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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 2021

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 2021 prepared in accordance with the International Financial Reporting Standards. Such results have not been audited or reviewed by the independent auditors.

IMPORTANT NOTICE

- 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.
- Wang Xiangxi, Chairman of the Board of the Company, Xu Shancheng, Chief Financial Officer of the Company and Yu Yanling, person-in-charge of the accounting department of the Company, warrant the authenticity, accuracy and completeness of the financial statements contained in this report.
- Please refer to section “Major Differences of Financial Statements Prepared under Different Accounting Standards” 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.
- Whether the third quarterly financial statements have been audited: No

I. MAJOR FINANCIAL INDICATORS

(I) Major accounting data and financial indicators

Unit: RMB million

Item	The reporting period	The same period last year	Increase/decrease for the reporting period as compared to the same period last year %	From the beginning of the year to the end of the reporting period	The same period last year	Increase/decrease for the period from the beginning of the year to the end of the reporting period as compared to the same period last year %
Revenue	88,970	61,087	45.6	232,949	166,103	40.2
Profit for the period	17,096	14,665	16.6	48,863	39,449	23.9
Profit for the period attributable to equity holders of the Company	14,777	12,208	21.0	41,277	32,578	26.7
Net cash generated from operating activities	N/A	N/A	N/A	67,506	71,540	(5.6)
Net cash generated from operating activities excluding the effect of Finance Company	N/A	N/A	N/A	67,506	52,941	27.5
Basic earnings per share (RMB/share)	0.744	0.614	21.2	2.078	1.638	26.9
Diluted earnings per share (RMB/share)	0.744	0.614	21.2	2.078	1.638	26.9

Unit: RMB million

	As at the end of the reporting period	As at the end of last year	Increase/ decrease as at the end of the reporting period as compared to the end of last year %
Total assets	593,817	562,904	5.5
Total liabilities	150,996	133,317	13.3
Total equity	442,821	429,587	3.1
Equity attributable to equity holders of the Company	370,139	364,203	1.6
Shareholders' equity per share (<i>RMB/share</i>)	18.63	18.33	1.6

Note: "Reporting period" refers to the three months from July to September 2021, the same below.

(II) 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 2021	January to September 2020	As at	As at
			30 September 2021	31 December 2020
Under China Accounting Standards for Business Enterprises	40,751	33,562	366,623	360,189
Adjustment:				
Simple production maintenance, production safety and other related expenditures	526	(984)	3,516	4,014
Under International Financial Reporting Standards	41,277	32,578	370,139	364,203

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. Such expenditures are recognised as expenses 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 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.

(III) Details of and reasons for changes in the major accounting data and financial indicators

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 2021	January to September 2020	Percentage Change %	Main reasons for changes
1	Revenue	232,949	166,103	40.2	With strong demand in coal market and rising coal prices, the Group's coal sales volume and average sales price increased; with increasing electricity demand in China, the Group actively leveraged its integrated operations to ensure the supply of coal for power plants, and thus, the Group's power output dispatch increased
2	Cost of sales	(167,070)	(112,191)	48.9	Increase in business volume including coal sales and power generation; increase in procurement price of purchased coal
3	Research and development costs	(804)	(497)	61.8	Increase in R&D expenditure of smart mine and other projects
4	Other gains and losses	431	1,442	(70.1)	Mainly the gains from the wealth management products of the Company and investment gains from interbank certificates of deposit of the Finance Company in the same period last year, and no similar gains recognized during the period due to the maturity and recovery of the wealth management products and the deconsolidation of Finance Company's financial statements; mainly the consideration paid by the State Government of New South Wales, Australia after the Group withdrew from its development interest in the Watermark project in the period

No.	Items of consolidated statement of profit or loss and other comprehensive income	January to September 2021	January to September 2020	Percentage Change %	Main reasons for changes
5	Loss allowances, net of reversal	40	(264)	N/A	Credit impairment losses of coal sales receivables incurred during the same period of last year, and no large credit impairment losses during the period
6	Other expenses	(514)	(138)	272.5	Mainly estimated losses due to the withdrawal of development interest of the Watermark project and donation expenses by the Group during the period
7	Interest income	1,769	1,133	56.1	The interest income generated by the deposits of the Group in the Finance Company no longer offset due to the deconsolidation of Finance Company's financial statements, and increase in the average balance of deposits placed in financial institutions other than Finance Company
8	Share of results of associates	169	815	(79.3)	Decrease in the investment gains recognized by power associates

