectively.

Obligations for land reclamation

The estimation of the liabilities for reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including development plan of the mines, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate. The carrying amounts of the obligations are disclosed in Note 37.

5. REVENUE FROM GOODS AND SERVICES

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

Segments	Coal		Power		Railway		Port		Shipping		Coal chemical		Other		Total	
	2020 *RMB million*	2019 *RMB million*	**2020** *RMB million*	2019 *RMB million*	**2020** *RMB million*	2019 *RMB million*	**2020** *RMB million*	2019 *RMB million*	**2020** *RMB million*	2019 *RMB million*	**2020** *RMB million*	2019 *RMB million*	**2020** *RMB million*	2019 *RMB million*	**2020** *RMB million*	2019 *RMB million*
Types of goods or service																
Sales of goods																
Coal	**163,751**	168,274	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**163,751**	168,274
Power	**–**	–	**44,321**	51,507	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**44,321**	51,507
Coal chemical products	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**4,549**	4,770	**–**	–	**4,549**	4,770
Others	**5,446**	5,197	**5,027**	977	**–**	–	**–**	–	**–**	–	**616**	557	**–**	–	**11,089**	6,731
	169,197	173,471	**49,348**	52,484	**–**	–	**–**	–	**–**	–	**5,165**	5,327	**–**	–	**223,710**	231,282
Transportation and other services																
Railway	**–**	–	**–**	–	**4,743**	5,405	**–**	–	**–**	–	**–**	–	**–**	–	**4,743**	5,405
Port	**–**	–	**–**	–	**–**	–	**525**	531	**–**	–	**–**	–	**–**	–	**525**	531
Shipping	**–**	–	**–**	–	**–**	–	**–**	–	**1,747**	1,813	**–**	–	**–**	–	**1,747**	1,813
Others	**–**	–	**–**	–	**1,061**	1,059	**449**	121	**–**	–	**–**	–	**1,028**	1,660	**2,538**	2,840
	–	–	**–**	–	**5,804**	6,464	**974**	652	**1,747**	1,813	**–**	–	**1,028**	1,660	**9,553**	10,589
Total	**169,197**	173,471	**49,348**	52,484	**5,804**	6,464	**974**	652	**1,747**	1,813	**5,165**	5,327	**1,028**	1,660	**233,263**	241,871
Geographical markets																
Domestic markets	**168,198**	171,396	**44,623**	51,577	**5,804**	6,464	**974**	652	**1,747**	1,813	**5,165**	5,327	**1,028**	1,660	**227,539**	238,889
Overseas markets	**999**	2,075	**4,725**	907	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**5,724**	2,982
Total	**169,197**	173,471	**49,348**	52,484	**5,804**	6,464	**974**	652	**1,747**	1,813	**5,165**	5,327	**1,028**	1,660	**233,263**	241,871
Timing of revenue recognition																
A point in time	**169,197**	173,471	**49,348**	52,484	**–**	–	**–**	–	**–**	–	**5,165**	5,327	**–**	–	**223,710**	231,282
Over time	**–**	–	**–**	–	**5,804**	6,464	**974**	652	**1,747**	1,813	**–**	–	**1,028**	1,660	**9,553**	10,589
Total	**169,197**	173,471	**49,348**	52,484	**5,804**	6,464	**974**	652	**1,747**	1,813	**5,165**	5,327	**1,028**	1,660	**233,263**	241,871

The Group's revenue from contracts with customers is RMB232,155 million for the year ended 31 December 2020 (2019: RMB240,177 million).

5. REVENUE FROM GOODS AND SERVICES (CONTINUED)

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

Segments	Coal		Power		Railway		Port		Shipping		Coal chemical		Other		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue disclosed in segment information																
External customers	**169,197**	173,471	**49,348**	52,484	**5,804**	6,464	**974**	652	**1,747**	1,813	**5,165**	5,327	**1,028**	1,660	**233,263**	241,871
Inter-segment	**20,832**	23,925	**138**	142	**32,919**	33,237	**5,385**	5,274	**1,365**	1,484	**–**	–	**825**	1,153	**61,464**	65,215
	190,029	197,396	**49,486**	52,626	**38,723**	39,701	**6,359**	5,926	**3,112**	3,297	**5,165**	5,327	**1,853**	2,813	**294,727**	307,086
Adjustment and eliminations	**(20,832)**	(23,925)	**(138)**	(142)	**(32,919)**	(33,237)	**(5,385)**	(5,274)	**(1,365)**	(1,484)	**–**	–	**(825)**	(1,153)	**(61,464)**	(65,215)
Revenue	**169,197**	173,471	**49,348**	52,484	**5,804**	6,464	**974**	652	**1,747**	1,813	**5,165**	5,327	**1,028**	1,660	**233,263**	241,871

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

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

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

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

6. SEGMENT AND OTHER INFORMATION

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM"), including president, senior vice president and chief financial officer, for the purposes of resource allocation and performance assessment, the Group has presented the following six (2019: six) reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

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

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

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

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

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

6. SEGMENT AND OTHER INFORMATION (CONTINUED)

(a) Segment results

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

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Total	
	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million
Revenue from external customers	169,197	173,471	49,348	52,484	5,804	6,464	974	652	1,747	1,813	5,165	5,327	232,235	240,211
Inter-segment revenue	20,832	23,925	138	142	32,919	33,237	5,385	5,274	1,365	1,484	–	–	60,639	64,062
Reportable segment revenue	190,029	197,396	49,486	52,626	38,723	39,701	6,359	5,926	3,112	3,297	5,165	5,327	292,874	304,273
Reportable segment profit	28,992	33,121	6,907	8,500	15,790	16,333	2,487	2,179	226	233	180	279	54,582	60,645
Including:														
Interest expenses	761	707	1,341	1,845	869	1,182	270	367	2	6	90	49	3,333	4,156
Depreciation and amortisation	7,413	7,393	5,265	5,727	4,987	4,738	997	1,068	297	296	844	881	19,803	20,103
Share of results of associates	154	155	168	225	–	–	4	5	–	–	–	–	326	385
Loss allowances and impairment of assets	1,297	1,437	538	212	–	220	7	–	–	–	(2)	15	1,840	1,884

(b) Reconciliations of reportable segment revenue, segment profit and other items of profit or loss for the years ended 31 December 2020 and 2019 are set out below:

	Reportable segment amounts		Unallocated head office and corporate items		Elimination of inter-segment amounts		Consolidated	
	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million
Revenue	292,874	304,273	1,853	2,813	(61,464)	(65,215)	233,263	241,871
Profit before income tax	54,582	60,645	3,927	4,352	853	(75)	59,362	64,922
Interest expenses	3,333	4,156	861	882	(1,933)	(1,971)	2,261	3,067
Depreciation and amortisation	19,803	20,103	182	276	–	–	19,985	20,379
Share of results of associates	326	385	621	48	–	–	947	433
Loss allowances and impairment of assets	1,840	1,884	207	160	–	–	2,047	2,044

6. SEGMENT AND OTHER INFORMATION (CONTINUED)

(c) Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, construction in progress, exploration and evaluation assets, intangible assets, right-of-use assets, interests in associates, other non-current assets (excluding loans and bonds) ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, construction in progress and right-of-use assets and the location of operations, in the case of exploration and evaluation assets, intangible assets, other non-current assets and interests in associates.

	Revenue from external customers		Specified non-current assets	
	Year ended 31 December		31 December	
	2020	2019	**2020**	2019
	RMB million	*RMB million*	***RMB million***	*RMB million*
Domestic markets	**227,539**	238,889	**378,504**	357,065
Overseas markets	**5,724**	2,982	**7,070**	9,172
	233,263	241,871	**385,574**	366,237

(d) Major customers

Revenue from any individual customer of the Group does not exceed 10% of the Group's revenue. Certain of the Group's customers are entities, which controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities") and collectively considered as the Group's major customers. Revenue from major customers of the Group's coal and power segments amounted to RMB157,374 million (2019: RMB159,297 million).

6. SEGMENT AND OTHER INFORMATION (CONTINUED)

(e) Other information

Certain other information of the Group's segments for the years ended 31 December 2020 and 2019 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Coal purchased	**48,742**	53,831	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**48,742**	53,831
Cost of coal production	**50,032**	47,176	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(3,019)**	(2,974)	**47,013**	44,202
Cost of coal transportation	**51,557**	52,497	**–**	–	**16,291**	16,509	**3,060**	2,793	**1,238**	1,337	**–**	–	**–**	–	**(39,669)**	(39,995)	**32,477**	33,141
Power cost	**–**	–	**35,877**	40,489	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(16,667)**	(19,679)	**19,210**	20,810
Cost of coal chemical production	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**4,066**	4,144	**–**	–	**(1,449)**	(1,481)	**2,617**	2,663
Others	**3,042**	3,720	**2,852**	51	**4,013**	4,132	**254**	271	**1,517**	1,576	**609**	549	**28**	33	**–**	–	**12,315**	10,332
Total cost of sales	**153,373**	157,224	**38,729**	40,540	**20,304**	20,641	**3,314**	3,064	**2,755**	2,913	**4,675**	4,693	**28**	33	**(60,804)**	(64,129)	**162,374**	164,979
Profit from operations *(Note (i))*	**29,832**	33,188	**7,976**	9,779	**16,636**	17,360	**2,678**	2,536	**209**	232	**259**	311	**1,047**	1,960	**(660)**	(1,086)	**57,977**	64,280
Capital expenditures *(Note (ii))*	**8,151**	5,291	**7,766**	6,828	**3,441**	6,990	**388**	238	**11**	30	**564**	142	**1,202**	2	**–**	–	**21,523**	19,521
Total assets *(Note (iii))*	**222,984**	224,344	**150,299**	148,754	**124,113**	128,578	**21,619**	22,197	**6,410**	6,516	**8,938**	9,202	**424,257**	449,806	**(395,716)**	(426,314)	**562,904**	563,083
Total liabilities *(Note (iii))*	**(106,897)**	(108,449)	**(110,040)**	(109,730)	**(50,470)**	(56,774)	**(6,629)**	(8,285)	**(257)**	(397)	**(2,950)**	(3,346)	**(154,901)**	(188,866)	**298,827**	332,982	**(133,317)**	(142,865)

Notes:

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

(ii) Capital expenditures consist of addition in property, plant and equipment, construction in process, exploration and evaluation assets, intangible assets, long-term deferred expense, right-of-use assets and prepayment for mining projects.

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

7. COST OF SALES

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Coal purchased	**48,742**	53,831
Materials, fuel and power	**19,501**	19,863
Personnel expenses	**16,066**	15,585
Depreciation and amortisation	**16,647**	16,798
Repairs and maintenance	**9,124**	9,491
Transportation charges	**15,076**	16,155
Taxes and surcharges	**10,926**	10,299
Other operating costs	**26,292**	22,957
	162,374	164,979

8. OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Government grants	**424**	366
Claim income	**21**	103
Others	**333**	239
	778	708

9. INTEREST INCOME/FINANCE COSTS

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Interest income from:		
– bank deposits	**1,075**	779
– other loans and receivables	**609**	391
Total interest income	**1,684**	1,170
Interest on:		
– borrowings	**2,369**	3,387
– lease liabilities	**37**	39
– bonds	**146**	253
Total finance costs on financial liabilities not at FVTPL	**2,552**	3,679
Less: amount capitalised	**(602)**	(780)
	1,950	2,899
Others	**73**	–
Unwinding of discount	**311**	168
Exchange (gain)/loss, net	**(71)**	227
Total finance costs	**2,263**	3,294
Net finance costs	**579**	2,124

Note:

Borrowing costs capitalised during the year arose on the general borrowing pools and were calculated by applying a capitalisation rate from 1.80% to 6.15% (2019: from 1.80% to 5.62%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Current tax, mainly PRC enterprise income tax	**15,966**	13,374
(Over)/under provision in respect of prior years	**(790)**	1,387
Deferred tax	**202**	384
	15,378	15,145

The tax charge for the year can be reconciled to the profit before income tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Profit before income tax	**59,362**	64,922
Tax at the PRC income tax rate of 25% (2019: 25%)	**14,841**	16,231
Tax effects of:		
– different tax rates of branches and subsidiaries	**(607)**	(3,703)
– non-deductible expenses	**231**	97
– non-taxable income	**(296)**	(95)
– share of results of associates	**(240)**	(166)
– utilisation of tax losses and deductible temporary difference previously not recognised	**(224)**	(143)
– tax losses and deductible temporary difference not recognised	**2,463**	1,537
– (over)/under provision	**(790)**	1,387
Income tax expense	**15,378**	15,145

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for the PRC group entities is 25% (2019: 25%) except for subsidiaries and branches operating in the western developing region of the PRC which are entitled to a preferential tax rate of 15% from 2011 to 2020. In April 2020, the related regulators announced that the period of application of the preferential tax rate will be extended for another 10 years from 2021 to 2030, during which period the companies operating in the western developing region of the PRC enjoy the preferential tax rate of 15%. However, the subsidiaries of the Group engaged in coal mining and operating in the western developing region of the PRC were subject to the Corporate income tax rate of 25% for the year ended 31 December 2020 due to the temporary adjustment on the catalogue of Industries Encouraged by the Western Region Development.

10. INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2020	2019
	%	%
Australia	**30.0**	30.0
Indonesia	**25.0**	25.0
United States	**21.0**	21.0
Russia	**20.0**	20.0
Hong Kong, China	**8.25/16.5***	8.25/16.5*

During the years ended 31 December 2020 and 2019, there was no significant assessable profit and provision for income tax for the overseas subsidiaries.

* The two-tiered profits tax rates regime is applicable from the year of assessment 2019/20 onwards. The profits tax rate for the first Hong Kong Dollars ("HK$") 2,000,000 of profits of corporations will be lowered to 8.25%, and profits above that amount will continue to be subject to the tax rate of 16.5%.

11. DISPOSAL GROUP HELD FOR SALE

On 29 December 2020, Shenhua Shendong Power Co., Ltd. ("Shendong Power"), a subsidiary of the Company, entered into the Equity Transfer Agreement with Guoyuan Power Co.,Ltd ("Guoyuan Power"). Accordingly, Shendong Power proposed to dispose 100% equity interests of Fuping Thermal Power Co.,Ltd ("Fuping Thermal Power") to Guoyuan Power at a total consideration of RMB2,258 million which was determined with reference to the appraisal value revalued by an independent valuer. Based on the agreement, Guoyuan Power will directly hold 100% equity interests of Fuping Thermal Power, and Fuping Thermal Power will cease to be a subsidiary of Shendong Power. The assets and liabilities attributable to Fuping Thermal Power, which is expected to be contributed within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. On 7 January 2021, the transfer of ownership of Fuping Thermal Power was completed.

During the year ended 31 December 2020, Sichuan Energy Co.,Ltd ("Sichuan Energy"), a subsidiary of the Company, decided to dispose of certain real estate properties in order to strengthen its corporate liquidity. At 31 December 2020, the book value of the properties is approximately RMB8 million. Therefore, the properties of Sichuan Energy are accounted for as assets held for sale as at 31 December 2020.

The Group remeasured the disposal group held for sale at the lower of their carrying amount value and fair value less costs to sell which resulted in an impairment loss of RMB87 million.

11. DISPOSAL GROUP HELD FOR SALE (CONTINUED)

The major classes of assets and liabilities classified as held for sale are as follows:

	31 December 2020 *RMB million*
Non-current assets	
Property, plant and equipment	2,462
Construction in progress	13
Land use rights	72
Intangible assets	1
Other non-current assets	2
Provision for disposal group held for sale	(87)
	2,463
Current assets	
Inventories	18
Accounts receivables	70
Prepaid expenses and other current assets	158
Cash and cash equivalents	74
	320
Total assets classified as held for sale	2,783
Current liabilities	
Borrowings	300
Accounts payables	117
Accrued expenses and other payables	89
Income tax payable	11
Less: Inter-company borrowings eliminated in the consolidated financial statements.	(300)
Total liabilities classified as held for sale	217

The non-recurring fair value measurement for the disposal group was based on the consideration in the equity transfer agreement, which has been categorised as Level 3 fair value.

12. PROFIT FOR THE YEAR

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

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Personnel expenses, including	**29,405**	28,324
– Contributions to defined contribution plans	**2,504**	3,332
Depreciation of property, plant and equipment	**17,965**	18,274
Depreciation of right-of-use assets	**713**	812
Amortisation of intangible assets	**400**	397
Amortisation of other non-current assets	**946**	1,015
Depreciation and amortisation charged for the year	**20,024**	20,498
Less: amount capitalised	**(39)**	(119)
Depreciation and amortisation *(Note)*	**19,985**	20,379
Loss allowances		
– Loans receivables and interbank certificate of deposits	**(2)**	167
– Trade and other receivables	**526**	(28)
	524	139

12. PROFIT FOR THE YEAR (CONTINUED)

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Other gains and losses, represent		
– losses on disposal of property, plant and equipment, exploration and evaluation assets, intangible assets and non-current assets	**160**	57
– losses/(gains) on disposal of subsidiaries and associates	**7**	(1,121)
– gains on changes in fair value arising from remeasurement of remaining equity interests after losing control *(Note 41)*	**(1,181)**	(111)
– gains on disposal of financial assets at FVTPL	**(449)**	(568)
– losses/(gains) on changes in fair value of derivative financial instruments	**134**	(160)
– impairment losses on property, plant and equipment	**605**	775
– impairment losses on construction in progress	**268**	263
– impairment losses on exploration and evaluation assets	**505**	481
– impairment losses on right-of-use assets	**3**	25
– impairment losses on assets held for sale	**87**	–
– impairment losses on goodwill	**18**	–
– reversal of allowance for prepaid expenses	**(57)**	(1)
– write down of inventories	**94**	362
	194	2
Carrying amount of inventories sold	**118,657**	124,847
Operating lease charges relating to short-term leases, leases of low-value assets and variable lease payments	**218**	254
Auditors' remuneration		
– audit service	**32**	33

Note :

Cost of sales include an amount of depreciation and amortisation of RMB16,647 million for the year ended 31 December 2020 (2019:RMB16,798 million).

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	Year ended 31 December 2020				
	Fee *RMB million*	Basic salaries, Housing and other allowance and benefits in kind *RMB million*	Discretionary bonuses *RMB million*	Retirement scheme contributions *RMB million*	Total *RMB million*
Chairman					
Wang Xiangxi *(Note (i) and Note (ii))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Executive directors					
Li Dong *(Note (i) and Note (iii))*	–	–	–	–	–
Gao Song *(Note (i) and Note (iii))*	–	–	–	–	–
Mi Shuhua *(Note (i) and Note (iii))*	–	–	–	–	–
Yang Jiping *(Note (ii))*	–	0.23	0.24	0.04	0.51
Xu Mingjun *(Note (ii))*	–	0.23	0.24	0.03	0.50
Sub-total	–	0.46	0.48	0.07	1.01
Non-executive directors					
Zhao Jibin *(Note (i) and Note (iii))*	–	–	–	–	–
Jia Jinzhong *(Note (i) and (Note(ii))*	–	–	–	–	–
Zhao Yongfeng *(Note (iii))*	–	0.08	0.20	0.02	0.30
Sub-total	–	0.08	0.20	0.02	0.30

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Year ended 31 December 2020				
	Fee *RMB million*	Basic salaries, Housing and other allowance and benefits in kind *RMB million*	Discretionary bonuses *RMB million*	Retirement scheme contributions *RMB million*	Total *RMB million*
Independent non-executive directors					
Tam Wai Chu, Maria *(Note(iii))*	0.23	–	–	–	0.23
Jiang Bo *(Note(iii))*	0.23	–	–	–	0.23
Zhong Yingjie, Christina *(Note(iii))*	0.23	–	–	–	0.23
Peng Suping *(Note(iii))*	0.23	–	–	–	0.23
Chen Hanwen *(Note(ii))*	0.15	–	–	–	0.15
Bai Chongen *(Note(ii))*	0.15	–	–	–	0.15
Yuan Guoqiang *(Note(ii))*	0.15	–	–	–	0.15
Sub-total	1.37	–	–	–	1.37
Employee director					
Wang Xingzhong *(Note(ii))*	–	0.19	0.20	0.04	0.43
Sub-total	–	0.19	0.20	0.04	0.43
Supervisors					
Zhai Richeng *(Note (iv))*	–	–	–	–	–
Zhou Dayu *(Note (iv))*	–	–	–	–	–
Luo Meijian *(Note (iv))*	–	–	–	–	–
Zhang Changyan *(Note (iv))*	–	0.32	0.46	0.06	0.84
Sub-total	–	0.32	0.46	0.06	0.84
Total	1.37	1.05	1.34	0.19	3.95

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Year ended 31 December 2019				
	Fee *RMB million*	Basic salaries, Housing and other allowance and benefits in kind *RMB million*	Discretionary bonuses *RMB million*	Retirement scheme contributions *RMB million*	Total *RMB million*
Chairman					
Wang Xiangxi *(Note (i) and Note (ii))*	–	–	–	–	–
Ling Wen *(Note (i) and Note (iii))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Executive directors					
Li Dong *(Note (i) and Note (iii))*	–	–	–	–	–
Gao Song *(Note (i) and Note (iii))*	–	–	–	–	–
Mi Shuhua *(Note (i) and Note (iii))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Non-executive directors					
Zhao Jibin *(Note (i) and Note (iii))*	–	–	–	–	–
Sub-total	–	–	–	–	–

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Year ended 31 December 2019				
	Fee *RMB million*	Basic salaries, Housing and other allowance and benefits in kind *RMB million*	Discretionary bonuses *RMB million*	Retirement scheme contributions *RMB million*	Total *RMB million*
Independent non-executive directors					
Tam Wai Chu, Maria *(Note(iii))*	0.45	–	–	–	0.45
Jiang Bo *(Note(iii))*	0.45	–	–	–	0.45
Zhong Yingjie, Christina *(Note(iii))*	0.45	–	–	–	0.45
Peng Suping *(Note(iii))*	0.45	–	–	–	0.45
Huang Ming *(Note (iii))*	0.34	–	–	–	0.34
Sub-total	2.14	–	–	–	2.14
Supervisors					
Zhai Richeng *(Note (iv))*	–	–	–	–	–
Zhou Dayu *(Note (iv))*	–	–	–	–	–
Shen Lin *(Note (iv))*	–	–	–	–	–
Zhang Changyan *(Note (iv))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Total	2.14	–	–	–	2.14

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Discretionary bonuses were determined by the remuneration committee in accordance with the relevant human resources policies.

Notes:

(i) The emoluments of these directors were borne by China Energy Group during the years ended 31 December 2020 and 2019.

(ii) Mr. Wang Xiangxi was appointed as executive director on 10 May 2019 and was elected and appointed as Chairman of the Board on 21 June 2019.

Mr. Yang Jiping and Mr. Xu Mingjun were elected and appointed as executive directors on 29 May 2020.

Mr. Jia Jinzhong was elected and appointed as non-executive director on 29 May 2020.

Dr. Chen Hanwen, Dr. Bai Chongen and Dr. Yuan Guoqiang were elected and appointed as independent non-executive directors on 29 May 2020.

Mr. Wang Xingzhong was elected and appointed as employee director on 29 May 2020.

(iii) Dr. Ling Wen resigned as the Chairman of the Board on 26 April 2019.

Dr. Huang Ming resigned as independent non-executive director on 6 August 2019.

Dr. Li Dong resigned as executive director on 29 March 2020.

Mr. Gao Song and Mr. Mi Shuhua resigned as executive directors on 29 May 2020.

Mr. Zhao Jibin resigned as executive director on 29 May 2020.

Mr. Zhao Yongfeng was elected and appointed as non-executive director on 29 May 2020 and resigned on 23 December 2020.

Dr. Tam Wai Chu, Maria, Dr. Jiang Bo and Ms. Zhong, Yingjie, Christina resigned as independent non-executive directors on 29 May 2020.

Dr. Peng Suping resigned as independent non-executive director on 29 May 2020.

(iv) Mr. Shen Lin resigned as the employee supervisory and Mr. Zhang Changyan was appointed as employee supervisor on 2 December 2019.

Mr. Zhai Richeng resigned as supervisor and and Mr. Luo Meijian was elected and appointed as supervisors on 29 May 2020.

The emoluments of Mr. Zhai Richeng, Mr. Zhou Dayu, Mr. Shen Lin and Mr. Luo Meijian were borne by China Energy Group during the years ended 31 December 2020 and 2019.

Except for those emoluments of directors or supervisors whose emoluments were borne by China Energy Group, the executive directors' and supervisors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

14. EMPLOYEES' EMOLUMENTS

Out of the five individuals with the highest emoluments within the Group, Nil (2019: Nil) was director of the Company. The emoluments of the five (2019: six) highest paid individuals were as follows:

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Basic salaries, housing and other allowances and benefits in kind	**1.73**	1.87
Discretionary bonuses	**3.78**	3.46
Retirement scheme contributions	**0.33**	0.65
	5.84	5.98

Their emoluments were within the following band:

	Year ended 31 December	
	2020	2019
HKD500,001 to HKD1,000,000	**–**	1
HKD1,000,001 to HKD1,500,000	**5**	5
	5	6

15. DIVIDENDS

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Dividend approved and paid during the year: 2019 final – RMB1.26 (2019: 2018 final – RMB0.88) per ordinary share	**25,061**	17,503

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of RMB35,962 million, at RMB1.81 per ordinary share (in respect of the year ended 31 December 2019: final dividend RMB25,061 million, at RMB1.26 per ordinary share) has been proposed by the Directors and is subject to approval by the shareholders in the following general meeting.

16. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB35,849 million (2019: RMB41,707 million) and the weighted average of 19,888 million ordinary shares (2019: 19,890 million shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Year ended 31 December	
	2020	2019
	million	*million*
Number of shares in issue at 1 January	**19,890**	19,890
Effect of shares repurchased	**(2)**	–
Weighted average number of shares in issue	**19,888**	19,890

No diluted earnings per share for both 2020 and 2019 were presented as there were no potential ordinary shares in existence during both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Mining structures and mining rights	Mining related machinery and equipment	Generators related machinery and equipment	Railway and port	Vessels	Coal chemical related machinery and equipment	Furniture, fixtures, motor vehicles and other equipment	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Cost									
At 1 January 2019	58,469	36,926	65,239	96,224	128,156	7,489	13,195	17,690	423,388
Additions	209	446	1,435	187	1,906	1	36	73	4,293
Transferred from construction in progress	1,257	25	667	1,198	882	29	135	96	4,289
Reclassification	(1,571)	2	154	364	264	–	–	787	–
Disposals or write-off	(815)	–	(1,202)	(1,945)	(529)	(1)	(8)	(648)	(5,148)
Exchange adjustment	54	–	–	29	–	–	–	–	83
At 31 December 2019	57,603	37,399	66,293	96,057	130,679	7,518	13,358	17,998	426,905
Additions	161	143	1,868	250	881	4	27	159	3,493
Transferred from construction in progress	3,050	16	496	2,894	955	38	32	150	7,631
Reclassification and other additions	(995)	2,929	1,381	(295)	340	–	(548)	(14)	2,798
Disposals or write-off	(219)	(169)	(696)	(99)	(367)	–	(56)	(92)	(1,698)
Exchange adjustment	(25)	–	1	(119)	–	–	–	(10)	(153)
Classified as assets held for sale	(338)	–	–	(2,387)	–	–	–	(11)	(2,736)
At 31 December 2020	**59,237**	**40,318**	**69,343**	**96,301**	**132,488**	**7,560**	**12,813**	**18,180**	**436,240**

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings	Mining structures and mining rights	Mining related machinery and equipment	Generators related machinery and equipment	Railway and port	Vessels	Coal chemical related machinery and equipment	Furniture, fixtures, motor vehicles and other equipment	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Depreciation and impairment									
At 1 January 2019	11,040	13,349	45,261	32,729	43,947	1,207	6,155	12,351	166,039
Charge for the year	1,876	1,022	4,018	4,533	5,123	330	772	600	18,274
Reclassification	(228)	–	–	207	56	–	–	(35)	–
Impairment losses	584	–	30	156	–	–	–	5	775
Disposals or write-off	(250)	–	(1,954)	(1,447)	(407)	(1)	(7)	(135)	(4,201)
Exchange adjustment	15	–	–	10	–	–	–	–	25
At 31 December 2019	13,037	14,371	47,355	36,188	48,719	1,536	6,920	12,786	180,912
Charge for the year	1,727	1,108	4,152	4,167	5,184	331	721	575	17,965
Reclassification	383	1	63	(48)	70	–	(292)	72	249
Impairment losses *(Note (i))*	455	–	23	126	–	–	–	1	605
Disposals or write-off	(112)	(157)	(590)	(45)	(316)	–	(49)	(85)	(1,354)
Exchange adjustment	(15)	–	–	(38)	–	–	–	(8)	(61)
Classified as assets held for sale	(23)	–	–	(246)	–	–	–	(5)	(274)
At 31 December 2020	15,452	15,323	51,003	40,104	53,657	1,867	7,300	13,336	198,042
Carrying values									
At 31 December 2020	43,785	24,995	18,340	56,197	78,831	5,693	5,513	4,844	238,198
At 31 December 2019	44,566	23,028	18,938	59,869	81,960	5,982	6,438	5,212	245,993

Notes:

(i) Impairment loss

– *Impairment loss for smallest identifiable group of assets that generate independent cash flows ("CGUs")*

As a result of the deferral of certain coal mine development plans and unsatisfactory financial performance of certain coal mines, power plants and railway projects, management identified certain coal mines related property, plant and equipment and other related non-current assets having impairment indications.

Management performed impairment assessments of these assets as at 31 December 2020 using value-in-use calculations for each CGUs by measuring their recoverable amount which is determined based on discounted cash flow analysis covering the shorter of their economic or legal useful life, and pre-tax discount rate ranging from 8.75% to 10.83%.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (Continued)

(i) Impairment loss (Continued)

– *Impairment loss for smallest identifiable group of assets that generate independent cash flows ("CGUs") (Continued)*

Based on the assessments, management concluded that a total impairment provision for Shenhua Watermark coal mine project of RMB841 million was required for the current year. The impairment loss comprised impairment for property, plant and equipment, construction in progress and exploration and evaluation assets of RMB262 million, RMB74 million (see Note 18), and RMB505 million (see Note 19), respectively.

– *Impairment loss for individual assets*

In addition to the above, certain of the Group's power generator shut down and certain of the Group's power plant tunnels, roads and supporting facilities are transferred to the local government during the year. Management performed impairment assessments of these assets and concluded that impairment provisions for these assets included in property, plant and equipment were required as follows:

	RMB million
Power generator held by Shenhua Zhunge'er Energy Co., Ltd. ("Zhunge'er Energy")	156
Power plant tunnels and other assets held by Guangdong Guohua Yuedian Taishan Power Co., Ltd. ("Taishan Power")	140
Certain other mining assets	47

The estimated recoverable amounts of the above assets were based on their fair values less costs of disposal, the fair value of buildings was determined by considering the cost charged if the Group rebuild the assets under current condition, and the fair value of generators related machinery and equipment was determined by using market comparison approach with reference to the recent transaction price of similar assets, after taking into account of its remaining useful lives. The fair value is categorised as a Level 3 measurement.

(ii) The Group's freehold lands with a carrying amount of RMB245 million (2019: RMB469 million) are located in Australia.

(iii) The Group was in the process of applying for the title certificates of certain of its properties with an aggregate carrying amount of RMB4,002 million as at 31 December 2020 (2019: RMB7,896 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

(iv) As at 31 December 2020, the property, plant and equipment with carrying amount of RMB893 million (2019: RMB973 million) have been pledged to the banks to secure the banking facilities granted to the Group.

18. CONSTRUCTION IN PROGRESS

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
At the beginning of the year	**34,495**	36,585
Additions	**14,493**	13,009
Transferred to property, plant and equipment	**(7,631)**	(4,289)
Transferred to intangible assets	**(136)**	(113)
Transferred to right-of-use assets	**(60)**	(1,205)
Transferred to other non-current assets	**(1,021)**	(9,171)
Exchange adjustment	**(14)**	12
Disposal	**–**	(70)
Impairment losses *(Note (ii))*	**(268)**	(263)
Classified as assets held for sale	**(13)**	–
At the end of the year	**39,845**	34,495

Notes:

(i) As at 31 December 2020, the Group is in the process of obtaining requisite permits of certain of its construction in progress from the relevant government authorities. The Directors are of the opinion that the Group will be able to obtain the requisite permits in due course.

(ii) As a result of deferral of certain coal mine, suspending of certain coal mine and transferring certain construction land to the local government, management carried out impairment assessment of the related construction in progress and concluded that impairment provisions of RMB74 million (Note 17(i)), RMB60 million and RMB124 million were charged into profit or loss for the current year, respectively.

19. EXPLORATION AND EVALUATION ASSETS

The movements of the exploration and evaluation assets are as follows:

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
At the beginning of the year	**484**	951
Additions	**5**	2
Exchange adjustments	**16**	12
Impairment losses *(Note17(i))*	**(505)**	(481)
At the end of the year	**–**	484

20. INTANGIBLE ASSETS

The movement of intangible assets, mainly licenses, software and franchises, is as follows:

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
At the beginning of the year	**3,648**	3,623
Additions	**821**	314
Transferred from construction in progress	**136**	113
Amortisation	**(400)**	(397)
Disposal	**(316)**	(5)
Classified as assets held for sale	**(1)**	–
At the end of the year	**3,888**	3,648

21. INTERESTS IN ASSOCIATES

	31 December 2020	31 December 2019
	RMB million	*RMB million*
Unlisted shares, at cost	**47,380**	38,419
Share of post-acquisition profits and other comprehensive income, net of dividend received	**2,176**	2,120
	49,556	40,539

21. INTERESTS IN ASSOCIATES (CONTINUED)

The Group's associates are unlisted and established in the PRC. The following list contains only the particulars of associates, which principally affect the results or assets of the Group:

Name of associate	Proportion of ownership interest and voting power held by the Group 31 December 2020 %	31 December 2019 %	Principal activities
Beijing GD Power Co., Ltd. ("Beijing GD")	**42.53**	42.53	Generation and sale of electricity
Haoji Railway Co., Ltd. ("Haoji Railway")	**12.50**	12.50	Provision of transportation service
Shendong Tianlong Group Co., Ltd.	**20.39**	20.39	Coal production and sale
Sichuan Guangan Power Co., Ltd.	**20.00**	20.00	Generation and sale of electricity
Guohua (Hebei) Renewables Co., Ltd.	**25.00**	25.00	Generation and sale of electricity
Tianjin Yuanhua Shipping Co., Ltd.	**43.83**	43.83	Provision of transportation service
Inner Mongolia Yili Chemical Industry Co., Ltd.	**25.00**	25.00	Production and sale of chemicals
Suizhong Power Generation Co., Ltd.	**15.00**	15.00	Generation and sale of electricity
Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.	**20.00**	20.00	Generation and sale of electricity
China Energy Finance Co., Ltd. (previously known as "Shenhua Finance Co., Ltd.") *(Note)*	**40.00**	100.00 *(Note)*	Provision of comprehensive financial service

Note:

Finance Company became an associate of the Company as a result of the capital increase in Finance Company from 1 September 2020 and was then renamed China Energy Finance Co., Ltd (See Note 41).

21. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	31 December 2020/Year ended 31 December 2020			31 December 2019/ Year ended 31 December 2019	
	Beijing GD	**Finance Company *(Note)***	**Haoji Railway**	Beijing GD	Haoji Railway
	RMB million	***RMB million***	***RMB million***	*RMB million*	*RMB million*
Current assets	**26,734**	**12,295**	**8,445**	25,797	12,627
Non-current assets	**149,135**	**21,248**	**148,568**	160,177	143,825
Total assets	**175,869**	**33,543**	**157,013**	185,974	156,452
Current liabilities	**47,423**	**11,305**	**3,865**	45,906	4,639
Non-current liabilities	**34,535**	**–**	**99,742**	46,068	93,442
Total liabilities	**81,958**	**11,305**	**103,607**	91,974	98,081
Non-controlling interests	**28,136**	**–**	**–**	29,488	–
Equity attributable to equity holders of the company	**65,775**	**22,238**	**53,406**	64,512	58,371
Revenue	**40,415**	**1,050**	**5,238**	81,113	825
Profit/(loss) for the year	**2,794**	**118**	**(4,967)**	517	(1,478)
Total comprehensive income for the year	**2,795**	**113**	**(4,967)**	527	(1,478)
Equity attributable to equity holders of the company	**65,775**	**22,238**	**53,406**	64,512	58,371
Group's proportion of ownership interest	**42.53%**	**40.00%**	**12.50%**	42.53%	12.50%
Carrying amount of equity investment in associated company	**27,974**	**8,895**	**6,675**	27,437	7,296

Note: The financial information of Finance Company is the financial information for the four months period from 1 September 2020 to 31 December 2020.

21. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material:

	31 December 2020 RMB million	31 December 2019 RMB million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**6,012**	5,806
Aggregate amounts of the Group's share of those associates:		
– Profit for the year	**333**	398
– Total comprehensive income for the year	**294**	404

22. EQUITY INSTRUMENTS AT FVTOCI

	31 December 2020 RMB million	31 December 2019 RMB million
Unlisted investments:		
Equity securities	**1,845**	1,789

The above unlisted equity investments represent the Group's equity interest in entities established in the PRC. The Directors of the Company have elected to designate these equity investments as FVTOCI as it is the Group's strategy to hold these investments for long-term purposes and realising their performance potential in the long run.

