

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2017

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**”) is pleased to announce the results of the Group for the nine months ended 30 September 2017 prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”). 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 guarantee that the contents of the quarterly report are true, accurate and complete and do not contain any false representation, misleading statement or material omission, and shall jointly and severally accept legal liability.
- 1.2 This report was adopted at the seventh meeting of the fourth session of the Board of the Company. All directors of the Company attended the meeting.

- 1.3 Ling Wen, Vice Chairman of the Board of the Company, Zhang Kehui, Chief Financial Officer of the Company and Xu Shancheng, General Manager of the Financial Department of the Company, guarantee the truthfulness, accuracy and completeness of the financial statements contained in this report.
- 1.4 The financial statements of this report, which are prepared in accordance with IFRSs, have not been audited or reviewed. Please refer to section 2.2 of this report for the major differences between financial statements prepared in accordance with the Accounting Standards for Business Enterprises and those prepared in accordance with IFRSs.

2. COMPANY PROFILE

2.1 Major financial indicators of the IFRSs

	January to September 2017	January to September 2016	Percentage change (%)
Basic earnings per share (RMB/share)	1.941	0.938	107.0
Net cash generated from operating activities per share (RMB/share)	4.21	3.13	34.8
Revenue (RMB million)	182,535	124,803	46.3
Profit before income tax (RMB million)	56,797	32,071	77.1
Profit for the period (RMB million)	45,760	24,964	83.3
Profit attributable to equity holders of the Company for the period (RMB million)	38,610	18,648	107.0
Net cash generated from operating activities (RMB million)	83,814	62,174	34.8
Net cash generated from operating activities excluding the impact of Shenhua Finance Company (RMB million)	71,038	71,453	(0.6)

	As at 30 September 2017	As at 31 December 2016	Percentage change (%)
Total assets <i>(RMB million)</i>	564,718	576,729	(2.1)
Total liabilities <i>(RMB million)</i>	192,825	191,760	0.6
Total equity <i>(RMB million)</i>	371,893	384,969	(3.4)
Equity attributable to equity holders of the Company <i>(RMB million)</i>	296,502	316,975	(6.5)
Shareholders' equity per share <i>(RMB/share)</i>	14.91	15.94	(6.5)

2.2 Major differences of financial statements prepared under different accounting standards

Unit: RMB million

Items	Net profit attributable to equity holders of the Company		Net assets attributable to equity holders of the Company	
	January to September 2017	January to September 2016	As at 30 September 2017	As at 31 December 2016
Under the Accounting Standards for Business Enterprises	35,649	17,307	292,242	312,357
Adjustment: Simple production maintenance, production safety and other related expenditures	2,961	1,341	4,260	4,618
Under IFRSs	38,610	18,648	296,502	316,975

Explanation: Pursuant to the relevant regulations of the related government authorities in the PRC, provisions for simple production maintenance, production safety and other related expenditures are accrued by the Group in profit or loss for the current period and separately recorded as a specific reserve in shareholders' equity. On utilization of the specific reserve for formation of fixed assets within the stipulated scope, the cost of the relevant assets and the full amount of accumulated depreciation should be accounted for at the same time. Under IFRSs, these expenses are recognized as and when incurred. Relevant capital expenditure is recognized as property, plant and equipment when incurred 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	2017		2016		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	69.6	221.3	73.6	213.3	(5.4)	3.8
2. Coal sales	million tonnes	107.8	328.3	101.9	288.2	5.8	13.9
(II) Power generation							
1. Gross power generation	billion kwh	74.61	196.66	63.86	174.87	16.8	12.5
2. Total power output dispatch	billion kwh	69.76	184.19	59.44	163.34	17.4	12.8
(III) Coal chemical							
1. Sales volume of polyethylene	kilo tonnes	79.9	251.7	84.2	213.8	(5.1)	17.7
2. Sales volume of polypropylene	kilo tonnes	67.4	237.8	81.2	206.0	(17.0)	15.4
(IV) Transportation							
1. Turnover of self-owned railway transportation	billion tonne km	69.3	205.7	61.4	181.2	12.9	13.5
2. Seaborne coal	million tonnes	63.9	195.7	58.0	170.3	10.2	14.9
Of which: Via Huanghua Port	million tonnes	45.4	137.1	41.9	118.4	8.4	15.8
Via Shenhua Tianjin Coal Dock	million tonnes	11.5	32.7	9.8	30.2	17.3	8.3
3. Shipment volume	million tonnes	24.1	70.1	20.9	57.2	15.3	22.6
4. Shipment turnover	billion tonne nautical miles	20.4	60.3	17.2	46.2	18.6	30.5

