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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)

THIRD QUARTERLY REPORT FOR THE YEAR 2020

Pursuant to the rules and regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange, China Shenhua Energy Company Limited is required to announce this quarterly report. This announcement is made pursuant to Rule 13.09(2) and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) hereby presents the results of the Group for the nine months ended 30 September 2020 prepared in accordance with the International Financial Reporting Standards. Such results have not been audited or reviewed by the independent auditors.

1. IMPORTANT NOTICE

- 1.1 The Board and the supervisory committee of the Company together with the directors, supervisors and the senior management of the Company warrant that the contents of the quarterly report are authentic, accurate and complete and do not contain any misrepresentation, misleading statement or material omission, and shall jointly and severally accept legal liability.
- 1.2 This report was approved at the fourth meeting of the fifth session of the Board of the Company.
- 1.3 Wang Xiangxi, Chairman of the Board of the Company, Xu Shancheng, Chief Financial Officer of the Company and Ban Jun, person-in-charge of the accounting department of the Company, warrant the authenticity, accuracy and completeness of the financial statements contained in this report.
- 1.4 The financial statements of this report are prepared in accordance with IFRSs, but have not been audited or reviewed. Please refer to section 2.2 of this report for the major differences between the financial statements prepared under the Accounting Standards for Business Enterprises of PRC and those prepared under the IFRSs.

2. COMPANY PROFILE

2.1 Key financial indicators

	January to September 2020	January to September 2019	Percentage change %
Revenue (<i>RMB million</i>)	166,103	177,849	(6.6)
Profit before income tax (<i>RMB million</i>)	49,299	54,237	(9.1)
Profit for the period (<i>RMB million</i>)	39,449	43,153	(8.6)
Profit for the period attributable to equity holders of the Company (<i>RMB million</i>)	32,578	36,250	(10.1)
Basic earnings per share (<i>RMB/share</i>)	1.638	1.823	(10.1)
Net cash generated from operating activities (<i>RMB million</i>)	71,540	56,757	26.0
Net cash generated from operating activities excluding the effect of Finance Company (<i>RMB million</i>)	52,941	53,527	(1.1)
Net cash per share generated from operating activities (<i>RMB/share</i>)	3.60	2.85	26.0
Net cash per share generated from operating activities excluding the effect of Finance Company (<i>RMB/ share</i>)	2.66	2.69	(1.1)
	As at 30 September 2020	As at 31 December 2019	Percentage change %
Total assets (<i>RMB million</i>)	566,204	563,083	0.6
Total liabilities (<i>RMB million</i>)	137,791	142,865	(3.6)
Total equity (<i>RMB million</i>)	428,413	420,218	2.0
Equity attributable to equity holders of the Company (<i>RMB million</i>)	362,210	356,077	1.7
Shareholders' equity per share (<i>RMB/share</i>)	18.21	17.90	1.7

2.2 Major differences of financial statements prepared under different accounting standards

Unit: RMB million

	Net profit attributable to equity holders of the Company		Net assets attributable to equity holders of the Company	
	January to September 2020	January to September 2019	As at 30 September 2020	As at 31 December 2019
Under China Accounting Standards for Business Enterprises	33,562	37,088	358,165	351,928
Adjustment:				
Simple production maintenance, production safety and other related expenditures	(984)	(838)	4,045	4,149
Under International Financial Reporting Standards	32,578	36,250	362,210	356,077

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

2.3 Major operational data

Operational indicators	Unit	2020		2019		Percentage change (%)	
		July to September	January to September	July to September	January to September	July to September	January to September
(I) Coal							
1. Commercial coal production	Million tonnes	71.1	216.7	68.7	214.1	3.5	1.2
2. Coal sales	Million tonnes	118.2	323.5	114.6	331.7	3.1	(2.5)
(II) Transportation							
1. Turnover of self-owned railway	Billion tonne km	75.3	208.6	71.8	214.7	4.9	(2.8)
2. Loading volume at Huanghua Port	Million tonnes	57.0	150.7	49.7	150.3	14.7	0.3
3. Loading volume at Shenhua Tianjin Coal Dock	Million tonnes	12.0	33.5	11.6	33.7	3.4	(0.6)
4. Shipment volume	Million tonnes	32.1	83.4	28.7	83.5	11.8	(0.1)
5. Shipment turnover	Billion tonne nautical miles	26.3	69.2	23.1	67.8	13.9	2.1
(III) Power generation							
1. Gross power generation	Billion kWh	38.74	101.56	36.75	116.65	5.4	(12.9)
2. Total power output dispatch	Billion kWh	36.27	95.03	34.38	109.34	5.5	(13.1)
(IV) Coal chemical							
1. Sales of polyethylene	Thousand tonnes	89.9	271.9	74.7	261.2	20.3	4.1
2. Sales of polypropylene	Thousand tonnes	88.8	253.0	70.7	241.3	25.6	4.8

Note: According to the comparative basis, from January to September 2019, the total power generation and power output dispatch amounted to 102.88 billion kWh and 96.33 billion kWh, respectively.

