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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 2018

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 2018 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 approved at the fourteenth meeting of the fourth session of the Board of the Company. 9 out of 10 eligible directors (each a “**Director**”) attended the meeting in person. Gao Song, a Director, requested for leave due to business engagement and approved Mi Shuhua, a Director, to attend the meeting and vote on behalf of him.

- 1.3 Ling Wen, Chairman of the Board of the Company, Zhang Kehui, Chief Financial Officer of the Company and Ban Jun, Head of the Accounting Department of the Company, guarantee the truthfulness, accuracy and completeness of the financial statements contained in this quarterly report.
- 1.4 The financial statements of the third quarterly report of the Company are prepared in accordance with IFRSs, but have not been audited. Please refer to section 2.2 of this report for the major differences between the financial statements prepared under the IFRSs and those under the Accounting Standards for Business Enterprises of PRC.

2. COMPANY PROFILE

From January to September 2018, China Shenhua adhered to the leadership of the Party, strengthened the establishment of the Party, advanced the Company's high-quality development and maintained at high level in various operating indicators. China Shenhua ranks fifth in the S&P Global Platts Top 250 Global Energy Company Rankings for 2018.

2.1 Major financial data

	January to September 2018	January to September 2017	Percentage change (%)
Revenue (<i>RMB million</i>)	194,084	182,535	6.3
Profit before income tax (<i>RMB million</i>)	58,249	56,797	2.6
Profit for the period (<i>RMB million</i>)	45,572	45,760	(0.4)
Profit attributable to equity holders of the Company for the period (<i>RMB million</i>)	37,207	38,610	(3.6)
Basic earnings per share (RMB/share)	1.871	1.941	(3.6)
Net cash generated from operating activities (<i>RMB million</i>)	67,822	83,814	(19.1)
Net cash generated from operating activities excluding the impact of Shenhua Finance Company (<i>RMB million</i>)	58,233	71,038	(18.0)
Net cash inflow per share generated from operating activities (<i>RMB/share</i>)	3.41	4.21	(19.1)

	As at 30 September 2018	As at 31 December 2017	Percentage change (%)
Total assets (<i>RMB million</i>)	603,946	571,602	5.7
Total liabilities (<i>RMB million</i>)	198,282	192,497	3.0
Total equity (<i>RMB million</i>)	405,664	379,105	7.0
Equity attributable to equity holders of the Company (<i>RMB million</i>)	324,647	305,541	6.3
Shareholders' equity per share (<i>RMB/share</i>)	16.32	15.36	6.3

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 2018	January to September 2017	As at 30 September 2018	As at 31 December 2017
Under the Accounting Standards for Business Enterprises	35,278	35,649	320,929	301,487
Adjustment:				
Simple production maintenance, production safety and other related expenditures	1,929	2,961	3,718	4,054
Under IFRSs	37,207	38,610	324,647	305,541

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 utilisation 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	2018		2017		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	74.2	220.0	69.6	221.3	6.6	(0.6)
2. Coal sales	million tonnes	114.7	340.0	107.8	328.3	6.4	3.6
(II) Power generation							
1. Gross power generation	billion kwh	80.07	213.66	74.61	196.66	7.3	8.6
2. Total power output dispatch	billion kwh	75.06	200.44	69.76	184.19	7.6	8.8
(III) Coal chemical							
1. Sales volume of polyethylene	kilo tonnes	67.8	239.4	79.9	251.7	(15.1)	(4.9)
2. Sales volume of polypropylene	kilo tonnes	60.7	221.0	67.4	237.8	(9.9)	(7.1)
(IV) Transportation							
1. Turnover of self-owned railway transportation	billion tonne km	72.8	211.4	69.3	205.7	5.1	2.8
2. Seaborne coal	million tonnes	69.6	199.1	63.9	195.7	8.9	1.7
Of which: Via Huanghua Port	million tonnes	50.7	142.7	45.4	137.1	11.7	4.1
Via Shenhua Tianjin Coal Dock	million tonnes	11.1	33.8	11.5	32.7	(3.5)	3.4
3. Shipment volume	million tonnes	26.5	78.1	24.1	70.1	10.0	11.4
4. Shipment turnover	billion tonne nautical miles	22.5	67.6	20.4	60.3	10.3	12.1