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

Unit: shares

Total number of shareholders	204,189
Including: Number of holders of A shares	201,931
Number of registered holders of H shares	2,258

Shareholding of top ten shareholders

Name of shareholder (in full)	Number of shares held at the end of the period	Percentage (%)	Number of shares		Shares pledged or frozen	Nature of shareholder
			held subject to selling restrictions	Status of shares		
Shenhua Group Corporation Limited	14,530,574,452	73.06	0	Nil	N/A	State
HKSCC NOMINEES LIMITED	3,390,562,095	17.05	0	Unknown	N/A	Foreign legal person
China Securities Finance Corporation Limited	662,901,417	3.33	0	Nil	N/A	Others
Central Huijin Asset Management Ltd.	110,027,300	0.55	0	Nil	N/A	State
Hong Kong Securities Clearing Company Limited	38,979,273	0.20	0	Nil	N/A	Foreign legal person
Industrial & Commercial Bank of China – SSE Index 50 Trading Open-end Index Securities Investment Fund	15,719,365	0.08	0	Nil	N/A	Others
Bank of Communications – E Fund 50 Index Securities Investment Fund	13,023,640	0.07	0	Nil	N/A	Others
Industrial & Commercial Bank of China Limited-China Southern Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund	11,093,927	0.06	0	Nil	N/A	Others
Agricultural Bank of China Limited – Fullgoal CSI State-owned Enterprises Reform Index Classification Securities Investment Fund	10,423,025	0.05	0	Nil	N/A	Others
China Construction Bank Corporation – Bank of Communications Schroder Blue Chip Mixed Securities Investment Fund	10,009,890	0.05	0	Nil	N/A	Others

Shareholding of top ten shareholders not subject to selling restrictions

Name of shareholder	Number of tradable shares held not subject to selling restrictions	Type and number of shares	
		Type	Number
Shenhua Group Corporation Limited	14,530,574,452	RMB ordinary shares	14,530,574,452
HKSCC NOMINEES LIMITED	3,390,562,095	Overseas listed foreign shares	3,390,562,095
China Securities Finance Corporation Limited	662,901,417	RMB ordinary shares	662,901,417
Central Huijin Asset Management Ltd.	110,027,300	RMB ordinary shares	110,027,300
Hong Kong Securities Clearing Company Limited	38,979,273	RMB ordinary shares	38,979,273
Industrial & Commercial Bank of China – SSE Index 50 Trading Open-end Index Securities Investment Fund	15,719,365	RMB ordinary shares	15,719,365
Bank of Communications – E Fund 50 Index Securities Investment Fund	13,023,640	RMB ordinary shares	13,023,640
Industrial & Commercial Bank of China Limited-China Southern Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund	11,093,927	RMB ordinary shares	11,093,927
Agricultural Bank of China Limited – Fullgoal CSI State-owned Enterprises Reform Index Classification Securities Investment Fund	10,423,025	RMB ordinary shares	10,423,025
China Construction Bank Corporation – Bank of Communications Schroder Blue Chip Mixed Securities Investment Fund	10,009,890	RMB ordinary shares	10,009,890

Statements on the connected relationships of 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. Industrial & Commercial Bank of China Limited is the custodian bank of Industrial & Commercial Bank of China – SSE Index 50 Trading Openend Index Securities Investment Fund and Industrial & Commercial Bank of China Limited – China Southern Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund. 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: HKSCC Nominees Limited holds H shares on behalf of a number of its clients; Hong Kong Securities Clearing Company Limited holds A shares on behalf of a number of its clients.

2.5 Total number of holders of preference shares, and shareholdings of the top 10 holders of preference shares and top 10 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 Material changes in major items of accounting statements and financial indicators of the Company and the underlying reasons

From January to September 2017, revenue of the Group under the IFRSs was RMB182,535 million (for the corresponding period in 2016: RMB124,803 million), representing a year-on-year increase of 46.3%. Profit before income tax was RMB56,797 million (for the corresponding period in 2016: RMB32,071 million), representing a year-on-year increase of 77.1%. Profit attributable to equity holders of the Company for the period was RMB38,610 million (for the corresponding period in 2016: RMB18,648 million), representing a year-on-year increase of 107.0%. As at 30 September 2017, the gearing ratio of the Group was 34.1% (as at 31 December 2016: 33.2%), representing an increase of 0.9 percentage points as compared to the end of last year.