2.4 Total number of shareholders and shareholding of top ten shareholders and top ten holders of tradable shares (or shares not subject to selling restrictions) at the end of the reporting period

Total number of shareholders	207,427
Including: Holders of A shares (including China Energy)	205,351
Registered holders of H shares	2,076

Unit: shares

Name of shareholder (in full)	Shareholding of top ten shareholders		Number of shares held subject to selling restrictions	Shares pledged or frozen		Nature of shareholder
	Number of shares held at the end of the period	Percentage %		Status of shares	Number	
China Energy Investment Corporation Limited	13,812,709,196	69.45	0	Nil	N/A	State-owned
HKSCC NOMINEES LIMITED	3,390,120,222	17.04	0	Not known	N/A	Overseas corporation
China Securities Finance Corporation Limited	594,718,049	2.99	0	Nil	N/A	Others
Central Huijin Asset Management Limited	110,027,300	0.55	0	Nil	N/A	State-owned
Hong Kong Securities Clearing Company Limited	108,108,786	0.54	0	Nil	N/A	Overseas corporation
Industrial and Commercial Bank of China – SSE 50 Trading Index Securities Investment Open-ended Fund	23,811,369	0.12	0	Nil	N/A	Others
Zhuhai Ruifeng Huibang Asset Management Co., Ltd. – Ruifeng Huibang No. 3 Private Equity Investment Fund	22,233,848	0.11	0	Nil	N/A	Others
Haitong Securities Co., Ltd.	20,000,500	0.10	0	Nil	N/A	Others
Industrial Bank Co., Ltd. – Xing New Vision Flexible Configuration Regular Open-ended Hybrid Initiated Securities Investment Fund	16,374,607	0.08	0	Nil	N/A	Others
China Merchants Bank Co., Ltd. – Bosera CSI State-Owned Enterprises Structural Adjustment Trading Open-end Index Securities Investment Fund	12,077,486	0.06	0	Nil	N/A	Others

Unit: shares

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	3,390,120,222	Overseas-listed foreign shares	3,390,120,222
China Securities Finance Corporation Limited	594,718,049	RMB ordinary shares	594,718,049
Central Huijin Asset Management Limited	110,027,300	RMB ordinary shares	110,027,300
Hong Kong Securities Clearing Company Limited	108,108,786	RMB ordinary shares	108,108,786
Industrial and Commercial Bank of China-SSE 50 Trading Index Securities Investment Open-ended Fund	23,811,369	RMB ordinary shares	23,811,369
Zhuhai Ruifeng Huibang Asset Management Co., Ltd. – Ruifeng Huibang No. 3 Private Equity Investment Fund	22,233,848	RMB ordinary shares	22,233,848
Haitong Securities Co., Ltd.	20,000,500	RMB ordinary shares	20,000,500
Industrial Bank Co., Ltd. – Xing New Vision Flexible Configuration Regular Open-ended Hybrid Initiated Securities Investment Fund	16,374,607	RMB ordinary shares	16,374,607
China Merchants Bank Co., Ltd. – Boser CSI State-Owned Enterprises Structural Adjustment Trading Open-end Index Securities Investment Fund	12,077,486	RMB ordinary shares	12,077,486

Statements on the connected relationships among the above shareholders and whether they are parties acting in concert	HKSCC NOMINEES LIMITED and Hong Kong Securities Clearing Company Limited are wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited. Save for the information disclosed above, the Company is not aware of whether any connected relationship existing among the top ten shareholders not subject to selling restrictions and the top ten shareholders, and whether they are parties acting in concert under the “Measures for the Administration of Acquisition of Listed Companies”.
Details of holders of preference shares whose voting rights have been restored and their relevant shareholding	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.

2.5 Total number of holders of preference shares, and shareholdings of the top ten holders of preference shares and top ten holders of preference shares not subject to selling restrictions as at the end of the reporting period

Applicable Not applicable

3. SIGNIFICANT EVENTS

3.1 Change in the scope of consolidated financial statements

On 1 September 2020, the Capital Increase Transaction of Finance Company was completed, and the Company’s direct and indirect shareholding ratio in Finance Company decreased to 40%, and Finance Company was no longer included in the scope of the Company’s consolidated statements (“**Deconsolidation of Finance Company**”).