Unit: RMB million

No.	Items of consolidated statement of financial position	As at 30 September 2021	As at 31 December 2020	Percentage change %	Main reasons for changes
1	Exploration and evaluation assets	4,000	0	N/A	Acquisition of coal investigation and exploration permit in Taigemiao South Area of Xinjie Mining Area
2	Inventories	14,812	12,750	16.2	Increase in coal inventory
3	Accounts and bills receivables	14,028	11,759	19.3	The intensified efforts of the Group on collection of accounts receivables leading to a relatively low base of account receivables at the end of last year, and the increase in receivables for coal sales and receivables for electricity sales during the period
4	Prepaid expenses and other current assets	21,398	17,480	22.4	Increase in prepayments for coal and material purchases
5	Time deposits with original maturity over three months	2,395	11,186	(78.6)	Maturity of fixed deposits with an original maturity date of more than three months at the end of the last year
6	Cash and cash equivalents	141,409	112,880	25.3	Increase in net cash generated from operating activities
7	Assets classified as held for sale	0	2,783	(100.0)	The completion of Equity Transfer of Fuping Thermal Power
8	Short-term borrowings	5,652	8,847	(36.1)	Repayments of certain short-term borrowings upon maturity
9	Accrued expenses and other payables	29,270	18,949	54.5	Increase in accrued expenses such as repair costs and stripping costs
10	Income tax payable	4,731	6,313	(25.1)	The settlement and payment of the last year's corporate income tax this year
11	Contract liabilities	8,368	5,256	59.2	Increase in advance coal payment due to the increase in coal sales and average sales price
12	Long-term liabilities	8,439	2,661	217.1	The recognition of long-term payables for mining rights after reassessment of the mining rights of Baorixile Open-pit Mine and Beidian Shengli No.1 Open-pit Mine

Unit: RMB million

No.	Items of consolidated statement of cash flow	January to September 2021	January to September 2020	Percentage change %	Main reasons for changes
1	Net cash generated from operating activities	67,506	71,540	(5.6)	After excluding the impact of Finance Company in the same period last year, the net cash generated from operating activities increased year on year, mainly due to the increase in profits of the Group
	Including: Net cash generated from operating activities of Finance Company	0	18,599	(100.0)	
	Net cash generated from operating activities excluding the effect of Finance Company	67,506	52,941	27.5	
2	Net cash generated from investing activities	209	52,943	(99.6)	Maturity of the bank wealth management products held by the Company in the same period last year
3	Net cash used in financing activities	(39,082)	(35,495)	10.1	

II. SHAREHOLDER INFORMATION

Total number of ordinary shareholders and shareholding of top ten shareholders

Total number of ordinary shareholders at the end of the reporting period	178,938
Including: Holders of A shares (including China Energy)	176,959
Registered holders of H shares	1,979

Unit: shares

Name of shareholder	Nature of shareholder	Shareholding of top ten shareholders		Number of shares held subject to selling restrictions	Shares pledged, marked or frozen	
		Number of shares held	Percentage %		Status of shares	Number
China Energy Investment Corporation Limited	State-owned	13,812,709,196	69.52	0	Nil	N/A
HKSCC NOMINEES LIMITED	Overseas corporation	3,369,403,486	16.96	0	Not known	N/A
China Securities Finance Corporation Limited	Others	594,718,004	2.99	0	Nil	N/A
Hong Kong Securities Clearing Company Limited	Overseas corporation	221,721,671	1.12	0	Nil	N/A
Central Huijin Asset Management Limited	State-owned	110,027,300	0.55	0	Nil	N/A
Industrial and Commercial Bank of China – SSE 50 Trading Index Securities Investment Open-ended Fund	Others	23,247,822	0.12	0	Nil	N/A
Zhuhai Ruifeng Huibang Asset Management Co., Ltd. – Ruifeng Huibang No. 3 Private Equity Investment Fund	Others	22,233,848	0.11	0	Nil	N/A
Agricultural Bank of China Limited – Qianhai Open Source China's Scarce Assets Flexible Allocation Hybrid Securities Investment Fund	Others	16,753,900	0.08	0	Nil	N/A
China Merchants Bank Co., Ltd. – SSE Dividend Transactional Open Index Equity Securities Investment Fund	Others	15,505,821	0.08	0	Nil	N/A
Happy Life Insurance Co., Ltd. – Xin Ruyi No. 1	Others	14,913,510	0.08	0	Nil	N/A