Changes in major items of the consolidated financial statements during the reporting period 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 2017	January to September 2016	Percentage change (%)	Major reasons for changes
1	Revenue	182,535	124,803	46.3	A year-on-year increase in sales price of coal; increase in sales volume of coal and power output dispatch
2	Cost of sales	(118,306)	(83,155)	42.3	Increase in sales volume of coal and power output dispatch

No.	Items of consolidated statement of profit or loss and other comprehensive income	January to September 2017	January to September 2016	Percentage change (%)	Major reasons for changes
3	Other gains and losses	601	(158)	(480.4)	Increase in gains from wealth management products; increase in gains from disposal of intangible assets and decrease in losses from disposal of fixed assets
4	Other income	655	1,033	(36.6)	Increase in government grants for gas-fired power received collectively during the third quarter last year
5	Interest income	923	351	163.0	Increase in average balance of deposits placed in external financial institutions over the corresponding period last year
6	Finance costs	(3,337)	(4,266)	(21.8)	Increase in gains from currency exchanges
7	Profits and losses attributable to associate	412	148	178.4	Increase in investment gains from coal associates
8	Income tax	(11,037)	(7,107)	55.3	A significant increase in profit before tax. The average rate of income tax of the first three quarters in 2017 was 19.4% (for the corresponding period in 2016: 22.2%), with a decrease of 2.8 percentage points, which was mainly attributable to the increase in percentage of profits in the coal segment, which is entitled to more preferential tax rates, and the decrease in percentage of profits in the power segment and transportation segment, which are entitled to less preferential tax rates

Unit: RMB million

No.	Items of consolidated statement of financial position	As at 30 September 2017	As at 31 December 2016	Percentage change (%)	Major reasons for changes
1	Construction in progress	43,033	35,220	22.2	Increase in investment in construction projects of power generation and railway business
2	Exploration and evaluation assets	1,320	2,344	(43.7)	Relinquishment of part of exploration licence on the Watermark Coal Project in Australia
3	Available-for-sale investments	5,103	1,800	183.5	Payment of capital contribution to a railway shareholding company
4	Prepaid expenses and other current assets	15,339	48,792	(68.6)	Decrease in balance of wealth management products; decrease in the short-term loans issued by Shenhua Finance Company
5	Time deposits with original maturity over three months	2,105	3,428	(38.6)	Maturity of time deposits
6	Cash and cash equivalents	64,111	41,188	55.7	Redemption of wealth management products on maturity; increase in deposits placed with Shenhua Finance Company
7	Accrued expenses and other payables	61,774	41,361	49.4	Increase in balance of deposits placed with Shenhua Finance Company

No.	Items of consolidated statement of financial position	As at 30 September 2017	As at 31 December 2016	Percentage change (%)	Major reasons for changes
8	Current portion of medium-term notes	0	19,989	(100.0)	Due repayment of medium-term notes
9	Current portion of bonds	3,317	0	N/A	Partial USD-denominated bonds to be due within one year
10	Long-term borrowings	63,625	58,462	8.8	Increase in long-term borrowings of power generating business
11	Bonds	6,584	10,331	(36.3)	Transfer of partial USD-denominated bonds to be due within one year to current portion of bonds
12	Reserves	276,612	297,085	(6.9)	Distribution of special dividends of the Company

Unit: RMB million

No.	Items of the consolidated statement of cash flows	January to September 2017	January to September 2016	Percentage change (%)	Major reasons for changes
1	Net cash generated from operating activities	83,814	62,174	34.8	Increase in deposits placed with Shenhua Finance Company; redemption of notes receivable on maturity in January to September last year generated more cash inflow, while balance for notes receivable of this year has increased as compared with the beginning of the period; increase in taxation and fees, including tax expenditures on resources
	Of which: Net cash generated from (used in) operating activities of Shenhua Finance Company ^{Note}	12,776	(9,279)	(237.7)	
	Net cash generated from operating activities excluding the effect from Shenhua Finance Company	71,038	71,453	(0.6)	
2	Net cash generated from (used in) investing activities	19,018	(16,377)	(216.1)	Redemption of wealth management products on maturity
3	Net cash used in financing activities	(79,756)	(14,853)	437.0	Increase in cash used in payment of dividends and repayment of medium-term notes

Note: Apart from the internal service of the Group, Shenhua Finance Company provides financial services, including deposits and loans, to other units apart from the Group. This is the cash flow of items including deposits and loans, interests, fees and commission generated from such services.