3.2 Changes in major items of accounting statements and the underlying reasons

From January to September 2020, revenue of the Group under the IFRSs was RMB166,103 million (for the corresponding period in 2019: RMB177,849 million), representing a year-on-year decrease of 6.6%. Profit before income tax was RMB49,299 million (for the corresponding period in 2019: RMB54,237 million), representing a year-on-year decrease of 9.1%. Profit for the period attributable to equity holders of the Company was RMB32,578 million (for the corresponding period in 2019: RMB36,250 million),

representing a year-on-year decrease of 10.1%. As at 30 September 2020, the gearing ratio of the Group was 24.3% (as at 31 December 2019: 25.4%), representing a decrease of 1.1 percentage points as compared to the end of last year.

Changes in major items of the consolidated financial statements and explanations are set out below:

Unit: RMB million

No.	Items of consolidated statement of profit or loss and other comprehensive income	January to September 2020	January to September 2019	Percentage Change %	Major reasons for changes
1	Revenue	166,103	177,849	(6.6)	Affected by the downstream demand and coal source organization, the Group's coal sales volume and average sales price decreased year-on-year; the sales revenue of electricity in the same period of last year included the sales revenue of electricity of the power plants invested by the Company in the transaction of establishing Beijing GD Power in January 2019
2	Cost of sales	(112,191)	(118,553)	(5.4)	Decrease in sales volume of coal purchased and unit purchase cost of the Group, decrease in power generation led to decrease in coal consumption and decrease in unit coal cost
3	Expenditure for R&D	(497)	(259)	91.9	Increase in R&D expenditure for information construction and other projects
4	Other gains and losses	1,442	1,933	(25.4)	Year-on-year decrease in gains on disposal of assets of the Group and the related accumulated fair value gains were realized and transferred for the recovery of wealth management products of banks upon maturity.

Unit: RMB million

No.	Items of consolidated statement of profit or loss and other comprehensive income	January to September 2020	January to September 2019	Percentage Change %	Major reasons for changes
5	Loss allowances, net of reversal	(264)	140	(288.6)	The loss allowances of the Group in the first three quarters of 2020 was mainly the impairment loss of coal receivables.
6	Interest income	1,133	728	55.6	Increase in interest income on treasury bonds and interbank certificates of the Group
7	Finance costs	(1,585)	(2,094)	(24.3)	Decrease in average balance of interest-bearing liabilities and interest expenses of the Group
8	Share of results of associates	815	490	66.3	The investment revenue of associates increased year-on-year
9	Income tax expense	(9,850)	(11,084)	(11.1)	Profit before tax decreased. Average income tax rate for the first three quarters of 2020 was 20.0% (for the corresponding period in 2019: 20.4%), representing a year-on-year decrease of 0.4 percentage point.

Unit: RMB million

No.	Items of consolidated statement of financial position	As at 30 September 2020	As at 31 December 2019	Percentage change %	Major reasons for changes
1	Construction in progress	39,390	34,495	14.2	Increase in projects under construction in power and transportation business
2	Interests in associates	50,153	40,539	23.7	Due to Deconsolidation of Finance Company, the confirmation of long-term equity investment in Finance Company by the Group
3	Other non-current assets	32,815	54,006	(39.2)	Due to Deconsolidation of Finance Company, the long-term loans granted by Finance Company and treasury bonds purchased by Finance Company were no longer included in the Group
4	Inventories	14,286	12,053	18.5	Increase in inventories of coal and spare parts
5	Accounts and bills receivables	12,565	10,436	20.4	At the end of last year, the Group increased the collection of accounts receivable, leading to a relatively low base of accounts receivable, and the accounts receivable for electricity sales and coal sales increased in the first three quarters of 2020
6	Prepaid expenses and other current assets	18,760	86,524	(78.3)	Due to Deconsolidation of Finance Company, the relevant short-term loans and advances were no longer included in the Group, as well as recovery of interbank deposits upon maturity
7	Restricted bank deposits	702	7,664	(90.8)	Due to Deconsolidation of Finance Company, the legal deposit reserves deposited by Finance Company with the Central Bank were no longer included in the Group