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	187,276
Including: Holders of A shares (including China Energy)	185,114
Registered holders of H shares	2,162

Unit: shares

Shareholding of top ten shareholders

Name of shareholder (in full)	Number of shares held at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions	Shares pledged or frozen		Nature of shareholder
				Status of shares	Number	
China Energy Investment Corporation Limited	14,530,574,452	73.06	0	Nil	N/A	State
HKSCC NOMINEES LIMITED	3,390,518,296	17.05	0	Unknown	N/A	Foreign legal person
China Securities Finance Corporation Limited	594,700,485	2.99	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	64,491,581	0.32	0	Nil	N/A	Foreign legal person
Bank of Communications – E Fund 50 Index Securities Investment Fund	20,280,967	0.10	0	Nil	N/A	Others
Industrial & Commercial Bank of China – SSE Index 50 Trading Open-end Index Securities Investment Fund	17,357,308	0.09	0	Nil	N/A	Others
Monetary Authority of Macao – Own fund	10,144,552	0.05	0	Nil	N/A	Foreign legal person
Haitong Securities Co., Ltd.	10,000,414	0.05	0	Nil	N/A	Others
National Social Security Fund 113 Package (全國社保基金一一三組合)	9,257,986	0.05	0	Nil	N/A	State

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
China Energy Investment Corporation Limited	14,530,574,452	RMB ordinary shares	14,530,574,452
HKSCC NOMINEES LIMITED	3,390,518,296	Overseas listed foreign shares	3,390,518,296
China Securities Finance Corporation Limited	594,700,485	RMB ordinary shares	594,700,485
Central Huijin Asset Management Ltd	110,027,300	RMB ordinary shares	110,027,300
Hong Kong Securities Clearing Company Limited	64,491,581	RMB ordinary shares	64,491,581
Bank of Communications – E Fund 50 Index Securities Investment Fund	20,280,967	RMB ordinary shares	20,280,967
Industrial & Commercial Bank of China – SSE Index 50 Trading Open-end Index Securities Investment Fund	17,357,308	RMB ordinary shares	17,357,308
Monetary Authority of Macao – Own fund	10,144,552	RMB ordinary shares	10,144,552
Haitong Securities Co., Ltd.	10,000,414	RMB ordinary shares	10,000,414
National Social Security Fund 113 Package	9,257,986	RMB ordinary shares	9,257,986

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. 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 Material changes in major items of accounting statements and financial indicators of the Company and the underlying reasons

From January to September 2018, revenue of the Group under the IFRSs was RMB194,084 million (for the corresponding period in 2017: RMB182,535 million), representing a year-on-year increase of 6.3%. Profit before income tax was RMB58,249 million (for the corresponding period in 2017: RMB56,797 million), representing a year-on-year increase of 2.6%. Profit attributable to equity holders of the Company for the period was RMB37,207 million (for the corresponding period in 2017: RMB38,610 million), representing a year-on-year decrease of 3.6%. As at 30 September 2018, the gearing ratio of the Group was 32.8% (as at 31 December 2017: 33.7%), representing a decrease of 0.9 percentage point as compared to the end of last year.

On 27 April 2018, the Company approved the establishment of the joint venture company at the first extraordinary general meeting for the year 2018 of the Company in relation to which the Company, with the equities and assets of the relevant coal-fired power generation companies (“**subject assets**”) and GD Power, with the equities and assets of the relevant coal-fired power generation companies, will jointly establish a joint venture company (the “**transaction for establishment of joint venture company**”). On 27 August 2018, China Energy, the controlling shareholder of the Company, and China Guodian, the controlling shareholder of GD Power, received the Inspection Decision Letter of No Prohibition Concerning Anti-monopoly Inspection of the Concentration of Undertakings (Anti-monopoly Inspection Letter [2018] No. 26) issued by the Anti-Monopoly Bureau under the State Administration for Market Regulation. The Bureau decided not to prohibit the merger between China Energy and China Guodian after review, and allowed the merger to be implemented henceforth. In accordance with the requirement of IFRS 5, as at the end of the reporting period, the Company has satisfied the conditions of classifying all of the assets and liabilities related to the subject assets into the categories of assets held for sale and liabilities held for sale.