Shareholdings of top ten shareholders without selling restrictions

Name of shareholders	Number of shares without selling restrictions	Type and number of shares	
		Type of shares	Number
China Energy Investment Corporation Limited	13,812,709,196	RMB ordinary shares	13,812,709,196
HKSCC NOMINEES LIMITED	3,369,403,486	Overseas-listed foreign shares	3,369,403,486
China Securities Finance Corporation Limited	594,718,004	RMB ordinary shares	594,718,004
Hong Kong Securities Clearing Company Limited	221,721,671	RMB ordinary shares	221,721,671
Central Huijin Asset Management Limited	110,027,300	RMB ordinary shares	110,027,300
Industrial and Commercial Bank of China – SSE 50 Trading Index Securities Investment Open-ended Fund	23,247,822	RMB ordinary shares	23,247,822
Zhuhai Ruifeng Huibang Asset Management Co., Ltd. – Ruifeng Huibang No. 3 Private Equity Investment Fund	22,233,848	RMB ordinary shares	22,233,848
Agricultural Bank of China Limited – Qianhai Open Source China’s Scarce Assets Flexible Allocation Hybrid Securities Investment Fund	16,753,900	RMB ordinary shares	16,753,900
China Merchants Bank Co., Ltd. – SSE Dividend Transactional Open Index Equity Securities Investment Fund	15,505,821	RMB ordinary shares	15,505,821
Happy Life Insurance Co., Ltd. – Xin Ruyi No. 1	14,913,510	RMB ordinary shares	14,913,510

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 without selling restrictions and the top ten shareholders, and whether they are parties acting in concert as defined in the “Measures for the Administration of Acquisition of Listed Companies”.

Details of top 10 shareholders and top 10 unrestricted shareholders participating in margin trading and securities lending and refinancing business 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. OTHER REMINDERS

Other important information concerning the operating conditions of the Company that need to remind investors

(I) Major operational data

Operational indicators	Unit	2021		2020		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	71.8	224.2	71.1	216.7	1.0	3.5
2. Coal sales	Million tonnes	120.8	361.6	118.2	323.5	2.2	11.8
(II) Transportation							
1. Turnover of self-owned railway	Billion tonne km	71.6	221.6	75.3	208.6	(4.9)	6.2
2. Loading volume at Huanghua Port	Million tonnes	49.1	158.5	57.0	150.7	(13.9)	5.2
3. Loading volume at Shenhua Tianjin Coal Dock	Million tonnes	11.6	34.4	12.0	33.5	(3.3)	2.7
4. Shipment volume	Million tonnes	31.8	91.1	32.1	83.4	(0.9)	9.2
5. Shipment turnover	Billion tonne nautical miles	29.9	82.9	26.3	69.2	13.7	19.8
(III) Power generation							
1. Gross power generation	Billion kWh	45.99	123.03	38.74	101.56	18.7	21.1
2. Total power output dispatch	Billion kWh	43.25	115.29	36.27	95.03	19.2	21.3
(IV) Coal chemical							
1. Sales of polyethylene	Thousand tonnes	80.5	270.7	89.9	271.9	(10.5)	(0.4)
2. Sales of polypropylene	Thousand tonnes	78.6	259.5	88.8	253.0	(11.5)	2.6