Unit: RMB million

No.	Items of consolidated statement of financial position	As at 30 September 2020	As at 31 December 2019	Percentage change %	Major reasons for changes
8	Cash and cash equivalents	130,744	41,827	212.6	Maturity of wealth management products and interbank deposits by the Group
9	Short-term borrowings	7,349	4,172	76.2	Due to Deconsolidation of Finance Company, the short-term borrowings of the Group from Finance Company were no longer consolidated and offset.
10	Accrued expenses and other payables	30,606	53,578	(42.9)	Due to Deconsolidation of Finance Company, the deposits it accepted were no longer included in the Group.
11	Current portion of bonds	0	3,488	(100.0)	The USD-denominated bonds classified as bonds due within one year in 2019 were due and repaid in January 2020
12	Current portion of long-term liabilities	397	1,493	(73.4)	Some of the matters involved in the estimated liabilities were solved, and the relevant accounts payable decreased
13	Income tax payable	3,517	2,727	29.0	Year-on-year decrease in profit before tax
14	Contract liabilities	6,543	4,784	36.8	Increase in advance coal payment
15	Long-term borrowings	51,618	36,943	39.7	Due to Deconsolidation of Finance Company, the long-term borrowings of the Group from Finance Company were no longer consolidated and offset
16	Accrued reclamation obligations	6,162	3,372	82.7	Increase in mine environment governance and recovery fund accrued by the Company as in accordance with the relevant requirements of the local government

Unit: RMB million

No.	Items of consolidated statement of cash flow	January to September 2020	January to September 2019	Percentage change %	Major reasons for changes
1	Net cash generated from operating activities	71,540	56,757	26.0	Increase in deposits accepted by Finance Company for the period from January to August of 2020 and the corresponding increase in net cash inflow
	Including: Net cash generated from operating activities of Finance Company	18,599	3,230	475.8	
	Net cash generated from operating activities excluding the effect of Finance Company	52,941	53,527	(1.1)	
2	Net cash generated from (used in) investing activities	52,943	(3,787)	(1,498.0)	Maturity of the wealth management products of the Company
3	Net cash used in financing activities	(35,495)	(29,265)	21.3	The Company increased the proportion of dividends and paid an increased final dividend for 2019 as compared with 2018

3.3 Operation of the coal segment

3.3.1 Coal sales

(1) By contract pricing mechanisms

	January to September 2020			January to September 2019			Changes	
	Sales volume <i>Million tonnes</i>	Proportion of total sales <i>%</i>	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>Million tonnes</i>	Proportion of total sales <i>%</i>	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>%</i>	Price (exclusive of tax) <i>%</i>
I. Sales through Shenhua Trading Group Limited	312.2	96.5	412	319.4	96.3	435	(2.3)	(5.3)
1. Annual long-term contracts	139.2	43.0	381	146.7	44.2	390	(5.1)	(2.3)
2. Monthly long-term contracts	115.9	35.8	453	131.4	39.6	481	(11.8)	(5.8)
3. Spot commodity	57.1	17.7	406	41.3	12.5	444	38.3	(8.6)
II. Direct sales in coal mines	11.3	3.5	175	12.3	3.7	202	(8.1)	(13.4)
Total sales volume/average price (exclusive of tax)	323.5	100.0	404	331.7	100.0	426	(2.5)	(5.2)

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

(2) *By sales regions*

	January to September 2020			January to September 2019			Changes	
	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume %	Price (exclusive of tax) %
I. Domestic sales	321.8	99.4	403	327.3	98.7	425	(1.7)	(5.2)
(I) Self-produced coal and purchased coal	310.0	95.9	405	318.8	96.1	426	(2.8)	(4.9)
1. Direct arrival	116.3	36.0	316	120.8	36.4	328	(3.7)	(3.7)
2. Seaborne	193.7	59.9	458	198.0	59.7	486	(2.2)	(5.8)
(II) Sales of domestic trading coal	7.4	2.3	336	6.2	1.9	353	19.4	(4.8)
(III) Sales of imported coal	4.4	1.2	431	2.3	0.7	437	91.3	(1.4)
II. Export sales	0.5	0.2	559	1.4	0.4	634	(64.3)	(11.8)
III. Overseas sales	1.2	0.4	465	3.0	0.9	443	(60.0)	5.0
Total sales volume/ average price (exclusive of tax)	323.5	100.0	404	331.7	100.0	426	(2.5)	(5.2)

3.3.2 Operating Results (before elimination on consolidation)

Currency: RMB

		January to September 2020	January to September 2019	Percentage change %	Major reasons for changes
Revenue	million	134,965	145,469	(7.2)	Decrease in sales volume and average price of coal of the Group
Cost of sales	million	(107,141)	(113,252)	(5.4)	Decrease in the volume of purchased coal and unit purchase price of the Group
Gross profit	million	27,824	32,217	(13.6)	
Gross profit margin	%	20.6	22.1	Decreased by 1.5 percentage points	