Changes in major accounting 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 2018	January to September 2017	Percentage change (%)	Major reasons for changes
1	Revenue	194,084	182,535	6.3	A year-on-year increase in sale prices and sales volume of power and coal
2	Cost of sales	(126,293)	(118,306)	6.8	Growth in sales volume of coal and power
3	Selling expenses	(490)	(424)	15.6	Growth in related selling expenses due to an increase in sales volume of coal
4	General and administrative expenses	(6,720)	(6,022)	11.6	An increase in labor costs
5	Other gains and losses	35	601	(94.2)	Income was derived from the Group's wealth management products in the corresponding period of 2017, resulting in relatively high bases in the corresponding period last year.
6	Impairment losses, net of reversal	299	0	N/A	During the reporting period, the provision for impairment of receivables made in the previous years was partly offset; reversal of provision for depreciation of some of the inventories
7	Share of results of associates	348	412	(15.5)	A decrease in net profits of the associates during the reporting period

Unit: RMB million

No.	Items of consolidated statement of profit or loss and other comprehensive income	January to September 2018	January to September 2017	Percentage change (%)	Major reasons for changes
8	Income tax expense	(12,677)	(11,037)	14.9	Increases in profits and average income tax rate. The average income tax rate of January to September 2018 was 21.8% (for the corresponding period in 2017: 19.4%), representing a year-on-year increase of 2.4 percentage points, which was mainly attributable to the decrease in percentage of profits in the coal segment, which is entitled to more preferential tax rates, and the increase in percentage of profits in the power segment, which is entitled to less preferential tax rates, as well as the payment of income tax as required

Unit: RMB million

No.	Items of consolidated statement of financial position	As at 30 September 2018	As at 31 December 2017	Percentage change (%)	Major reasons for changes
1	Property, plant and equipment	259,346	329,970	(21.4)	Refer to “Assets held for sale”
2	Available-for-sale investments	0	854	(100.0)	Reclassification and re-measurement of financial statements line items under the revised IFRSs

Unit: RMB million

No.	Items of consolidated statement of financial position	As at 30 September 2018	As at 31 December 2017	Percentage change (%)	Major reasons for changes
3	Equity instruments at fair value through other comprehensive income	810	0	N/A	Reclassification and re-measurement of financial statements line items under the revised IFRSs
4	Assets held for sale	81,452	0	N/A	All of the assets related to subject assets involved in the transaction for establishment of joint venture company by the Company and GD Power were classified as assets held for sale
5	Accounts and bills receivables	15,008	19,455	(22.9)	Refer to “Assets held for sale”
6	Prepaid expenses and other current assets	22,900	20,452	12.0	An increase in prepaid expenses due to an increase in purchased coal, and increases in short-term loans and long-term loans due within one year issued by Shenhua Finance Company
7	Time deposits with original maturity over three months	2,450	1,870	31.0	Increase in time deposits over three months of the Company and Shenhua Finance Company
8	Cash and cash equivalents	104,067	71,872	44.8	An increase in net cash flow generated from operating activities and an increase in bank borrowings