23. OTHER NON-CURRENT ASSETS

	31 December 2020 RMB million	31 December 2019 RMB million
Prepayments in connection with construction work, equipment purchases and others *(Note (i))*	**9,807**	8,082
Prepayments for mining projects	**10,171**	8,842
Deductible VAT and other tax	**631**	675
Loans to China Energy Group and fellow subsidiaries *(Note (ii))*	**–**	16,098
Long-term entrusted loans *(Note (iii))*	**400**	–
Government bonds	**–**	5,009
Service concession receivables *(Note (iv))*	**11,044**	11,380
Goodwill	**235**	253
Long-term deferred expenses *(Note (v))*	**3,602**	3,667
	35,890	54,006

23. OTHER NON-CURRENT ASSETS (CONTINUED)

Notes:

(i) At 31 December 2020, the Group had prepayments to fellow subsidiaries amounting to RMB156 million (2019: RMB67 million).

(ii) The balance at 31 December 2019 represented Finance Company's loans to China Energy Group and fellow subsidiaries. From 1 September 2020, Finance Company became an associate of the Company. Finance Company's financial information was no longer consolidated into the consolidated financial statements of the Company (see Note 41).

(iii) The Group has long-term entrusted loan of RMB400 million to an associate through a PRC state-owned bank, with an interest rate of 4.75% per annum. The applicable interest rate is determined in accordance with the prevailing interest rates published by People's Bank of China (the "PBOC").

(iv) Pursuant to the Power Purchase Agreements entered between certain power plants of the Group and PT Perusahaan Listrik Negara (Persero) ("PLN"), an independent third party, certain power plants of the Group build power plants to supply electricity to PLN for a 25–30 years period from the power plant's commercial operation date under the service concession scheme. Service concession receivables represents service provided in connection with the service concession arrangement, for which a guaranteed minimum payments have been agreed. Due to the length of the payment plans, receivables are the present value of future guaranteed cash receipts discounted using effective interest rate.

(v) The movement of long-term deferred expenses during the year is as follows:

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
At the beginning of the year	**3,667**	3,664
Additions	**884**	1,024
Amortisation	**(946)**	(1,015)
Disposal	**(1)**	(6)
Classified as assets held for sale	**(2)**	–
At the end of the year	**3,602**	3,667

24. RIGHT-OF-USE ASSETS

The right-of-use assets represent land use rights paid to the PRC's government authorities and the leased assets. The Group is in the process of applying for the title certificates of certain land use rights certificates with an aggregate carrying amount of RMB1,739 million as at 31 December 2020 (2019: RMB1,938 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

As at 31 December 2020, the Group has bank loans secured by the Group's right-of-use assets with carrying amount of RMB810 million (2019: RMB841 million).

24. RIGHT-OF-USE ASSETS (CONTINUED)

The Group leases assets including buildings, machinery, equipment and other properties, and land use rights. Information about leases for which the Group is a lessee is presented below.

	Buildings *RMB million*	Machinery, equipment and other properties *RMB million*	Land use rights *RMB million*	Total *RMB million*
Cost				
At 1 January 2019	41	886	20,286	21,213
Additions	100	4	876	980
Transferred from construction in progress	–	–	1,205	1,205
Disposals	–	(10)	–	(10)
At 31 December 2019	141	880	22,367	23,388
Additions	248	27	585	860
Transferred from construction in progress	–	–	60	60
Disposals	–	–	(2)	(2)
Classified as assets held for sale	–	–	(78)	(78)
Others	–	–	(224)	(224)
At 31 December 2020	**389**	**907**	**22,708**	**24,004**
Accumulated depreciation				
At 1 January 2019	–	–	(3,825)	(3,825)
Depreciation	(51)	(157)	(604)	(812)
At 31 December 2019	(51)	(157)	(4,429)	(4,637)
Depreciation	(107)	(137)	(469)	(713)
Disposals	–	–	1	1
Classified as assets held for sale	–	–	6	6
At 31 December 2020	**(158)**	**(294)**	**(4,891)**	**(5,343)**
Impairment losses				
At 1 January 2019	–	–	(36)	(36)
Additions	–	–	(25)	(25)
At 31 December 2019	–	–	(61)	(61)
Additions			(3)	(3)
At 31 December 2020	**–**	**–**	**(64)**	**(64)**
Net book value				
At 31 December 2020	**231**	**613**	**17,753**	**18,597**
At 31 December 2019	**90**	**723**	**17,877**	**18,690**

25. INVENTORIES

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
Coal	**5,236**	5,573
Materials and supplies	**8,750**	7,799
Others *(Note)*	**906**	1,268
	14,892	14,640
Less: Write-down of inventories	**(2,142)**	(2,587)
	12,750	12,053

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

Movement in write-down of inventories during the year is as follows:

	Year ended 31 December	
	2020 *RMB million*	2019 *RMB million*
At the beginning of the year	**2,587**	2,386
Write down of inventories	**94**	368
Reversal of write-down of inventories	**–**	(6)
Write off of inventories	**(539)**	(161)
At the end of the year	**2,142**	2,587

26. ACCOUNTS AND BILLS RECEIVABLES

	31 December 2020 RMB million	31 December 2019 RMB million
Accounts receivable		
– China Energy Group and fellow subsidiaries	**2,574**	2,179
– Associates	**407**	476
– Third parties	**6,116**	6,265
	9,097	8,920
Less: allowance for credit losses	**(1,299)**	(1,073)
	7,798	7,847
Bills receivable		
– China Energy Group and fellow subsidiaries	**65**	135
– Associates	**–**	3
– Third parties	**3,896**	2,451
	3,961	2,589
	11,759	10,436

As at 31 December 2020 and 31 December 2019, accounts and bills receivable from contracts with customers amounted to RMB13,058 million and RMB11,509 million, respectively.

Bills receivable were mainly issued by PRC banks and were expiring within one year. As at 31 December 2020, bills amounting to RMB84 million (2019: Nil) were pledged to secure bills payable.

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

	31 December 2020 RMB million	31 December 2019 RMB million
Less than one year	**6,972**	6,523
One to two years	**125**	109
Two to three years	**84**	105
More than three years	**617**	1,110
	7,798	7,847

26. ACCOUNTS AND BILLS RECEIVABLES (CONTINUED)

As at 31 December 2020, included in the Group's accounts receivables are debtors with gross carrying amount of RMB4,750 million (2019: RMB4,170 million) which are past due as at the reporting date. The past due balances are not considered as in default because the debtors are not in significant financial difficulty and the management expects that the debtor is able and likely to pay for the debts. The Group does not hold any collateral over these balances.

Details of impairment assessment of accounts and bills receivables for the year ended 31 December 2020 are set out in Note 40.2.

Included in accounts receivable, the following amounts are denominated in foreign currencies:

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
United States Dollars *("USD")*	**276**	227
Indonesian Rupiah *("IDR")*	**303**	232
	579	459

Transfers of financial assets

As at 31 December 2020, the Group endorsed bills receivable amounting to RMB961 million (2019: RMB2,201 million) to suppliers to settle the accounts payable of same amounts and discounted bills receivable amounting to RMB2,067 million (2019: RMB1,115 million) to banks. In accordance to the relevant laws in the PRC, the holders of the bills receivable have a right of recourse against the Group if the issuing banks default payment (the "Continuing Involvement"). In the opinion of the Directors, the fair values of the Continuing Involvement are insignificant, and the Group has transferred substantially all the risks and rewards of ownership relating to these bills receivable, and accordingly derecognised the full carrying amounts of the bills receivable, in case of bills receivable endorsed to suppliers, derecognised the associated accounts payable.

Certain subsidiaries of the Company entered into accounts receivables factoring agreements with financial service companies, and the subsidiaries transferred accounts receivables to the financial service companies and received bills receivables and cash respectively. During the year ended 31 December 2020, the subsidiaries paid RMB7 million for the accounts receivables factoring and recognised in expenses.

27. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
Financial assets at FVTPL		
– Derivative financial instruments	**–**	101
– Wealth management products	**–**	33,334
	–	33,435
Financial assets measured at amortised cost		
– Interbank certificate of deposits	**–**	28,621
– Loans and advances to China Energy Group and fellow subsidiaries	**–**	8,549
– Service concession receivables *(Note 23(iv))*	**1,512**	428
– Bank bonds	**–**	100
– Current portion of entrusted loans *(Note (i))*	**37**	457
– Other receivables due from associates	**470**	454
– Amount due from China Energy Group *(Note (ii))*	**1,417**	–
– Other receivables	**1,528**	2,010
	4,964	40,619
Other loans	**4,500**	4,500
Prepaid expenses and deposits	**4,999**	5,046
Deductible VAT and other taxes	**3,017**	2,924
	17,480	86,524

Notes:

(i) As at 31 December 2020, the Group had entrusted loans to a third party and to an associate company through PRC state-owned banks as follows:

	Starting date	**Due date**	**Interest rates**	**Amount** *RMB million*
Entrusted loans to a third party	13/02/2014	On demand	**6.00%**	**37**

(ii) The balance represented the profit of Finance Company attributable to the Group for the period from the valuation date (31 May 2019) to the completion date (1 September 2020) of the Capital Increase (see Note 41). The Group fully received the balance in February 2021.

28. RESTRICTED BANK DEPOSITS

Restricted bank deposits represent statutory deposit reserves at the PBOC, collaterals for bills payable and collaterals related to the operating of mines and ports.

The Group performed impairment assessment on restricted bank deposits and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of restricted bank deposits are set out in Note 40.2.

29. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

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

Included in cash and cash equivalents, the following amounts are denominated in foreign currencies:

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
USD	**2,986**	1,521
HKD	**5**	4
IDR	**534**	45
Russian Ruble *("RUB")*	**1**	2
Australian Dollar *("AUD")*	**57**	87
	3,583	1,659

As at 31 December 2020, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of bank deposits are set out in Note 40.2.

29. CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below shows the detailed changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Bonds	Lease liabilities	Accrued interest payable	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	(Note 31)	*(Note 32)*	*(Note 33)*	*(Note 35)*	
At 1 January 2020	**41,115**	**6,948**	**821**	**471**	**49,355**
Capital element of lease rentals paid	**–**	**–**	**(250)**	**–**	**(250)**
Interest element of lease rentals paid	**–**	**–**	**(37)**	**–**	**(37)**
Interest paid	**–**	**–**	**–**	**(2,530)**	**(2,530)**
Proceeds from borrowings	**9,940**	**–**	**–**	**–**	**9,940**
Repayments of borrowings	**(13,840)**	**–**	**–**	**–**	**(13,840)**
Repayments of bonds	**–**	**(3,488)**	**–**	**–**	**(3,488)**
Foreign exchange	**(453)**	**(223)**	**–**	**–**	**(676)**
Deconsolidation of Finance Company's financial statements	**22,336**	**–**	**–**	**(217)**	**22,119**
Amortisation of discount on bonds	**–**	**4**	**–**	**–**	**4**
Interest expenses	**–**	**–**	**37**	**2,539**	**2,576**
Increase in lease liabilities from entering into new leases during the year	**–**	**–**	**277**	**–**	**277**
At 31 December 2020	**59,098**	**3,241**	**848**	**263**	**63,450**
At 31 December 2018	52,537	6,823	–	419	59,779
Impact on initial application of IFRS 16	–	–	927	–	927
At 1 January 2019	52,537	6,823	927	419	60,706
Capital element of lease rentals paid	–	–	(200)	–	(200)
Interest element of lease rentals paid	–	–	(39)	–	(39)
Interest paid	–	–	–	(3,177)	(3,177)
Proceeds from borrowings	3,541	–	–	–	3,541
Repayments of borrowings	(15,116)	–	–	–	(15,116)
Foreign exchange	153	109	–	–	262
Amortisation of discount on bonds	–	16	–	–	16
Interest expenses	–	–	39	3,229	3,268
Increase in lease liabilities from entering into new leases during the year	–	–	94	–	94
At 31 December 2019	41,115	6,948	821	471	49,355

29. CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2020	2019
	RMB million	*RMB million*
Within operating cash flows	**218**	254
Within financing cash flows	**287**	239
	505	493

These amounts relate to the following:

	2020	2019
	RMB million	*RMB million*
Lease rental paid	**505**	493

30. DEFERRED TAXATION

For the purpose of the presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose.