3.3.3 Unit Production Cost of Self-Produced Coal

Unit: RMB/tonne

	January to September 2020	January to September 2019	Percentage change %	Major reasons for changes
Unit production cost of self-produced coal	129.9	123.0	5.6	
Raw materials, fuel and power	26.9	25.9	3.9	
Personnel expenses	23.5	22.9	2.6	
Repairs and maintenance	10.2	8.9	14.6	Some of the mining and excavating equipment are aging year by year and the maintenance cycle is shortened, resulting in increase in repair and maintenance costs.
Depreciation and amortization	18.3	17.4	5.2	Increase in purchase of fixed assets and impact of changes in accounting estimates of depreciation of fixed assets
Other costs	51.0	47.9	6.5	Year-on-year increase in relocation compensation year-on-year

Other costs consist of the following three components: (1) expenses directly related to production, including expenses for coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for approximately 60%; (2) auxiliary production expenses, accounting for approximately 21%; (3) land requisition and surface subsidence compensation, environmental protection expenses, tax, and local charges, etc., accounting for approximately 19%.

3.4 Operation of the power segment

3.4.1 Power generation and power output dispatch

Location/ Type of power	Gross power generation <i>billion kWh</i>		Power output dispatch <i>billion kWh</i>		Average utilization hours <i>hours</i>		Power tariff <i>RMB/mWh</i>	
	July to September 2020	July to September 2019	July to September 2020	July to September 2019	July to September 2020	July to September 2019	July to September 2020	July to September 2019
	Domestic	38.33	36.29	35.91	33.97	1,251	1,181	326
Coal-fired power	37.23	35.03	34.84	32.74	1,259	1,181	321	330
Gas-fired power	0.89	1.03	0.87	1.00	939	1,080	554	581
Hydropower	0.21	0.23	0.20	0.23	1,699	1,810	205	188
Overseas	0.41	0.46	0.36	0.41	1,376	1,546	519	502
Coal-fired power	0.41	0.46	0.36	0.41	1,376	1,546	519	502
Total/Weighted average	38.74	36.75	36.27	34.38	1,252	1,185	328	338

Location/ Type of power	Gross power generation <i>billion kWh</i>		Power output dispatch <i>billion kWh</i>		Average utilization hours <i>hours</i>		Power tariff <i>RMB/mWh</i>	
	January to September 2020	January to September 2019	January to September 2020	January to September 2019	January to September 2020	January to September 2019	January to September 2020	January to September 2019
	Domestic	100.40	115.49	94.02	108.33	3,278	3,385	331
Coal-fired power	97.11	111.72	90.81	104.65	3,286	3,390	325	324
Gas-fired power	2.82	3.25	2.75	3.17	2,967	3,136	559	577
Hydropower	0.47	0.52	0.46	0.51	3,794	4,140	229	225
Overseas	1.16	1.16	1.01	1.01	3,882	3,872	540	527
Coal-fired power	1.16	1.16	1.01	1.01	3,882	3,872	540	527
Total/Weighted average	101.56	116.65	95.03	109.34	3,284	3,389	334	333

3.4.2 Installed Power Generators

Unit: MW

Power Type	Total installed capacity as at 31 December 2019	Installed capacity increased/ (decreased) during January to September 2020	Total Installed capacity as at 30 September 2020
Coal-fired power	29,954	(100)	29,854
Gas-fired power	950	0	950
Hydropower	125	0	125
Total	<u>31,029</u>	<u>(100)</u>	<u>30,929</u>

Shenhua Shendong Power Chongqing Wanzhou Harbor Co., Ltd., being a member of the Group, assessed and reduced 100MW in installed capacity of power generator.

3.4.3 Operating Results (before elimination on consolidation)

Currency: RMB

		January to September 2020	January to September 2019	Percentage change %	Major reasons for changes
Revenue	million	35,633	38,303	(7.0)	Year-on-year decrease in power output dispatch
Cost of sales	million	(26,824)	(29,988)	(10.6)	Decrease in power generation led to the decrease in coal consumption and decrease in unit purchase cost of coal
Gross profit	million	8,809	8,315	5.9	
Gross profit margin	%	24.7	21.7	Increased by 3.0 percentage points	

From January to September 2020, the Group's average cost of power output dispatch of the power business was RMB264.9/mWh (for the same period in 2019: RMB268.0/mWh), representing a year-on-year decrease of 1.2%.