3.2 Analysis on key operational indicators of the coal segment

(1) Coal sales

① Coal Sales from July to September

	July to September 2017			July to September 2016			Percentage change	
	Percentage			Percentage				
	Sales	to total		Sales	to total		Sales	
	volume	sales	Price	volume	sales	Price	volume	Price
<i>Million</i>		<i>RMB/</i>	<i>Million</i>		<i>RMB/</i>			
<i>tonnes</i>	<i>%</i>	<i>tonne</i>	<i>tonnes</i>	<i>%</i>	<i>tonne</i>	<i>%</i>	<i>%</i>	
I. Domestic sales	105.8	98.1	418	99.2	97.3	304	6.7	37.5
(I) Self-produced coal and purchased coal	100.0	92.7	419	97.0	95.1	306	3.1	36.9
1. Direct arrival	36.7	34.0	314	39.7	38.9	213	(7.6)	47.4
2. Seaborne	63.3	58.7	479	57.3	56.2	370	10.5	29.5
(II) Sales of domestic trading coal	5.7	5.3	396	2.2	2.2	244	159.1	62.3
(III) Sales of imported coal	0.1	0.1	632	0.0	0.0	N/A	N/A	N/A
II. Export sales	0.6	0.6	500	0.7	0.7	375	(14.3)	33.3
III. Overseas sales	1.4	1.3	391	2.0	2.0	292	(30.0)	33.9
(I) EMM Indonesia	0.4	0.4	112	0.5	0.5	148	(20.0)	(24.3)
(II) Re-export trade	1.0	0.9	525	1.5	1.5	336	(33.3)	56.3
Total sales volume/average price	107.8	100.0	418	101.9	100.0	305	5.8	37.0

Note: Sales prices of coal in this report are all exclusive of tax (same as below).

② Sales from January to September

	January to September 2017			January to September 2016			Percentage change	
	Percentage		Price	Percentage		Price	Sales	
	Sales	to total		Sales	to total		volume	Price
	volume	sales	<i>RMB/</i>	volume	sales	<i>Million</i>	volume	Price
<i>Million</i>		<i>tonne</i>	<i>Million</i>		<i>RMB/tonne</i>	%	%	
	<i>tonnes</i>	%		<i>tonnes</i>	%		%	%
I. Domestic sales	322.4	98.2	423	282.4	98.0	283	14.2	49.5
(I) Self-produced coal and purchased coal	309.5	94.3	423	277.9	96.5	284	11.4	48.9
1. Direct arrival	115.6	35.2	309	109.6	38.1	205	5.5	50.7
2. Seaborne	193.9	59.1	491	168.3	58.4	336	15.2	46.1
(II) Sales of domestic trading coal	12.3	3.7	407	4.4	1.5	185	179.5	120.0
(III) Sales of imported coal	0.6	0.2	586	0.1	0.0	366	500.0	60.1
II. Export sales	1.8	0.5	433	2.0	0.7	392	(10.0)	10.5
III. Overseas sales	4.1	1.3	381	3.8	1.3	239	7.9	59.4
(I) EMM Indonesia	1.3	0.4	99	1.4	0.5	96	(7.1)	3.1
(II) Re-export trade	2.8	0.9	516	2.4	0.8	320	16.7	61.3
Total sales volume/average price	328.3	100.0	422	288.2	100.0	283	13.9	49.1

In the first three quarters of 2017, the Group recorded a year-on-year increase of 120.0% in the average sales price of domestic trading coal, mainly due to: (1) the percentage of domestic trading of coal by seaborne in the first three quarters of 2017 increased as compared with the corresponding period of 2016. Since the coal sold by seaborne was mainly high calorific coal, its price was relatively higher as compared with coal sold by direct arrival; (2) the low base in overall coal price in the market in the first three quarters of 2016.

(2) Operating Results (Before elimination on consolidation)

Currency: RMB

		January to September 2017	January to September 2016	Percentage change (%)	Main reasons for changes
Revenue	<i>RMB million</i>	142,886	85,197	67.7	Sales volume and sales price of coal observed a year-on-year growth
Cost of sales	<i>RMB million</i>	104,787	72,809	43.9	An increase in sales volume of coal; a significant increase in cost of purchased coal resulting from the increase in sales volume of coal purchased and the year-on-year increase in the procurement price of purchased coal; the increase in relevant transportation costs following the increase in the sales amount of coal
Gross profit	<i>RMB million</i>	38,099	12,388	207.5	
Gross profit margin	<i>%</i>	26.7	14.5	Increased by 12.2 percentage points	

(3) Unit Production Cost of Self-Produced Coal

Unit : RMB/tonne

	January to September 2017	January to September 2016	Percentage change (%)	Main reasons for changes
Unit production cost of self-produced coal	101.4	103.0	(1.6)	
Raw materials, fuel and power	17.2	18.7	(8.0)	Decrease in consumption of raw materials and spare parts due to the decrease in tunneling footage for underground mines and corollary equipment through optimizing production scheme
Labour costs	17.3	17.1	1.2	
Repairs and maintenance	7.0	6.7	4.5	Increase in repair arrangement
Depreciation and amortization	19.0	20.1	(5.5)	Increase in output of coal
Others	40.9	40.4	1.2	

Other expenses comprise the following three parts: ① approximately 72% was from the cost directly related to production, including washing and processing cost, and mining engineering cost, etc.; ② approximately 7% was from ancillary production cost; ③ approximately 21% was from compensation for land requisition and collapse, cost on environmental protection, tax and fees, etc.