No.	Items of consolidated statement of financial position	As at 30 September 2018	As at 31 December 2017	Percentage change (%)	Major reasons for changes
9	Short-term borrowings and long-term borrowings due within one year	7,883	15,785	(50.1)	Refer to “Liabilities held for sale”
10	Accounts and notes payables	24,486	33,914	(27.8)	A decrease in accounts and notes payable of power segment
11	Current portion of bonds	0	3,267	(100.0)	Partial USD-denominated bonds due
12	Current portion of long-term liabilities	11	345	(96.8)	A portion of long-term liabilities due within one year were classified as liabilities held for sale
13	Income tax payable	2,836	5,604	(49.4)	Settlement of enterprise income tax during the reporting period
14	Liabilities held for sale	33,654	0	N/A	All of the liabilities related to subject assets involved in the transaction for establishment of joint venture company by the Company and GD Power were classified as liabilities held for sale
15	Long-term borrowings exclusive of the part due within one year	53,355	64,321	(17.0)	Refer to “Liabilities held for sale”
16	Long-term liabilities	2,024	2,292	(11.7)	Refer to “Liabilities held for sale”

Unit: RMB million

No.	Items of the consolidated statement of cash flows	January to September 2018	January to September 2017	Percentage change (%)	Major reasons for changes
1	Net cash generated from operating activities	67,822	83,814	(19.1)	A decrease in deposits placed with Shenhua Finance Company during the reporting period; year-on-year increases in costs of purchased coal and fuel coal for power plants, as well as taxation and fees including income tax paid during the reporting period
	Including: Net cash generated from operating activities of Shenhua Finance Company ^{note}	9,589	12,776	(24.9)	
	Net cash generated from operating activities exclusive of the contribution of Shenhua Finance Company	58,233	71,038	(18.0)	
2	Net cash (used in) generated from investing activities	(13,897)	19,018	(173.1)	Redemption of wealth management products for the corresponding period last year on maturity
3	Net cash used in financing activities	(21,165)	(79,756)	(73.5)	A decrease in net cash outflow was mainly attributable to more cash inflow resulting from an increase of bank borrowings during the reporting period, and more cash outflow resulting from the distribution of special dividends in the corresponding period last year

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

3.2 Analysis on key operational indicators of the coal segment

(1) Coal sales

① Coal Sales from July to September

	July to September 2018			July to September 2017			Percentage change	
	Percentage to total		Price	Percentage to total		Price	Sales	
	Sales volume	sales volume		Sales volume	sales volume		volume	Price
	<i>Million tonnes</i>	<i>%</i>	<i>RMB/tonne</i>	<i>Million tonnes</i>	<i>%</i>	<i>RMB/tonne</i>	<i>%</i>	<i>%</i>
I. Domestic sales	114.0	99.5	427	105.8	98.1	418	7.8	2.2
(I) Self-produced coal and purchased coal	109.6	95.6	428	100.0	92.7	419	9.6	2.1
1. Direct arrival	40.5	35.3	319	36.7	34.0	314	10.4	1.6
2. Seaborne	69.1	60.3	491	63.3	58.7	479	9.2	2.5
(II) Sales of domestic trading coal	2.7	2.5	384	5.7	5.3	396	(52.6)	(3.0)
(III) Sales of imported coal	1.7	1.4	461	0.1	0.1	632	1,600.0	(27.1)
II. Export sales	0.5	0.4	606	0.6	0.6	500	(16.7)	21.2
III. Overseas sales	0.2	0.1	520	1.4	1.3	391	(85.7)	33.0
Total sales volume/average price	114.7	100.0	428	107.8	100.0	418	6.4	2.4

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 2018			January to September 2017			Percentage change	
	Percentage to total			Percentage to total				
	Sales volume	sales volume	Price	Sales volume	sales volume	Price	Sales volume	Price
	<i>Million tonnes</i>	<i>%</i>	<i>RMB/tonne</i>	<i>Million tonnes</i>	<i>%</i>	<i>RMB/tonne</i>	<i>%</i>	<i>%</i>
I. Domestic sales	336.5	99.0	430	322.4	98.2	423	4.4	1.7
(I) Self-produced coal and purchased coal	320.0	94.1	430	309.5	94.3	423	3.4	1.7
1. Direct arrival	122.4	36.0	316	115.6	35.2	309	5.9	2.3
2. Seaborne	197.6	58.1	500	193.9	59.1	491	1.9	1.8
(II) Sales of domestic trading coal	14.0	4.2	431	12.3	3.7	407	13.8	5.9
(III) Sales of imported coal	2.5	0.7	443	0.6	0.2	586	316.7	(24.4)
II. Export sales	1.5	0.4	531	1.8	0.5	433	(16.7)	22.6
III. Overseas sales	2.0	0.6	518	4.1	1.3	381	(51.2)	36.0
Total sales volume/average price	340.0	100.0	431	328.3	100.0	422	3.6	2.1