(II) Operation of the coal segment

1. Coal sales

(1) By contract pricing mechanisms

	January to September 2021			January to September 2020			Changes	
	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume %	Price (exclusive of tax) %
I. Sales by Trading Group	344.7	95.3	552	312.2	96.5	412	10.4	34.0
1. Annual long-term contracts	153.8	42.5	433	139.2	43.0	381	10.5	13.6
2. Monthly long-term contracts	148.3	41.0	679	115.9	35.8	453	28.0	49.9
3. Spot commodity	42.6	11.8	536	57.1	17.7	406	(25.4)	32.0
II. Direct sales by coal mines	16.9	4.7	235	11.3	3.5	175	49.6	34.3
Total sales volume/ average price (exclusive of tax)	361.6	100.0	537	323.5	100.0	404	11.8	32.9

(2) *By sales regions*

	January to September 2021			January to September 2020			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	356.3	98.6	537	321.8	99.4	403	10.7	33.3
(I) Self-produced coal and purchased coal	338.2	93.6	536	310.0	95.9	405	9.1	32.3
1. Direct arrival	138.8	38.4	405	116.3	36.0	316	19.3	28.2
2. Seaborne	199.4	55.2	627	193.7	59.9	458	2.9	36.9
(II) Sales of domestic trading coal	8.6	2.4	649	7.4	2.3	336	16.2	93.2
(III) Sales of imported coal	9.5	2.6	465	4.4	1.2	431	115.9	7.9
II. Export sales	0.5	0.1	768	0.5	0.2	559	0.0	37.4
III. Overseas sales	4.8	1.3	525	1.2	0.4	465	300.0	12.9
Total sales volume/average price (exclusive of tax)	361.6	100.0	537	323.5	100.0	404	11.8	32.9

2. Operating results (before elimination on consolidation)

Currency: RMB

		January to September 2021	January to September 2020	Percentage change %	Main reasons for changes
Revenue	million	199,771	134,965	48.0	Increase in sales volume and average price of coal
Cost of sales	million	(158,521)	(107,141)	48.0	Increase in the sales volume and unit production cost of self-produced coal; increase in the volume of purchased coal and unit purchase price
Gross profit	million	41,250	27,824	48.3	
Gross profit margin	%	20.6	20.6	Flat to the prior year	

As of the end of the reporting period, China Energy Baorixile Energy Co., Ltd., a subsidiary of the Company, obtained the approval of 324 hectares of production lands of exploration mines from Ministry of Natural Resources of China, which laid a foundation for stable and increased production of Baorixile open-pit coal mine in the future.

3. Unit production cost of self-produced coal

Unit: RMB/tonne

	January to September 2021	January to September 2020	Percentage change %	Main reasons for changes
Unit production cost of self-produced coal	136.5	129.9	5.1	
Raw materials, fuel and power	27.4	26.9	1.9	
Personnel expenses	27.9	23.5	18.7	Provision for remuneration of employees; increase in the number of employees in certain subsidiaries and branches; increase in social security contributions
Repairs and maintenance	10.7	10.2	4.9	
Depreciation and amortization	19.7	18.3	7.7	Increase in purchase of fixed assets
Other costs	50.8	51.0	(0.4)	

Other costs consist of the following three components: (1) expenses directly related to production, including expenses for coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for approximately 59%; (2) auxiliary production expenses, accounting for approximately 23%; (3) land requisition and surface subsidence compensation, environmental protection expenses and tax, etc., accounting for approximately 18%.

4. Latest progress in construction of smart coal mines

The Group accelerated the construction of smart coal mines. In August 2021, China Energy Shendong Coal Group Co., Ltd., a subsidiary of the Company, signed a strategic cooperation agreement with Huawei Technologies Co., Ltd. Both parties jointly released the “Mine Harmony Operating System”, which solved the problem of interconnection of equipment from different manufacturers with unified protocols and interfaces. “Mine Harmony Operating System” is the first application of Huawei harmony system in the industrial field, and it is also a key step for the Group to build interconnected smart mines. In September, Shenhua Zhunge'er Energy Co., Ltd., a subsidiary of the Company, cooperated with China Telecom to develop the innovative application of 5G technology in smart mines and build a benchmark demonstration project of 5G application in smart mines on the platform of “5G + Smart Mines Joint Innovation Laboratory”.