3.3 Operation of the power segment

① July to September

Location/ Type of power	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 2017	July to September 2016	July to September 2017	July to September 2016	July to September 2017	July to September 2016	July to September 2017	July to September 2016
	Domestic	74.20	63.44	69.40	59.08	1,305	1,174	312
Coal-fired power	72.48	61.76	67.72	57.44	1,318	1,184	307	297
Wind power ^{Note}	0.01	0.00	0.01	0.00	241	321	604	604
Hydropower	0.22	0.23	0.22	0.23	1,819	1,837	167	197
Gas-fired power	1.49	1.45	1.45	1.41	865	836	571	453
Overseas	0.41	0.42	0.36	0.36	1,385	1,395	472	460
Coal-fired power	0.41	0.42	0.36	0.36	1,385	1,395	472	460
Total/Weighted average	74.61	63.86	69.76	59.44	1,305	1,175	313	302

Note: From July to September in 2016, the power generation and the output dispatch of wind power of the Group were 2,598MWh and 2,070MWh respectively.

② January to September

Location/ Type of power	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 2017	January to September 2016	January to September 2017	January to September 2016	January to September 2017	January to September 2016	January to September 2017	January to September 2016
	Domestic	195.48	173.62	183.16	162.25	3,437	3,212	308
Coal-fired power	190.86	168.60	178.66	157.36	3,470	3,231	303	299
Wind power	0.02	0.02	0.02	0.02	1,160	1,435	599	597
Hydro power	0.52	0.51	0.51	0.50	4,181	4,073	213	226
Gas-fired power	4.08	4.49	3.97	4.37	2,360	2,594	571	459
Overseas	1.18	1.25	1.03	1.09	3,941	4,156	482	443
Coal-fired power	1.18	1.25	1.03	1.09	3,941	4,156	482	443
Total/Weighted average	196.66	174.87	184.19	163.34	3,440	3,172	309	304

(2) *Installed Power Generators*

Unit: MW

Classified by Power Type	Total installed capacity as at 31 December 2016	Newly-installed capacity from January to September 2017	Total installed capacity as of 30 September 2017
1. Coal-fired power	54,417	880	55,297
2. Wind power	16	0	16
3. Hydropower	125	0	125
4. Gas-fired power	<u>1,730</u>	<u>0</u>	<u>1,730</u>
Total	<u><u>56,288</u></u>	<u><u>880</u></u>	<u><u>57,168</u></u>

From January to September 2017, the newly-installed capacity of the coal-fired power generating units of the Group was 880MW, among which: ① Newly-installed capacity upon capacity increment renovation was 220MW, including 30MW newly-installed capacity of Taishan Power and 90MW newly-installed capacity of Zheneng Power and 100MW newly-installed capacity of Chongqing Wanzhou Port and Power Project; ② An unit newly put into operation was 660MW, which is #3 unit from Guohua Ningdong.

(3) *Operating Results (Before elimination on consolidation)*

Currency: RMB

		From January to September 2017	From January to September 2016	Percentage change (%)	Major reasons for changes
Revenue	<i>RMB million</i>	58,600	51,108	14.7	A year-on-year increase in power output dispatch
Cost of sales	<i>RMB million</i>	50,198	36,854	36.2	Increase in the price of coal procurement of coal-fired power plant and power generation amount
Gross profit	<i>RMB million</i>	8,402	14,254	(41.1)	
Gross profit margin	<i>%</i>	14.3	27.9	Decreased by 13.6 percentage points	

From January to September 2017, the Group's average cost of power output dispatch of the power business was RMB266.4/MWh (for the same period in 2016: RMB219.1/MWh), representing a year-on-year increase of 21.6%, which was mainly due to the increase in price of coal procurement of coal-fired power plants.

(4) *Progress of Projects*

On 5 October 2017, the Jawa-7 coal-fired Independent Power Plant project of Shenhua Guohua (Indonesia) Jawa Power Generation Co., Ltd. of the Company formally commenced construction of two 1,050MW ultra-supercritical coal-fired units, which was planned to put into operation at the end of 2020. For information of the status of the project, please refer to the H share announcement of the Company dated 28 December 2015 and the A share announcement of the Company dated 29 December 2015.