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
Deferred tax assets	**2,856**	2,945
Deferred tax liabilities	**(896)**	(783)
	1,960	2,162

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

	At 1 January 2020 *RMB million*	**Credited/ (charged) in profit or loss/other comprehensive income** *RMB million*	**31 December 2020** *RMB million*
Allowances, primarily for receivables and inventories	**540**	**69**	**609**
Property, plant and equipment	**112**	**81**	**193**
Right-of-use assets	**–**	**–**	**–**
Tax losses utilised	**116**	**(20)**	**96**
Tax allowable expenses not yet incurred	**1**	**–**	**1**
Unrealised profits from sales within the Group	**1,255**	**(59)**	**1,196**
Accrued salaries and other expenses not yet paid	**65**	**(7)**	**58**
Others	**73**	**(266)**	**(193)**
Net deferred tax assets	**2,162**	**(202)**	**1,960**

30. DEFERRED TAXATION (CONTINUED)

	At 1 January 2019 *RMB million*	Credited/(charged) in profit or loss/other comprehensive income *RMB million*	31 December 2019 *RMB million*
Allowances, primarily for receivables and inventories	569	(29)	540
Property, plant and equipment	788	(676)	112
Right-of-use assets	(50)	50	–
Tax losses utilised	62	54	116
Tax allowable expenses not yet incurred	1	–	1
Unrealised profits from sales within the Group	986	269	1,255
Accrued salaries and other expenses not yet paid	218	(153)	65
Others	(28)	101	73
Net deferred tax assets	2,546	(384)	2,162

At the end of the reporting period, the Group has unused tax losses of RMB5,946 million (2019: RMB7,056 million) and unrecognised deductible temporary differences of RMB9,244 million (2019: RMB7,521 million) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB383 million (2019: RMB463 million) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB5,563 million (2019: RMB6,593 million) losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB2,059 million (2019: RMB2,207 million) that will expire in 2021.

31. BORROWINGS

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

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
Current borrowings:		
Short-term bank and other borrowings	**5,043**	835
Current portion of long-term borrowings	**3,804**	3,337
	8,847	4,172
Non-current borrowings:		
Long-term borrowings, less current portion	**50,251**	36,943
	59,098	41,115
Secured	**10,920**	10,635
Unsecured	**48,178**	30,480
	59,098	41,115

The Group's short-term borrowings are unsecured and bear interest at rates ranging from 2.80% to 5.10% per annum (2019: 3.92%to 5.10% per annum), and long-term borrowings bear interest at rates ranging from 1.80% to 6.15% per annum (2019: 1.80% to 6.15% per annum).

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
The exposure of the long-term borrowings and the contractual maturity dates:		
Within one year	**3,804**	3,337
More than one year, but not exceeding two years	**4,815**	6,017
More than two years, but not exceeding five years	**10,280**	4,374
More than five years	**35,156**	26,552
	54,055	40,280

31. BORROWINGS (CONTINUED)

The Group's long-term borrowings comprise:

		31 December 2020 *RMB million*	31 December 2019 *RMB million*
Loans from banks and other institutions			
RMB denominated	Interest rates ranging from 4.28% to 6.15% per annum with maturities through 22 January 2036	**43,728**	31,620
USD denominated	Interest rates ranging from Libor+0.7% to Libor+2.85% per annum with maturities through 26 December 2034	**8,846**	6,874
Japanese Yen ("JPY") denominated	Interest rates ranging from 1.80% to 2.60% per annum with maturities through 20 March 2031	**1,478**	1,781
Euro denominated	Interest rate at 2.85% per annum with maturities through 22 June 2022	**3**	5
		54,055	40,280
Less: current portion of long-term borrowings		**(3,804)**	(3,337)
		50,251	36,943

As at 31 December 2020, included in the above outstanding borrowings, were entrusted loans from China Energy Group and fellow subsidiaries amounting to RMB21,640 million (2019: RMB874 million).

Certain borrowings are secured over certain property, plant and equipment with a carrying amount of RMB893 million (2019: RMB973 million) (see Note 17(iv)), certain right-of-use assets with carrying amounts of RMB810 million (2019: RMB841 million) (see Note 24), certain future power revenue to be generated by the Group, the investment in a subsidiary of the Company and a guarantee by a non-controlling shareholder of a subsidiary.

32. BONDS

The Group issued two dollar bonds of a total USD1,000 million on 20 January 2015. The net proceeds of the Dollar bonds issued were mainly used for repayment of loans of subsidiaries. Details of the Group's bonds are as follows:

	Effective interest rate %	Due date	**31 December 2020** ***RMB million***	31 December 2019 *RMB million*
5 – year corporate bond	3.35%	19/01/2020	**–**	3,488
10 – year corporate bond	4.10%	19/01/2025	**3,241**	3,460
			3,241	6,948
Amounts shown under current liabilities			**–**	3,488
Amounts shown under non-current liabilities			**3,241**	3,460

33. LEASE LIABILITIES

The lease liabilities were repayable as follows:

	31 December 2020		31 December 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	**242**	**275**	198	231
After 1 year but within 2 years	**206**	**229**	160	186
After 2 years but within 5 years	**341**	**366**	347	385
After 5 years	**59**	**61**	116	121
	606	**656**	623	692
	848	**931**	821	923
Less: total future interest expenses		**(83)**		(102)
Present value of lease liabilities		**848**		821

34. ACCOUNTS AND BILLS PAYABLES

	31 December 2020 RMB million	31 December 2019 RMB million
Accounts payable		
– China Energy Group, an associate of China Energy Group and fellow subsidiaries	**1,435**	1,252
– Associates	**1,075**	922
– Third parties	**25,362**	22,077
	27,872	24,251
Bills payable	**1,108**	792
	28,980	25,043

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

	31 December 2020 RMB million	31 December 2019 RMB million
Less than one year	**24,621**	17,706
One to two years	**671**	2,109
Two to three years	**459**	1,494
More than three years	**3,229**	3,734
	28,980	25,043

Included in accounts and bills payables, the following amounts are denominated in foreign currencies:

	31 December 2020 RMB million	31 December 2019 RMB million
USD	**521**	1,101
Euro	**12**	108
Others	**214**	80
	747	1,289

35. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
Accrued staff wages and welfare benefits	**4,359**	4,249
Accrued interest payable	**263**	471
Taxes payable other than income tax	**4,154**	5,114
Dividends payable	**1,422**	1,631
Deposits from China Energy Group and fellow subsidiaries *(Note (i))*	**–**	32,184
Other accrued expenses and payables *(Note (ii))*	**8,751**	9,929
Financial liabilities measured at amortised cost	**18,949**	53,578

Notes:

(i) The balance as at 31 December 2019 represented deposits from China Energy Group and fellow subsidiaries received by Finance Company. As mentioned in Note 41, Finance Company became an associate of the Group with effective from 1 September 2020.

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

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
Amounts due to China Energy Group and fellow subsidiaries	**519**	1,137
Amounts due to associates	**59**	37
	578	1,174

The above balances are unsecured, interest-free and payable on demand.

36. LONG-TERM LIABILITIES

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
Payables for acquisition of mining rights *(Note (i))*	**742**	743
Deferred income *(Note (ii))*	**1,431**	1,240
Defined benefit plans	**6**	7
Others	**1,171**	1,704
	3,350	3,694
Analysed for reporting purpose as:		
Current liabilities	**689**	1,493
Non-current liabilities	**2,661**	2,201
	3,350	3,694

Notes:

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

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

37. ACCRUED RECLAMATION OBLIGATIONS

	Year ended 31 December	
	2020 *RMB million*	2019 *RMB million*
At the beginning of the year	**3,372**	3,191
Addition for the year	**2,654**	27
Accretion expense	**288**	154
Accrued reclamation obligations utilised	**(145)**	–
At the end of the year	**6,169**	3,372

During the year, the coal mine related subsidiaries of the Group re-estimated the reclamation obligations related to the mine geological restoration and environment cost according to the relevant regulations of the state.

38. SHARE CAPITAL

(i) Issued share capital

	31 December 2020 RMB million	31 December 2019 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.

(ii) Purchase of own shares

During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share *HKD*	Lowest price paid per share *HKD*	Aggregate price paid *RMB million*
November 2020	1,291,500	14.54	14.40	16
December 2020	19,809,000	14.54	14.18	240
	21,100,500			256

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of RMB256 million was paid wholly out of retained profits and debited to "treasury shares". In March 2021, the Company has completed the cancellation procedures for all the repurchased own shares.

39. CAPITAL RISK MANAGEMENT

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

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

The Group monitors capital using a gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2020 was 24% (2019: 25%).

There were no changes in the Group's approach to capital management compared with previous years.

40. FINANCIAL INSTRUMENTS

40.1 Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are set out as follows:

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
Financial assets		
Derivative financial instruments *(Note 27)*	**–**	101
Financial assets at amortised cost	**155,624**	135,023
Equity instruments at FVTOCI *(Note 22)*	**1,845**	1,789
Wealth management products *(Note 27)*	**–**	33,334
Financial liabilities		
Amortised cost	**105,763**	121,811

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Financial risk management objectives and policies

The Group's major financial instruments include accounts and bills receivables, loans and advances to/deposits from/amounts due to China Energy Group and fellow subsidiaries, amounts due from/to associates, other receivables, accounts and bills payables, borrowings, other payables, long-term liabilities, medium-term notes and bonds. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate and currency risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The functional currency of most of the group entities is RMB in which most of the transactions are denominated. However, certain of the Group's receivables, bank balances, borrowings and payables are denominated in foreign currencies. The Group entered into cross-currency exchange rate swaps with in respect of its certain interest payments of borrowings denominated in USD in order to mitigate the risk from the fluctuation of USD against RMB. The carrying amounts of the Group's receivables, bank balances, borrowings and payables denominated in foreign currencies are set out in Notes 26, 29, 31 and 34, respectively.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	31 December		31 December	
	2020	2019	**2020**	2019
	RMB million	*RMB million*	***RMB million***	*RMB million*
USD	**445**	791	**278**	440
JPY	**1,479**	1,781	**–**	–
Other currencies	**834**	308	**2,146**	755

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase or decrease in exchange rate of each foreign currency against RMB, while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period.

	USD		JPY		Other currencies	
	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2020	2019	**2020**	2019	**2020**	2019
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
(Decrease)/Increase in profit after tax for the year:						
– if RMB weakens against foreign currencies	**(13)**	(27)	**(112)**	(137)	**99**	34
– if RMB strengthens against foreign currencies	**13**	27	**112**	137	**(99)**	(34)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan and receivables, borrowings and bonds (see Notes 27, 31 and 32).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings and variable-rate loans and receivables (see Notes 31 and 27). Other than the concentration of interest rate risk related to the movements in London Interbank Offered Rate and the loan interest published by the PBOC, the Group has no significant concentration of interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings and variable-rate loans and receivables at the end of the reporting period. No sensitivity analysis has been presented for the exposure to interest rates for bank balances as the management of the Group considers that, taking into account that the fluctuation in interest rates on bank balances is minimal, the impact of profit or loss for the year is insignificant.

The analysis is prepared assuming variable-rate borrowings and variable-rate loans and receivables outstanding at the end of the reporting period were outstanding for the whole year.

If interest rates had been 100 basis points (2019: 100 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would decrease/increase by RMB403 million (2019: increase/decrease by RMB138 million).

Credit risk and impairment assessment

As at 31 December 2020, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of financial guarantees provided by the Group is disclosed in Note 42.2. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts.

Accounts and bills receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Loan receivables

The credit risks on loan receivables are limited because the counterparties are mainly related parties, the Group assesses the recoverability by reviewing their financial positions and results periodically and considers that its exposure to credit risk arising from default of the counterparties is limited.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies, such as China Construction Bank, Industrial and Commercial Bank of China, Bank of China and Agricultural Bank of China.

Other receivables

Other receivables represent pledge and guarantee deposit, dividend receivables and interest receivables. The pledge and guarantee deposit is paid for regular businesses. The dividend receivables relate to the investments of the Company and the interest receivables mainly relate to related parties and stated owned entities. Thus, the credit risk on other receivables are limited.

Financial guarantee contracts

The credit risks on financial guarantee contracts are limited because the counterparties are state owned entities with good financial position.

The Group does not have any significant concentration of credit risk. Accounts and bills receivables consist of a large number of customers, spread across diverse industries and geographical areas.