The Group has mastered many technologies, such as intelligent coal mining of coal seam, intelligent tunneling, self-driving mining trucks and coal mine robot. The coal mine intelligent system has become a strong support for the Group to create a safe, fewer people, intelligent and efficient production environment. By the end of the reporting period, the Group has built twenty-six intelligent underground fully mechanized mining faces, four smart tunnelling working faces, six intelligent coal selection plants and two self-driving truck driving projects in open-pit mines, and achieved that most fixed posts such as water pump rooms and substations are unattended.

(III) Operation of the power segment

1. Power generation and power output dispatch

Location/Type of power	Gross power generation		Power output dispatch		Average utilization		Power tariff	
	<i>billion kWh</i>		<i>billion kWh</i>		<i>hours</i>		<i>RMB/mWh</i>	
	July to September 2021	July to September 2020	July to September 2021	July to September 2020	July to September 2021	July to September 2020	July to September 2021	July to September 2020
Domestic	45.50	38.33	42.82	35.91	1,450	1,251	339	326
Coal-fired power	43.87	37.23	41.24	34.84	1,447	1,259	333	321
Gas-fired power	1.39	0.89	1.35	0.87	1,458	939	554	554
Hydropower	0.24	0.21	0.23	0.20	1,921	1,699	179	205
Overseas	0.49	0.41	0.43	0.36	1,636	1,376	460	519
Coal-fired power	0.49	0.41	0.43	0.36	1,636	1,376	460	519
Total/Weighted average	45.99	38.74	43.25	36.27	1,451	1,252	340	328

Location/Type of power	Gross power generation		Power output dispatch		Average utilization		Power tariff	
	<i>billion kWh</i>		<i>billion kWh</i>		<i>hours</i>		<i>RMB/mWh</i>	
	January to September 2021	January to September 2020	January to September 2021	January to September 2020	January to September 2021	January to September 2020	January to September 2021	January to September 2020
Domestic	121.69	100.40	114.11	94.02	3,877	3,278	334	331
Coal-fired power	118.20	97.11	110.70	90.81	3,899	3,286	329	325
Gas-fired power	2.94	2.82	2.87	2.75	3,091	2,967	563	559
Hydropower	0.55	0.47	0.54	0.46	4,422	3,794	219	229
Overseas	1.34	1.16	1.18	1.01	4,463	3,882	456	540
Coal-fired power	1.34	1.16	1.18	1.01	4,463	3,882	456	540
Total/Weighted average	123.03	101.56	115.29	95.03	3,882	3,284	336	334

2. Installed power generators

Unit: MW

Power Type	Total installed capacity as at 31 December 2020	Installed capacity increased/ (decreased) during January to September 2021	Total Installed capacity as at 30 September 2021
Coal-fired power	31,204	300	31,504
Gas-fired power	950	0	950
Hydropower	125	0	125
Total	<u>32,279</u>	<u>300</u>	<u>32,579</u>

During January to September 2021, the installed capacity of coal-fired power generators of the Group increased by 300MW, among which, the Equity Transfer of Fuping Thermal Power was completed, and the installed capacity of coal-fired power generators of the Group decreased by 700MW; Unit 1 of China Energy Sichuan Tianming Power Generation Co., Ltd., a subsidiary of the Company, was put into operation, and the installed capacity of coal-fired power generators of the Group increased by 1,000MW.

3. Operating results (before elimination on consolidation)

Currency: RMB

		January to September 2021	January to September 2020	Percentage change %	Main reasons for changes
Revenue	million	45,319	35,633	27.2	Increase in power output dispatch
Cost of sales	million	(40,112)	(26,824)	49.5	Increase in power output dispatch; increase in unit cost of purchased coal
Gross profit	million	5,207	8,809	(40.9)	
Gross profit margin	%	11.5	24.7	Decreased by 13.2 percentage points	

From January to September 2021, the Group's average cost of power output dispatch of the power business was RMB313.0/mWh (for the same period in 2020: RMB264.9/mWh), representing a year-on-year increase of 18.2%.