3.4 Major operation of transportation segment

(1) Operating revenue of the railway segment (before elimination on consolidation)

Unit: RMB million

	From January to September 2017	From January to September 2016	Percentage change (%)
Revenue from provision of transportation services to internal customers	23,790	21,831	9.0
Revenue from provision of transportation services to external customers	4,169	2,646	57.6
Total	27,959	24,477	14.2

(2) Operating revenue of the port segment (before elimination on consolidation)

Unit: RMB million

	From January to September 2017	From January to September 2016	Percentage change (%)
Revenue from provision of services to internal customers	3,655	3,269	11.8
Revenue from provision of services to external customers	580	459	26.4
Total	4,235	3,728	13.6

3.5 Industry environment

In the first three quarters of 2017, encountering complex and dynamic domestic and overseas environment, the PRC government adhered to the general principle of making progress while ensuring stability, emphasised the mainline of pushing forward supply-side structural reform, focused on improving quality and efficiency and appropriately expanded aggregate demand. The macro-economy maintained a positive trend of steady growth. The Gross Domestic Product (GDP) recorded a year-on-year increase of 6.9%, representing a year-on-year increase of 0.2 percentage point in growth rate. The Producer Price Index for Industrial Products (PPI) recorded a year-on-year increase of 6.5% (a year-on-year decrease of 2.9% in the first three quarters of 2016).

From January to September, the supply and demand in coal market in the PRC were basically balanced, with tight supply in partial periods and regions. While both consumption and supply volume increased over the same period last year, the coal price fluctuated following the changes of relationship between supply and demand as well as seasonal variations. In the third quarter, influenced by continuing steady domestic growth with good momentum and longer duration of hot weather, the demand for coal in the downstream increased. Coal production capacity was not fully released as major coal production areas strengthened the supervision of safe and environmental protection. The supply and demand situation of coal was generally tight and coal prices recorded increases. As of the end of September, the price index of Bohai Bay thermal coal (5,500 kcal) was RMB586/tonne, decreasing by RMB7/tonne compared with that at the beginning of the year. In the first three quarters of 2017, the average price index was RMB587/tonne, representing a year-on-year increase of 40.9%.

From January to September, total raw coal production in the PRC was 2.59 billion tonnes, representing a year-on-year increase of 5.7%, of which coal production in the third quarter recorded a year-on-year increase of 7.1%. According to the estimation of China National Coal Association, the consumption volume of coal in the PRC was 2.94 billion tonnes, representing a year-on-year increase of 4.5%. The coal consumption of the major coal consumption industries such as power and steel presented growth on a year-on-year basis, respectively. The accumulative coal import amounted to 200 million tonnes, representing a year-on-year increase of 13.7%. A downward trend of growth rate was seen on a monthly basis. Thermal power generation by power plants above a designated scale in China amounted to 3,452.5 billion kWh, representing a year-on-year increase of 6.3%, of which power generation amount from July to September recorded a year-on-year increase of 5.4%, decreased by 4.6 percentage points as compared with the corresponding period of last year. Affected by factors such as increase of power consumption demand and restriction on contribution of hydropower, the average utilisation hours of thermal power equipment represented an increase of 47 hours as compared with the corresponding period of last year.

In the fourth quarter, the peak period of usage of coal for heating in the North China comes with the drop of temperature, resulting in an increase in coal demand.

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.

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

✓ Applicable Not Applicable

(1) Suspension or reduction of open-pit mines

Ha'erwusu Open-pit Mine and Baorixile Open-pit Mine of the Company has temporarily suspended or reduced coal production since August 2017 due to the temporary suspension of earthwork stripping process as a result of the delay of the land requisition of such open-pit mines. For details, please refer to the H share announcement of the Company dated 2 August 2017 and the A share announcement of the Company dated 3 August 2017.

From January to September 2017, the coal production at Ha'erwusu Open-pit Mine and Baorixile Open-pit Mine amounted to 16.3 million tonnes (a year-on-year decrease of 18.5%) and 17.6 million tonnes (a year-on-year increase of 8.8%), respectively. During the reporting period, the Company actively pushed forward the progress of land requisition of the two mines under the support of government authorities and relevant parties. Meanwhile, the Company did well in the safety management of slopes of coal mines and the recycling of coal in the end-slopes in accordance with regulatory requirements, strived to maintain coal production, strived to minimize the impact on the annual plan of production and sales amounts, and to ensure the supply of coal to customers.