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Financial risk management objectives and policies (Continued)

Financial guarantee contracts (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

	Notes	External credit rating	12-month or lifetime ECL	Year ended 31 December 2020 *RMB million*	2019 *RMB million*
Financial assets at amortised costs					
Interbank certificate of deposits	27	N/A	12-month ECL	–	28,621
Loans receivables	23, 27	N/A	12-month ECL	**437**	25,279
Restricted bank deposits	28	N/A	12-month ECL	**3,391**	7,664
Cash		AAA	12-month ECL	**124,066**	43,817
Other receivables	27	N/A	12-month ECL	**2,797**	1,770
			Credit-impaired	**1,324**	1,154
Accounts receivable *(Note(i))*	26	N/A	Lifetime ECL (provision matrix)	**6,996**	6,675
			Credit-impaired	**2,101**	2,245
Other items					
Financial guarantee contracts *(Note (ii))*		N/A		**144**	158

Notes:

(i) For accounts receivable, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by debtors' aging.

(ii) For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Financial risk management objectives and policies (Continued)

Provision matrix – debtors' ageing

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its receivables from customers in relation to its sales of coal, power, coal chemical products and transportation services because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for accounts receivables which are assessed based on provision matrix as at 31 December 2020 within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amounts of RMB2,101 million (2019: RMB2,245 million) as at 31 December 2020 were assessed individually.

Gross carrying amount

	Average loss rate 2020	Accounts receivable 2020 *RMB million*	Average loss rate 2019	Accounts receivable 2019 *RMB million*
Current (not past due)	**0.4%**	**4,347**	0.3%	4,750
Less than one year past due	**1%**	**2,035**	1%	1,198
One to two years past due	**6%**	**105**	6%	113
Two to three years past due	**10%**	**90**	10%	112
More than three years past due	**20%**	**419**	20%	502
		6,996		6,675

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2020, the Group provided RMB312 million (2019: RMB58 million) impairment allowance for accounts receivable and reversed RMB37 million (2019: RMB113 million), based on the provision matrix and on debtors with credit impaired.

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Financial risk management objectives and policies (Continued)

Gross carrying amount (Continued)

The following table shows the movement in lifetime ECL that has been recognised for accounts receivable under the simplified approach.

	Lifetime ECL (not credit – impaired) *RMB million*	**Lifetime ECL (credit – impaired)** *RMB million*	**Total** *RMB million*
As at 1 January 2019	114	1,014	1,128
Impairment losses recognised	58	–	58
Impairment losses reversed	(28)	(85)	(113)
As at 1 January 2020	144	929	1,073
Impairment losses recognised	18	294	312
Impairment losses reversed	(26)	(11)	(37)
Write-offs	–	(49)	(49)
As at 31 December 2020	136	1,163	1,299

The following tables show reconciliation of loss allowances that has been recognised for loan receivables and interbank certificate of deposits.

	2020 **12-month ECL** ***RMB million***	2019 12-month ECL *RMB million*
As at 1 January	**640**	419
– Impairment losses reversed	**(190)**	(279)
New financial assets originated or purchased	**188**	446
Effect of disposals of subsidiaries	**(638)**	54
As at 31 December	**–**	640

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Financial risk management objectives and policies (Continued)

Gross carrying amount (Continued)

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL (not credit-impaired) *RMB million*	Lifetime ECL (credit-impaired) *RMB million*	Total *RMB million*
As at 1 January 2019	133	307	440
– Impairment losses recognised	121	2	123
– Impairment losses reversed	(92)	(4)	(96)
– Write-offs	–	(7)	(7)
As at 1 January 2020	162	298	460
– Impairment losses recognised	50	208	258
– Impairment losses reversed	(1)	(6)	(7)
– Write-offs	–	(5)	(5)
As at 31 December 2020	211	495	706

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group closely monitors cash flow requirements and optimising its cash return. The Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the remaining contractual maturity of the Group's financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	31 December 2020						
	Weighted average interest rate *%*	On demand or less than 1 year *RMB million*	1 – 2 years *RMB million*	2 – 5 years *RMB million*	More than 5 years *RMB million*	Total undiscounted cash flows *RMB million*	Total carrying amount *RMB million*
Financial liabilities:							
Accounts and bills payables, other payables, lease liabilities and long-term liabilities		37,467	2,088	3,732	1,085	44,372	43,424
Borrowings variable interest rate	4.47	7,098	6,736	14,709	36,407	64,950	53,707
Borrowings fixed interest rate	2.65	4,235	268	811	355	5,669	5,391
Bonds	4.10	126	126	3,522	–	3,774	3,241
		48,926	9,218	22,774	37,847	118,765	105,763

	31 December 2019						
	Weighted average interest rate *%*	On demand or less than 1 year *RMB million*	1 – 2 years *RMB million*	2 – 5 years *RMB million*	More than 5 years *RMB million*	Total undiscounted cash flows *RMB million*	Total carrying amount *RMB million*
Financial liabilities:							
Accounts and bills payables, other payables, lease liabilities and long-term liabilities		66,971	2,836	4,467	134	74,408	73,748
Borrowings variable interest rate	4.80	5,631	7,129	8,847	26,035	47,642	39,125
Borrowings fixed interest rate	2.54	399	295	722	654	2,070	1,990
Bonds	3.50	3,732	26	405	3,623	7,786	6,948
		76,733	10,286	14,441	30,446	131,906	121,811

Saved as discussed above, the Group also makes use of banks and financial institutions facilities as one of the effective sources of liquidity.

The maximum liability of financial guarantees issued by the Group is disclosed in Note 42.2.

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.3 Fair value measurements

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

	31 December 2020 RMB million	31 December 2019 RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets:				
Steam coal futures	–	70	Level 1	Quoted price in an active market.
Wealth management products	–	33,334	Level 2	Discounted cash flow. Future cash flows are estimated and discounted based on expected rate of return of comparable products.
Equity instruments	1,845	1,789	Level 3	Market comparison approach. Fair value is estimated based on value of comparable listed companies, multiples and discount for lack of liquidity.

There were no transfer between Level 1, Level 2 and Level 3 during the year ended 31 December 2020 and 2019.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

	31 December 2020		31 December 2019	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Financial liabilities:				
Fixed rate bank borrowings	5,391	5,669	1,990	2,070
Fixed rate bonds	3,241	3,426	6,948	6,997

The fair value of fixed rate bank borrowings above in the Level 2 category is measured using discounted cash flow method where the future cash flows are estimated based on the contract and discounted at a rate that reflects the credit risk of the issuers.

The fair values of medium-term notes and bonds are included in the Level 1 category, which have been derived from the quoted prices (unadjusted) in an active market.

41. DECONSOLIDATION OF FINANCE COMPANY'S FINANCIAL STATEMENTS

(a) On 27 March 2020, China Energy Group and Finance Company, the Company and certain subsidiaries entered into the Finance Company Capital Increase Agreement (the "Capital Increase of the Company"), pursuant to which China Energy Group proposed to subscribe additional registered capital of RMB7.5 billion in Finance Company with cash contribution at a consideration of RMB13.27 billion. The profits or losses during the transition period (the period from Valuation Reference Date dated 31 May 2019 to Completion Date dated 1 September 2020) belonged to Finance Company's original shareholders. Upon completion of the Capital Increase, the registered capital of Finance Company increased from RMB5.0 billion to RMB12.5 billion, and the equity of interest in Finance Company held by the Group decreased from 100% to 40%. As a result, Finance Company was deconsolidated from the Group's consolidated financial statements with effective from 1 September 2020. Finance Company was then renamed as China Energy Finance Co., Ltd..

(b) The net assets attributable to Finance Company disposed of are as follows:

	1 September 2020 ***RMB million***
Non-current assets of Finance Company	**44,153**
Current assets of Finance Company	**36,782**
Current liabilities of Finance Company	**71,850**
Net assets disposed of	**9,085**
Less: Amount due from China Energy Group	**1,417**
Increase in interests in associate	**8,849**
Gain on deconsolidation of Finance Company's financial statements *(Note 12)*	**1,181**

42. COMMITMENTS AND CONTINGENT LIABILITIES

42.1 Capital commitments

As at 31 December, the Group had capital commitments for land, buildings and mining rights, equipment and other as follows:

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
Contracted for but not provided		
– Land, buildings and mining rights	**30,737**	24,670
– Equipment	**21,918**	13,990
	52,655	38,660
Authorised but not contracted for		
– Other *(Note)*	**4,000**	–
	56,655	38,660

Note:

During the year ended 31 December 2020, the Group committed to enter into a partnership agreement as a limited partner with other partners to participate in the establishment of Beijing Guoneng New Energy Industry Investment Fund Partnership (Limited Partnership), the committed investment payments under which amounted to RMB4,000 million.

42.2 Financial guarantees issued

As at 31 December 2020, the Group had issued certain guarantees in respect of certain banking facilities granted to an entity which the Group held less than 20% equity interest. The maximum amount guaranteed is RMB144 million (2019: RMB158 million).

42.3 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.

42. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

42.4 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.

43. EMPLOYEE BENEFITS PLAN

In addition to a minimal defined benefit plan operated by its subsidiary, the Group participates, in line with the regulations of the PRC, mainly in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employees. In addition, as approved by the government, the Group makes contribution to a supplemental defined contribution pension plan for its employees. The fund is managed by a qualified fund manager. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the year ended 31 December 2020 were RMB2,504 million (2019: RMB3,332 million).

44. RELATED PARTY TRANSACTIONS

44.1 Transactions with China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Group

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

The Group had the following transactions with China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Group that were carried out in the normal course of business during both years:

		2020 RMB million	2019 RMB million
Interest income	(i)	615	638
Income from entrusted loans	(ii)	19	19
Interest expense	(iii)	286	377
Purchases of ancillary materials and spare parts	(iv)	1,229	939
Mining service income	(v)	57	–
Ancillary and social services	(vi)	1,329	853
Transportation service income	(vii)	1,339	1,645
Transportation service expense	(viii)	201	342
Sale of coal	(ix)	54,906	52,238
Purchase of coal	(x)	10,073	10,819
Property leasing	(xi)	125	115
Repairs and maintenance services expense	(xii)	17	10
Coal export agency expense	(xiii)	4	6
Purchase of equipment and construction work	(xiv)	494	1,007
Sale of coal chemical product	(xv)	3,945	4,088
Other income	(xvi)	4,395	2,904
Granting of loans from Finance Company	(xvii)	15,205	9,790
Repayment of loans from Finance Company	(xviii)	13,062	6,862
Net deposits received by Finance Company	(xix)	19,492	1,849
Net deposits placed with Finance Company	(xx)	19,726	–
Granting of loans from China Energy Group	(xxi)	3,067	–
Repayment of loans from China Energy Group	(xxii)	1,596	–

44. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(i) Interest income represents interest earned from loans to China Energy Group and fellow subsidiaries. The applicable interest rate is determined in accordance with the prevailing interest rates published by the PBOC.

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

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

(iv) Purchases of ancillary materials and spare parts represent purchase of materials and utility supplies related to the Group's operations from fellow subsidiaries and an associate of China Energy Group.

(v) Mining service income represents income earned from coal mining services to a fellow subsidiary.

(vi) Ancillary and social services represent expenditures for social welfare and support services such as property management, water and electricity supply, and canteen expense paid to China Energy Group, fellow subsidiaries and an associate of China Energy Group.

(vii) Transportation service income represents income earned from fellow subsidiaries in respect of coal transportation services.

(viii) Transportation service expense represents expense related to coal transportation service to fellow subsidiaries.

(ix) Sale of coal represents income from sale of coal to fellow subsidiaries.

(x) Purchase of coal represents coal purchased from an associate of the Group, an associate of China Energy Group and fellow subsidiaries.

(xi) Property leasing represents rental paid or payable in respect of properties leased from China Energy Group and fellow subsidiaries.

(xii) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services provided by an associate of the Group and fellow subsidiaries.

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

44. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

(xv) Sale of coal chemical product represents income from sale of coal chemical product to a fellow subsidiary.

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

(xvii) Granting of loans from Finance Company represents loans granted by Finance Company to China Energy Group and fellow subsidiaries before Finance Company was deconsolidated from the Group's consolidated financial statements.

(xviii) Repayment of loans from Finance Company represents loans repaid by China Energy Group and fellow subsidiaries to Finance Company before Finance Company was deconsolidated from the Group's consolidated financial statements.

(xix) Receipt of deposits by Finance Company represents net deposits received by Finance Company from China Energy Group and fellow subsidiaries before Finance Company was deconsolidated from the Group consolidated financial statements.

(xx) Net deposits placed with Finance Company represents net deposits placed by the Group with Finance Company after Finance Company was deconsolidated from the Group's Consolidated financial statements.

(xxi) Granting of loans from a fellow subsidiary by the Group through Finance Company.

(xxii) Repayment of loans from a fellow subsidiary by the Group.