(2) Operating Results (Before elimination on consolidation)

		January to September 2018	January to September 2017	Percentage change (%)	Major reasons for changes
Revenue	<i>RMB million</i>	150,703	142,886	5.5	Sales volume and sales price of coal observed a year-on year growth
Cost of sales	<i>RMB million</i>	113,427	104,787	8.2	Growth in sales volume of coal; an increase in sales volume of purchased coal; the increase in relevant transportation costs following the increase in the sales amount of coal
Gross profit	<i>RMB million</i>	37,276	38,099	(2.2)	
Gross profit margin	%	24.7	26.7	Decreased by 2.0 percentage points	

(3) Unit Production Cost of Self-Produced Coal

Unit: RMB/tonne

	January to September 2018	January to September 2017	Percentage change (%)	Major reasons for changes
Unit production cost of self-produced coal	109.4	101.4	7.9	
Raw materials, fuel and power	21.0	17.2	22.1	Increase in the consumption of materials for enhancing earthwork stripping in open-pit mines such as Ha'erwusu Open-pit Mine, and increased fuel price
Labour costs	19.1	17.3	10.4	Wages rise in production units
Repairs and maintenance	7.5	7.0	7.1	Decrease in output and sales volume of self-produced coal
Depreciation and amortization	19.1	19.0	0.5	
Others	42.7	40.9	4.4	Decrease in output and sales volume of self-produced coal

Other expenses comprise the following three parts: ① approximately 61% was from the cost directly related to production, including washing and processing cost, and mining engineering cost, etc.; ② approximately 22% was from ancillary production cost; ③ approximately 17% was from compensation for land requisition and collapse, cost on environmental protection, tax and fees, etc.

3.3 Operation of the power segment

(1) Power generation and power output dispatch

① July to September

Location/ Type of power	Power generation (billion kWh)		Power output dispatch (billion kWh)		Average utilization hours (hours)		Power tariff (RMB/MWh)	
	July to September	July to September	July to September	July to September	July to September	July to September	July to September	July to September
	2018	2017	2018	2017	2018	2017	2018	2017
Domestic	79.64	74.20	74.68	69.40	1,367	1,305	319	312
Coal-fired power	77.70	72.48	72.78	67.72	1,378	1,318	314	307
Gas-fired power	1.71	1.49	1.68	1.45	994	865	528	571
Hydropower	0.23	0.22	0.22	0.22	1,814	1,819	189	167
Wind power	0.00	0.01	0.00	0.01	0	241	0	604
Overseas	0.43	0.41	0.38	0.36	1,429	1,385	483	472
Coal-fired power	0.43	0.41	0.38	0.36	1,429	1,385	483	472
Total/Weighted average	80.07	74.61	75.06	69.76	1,368	1,305	320	313

② January to September

Location/ Type of power	Power generation (billion kWh)		Power output dispatch (billion kWh)		Average utilization hours (hours)		Power tariff (RMB/MWh)	
	January to September	January to September	January to September	January to September	January to September	January to September	January to September	January to September
	2018	2017	2018	2017	2018	2017	2018	2017
Domestic	212.44	195.48	199.37	183.16	3,648	3,437	314	308
Coal-fired power	207.72	190.86	194.76	178.66	3,684	3,470	309	303
Gas-fired power	4.21	4.08	4.11	3.97	2,436	2,360	551	571
Hydropower	0.51	0.52	0.50	0.51	4,071	4,181	219	213
Wind power	0.00	0.02	0.00	0.02	0	1,160	0	599
Overseas	1.22	1.18	1.07	1.03	4,068	3,941	493	482
Coal-fired power	1.22	1.18	1.07	1.03	4,068	3,941	493	482
Total/Weighted average	213.66	196.66	200.44	184.19	3,528	3,440	315	309