(2) Establishment of joint venture company

On 28 August 2017, as approved by the sixth meeting of the fourth session of the board of directors of the Company, the Company entered into “Joint Venture Framework Agreement between GD Power Development Co., Ltd. and China Shenhua Energy Company Limited” with GD Power Development Co., Ltd. (國電電力發展股份有限公司) (“**GD Power**”). The Company and GD Power intend to establish a joint venture company. The Company proposes to contribute the equities and assets of the relevant coal-fired power generation companies (the equity interests of 15 coal-fired power generation companies and three coal-fired power generation branches) directly and indirectly held by the Company, and GD Power proposes to contribute the equities and assets of the relevant coal-fired power generation companies (the equity interests of 19 coal-fired power generation companies and three coal-fired power generation branches) directly and indirectly held by GD Power (the “**Transaction**”). For details, please refer to the H share announcement of the Company dated 28 August 2017 and the A share announcement of the Company dated 29 August 2017.

Pending the issuance of auditors’ reports and valuation reports, this transaction is subject to be further approved by the board of directors and the general meeting of shareholders.

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

Applicable Not Applicable

3.8 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

As affected by factors such as the year-on-year increase in sales price and sales volume of coal, the profit attributable to equity holders of the Company for the period of the Group from January to September 2017 increased by 107.0% year-on-year. It is expected that the profit for the year attributable to equity holders of the Company in 2017 will increase substantially.

In view of the impacts of the “low-to-high” market price of coal in 2016, it is expected that year-on-year increase rate of the profit for the year attributable to equity holders of the Company in 2017 will reach or exceed 80%.

The above estimates are subject to risks, uncertainties and assumptions, and the actual results may differ materially from such statements. Such statements do not constitute substantial commitments to investors. Investors are hereby reminded of the risks which may result from inappropriate reliance upon or utilization of the information given above.

3.9 Others

The Company does not have any plans to declare or distribute quarterly dividend (including cash dividend).

3.10 Definition

Shenhua Group Corporation Shenhua Group	Shenhua Group Corporation Limited Shenhua Group Corporation and its controlling subsidiaries
China Shenhua or the Company	China Shenhua Energy Company Limited
The Group	the Company and its controlling subsidiaries
EMM Indonesia Taishan Power	PT. GH EMM INDONESIA Guangdong Guohua Yudean Taishan Power Co., Ltd.
Zheneng Power	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
Guohua Ningdong	Shenhua Ningxia Guohua Ningdong Power Generation Co., Ltd.
Shenhua Finance Company Accounting Standards for Business Enterprises	Shenhua Finance Co., Ltd. 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

Beijing, 27 October 2017

As at the date of this announcement, the Board comprises the following: Dr. Ling Wen, Dr. Han Jianguo and Dr. Li Dong as executive directors, Mr. Zhao Jibin as non-executive director, and Dr. Tam Wai Chu, Maria, Dr. Jiang Bo and Ms. Zhong Yingjie, Christina as independent non-executive directors.

APPENDIX
PREPARED UNDER IFRSs

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND
OTHER COMPREHENSIVE INCOME**

For the nine months ended 30 September

	2017	2016
	<i>RMB million</i>	<i>RMB million</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	182,535	124,803
Cost of sales	(118,306)	(83,155)
Gross profit	64,229	41,648
Selling expenses	(424)	(388)
General and administrative expenses	(6,022)	(5,835)
Other gains and losses	601	(158)
Other income	655	1,033
Other expenses	(240)	(462)
Interest income	923	351
Finance costs	(3,337)	(4,266)
Share of results of associates	412	148
Profit before income tax	56,797	32,071
Income tax expense	(11,037)	(7,107)
Profit for the period	45,760	24,964
Other comprehensive income (losses) for the period		
<i>Item that will not be reclassified subsequently to profit or loss (net of tax)</i>		
Remeasurement of defined benefit obligations	11	(7)
<i>Item that may be reclassified subsequently to profit or loss (net of tax)</i>		
Exchange differences in the statement	(64)	227
Share of other comprehensive income of associates	1	15
Changes in fair value of available-for-sale financial assets	14	0

	2017 <i>RMB million</i> (unaudited)	2016 <i>RMB million</i> (unaudited)
Other comprehensive income (losses) for the period, net of tax	(38)	235
Total comprehensive income for the period	45,722	25,199
Profit for the period attributable to:		
Equity holders of the Company	38,610	18,648
Non-controlling interests	7,150	6,316
	45,760	24,964
Total comprehensive income for the period attributable to:		
Equity holders of the Company	38,599	18,871
Non-controlling interests	7,123	6,328
	45,722	25,199
Earnings per share (RMB)		
— Basic	1.941	0.938