4. *New energy power generation business progress*

Since 2021, the Group has actively promoted the development of new energy business, and made concerted efforts in investing in industrial funds and new energy projects. The Beijing China Energy New Energy Industry Investment Fund jointly established by the Company has successively invested in photovoltaic and wind power projects in Shanxi, Jiangsu, Anhui and other places, and some projects have been connected to the grid in full capacity; Beijing China Energy Green and Low-carbon Development Investment Fund, jointly established by the Company, has completed the industrial and commercial registration procedures. The Company has reached a cooperation intention with the Hohhot Municipal Government to participate in the development and construction of new energy projects, such as photovoltaic, wind power and geothermal energy in the “zero carbon” industrial parks and “zero carbon” urban construction in Hohhot; Shengli Energy Open-pit Dump Disposal Photovoltaic Project (150,000 kW) of China Energy Beidian Shengli Energy Co., Ltd., a subsidiary of the Company, has been included in the “List of 2021 Protective On-grid Centralized Wind Power and Photovoltaic Power Generation Projects in Inner Mongolia Autonomous Region”, and is currently followed up in an orderly manner; a number of rooftop distributed photovoltaic power generation projects of the Guangdong branch of the Company and Shenhua (Fujian) Energy Co., Ltd., a subsidiary of the Company, have completed the internal investment decision-making process and are currently preparing for the commencement of construction.

(IV) Operation of transportation and coal chemical segments

Unit: RMB million

	Railway			Port			Shipping			Coal chemical		
	January to September 2021	January to September 2020	Percentage change %	January to September 2021	January to September 2020	Percentage change %	January to September 2021	January to September 2020	Percentage change %	January to September 2021	January to September 2020	Percentage change %
	Revenue	29,930	28,609	4.6	4,832	4,792	0.8	4,323	2,183	98.0	4,734	3,780
Cost of sales	(14,929)	(14,790)	0.9	(2,467)	(2,524)	(2.3)	(3,427)	(1,972)	73.8	(3,634)	(3,642)	(0.2)
Gross profit	15,001	13,819	8.6	2,365	2,268	4.3	896	211	324.6	1,100	138	697.1
Gross profit margin (%)	50.1	48.3	Increased by 1.8 percentage points	48.9	47.3	Increased by 1.6 percentage points	20.7	9.7	Increased by 11.0 percentage points	23.2	3.7	Increased by 19.5 percentage points

The year-on-year increase in gross profit of the shipping segment was mainly due to the increase in shipment volume and average shipping price.

In order to integrate shipping resources and improve the scale and intensification of shipping business, the Company and COSCO SHIPPING Bulk Co., Ltd. (“**COSCO SHIPPING Bulk**”) agreed that both parties would increase the capital of the Company’s holding subsidiary Guoneng Yuanhai Shipping Co., Ltd. (“**Shipping Corporation**”) in the same proportion in accordance with the shareholding ratio. The Company increased its capital with 43.83% equity of Tianjin Yuanhua Shipping Co., Ltd. (“**Tianjin Yuanhua**”) and some cash, and COSCO SHIPPING Bulk increased its capital with 56.17% equity of Tianjin Yuanhua. On 31 July 2021, the settlement of the above capital increase transaction was completed, and Tianjin Yuanhua became a wholly-owned subsidiary of Shipping Corporation. Since August 2021, Tianjin Yuanhua has been included in the scope of the consolidated statements of the Company. The above issues have no significant impact on the operating results of the shipping segment of the Group from January to September.

The year-on-year increase in gross profit of coal chemical segment was mainly due to the year-on-year increase in the sales price of olefin products of the Group affected by international oil prices and other factors.

(V) Industry environment

In the first three quarters of 2021, the Chinese government scientifically coordinated the epidemic prevention and control and economic and social development, the national economy continued to maintain a restorative momentum, transformation and upgrade continued to be implemented, innovation vitality continued to release, employment and commodity prices remained stable in general, quality and efficiency improved steadily, with major macroeconomic indicators being within a reasonable range. The growth rate of China’s GDP in the first three quarters was 9.8%, with an average growth rate of 5.2% for the past two years.