3.5 Major operation of transportation and coal chemical segments

Unit: RMB million

	Railway			Port			Shipping			Coal chemical		
	January to	January to	Percentage	January to	January to	Percentage	January to	January to	Percentage	January to	January to	Percentage
	September	September		September	September		September	September		September	September	
2020	2019	change	2020	2019	change	2020	2019	change	2020	2019	change	
		%			%			%			%	
Revenue	28,609	30,211	(5.3)	4,792	4,441	7.9	2,183	2,418	(9.7)	3,780	4,347	(13.0)
Cost of sales	(14,790)	(15,418)	(4.1)	(2,524)	(2,243)	12.5	(1,972)	(2,143)	(8.0)	(3,642)	(3,809)	(4.4)
Gross profit	13,819	14,793	(6.6)	2,268	2,198	3.2	211	275	(23.3)	138	538	(74.3)
Gross profit margin (%)	48.3	49.0	Decreased by 0.7 percentage point	47.3	49.5	Decreased by 2.2 percentage points	9.7	11.4	Decreased by 1.7 percentage points	3.7	12.4	Decreased by 8.7 percentage points

The Group has actively applied Beidou Navigation Satellite System to promote precision and safety of operation. Shenhua Zhunge'er Energy Group Co., Ltd. has successfully developed the intelligent truck anti-collision system terminal through the self-built Beidou differential station to provide high precision reference signal and real-time differential settlement with the car Beidou terminal, greatly improving the positioning accuracy of the truck. In the blasting operation, the intelligent hole layout system was built by using the Beidou high-precision positioning technology and intelligent hole layout software, realizing the automatic positioning, navigation and hole distribution of the drilling rig. Combined with the intelligent blasting design system and the intelligent charging system of explosive mixing vehicle, the whole process of blasting operation was intelligentized. Huanghua Port became the first coal port to build Beidou CORS system (system of continuous operation of satellite positioning and navigation service) in China. The system could make the single machine positioning accurate to 1 cm, provide accurate positioning data for automatic stacking, automatic reclaiming, automatic loading, single machine anti-collision, effectively improving the operation efficiency and safety. Through satellite positioning, the mobile machine path optimization, trajectory playback, electronic fence and other functions were realized, significantly improving the utilization and security of mobile machine. By using Beidou Navigation Satellite System and GIS technology (Geographic Information System), Shenhua Baoshen Railway Group Co., Ltd. could track the whole loading process of goods and trains, and automatically make real-time statistics on the indicators of medium time, stopping time and weekly time, and some posts at stations would be gradually unmanned.

3.6 Industry environment

In the first three quarters of 2020, the Chinese government adhered to the general basis of seeking progress while maintaining stability, insisted on high-quality development, and took the supply side structural reform as the main line to complete “six guarantees” and “six stabilities” work. China’s economy has overcome the adverse effects of the pandemic and increasing uncertainties in the international environment, showing a steady recovery trend. The year-on-year growth rate of GDP for the first three quarters was 0.7%, with a year-on-year increase of 4.9% in the third quarter. Consumption and investment continued to improve, the recovery of industry and service industry accelerated, and the employment and goods price remained generally stable.

From January to September, the supply and demand in domestic coal market were generally balanced. The coal price fluctuated in a reasonable range due to the factors such as periodic mismatch of coal supply and demand, environmental protection and safety inspection of producing area, increase in hydropower output and replenishment period. In the third quarter, the economic recovery led to the growth of coal demand, and the price of coal increased slightly while maintaining stable. As of the end of September, the price index of Bohai Bay thermal coal (5,500 kcal) was RMB551/tonne, basically fair as compared with that at the beginning of the year. In the first three quarters, the average price index was RMB543/tonne, representing a year-on-year decrease of RMB34/tonne.

From January to September, total raw coal production in the PRC was 2.79 billion tonnes, representing a year-on-year decrease of 0.1%. The accumulative coal import amounted to 0.24 billion tonnes, representing a year-on-year decrease of 4.4%. Coal-fired power generation by power plants above a designated scale in China amounted to 5,408.6 billion kWh, representing a year-on-year increase of 0.9%, of which power generation by coal-fired power equipment amounted to 3,831.6 billion kWh, representing a year-on-year decrease of 0.3%.

It is expected that the supply and demand of the coal market will generally be in balance in the fourth quarter. Coal price may narrowly fluctuate due to phased factors such as maintenance of national railway and coal storage in winter.

Note: This section is for reference only and does not constitute any investment advice. The information in this section was derived from sources such as the National Bureau of Statistics, China Coal Market Network, China Coal Resource Network and China Electricity Council, etc. The Company has used its best endeavours to ensure the accuracy and reliability of information in this section, but does not assume any liability or provide any form of guarantee for the accuracy, completeness or validity of all or part of its content. If there is any error or omission, the Company does not assume any liability.