Vice Chairman:
Ling Wen

Chief Financial Officer:
Zhang Kehui

*General Manager of the
Financial Department:*
Xu Shancheng

PREPARED UNDER IFRSs

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	As at 30 September 2017 <i>RMB million</i> (unaudited)	As at 31 December 2016 <i>RMB million</i> (audited)
Non-current assets		
Property, plant and equipment	326,461	337,785
Construction in progress	43,033	35,220
Exploration and evaluation assets	1,320	2,344
Intangible assets	2,962	3,018
Interest in associates	5,341	5,142
Available-for-sale investments	5,103	1,800
Other non-current assets	38,270	36,749
Lease prepayments	17,242	17,359
Deferred tax assets	4,007	3,849
	<hr/>	<hr/>
Total non-current assets	443,739	443,266

	As at 30 September 2017 RMB million (unaudited)	As at 31 December 2016 RMB million (audited)
Current assets		
Inventories	13,198	13,341
Accounts and bills receivable	20,912	20,573
Prepaid expenses and other current assets	15,339	48,792
Restricted bank deposits	5,314	6,141
Time deposits with original maturity over three months	2,105	3,428
Cash and cash equivalents	64,111	41,188
	<hr/>	<hr/>
Total current assets	120,979	133,463
	<hr/>	<hr/>
Current liabilities		
Borrowings	11,543	11,811
Accounts and bills payable	32,182	35,156
Accrued expenses and other payables	61,774	41,361
Current portion of medium-term notes	0	19,989
Current portion of bonds	3,317	0
Current portion of long-term payables	301	403
Income tax payable	2,744	3,465
	<hr/>	<hr/>
Total current liabilities	111,861	112,185
	<hr/>	<hr/>
Net current assets	9,118	21,278
	<hr/>	<hr/>
Total assets less current liabilities	452,857	464,544
	<hr/>	<hr/>

	As at 30 September 2017 RMB million (unaudited)	As at 31 December 2016 RMB million (audited)
Non-current liabilities		
Borrowings	63,625	58,462
Medium-term notes	4,992	4,985
Bonds	6,584	10,331
Long-term payables	2,333	2,451
Accrued reclamation obligations	2,669	2,549
Deferred tax liabilities	761	797
	<hr/>	<hr/>
Total non-current liabilities	80,964	79,575
	<hr/>	<hr/>
Net assets	371,893	384,969
	<hr/> <hr/>	<hr/> <hr/>
Equity		
Share capital	19,890	19,890
Reserves	276,612	297,085
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	296,502	316,975
Non-controlling interests	75,391	67,994
	<hr/>	<hr/>
Total equity	371,893	384,969
	<hr/> <hr/>	<hr/> <hr/>

Vice Chairman:
Ling Wen

Chief Financial Officer:
Zhang Kehui

*General Manager of the
Financial Department:*
Xu Shancheng

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

	2017 <i>RMB million</i> (unaudited)	2016 <i>RMB million</i> (unaudited)
Operating activities		
Cash generated from operations	95,591	55,077
Income taxes paid	(11,777)	7,097
	<hr/>	<hr/>
Net cash generated from operating activities	83,814	62,174
Investing activities		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, and additions to construction in progress and other non-current assets	(15,940)	(13,546)
Increase in lease prepayments	(463)	(244)
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets	2,265	338
Proceeds from disposal of an available-for-sale investment and an associate	59,490	40
Proceeds from disposal of derivative financial instruments	4	0
Investments in associates	(130)	(38)
Dividend received from associates	8	72
Interest received	1,037	356
Net increase in restricted bank deposits	827	(850)
Increase in time deposits with original maturity over three months	(1,912)	(3,614)
Maturity of time deposits with original maturity over three months	3,235	1,109
Investment expenditure in available-for-sale assets and wealth management products	(29,403)	0
	<hr/>	<hr/>
Net cash generated from (used in) investing activities	19,018	(16,377)

	2017 <i>RMB million</i> (unaudited)	2016 <i>RMB million</i> (unaudited)
Financing activities		
Interest paid	(4,110)	(4,200)
Proceeds from borrowings	15,968	18,319
Repayments of borrowings	(30,989)	(17,717)
Contributions from non-controlling shareholders	1,044	743
Distributions to non-controlling shareholders	(2,622)	(5,324)
Distributions to shareholders of the Company	(59,072)	(6,365)
Cash paid for acquisition of subsidiaries under same control	0	(309)
Proceeds from bills discounted	25	0
Net cash used in financing activities	<u>(79,756)</u>	<u>(14,853)</u>
Net increase in cash and cash equivalents	23,076	30,944
Cash and cash equivalents, at the beginning of the period	41,188	42,323
Effect of foreign exchange rate changes	<u>(153)</u>	<u>65</u>
Cash and cash equivalents, at the end of the period	<u>64,111</u>	<u>73,332</u>

Vice Chairman:
Ling Wen

Chief Financial Officer:
Zhang Kehui

*General Manager of the
Financial Department:*
Xu Shancheng