Since this year, China's energy demand has maintained growth. Domestic electricity and coal supply and demand has continued to be tight, and coal prices have fluctuated at a high level. The price index of Bohai Bay thermal coal (5,500 kcal) was RMB638 per tonne for the first three quarters, an increase of RMB95 per tonne compared to the same period last year. The coal industry has actively played the role of stabilizing and laying a securing energy supply. On the basis of safeguarding China's energy security and the industrial chain supply chain stability, and based on the development direction of green and low carbon, the coal industry has achieved the goal of carbon peak and carbon neutralization, and promoted the transformation and upgrade of coal consumption. From January to September, China has produced a total of 2,930 million tonnes of raw coal, representing a year-on-year increase of 3.7%, and imported 230 million tonnes of coal, representing a year-on-year decrease of 3.6%. The power generation from large scale power plants in the PRC was 6,072.1 billion kWh, representing a year-on-year increase of 10.7%, of which coal-fired power generation was 4,327.3 billion kWh, representing a year-on-year increase of 11.9%.

In the fourth quarter, with the gradual effect of measures ensuring the stability of supply electricity and coal supply in winter this year and spring next year, the situation of electricity and coal supply and demand will be alleviated.

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.

IV. THIRD QUARTERLY FINANCIAL STATEMENTS (prepared in accordance with IFRS)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September

	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Revenue		
Goods and services	232,949	166,103
Cost of sales	(167,070)	(112,191)
Gross profit	65,879	53,912
Selling expenses	(409)	(395)
General and administrative expenses	(5,672)	(5,585)
Research and development costs	(804)	(497)
Other gains and losses	431	1,442
Other income	502	461
Loss allowances, net of reversal	40	(264)
Other expenses	(514)	(138)
Interest income	1,769	1,133
Finance costs	(1,808)	(1,585)
Share of results of associates	169	815
Profit before income tax	59,583	49,299
Income tax expense	(10,720)	(9,850)
Profit for the period	48,863	39,449

	2021 <i>RMB million</i> (unaudited)	2020 <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>		
Fair value changes on investments in equity instruments at fair value through other comprehensive income	72	26
Share of other comprehensive income of associates	(2)	(2)
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<i>Item that may be reclassified subsequently to profit or loss, net of income tax</i>		
Exchange differences	(76)	(127)
Share of other comprehensive income of associates	24	1
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Other comprehensive income for the period, net of income tax	18	(102)
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Total comprehensive income for the period	48,881	39,347
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Profit for the period attributable to:		
Equity holders of the Company	41,277	32,578
Non-controlling interests	7,586	6,871
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Total comprehensive income for the period attributable to:		
Equity holders of the Company	41,308	32,505
Non-controlling interests	7,573	6,842
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Earnings per share		
– Basic (<i>RMB</i>)	2.078	1.638
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	As at 30 September 2021 <i>RMB million</i> (unaudited)	As at 31 December 2020 <i>RMB million</i> (audited)
Non-current assets		
Property, plant and equipment	245,493	238,198
Construction in progress	39,790	39,845
Exploration and evaluation assets	4,000	0
Intangible assets	4,314	3,888
Right-of-use assets	18,492	18,597
Interests in associates	49,300	49,556
Equity instruments at fair value through other comprehensive income	1,919	1,845
Other non-current assets	31,414	35,890
Deferred tax assets	3,028	2,856
	397,750	390,675
Total non-current assets		
Current assets		
Inventories	14,812	12,750
Accounts and bills receivables	14,028	11,759
Prepaid expenses and other current assets	21,398	17,480
Restricted bank deposits	2,025	3,391
Time deposits with original maturity over three months	2,395	11,186
Cash and cash equivalents	141,409	112,880
Assets classified as held for sale	0	2,783
	196,067	172,229
Total current assets	196,067	172,229