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

44. RELATED PARTY TRANSACTIONS (CONTINUED)

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

The Group entered into a number of agreements with China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Group. The terms of the principal agreements are summarised as follows:

(i) The Group has entered into a mutual supply agreement for the mutual provision of production supplies and ancillary services with an associate of China Energy Group and fellow subsidiaries. Pursuant to the agreement, an associate of China Energy Group and fellow subsidiaries provide the Group with the production supplies and services, ancillary production services including the use of the information network system and ancillary administrative services. On the other hand, the Group provides fellow subsidiaries with water supplies, rolling stock management, railway management, railway transportation and other related or similar production supplies or services and use of the information network system.

The products and services provided under the agreement, other than the sharing of use of the information network system which is free of charge, are provided in accordance with the following pricing policy:

– price prescribed by the state (including any price prescribed by any relevant local government), if applicable;

– where there is no state-prescribed price but where there is a state-guidance price, then the state-guidance price;

– where there is neither a state-prescribed price nor a state-guidance price, the market price; or

– where none of the above is applicable or where it is not practical to apply the above pricing policies in reality, the price to be agreed between the relevant parties shall be based on reasonable costs incurred in providing the goods or services plus a profit margin of 5% of such costs.

(ii) The Group has entered into coal supply agreements with an associate of China Energy Group, fellow subsidiaries and associates of the Group. The coal supplied is charged at the prevailing market price.

(iii) The Group, through Finance Company, has entered into a financial services agreement with China Energy Group and fellow subsidiaries. Pursuant to the agreement, Finance Company provides financial services to China Energy Group and fellow subsidiaries. The interest rate for the deposits with Finance Company from China Energy Group and fellow subsidiaries should not be lower than the lowest limit published by the PBOC for the same type of deposit. The interest rate for loans made by Finance Company to China Energy Group and fellow subsidiaries should not be higher than the highest limit published by the PBOC for the same type of loan. The above interest rates should be determined by reference to the rate charged by normal commercial banks in the PRC for comparable deposits and loans on normal commercial terms. The fees charged by Finance Company for the provision of other financial services shall be determined according to the rates chargeable by the PBOC or the China Banking Regulatory Commission.

The Group has entered into a new financial services agreement with Finance Company effective from 1 September 2020. Pursuant to the agreement, Finance Company provides financial services to the Group. The interest rate for the deposits with Finance Company from the Group and fellow subsidiaries should not be lower than the lowest limit published by the PBOC for the same type of deposit. The interest rate for loans made by Finance Company to the Group and fellow subsidiaries should not be higher than the highest limit published by the PBOC for the same type of loan. The above interest rates should be determined by reference to the rate charged by normal commercial banks in the PRC for comparable deposits and loans on normal commercial terms. The fees charged by Finance Company for the provision of other financial services shall be determined according to the rates chargeable by the PBOC or the China Banking Regulatory Commission.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(iv) The Group has entered into a property leasing agreement with fellow subsidiaries of China Energy Group for leasing of certain properties to each other. No rent is payable by the Group before fellow subsidiaries obtains the relevant property ownership certificate. The rental charges are based on comparable market rates. If fellow subsidiaries of China Energy Group negotiate to sell a leased property to a third party, the Company has a pre-emptive right to purchase such property under terms no less favorable than other third party.

(v) The Group has entered into a land leasing agreement with fellow subsidiaries of China Energy Group. The annual rent is determined based on the local market rate. The Group is not allowed to sub-let the leased land.

(vi) The Group has entered into an agency agreement for the export of coal with a fellow subsidiary of China Energy Group. The fellow subsidiary is appointed as a non-exclusive export agent of the Group and is entitled to receive an agency fee based on the relevant market rates or lower rates. Currently, the rate is 0.7% of the free on board sales price of coal exported.

(vii) The Group entered into an agency agreement for the sale of coal with fellow subsidiaries of China Energy Group. The Group is appointed as the exclusive sales agent of fellow subsidiaries of China Energy Group for thermal coal and non-exclusive sales agent for coking coal. The Group is entitled to receive an agency fee, which is based on its related costs incurred plus a profit margin of 5% for sales of coal outside the Inner Mongolia Autonomous Region. No agency fee is charged for sales of coal within the Inner Mongolia Autonomous Region.

(viii) The Group has entered into agreements with fellow subsidiaries of China Energy Group under which the Group has been granted the right to use certain trademarks. Fellow subsidiaries of China Energy Group bear its own cost for the registration of such trademarks during the term of the trademarks license agreement and expenses for enforcement against any infringement of the licensed trademarks by third parties.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	31 December 2020 RMB million	31 December 2019 RMB million
Cash and time deposits at bank	19,726	–
Accounts and bills receivables	2,735	2,696
Prepaid expenses and other current assets	920	9,589
Other non-current assets	704	16,347
Total amounts due from China Energy Group, an associate of China Energy Group, fellow subsidiaries and associates of the Group	24,085	28,632
Borrowings	20,359	874
Accounts payable	2,510	2,174
Accrued expenses and other payables	578	33,345
Contract liabilities	896	708
Total amounts due to China Energy Group, an associate of China Energy Group and fellow subsidiaries, and associates of the Group	24,343	37,101

Other than those disclosed in Notes 23, 27, 31 and 35, amounts due from/to China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Group bear no interest, are unsecured and are repayable in accordance with normal commercial terms.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

44.2 Key management personnel emoluments

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

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

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Short-term employee benefits	**9**	8
Post-employment benefits	**1**	1
	10	9

Total remuneration is included in "personnel expenses" as disclosed in Note 12.

44.3 Contributions to post-employment benefit plans

The Group participates in various defined contribution post-employment benefit plans organised by municipal and provincial governments and a supplemental defined contribution pension plan approved by the government for its employees. Further details of the Group's post-employment benefit plans are disclosed in Note 43.

44.4 Transactions with other government-related entities in the PRC

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

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

– Power sales;

– Sales and purchases of coal;

– Transportation services;

– Construction work;

44. RELATED PARTY TRANSACTIONS (CONTINUED)

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

- Purchases of ancillary materials and spare parts;
- Ancillary and social services; and
- Financial services arrangements.

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

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

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

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Coal revenue	**74,053**	86,533
Power revenue	**40,808**	48,246
Transportation costs	**8,961**	12,933
Interest income	**2,406**	2,063
Interest expenses (including amount capitalised)	**3,354**	3,279

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

	31 December 2020	31 December 2019
	RMB million	*RMB million*
Accounts and bills receivables	**3,134**	10,796
Prepaid expenses and other current assets	**7,468**	3,800
Cash and time deposits at banks	**103,590**	43,731
Restricted bank deposits	**3,391**	7,664
Borrowings	**39,067**	40,001
Accrued expenses and other payables	**1,528**	1,687
Contract liabilities	**1,278**	86

45. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) After the end of the reporting period, the Directors proposed a final dividend, the details of which are disclosed in Note 15.

46. SUBSIDIARIES

Details of the Company's material subsidiaries

The Company's subsidiaries are unlisted. Details of the Company's material subsidiaries at the end of the reporting period are set out below:

Name of the subsidiary	Place of incorporation and operation	Type of legal entity	Particulars of registered capital	Proportion of ownership interest and voting rights held by the Group		Principal activities
				31 December 2020 %	31 December 2019 %	
Shenhua Sales Group Co., Ltd.	PRC	Limited company	RMB1,889 million	100	100	Trading of coal
Shenhua Shendong Coal Group Co., Ltd.	PRC	Limited company	RMB4,989 million	100	100	Trading of coal; provision of integrated services
Zhunge'er Energy	PRC	Limited company	RMB7,102 million	58	58	Coal mining and development; generation and sale of electricity
Shenhua Baorixile Energy Industrial Co., Ltd.	PRC	Limited company	RMB1,169 million	57	57	Coal mining; provision of loading and transportation services
Shenhua Beidian Shengli Energy Co., Ltd.	PRC	Limited company	RMB2,858 million	63	63	Coal mining; provision of loading and transportation services
Shaanxi Guohua Jinjie Energy Co., Ltd.	PRC	Limited company	RMB2,278 million	70	70	Generation and sale of electricity; coal mining development
Shendong Power	PRC	Limited company	RMB3,024 million	100	100	Generation and sale of electricity
Taishan Power	PRC	Limited company	RMB4,670 million	80	80	Generation and sale of electricity
Hebei Guohua Cangdong Power Co., Ltd.	PRC	Limited company	RMB1,834 million	51	51	Generation and sale of electricity
Dingzhou Power	PRC	Limited company	RMB1,561 million	41	41	Generation and sale of electricity

46. SUBSIDIARIES (CONTINUED)

Details of the Company's material subsidiaries (continued)

Name of the subsidiary	Place of incorporation and operation	Type of legal entity	Particulars of registered capital	Proportion of ownership interest and voting rights held by the Group		Principal activities
				31 December 2020 %	31 December 2019 %	
Sichuan Energy	PRC	Limited company	RMB2,152 million	**51**	51	Generation and sale of electricity; trading of coal
Shenhua Fujian Energy Co., Ltd.	PRC	Limited company	RMB3,280 million	**100**	100	Generation and sale of electricity
Shuohuang Railway Development Co., Ltd.	PRC	Limited company	RMB15,231 million	**53**	53	Provision of transportation services
Shenhua Zhunchi Railway Co., Ltd.	PRC	Limited company	RMB4,710 million	**85**	85	Provision of transportation services
Shenhua Huanghua Harbour Administration Co., Ltd.	PRC	Limited company	RMB6,790 million	**70**	70	Provision of harbour and port services
Shenhua Zhonghai Shipping Co., Ltd.	PRC	Limited company	RMB5,180 million	**51**	51	Provision of transportation services
Shenhua Baotou Coal Chemical Co., Ltd.	PRC	Limited company	RMB5,132 million	**100**	100	Coal chemical
Shenhua Railway Transportation Co., Ltd.	PRC	Limited company	RMB5,003 million	**100**	100	Provision of transportation
China Shenhua Overseas Development & Investment Co., Ltd. (Shenhua Oversea Capital)	Hong Kong, China	Limited company	HKD5,252 million	**100**	100	Investment holding
Shenhua Australia Holding Pty Ltd.	Australia	Limited company	AUD400 million	**100**	100	Coal mining and development; generation and sale of electricity
Shenhua Watermark Coal Pty Ltd.	Australia	Limited company	AUD350 million	**100**	100	Coal mining and development; generation and sale of electricity

46. SUBSIDIARIES (CONTINUED)

Details of the Company's material subsidiaries (continued)

Name of the subsidiary	Place of incorporation and operation	Type of legal entity	Particulars of registered capital	Proportion of ownership interest and voting rights held by the Group		Principal activities
				31 December 2020 %	31 December 2019 %	
PT GH EMM Indonesia	Indonesia	Limited company	USD63 million	70	70	Coal mining and development; generation and sale of electricity
Shenhua Baoshen Railway Group Co., Ltd.	PRC	Limited company	RMB11,700 million	100	100	Provision of transportation services
(Tianjin) Finance Lease Co., Ltd.	PRC	Limited company	RMB2,500 million	100	100	Provision of financial lease services
Shenhua Zhunneng Resources Development & Utilisation Co., Ltd.	PRC	Limited company	RMB1,200 million	100	100	Comprehensive utilisation of inferior coal resources
Shenhua Xinshuo Railway Co., Ltd.*	PRC	Limited company	RMB5,280 million	100	–	Provision of transportation services
Shenhua Xinshuo Inner Mongolia Logistics Co., Ltd.*	PRC	Limited company	RMB10 million	100	–	Provision of transportation services
Shenhua Sales Group Cangzhou Energy Trading Co., Ltd.*	PRC	Limited company	RMB20 million	100	–	Trading of coal
China Energy Bayannaoer Coal Chemical Co., Ltd.*	PRC	Limited company	RMB450 million	100	–	Coal chemical

* As at 31 December 2020, Wholly-owned subsidiaries invested and established by the company.

The above table lists subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

As at 31 December 2020, Shenhua Oversea Capital issued USD500 million of bonds (Note 32). Other than Shenhua Oversea Capital, none of the subsidiaries had issued any debt securities at the end of the year.

46. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Name of the subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting rights held by non-controlling interest		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
				Year ended 31 December			
		31 December 2020	31 December 2019	2020 RMB million	2019 RMB million	31 December 2020 RMB million	31 December 2019 RMB million
Zhunge'er Energy	PRC	42.24	42.24	519	864	14,853	14,349
Shenhua Baorixile Energy Industrial Co., Ltd.	PRC	43.39	43.39	358	435	2,291	2,901
Yulin Shenhua Energy Co., Ltd.	PRC	49.90	49.90	298	273	2,064	2,096
Dingzhou Power	PRC	59.50	59.50	246	280	1,666	2,075
Shaanxi Guohua Jinjie Energy Co., Ltd	PRC	30.00	30.00	939	1,015	2,781	2,839
Shuohuang Railway Development Co., Ltd.	PRC	47.28	47.28	3,627	3,586	17,057	16,678
Shenhua Zhonghai Shipping Co., Ltd.	PRC	49.00	49.00	83	86	3,026	3,016
Taishan Power	PRC	20.00	20.00	109	138	1,551	1,718
Shenhua Huanghua Harbour Administration Co., Ltd.	PRC	30.00	30.00	475	432	3,563	3,433
Individually immaterial subsidiaries with non-controlling interests						16,532	15,036
						65,384	64,141

46. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	Zhunge'er Energy		Shenhua Baorixile Energy Industrial Co., Ltd.		Yulin Shenhua Energy Co., Ltd.	
	31 December 2020 RMB million	31 December 2019 RMB million	**31 December 2020 RMB million**	31 December 2019 RMB million	**31 December 2020 RMB million**	31 December 2019 RMB million
Current assets	**25,857**	24,174	**1,363**	3,029	**733**	759
Non-current assets	**16,278**	16,963	**5,134**	5,074	**5,035**	5,052
Current liabilities	**6,751**	6,990	**1,000**	1,551	**1,452**	1,219
Non-current liabilities	**533**	514	**505**	204	**181**	388
Total equity	**34,851**	33,633	**4,992**	6,348	**4,135**	4,204

	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2020 RMB million	2019 RMB million	**2020 RMB million**	2019 RMB million	**2020 RMB million**	2019 RMB million
Revenue	**11,756**	14,474	**4,050**	4,945	**2,666**	2,473
Expenses	**9,764**	11,891	**2,702**	2,963	**1,888**	1,823
Profit and total comprehensive income for the year	**1,240**	2,298	**825**	980	**571**	551
Dividend paid to non-controlling interests	**21**	–	**943**	–	**401**	831
Net cash (outflow)/inflow from operating activities	**(501)**	(8,234)	**239**	1,310	**841**	1,778
Net cash (outflow)/inflow from investing activities	**(252)**	8,913	**(59)**	(296)	**(89)**	(9)
Net cash outflow from financing activities	**(46)**	(21)	**(2,127)**	(1,227)	**(799)**	(1,604)
Net cash (outflow)/inflow	**(799)**	658	**(1,947)**	(213)	**(47)**	165

46. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	Dingzhou Power		Shaanxi Guohua Jinjie Energy Co., Ltd.		Shuohuang Railway Development Co., Ltd.	
	31 December 2020 RMB million	31 December 2019 RMB million	**31 December 2020 RMB million**	31 December 2019 RMB million	**31 December 2020 RMB million**	31 December 2019 RMB million
Current assets	**934**	726	**2,036**	2,271	**8,118**	7,184
Non-current assets	**4,158**	4,252	**8,739**	9,246	**34,437**	33,496
Current liabilities	**2,041**	1,084	**915**	1,652	**3,628**	3,770
Non-current liabilities	**251**	407	**854**	659	**4,447**	3,230
Total equity	**2,800**	3,487	**9,006**	9,206	**34,480**	33,680

	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2020 RMB million	2019 RMB million	**2020 RMB million**	2019 RMB million	**2020 RMB million**	2019 RMB million
Revenue	**3,564**	3,869	**7,369**	7,874	**20,585**	19,878
Expenses	**3,004**	3,216	**3,738**	3,964	**10,326**	9,847
Profit and total comprehensive income for the year	**414**	471	**3,080**	3,333	**7,670**	7,593
Dividend paid to non-controlling interests	**655**	–	**982**	964	**3,247**	4,893
Net cash inflow from operating activities	**473**	1,297	**3,638**	3,944	**7,906**	11,517
Net cash outflow from investing activities	**(129)**	(67)	**(811)**	(956)	**(2,398)**	(2,304)
Net cash outflow from financing activities	**(344)**	(1,230)	**(2,701)**	(2,896)	**(6,155)**	(9,077)
Net cash inflow/(outflow)	**–**	–	**126**	92	**(647)**	136

46. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	Shenhua Zhonghai Shipping Co., Ltd.		Taishan Power		Shenhua Huanghua Harbour Administration Co., Ltd.	
	31 December 2020	31 December 2019	**31 December 2020**	31 December 2019	**31 December 2020**	31 December 2019
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Current assets	**812**	592	**1,394**	992	**2,001**	1,901
Non-current assets	**5,653**	5,978	**8,458**	9,310	**11,788**	12,359
Current liabilities	**247**	359	**2,100**	1,325	**1,117**	1,331
Non-current liabilities	**43**	56	**–**	390	**1,580**	2,265
Total equity	**6,175**	6,155	**7,752**	8,587	**11,092**	10,664

	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2020	2019	**2020**	2019	**2020**	2019
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue	**3,112**	3,297	**6,349**	6,550	**4,923**	4,545
Expenses	**2,903**	3,070	**5,462**	5,659	**2,889**	2,695
Profit and total comprehensive income for the year	**169**	175	**544**	690	**1,556**	1,407
Dividend paid to non-controlling interests	**73**	231	**276**	–	**345**	312
Net cash inflow from operating activities	**523**	558	**1,203**	1,437	**2,330**	2,430
Net cash (outflow)/inflow from investing activities	**(22)**	(19)	**(152)**	(63)	**(255)**	62
Net cash outflow from financing activities	**(252)**	(741)	**(1,045)**	(1,367)	**–**	–
Net cash inflow/(outflow)	**249**	(202)	**6**	7	**2,075**	2,492

47. INFORMATION ABOUT THE FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
Non-current assets		
Property, plant and equipment	**44,035**	42,710
Construction in progress	**4,702**	3,817
Intangible assets	**1,008**	1,054
Right-of-use assets	**3,678**	3,882
Investments in subsidiaries	**123,676**	124,276
Investments in associates	**44,741**	37,528
Equity investments at FVTOCI	**1,655**	1,595
Other non-current assets	**24,291**	35,042
Deferred tax assets	**275**	361
Total non-current assets	**248,061**	250,265
Current assets		
Inventories	**3,890**	3,795
Accounts and bills receivables	**7,613**	9,766
Prepaid expenses and other current assets	**47,244**	58,667
Restricted bank deposits	**2,146**	1,165
Time deposits with original maturity over three months	**10,200**	6,200
Cash and cash equivalents	**105,609**	67,059
Total current assets	**176,702**	146,652

47. INFORMATION ABOUT THE FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

		31 December 2020 RMB million	31 December 2019 RMB million
Current liabilities			
Borrowings		**273**	667
Accounts and bills payables		**8,611**	7,239
Accrued expenses and other payables		**96,021**	85,052
Current portion of lease liabilities		**133**	137
Current portion of long-term liabilities		**409**	120
Income tax payable		**2,636**	744
Contract liabilities		**84**	70
Total current liabilities		**108,167**	94,029
Net current assets		**68,535**	52,623
Total assets less current liabilities		**316,596**	302,888
Non-current liabilities			
Borrowings		**2,080**	2,372
Lease liabilities		**462**	595
Long-term liabilities		**729**	742
Accrued reclamation obligations		**4,120**	1,571
Deferred tax liabilities		**67**	–
Total non-current liabilities		**7,458**	5,280
Net assets		**309,138**	297,608
Equity			
Share capital	38	**19,890**	19,890
Reserves		**289,248**	277,718
Total equity		**309,138**	297,608

47. INFORMATION ABOUT THE FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	Share premium RMB million	Treasury shares RMB million	Statutory reserves RMB million	Other comprehensive income RMB million	Capital and other reserves RMB million	Retained earnings RMB million	Total RMB million
At 31 December 2019	85,001	–	20,748	95	1,126	170,748	277,718
Profit for the year	–	–	–	–	–	35,283	35,283
Other comprehensive income	–	–	–	51	–	–	51
Total comprehensive income for the year	–	–	–	51	–	35,283	35,334
Purchase of own shares *(Note 38)*	–	(256)	–	–	–	–	(256)
Dividend declared *(Note 15)*	–	–	–	–	–	(25,061)	(25,061)
Appropriation of maintenance and production funds	–	–	1,595	–	–	(1,595)	–
Utilisation of maintenance and production funds	–	–	(4,880)	–	–	4,880	–
Attributable share of Finance Company's retained earning	–	–	–	–	8	1,505	1,513
At 31 December 2020	85,001	(256)	17,463	146	1,134	185,760	289,248
At 31 December 2018	85,001	–	22,393	87	1,126	135,242	243,849
Profit for the year	–	–	–	–	–	51,194	51,194
Other comprehensive income	–	–	–	8	–	–	8
Total comprehensive income for the year	–	–	–	8	–	51,194	51,202
Dividend declared *(Note 15)*	–	–	–	–	–	(17,503)	(17,503)
Appropriation of maintenance and production funds	–	–	2,509	–	–	(2,509)	–
Utilisation of maintenance and production funds	–	–	(4,154)	–	–	4,154	–
Others	–	–	–	–	–	170	170
At 31 December 2019	85,001	–	20,748	95	1,126	170,748	277,718

According to the Company's Articles of Association, the amount of retained earnings available for distribution to equity holders of the Company is the lower of the amount determined in accordance with the China Accounting Standards and the amount determined in accordance with IFRSs after the appropriation to reserves as detailed in Note (iii) to the consolidated statement of changes in equity.

At 31 December 2020, the aggregate amount of retained earnings determined in accordance with the China Accounting Standards available for distribution to equity holders of the Company was RMB183,374 million (2019: RMB168,230 million).

48. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform	1 January 2021
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to IAS 1, Classification of liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statements 2, *Disclosure of Accounting Polices*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements

Section XIII Documents Available for Inspection

Documents Available for Inspection	The financial statements signed and sealed by the Chairman, the Chief Financial Officer, and the Accountant in Charge The original copy of the audit report issued by the independent auditor The original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the reporting period The annual report for the year 2020 published on the SSE and the HKEx

Wang Xiangxi, Chairman

Approval date of the board of directors for submission: 26 March 2021

The finance information below is extracted from the financial statement prepared by the Group in accordance with International Financial Reporting Standards:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2016	2017	2018	2019	**2020**
	RMB million	*RMB million*	*RMB million*	*RMB million*	***RMB million***
Revenue	183,127	248,746	264,101	241,871	**233,263**
Operating cost	(124,843)	(160,460)	(173,677)	(164,979)	**(162,374)**
Gross profit	58,284	88,286	90,424	76,892	**70,889**
Selling expenses	(610)	(612)	(725)	(640)	**(555)**
General and administrative expenses	(8,023)	(9,115)	(9,854)	(8,988)	**(8,948)**
Research and development costs	(400)	(341)	(454)	(940)	**(1,362)**
Other gains and losses	(3,078)	(1,880)	(2,844)	(2)	**(194)**
Other income	1,379	894	744	708	**778**
Credit impairment losses	–	–	(152)	(139)	**(524)**
Other expenses	(1,511)	(1,262)	(3,504)	(278)	**(1,090)**
Interest income	723	1,205	1,479	1,170	**1,684**
Finance costs	(5,748)	(4,416)	(5,421)	(3,294)	**(2,263)**
Share of results of associates	237	534	448	433	**947**
Profit before income tax	41,253	73,293	70,141	64,922	**59,362**
Income tax	(9,283)	(16,155)	(15,977)	(15,145)	**(15,378)**
Profit for the year	31,970	57,138	54,164	49,777	**43,984**
Profit for the year attributable to:					
equity holders of the Company	24,910	47,795	44,137	41,707	**35,849**
Non-controlling interests	7,060	9,343	10,027	8,070	**8,135**
Earnings per share *(RMB)*					
– Basic	1.252	2.403	2.219	2.097	**1.803**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2016 *RMB million*	2017 *RMB million*	2018 *RMB million*	2019 *RMB million*	**2020** ***RMB million***
Total non-current assets	443,266	438,958	358,330	402,589	**390,675**
Total current assets	133,463	132,644	233,296	160,494	**172,229**
Total assets	576,729	571,602	591,626	563,083	**562,904**
Total current liabilities	112,185	115,905	123,381	95,483	**69,493**
Total non-current liabilities	79,575	76,592	59,408	47,382	**63,824**
Total liabilities	191,760	192,497	182,789	142,865	**133,317**
Net assets	384,969	379,105	408,837	420,218	**429,587**
Total equity attributable to equity holders of the Company	316,975	305,541	331,693	356,077	**364,203**
Non-controlling interests	67,994	73,564	77,144	64,141	**65,384**
Total equity	384,969	379,105	408,837	420,218	**429,587**

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

Hang Seng Corporate
Sustainability Index
Series Member 2020-2021