3.7 Progress of significant events and the impact thereof as well as the analysis and explanations for the solutions

During the reporting period, Finance Company received the Approval on the Change of Registered Capital and Adjustment to Shareholding Structure of Shenhua Finance Co., Ltd. (Jing Yin Bao Jian Fu〔2020〕No. 529) from the Beijing Bureau of the China Banking and Insurance Regulatory Commission, approving the change in the registered capital of Finance Company to RMB12.5 billion and the corresponding adjustment to the shareholding structure of Finance Company. Accordingly, the Capital Increase Agreement of Shenhua Finance Company approved at the Company's 2019 annual general meeting officially took effect. For details, please refer to the H share announcement on 9 September 2020 and the A share announcement on 10 September 2020 of the Company.

The Company convened 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 on 25 September 2020, at which the resolutions considered were approved. The resolutions of the meetings were disclosed on the website of the Hong Kong Stock Exchange on 25 September 2020 and on the website of the Shanghai Stock Exchange on 26 September 2020.

3.8 Commitments that have yet to be fulfilled within the stated time frame during the reporting period

Applicable Not applicable

3.9 Warnings and explanations with regard to forecast of a probable loss in respect of the accumulated net profits from the beginning of the year to the end of the next reporting period or any significant changes as compared to the corresponding period of last year

Applicable Not applicable

3.10 Definitions

China Shenhua/the Company China Shenhua Energy Company Limited

The Group the Company and its subsidiaries

China Energy China Energy Investment Corporation Limited

Beijing GD Power	The joint venture company co-established by the Company and GD Power Development Co., Ltd. with their respective holding of equities and assets of the relevant coal-fired power generation companies, i.e. Beijing GD Power Co., Ltd
Finance Company	Shenhua Finance Co., Ltd., renamed as CHN Energy Finance Co., Ltd. in September 2020
Capital Increase Transaction of Finance Company	the transaction in which China Energy subscribed additional registered capital of RMB7.5 billion in Shenhua Finance Co., Ltd. in cash at a consideration of RMB13,273.7160 million (for details, please refer to the Company's H share announcement on 27 March 2020 and A share announcement on 28 March 2020)
China Accounting Standards for Business Enterprises	the Accounting Standards for Business Enterprises, Application Guidance to Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other related requirements issued by the Ministry of Finance of the People's Republic of China
International Financial Reporting Standards or IFRSs	International Financial Reporting Standards issued by the International Accounting Standards Committee

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

Beijing, 26 October 2020

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

APPENDIX
PREPARED UNDER IFRSs

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September

	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Revenue		
Goods and services	166,103	177,849
Cost of sales	(112,191)	(118,553)
	<hr/>	<hr/>
Gross profit	53,912	59,296
Selling expenses	(395)	(470)
General and administrative expenses	(5,585)	(5,784)
Research and development expenses	(497)	(259)
Other gains and losses	1,442	1,933
Other income	461	456
Loss allowances, net of reversal	(264)	140
Other expenses	(138)	(199)
Interest income	1,133	728
Finance costs	(1,585)	(2,094)
Share of results of associates	815	490
	<hr/>	<hr/>
Profit before income tax	49,299	54,237
Income tax expense	(9,850)	(11,084)
	<hr/>	<hr/>
Profit for the period	39,449	43,153
	<hr/> <hr/>	<hr/> <hr/>

	2020 <i>RMB million</i> (unaudited)	2019 <i>RMB million</i> (unaudited)
Other comprehensive income for the period		
<i>Item that will not be reclassified to profit or loss, net of income tax</i>		
Remeasurement of defined benefit obligations	0	37
Fair value changes on investments in equity instruments at fair value through other comprehensive income	26	0
Share of other comprehensive income of associates	(2)	4
	<hr/>	<hr/>
<i>Item that may be reclassified subsequently to profit or loss, net of income tax</i>		
Exchange differences	(127)	114
Share of other comprehensive income of associates	1	(2)
Fair value changes on investments in debt instruments at fair value through other comprehensive income	0	36
	<hr/>	<hr/>
Other comprehensive income for the period, net of income tax	(102)	189
	<hr/>	<hr/>
Total comprehensive income for the period	39,347	43,342
	<hr/> <hr/>	<hr/> <hr/>
Profit for the period attributable to:		
Equity holders of the Company	32,578	36,250
Non-controlling interests	6,871	6,903
	<hr/>	<hr/>
	39,449	43,153
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the period attributable to:		
Equity holders of the Company	32,505	36,408
Non-controlling interests	6,842	6,934
	<hr/>	<hr/>
	39,347	43,342
	<hr/> <hr/>	<hr/> <hr/>
Earnings per share		
– Basic (<i>RMB</i>)	1.638	1.823
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PREPARED UNDER IFRSs