	As at 30 September 2021 <i>RMB million</i> (unaudited)	As at 31 December 2020 <i>RMB million</i> (audited)
Current liabilities		
Borrowings	5,652	8,847
Accounts and bills payables	29,843	28,980
Accrued expenses and other payables	29,270	18,949
Current portion of lease liabilities	228	242
Current portion of long-term liabilities	493	689
Income tax payable	4,731	6,313
Contract liabilities	8,368	5,256
Liabilities associated with assets classified as held for sale	0	217
	<hr/>	<hr/>
Total current liabilities	78,585	69,493
	<hr/>	<hr/>
Net current assets	117,482	102,736
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Total assets less current liabilities	515,232	493,411
	<hr/>	<hr/>
Non-current liabilities		
Borrowings	52,956	50,251
Bonds	3,217	3,241
Lease liabilities	447	606
Long-term liabilities	8,439	2,661
Accrued reclamation obligations	6,384	6,169
Deferred tax liabilities	968	896
	<hr/>	<hr/>
Total non-current liabilities	72,411	63,824
	<hr/>	<hr/>
Net assets	442,821	429,587
	<hr/> <hr/>	<hr/> <hr/>
Equity		
Share capital	19,869	19,890
Reserves	350,270	344,313
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	370,139	364,203
Non-controlling interests	72,682	65,384
	<hr/>	<hr/>
Total equity	442,821	429,587
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CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September

	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Operating activities		
Cash generated from operations	79,909	80,316
Income taxes paid	(12,403)	(8,776)
	<hr/>	<hr/>
Net cash generated from operating activities	67,506	71,540
Investing activities		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, additions to construction in progress and other non-current assets	(16,881)	(10,730)
Increase in right-of-use assets	(647)	(29)
Proceeds from disposal of property, plant and equipment, intangible assets and other noncurrent assets	1,802	230
Proceeds from disposal of wealth management products	0	33,662
Proceeds from disposal of derivative financial instruments	0	91
Investments in associates	(383)	(92)
Impact of passive dilution of equity of Finance Company	0	1,350
Dividend received from associates	251	131
Interest received	1,854	1,000
Decrease/(increase) in restricted bank deposits	1,365	(334)
Placing of time deposits with original maturity over three months	(1,361)	(922)
Maturity of time deposits with original maturity over three months	10,152	758
Investments in government bonds included in other non-current assets	0	(790)
Collection of entrusted loans and financial lease	82	0
Net cash received from disposal of subsidiaries and other business units	3,975	0
Decrease in other current assets	0	28,618
	<hr/>	<hr/>
Net cash generated from investing activities	209	52,943

	2021 <i>RMB million</i> (unaudited)	2020 <i>RMB million</i> (unaudited)
Financing activities		
Capital element of lease rentals paid	(140)	(152)
Interest element of lease rentals paid	(22)	(26)
Interest paid	(2,429)	(1,737)
Proceeds from borrowings	12,555	8,202
Repayments of borrowings	(12,864)	(16,022)
Proceeds from bills discounted	624	1,226
Contributions from non-controlling shareholders	264	425
Distribution to non-controlling shareholders	(1,311)	(2,379)
Dividend paid to equity holders of the Company	(35,759)	(25,032)
Net cash used in financing activities	<u>(39,082)</u>	<u>(35,495)</u>
Net increase in cash and cash equivalents	28,633	88,988
Cash and cash equivalents as at the beginning of the period	112,880	41,827
Effect of foreign exchange rate changes	<u>(104)</u>	<u>(71)</u>
Cash and cash equivalents as at the end of the period	<u>141,409</u>	<u>130,744</u>

V. DEFINITIONS

China Shenhua/ the Company	China Shenhua Energy Company Limited
The Group	The Company and its subsidiaries
China Energy	China Energy Investment Corporation Limited
Trading Group	China Energy Trading Group Limited
Finance Company	China Energy Finance Co., Ltd.
The deconsolidation of Finance Company's financial statements	On 1 September 2020, the capital increase transaction of the Finance Company was completed and the direct and indirect shareholding ratio of the Company in the Finance Company fell to 40%, and the Finance Company was no longer included in the scope of the consolidated statements of the Company

Equity Transfer of Fuping Thermal Power	Shenhua Shendong Power Co., Ltd., a subsidiary of the Company, transferred 100% equity of China Energy Shaanxi Fuping Thermal Power Co., Ltd. to China Energy Guoyuan Power Co., Ltd. The equity transfer was completed on 7 January 2021
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 Board

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

Beijing, 22 October 2021

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. Yang Rongming 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.