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	As at 30 September 2020 <i>RMB million</i> (unaudited)	As at 31 December 2019 <i>RMB million</i> (audited)
Non-current assets		
Property, plant and equipment	237,679	245,993
Construction in progress	39,390	34,495
Exploration and evaluation assets	495	484
Intangible assets	3,627	3,648
Right-of-use assets	18,243	18,690
Interests in associates	50,153	40,539
Equity instruments at fair value through other comprehensive income	1,815	1,789
Other non-current assets	32,815	54,006
Deferred tax assets	2,775	2,945
Total non-current assets	386,992	402,589
Current assets		
Inventories	14,286	12,053
Accounts and bills receivables	12,565	10,436
Prepaid expenses and other current assets	18,760	86,524
Restricted bank deposits	702	7,664
Time deposits with original maturity over three months	2,155	1,990
Cash and cash equivalents	130,744	41,827
Total current assets	179,212	160,494

	As at 30 September 2020 <i>RMB million</i> (unaudited)	As at 31 December 2019 <i>RMB million</i> (audited)
Current liabilities		
Borrowings	7,349	4,172
Accounts and bills payables	24,220	25,043
Accrued expenses and other payables	30,606	53,578
Current portion of bonds	0	3,488
Current portion of lease liabilities	181	198
Current portion of long-term liabilities	397	1,493
Income tax payable	3,517	2,727
Contract liabilities	6,543	4,784
	<hr/>	<hr/>
Total current liabilities	72,813	95,483
	<hr/>	<hr/>
Net current assets	106,399	65,011
	<hr/>	<hr/>
Total assets less current liabilities	493,391	467,600
	<hr/>	<hr/>
Non-current liabilities		
Borrowings	51,618	36,943
Bonds	3,381	3,460
Long-term liabilities	2,403	2,201
Accrued reclamation obligations	6,162	3,372
Deferred tax liabilities	897	783
Lease liabilities	517	623
	<hr/>	<hr/>
Total non-current liabilities	64,978	47,382
	<hr/>	<hr/>
Net assets	428,413	420,218
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Equity		
Share capital	19,890	19,890
Reserves	342,320	336,187
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	362,210	356,077
Non-controlling interests	66,203	64,141
	<hr/>	<hr/>
Total equity	428,413	420,218
	<hr/> <hr/>	<hr/> <hr/>

PREPARED UNDER IFRSs**CONSOLIDATED STATEMENT OF CASH FLOWS***For the nine months ended 30 September*

	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Operating activities		
Cash generated from operations	80,316	68,852
Income taxes paid	(8,776)	(12,095)
	<hr/>	<hr/>
Net cash generated from operating activities	71,540	56,757
	<hr/>	<hr/>
Investing activities		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, additions to construction in progress and other non-current assets	(10,730)	(10,233)
Increase in right-of-use assets	(29)	(768)
Proceeds from disposal of property, plant and equipment, intangible assets and other non- current assets	230	548
Proceeds from disposal of wealth management products	33,662	0
Proceeds from disposal of derivative financial instruments	91	0
Investments in associates	(92)	(1,497)
Cash received from disposal of a subsidiary	1,350	0
Cash and cash equivalent disposed of to establish Beijing GD Power Co., Ltd.	0	(1,510)
Repayments of net cash received for the transition period	0	(1,562)
Dividend received from associates	131	158
Interest received	1,000	1,216
(Increase)/decrease in restricted bank deposits	(334)	44
Placing of time deposits with original maturity over three months	(922)	(680)
Maturity of time deposits with original maturity over three months	758	677

	2020 <i>RMB million</i> (unaudited)	2019 <i>RMB million</i> (unaudited)
Investments in government bonds included in other non-current assets	(790)	0
Decrease in other current assets	28,618	0
Cash receipts from disposal of financial assets at FVTPL	0	31,473
Investment in bank wealth management products	0	(31,087)
Investments in other equity instruments	0	(31)
Collection of entrusted loans	0	9,465
Net cash generated from (used in) investing activities	52,943	(3,787)
Financing activities		
Capital element of lease rentals paid	(152)	(132)
Interest element of lease rentals paid	(26)	(22)
Interest paid	(1,737)	(2,435)
Proceeds from borrowings	8,202	2,770
Repayments of borrowings	(16,022)	(11,707)
Proceeds from bills discounted	1,226	470
Contributions from non-controlling shareholders	425	340
Distribution to non-controlling shareholders	(2,379)	(1,051)
Dividend paid to equity holders of the Company	(25,032)	(17,498)
Net cash used in financing activities	(35,495)	(29,265)
Net increase in cash and cash equivalents	88,988	23,705
Cash and cash equivalents as at the beginning of the period	41,827	61,863
Effect of foreign exchange rate changes	(71)	39
Cash and cash equivalents as at the end of the period	130,744	85,607