(2) Installed Power Generators

Unit: MW

Classified by Power Type	Total installed capacity as at 31 December 2017	Newly-installed capacity from January to September 2018	Total installed capacity as of 30 September 2018
1. Coal-fired power	55,984	2,630	58,614
2. Gas-fired power	1,730	0	1,730
3. Hydropower	125	0	125
4. Wind power	16	(16)	0
Total	57,855	2,614	60,469

The changes in the installed capacity of power generators are as follows:

Company name	Location of power generators	Increase/ (decrease) in installed capacity (MW)	Description
Shenhua Guohua Jiujiang Power Co., Ltd.	Jiangxi	2,000	New power generators put into operation
Shenhua Fujian Energy Co., Ltd.	Fujian	100	Capacity expansion and upgrading
Zhejiang Guohua Zheneng Power Generation Co., Ltd.	Zhejiang	30	Capacity expansion and upgrading
Shenhua Guohua Shouguang Power Generation Company Limited	Shandong	20	Increase after review
CLP Guohua Shenmu Power Co., Ltd.	Shaanxi	(220)	Closure
Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.	Guangdong	(16)	Closure
Shenhua Shendong Shaanxi Fuping Thermal Power Generation Liability Co., Ltd.	Shaanxi	700	New power generators put into operation
Total		2,614	

(3) Operating Results (before elimination on consolidation)

		January to September 2018	January to September 2017	Percentage change (%)	Major reasons for changes
Revenue	<i>RMB million</i>	65,278	58,600	11.4	Increases in power output dispatch and power tariff
Cost of sales	<i>RMB million</i>	53,666	50,198	6.9	An increase in power output dispatch leading to a corresponding increase in cost of fuel
Gross profit	<i>RMB million</i>	11,612	8,402	38.2	
Gross profit margin	%	17.8	14.3	Increased by 3.5 percentage points	

From January to September 2018, the Group's average cost of power output dispatch of the power business was RMB262.5/MWh (for the same period in 2017: RMB266.4/MWh), representing a year-on-year decrease of 1.5%, which was mainly attributable to a dilution in fixed costs such as wages and depreciation caused by an increase in power output dispatch.

3.4 Major operation of transportation segment

1. Railway segment (before elimination on consolidation)

		January to September 2018	January to September 2017	Percentage change (%)	Major reasons for changes
Revenue	<i>RMB million</i>	29,191	27,959	4.4	An increase in transportation turnover of railways
Cost of sales	<i>RMB million</i>	14,838	14,473	2.5	An increase in transportation turnover of railways; an increase in operation frequency of third-party motor cars leading to an increase in combined freight charges
Gross profit	<i>RMB million</i>	14,353	13,486	6.4	
Gross profit margin	%	49.2	48.2	Increased by 1.0 percentage point	

2. Port segment (before elimination on consolidation)

		January to September 2018	January to September 2017	Percentage change (%)	Major reasons for changes
Revenue	<i>RMB million</i>	4,579	4,235	8.1	An increase in coal shipments
Cost of sales	<i>RMB million</i>	2,242	2,116	6.0	An increase in port loading and unloading volume, as well as an increase in dredging cost as affected by weather
Gross profit	<i>RMB million</i>	2,337	2,119	10.3	
Gross profit margin	%	51.0	50.0	Increased by 1.0 percentage point	

3. Shipping segment (before elimination on consolidation)

		January to September 2018	January to September 2017	Percentage change (%)	Major reasons for changes
Revenue	<i>RMB million</i>	3,037	2,303	31.9	An increase in shipping freight and shipping volume
Cost of sales	<i>RMB million</i>	2,342	1,779	31.6	An increase in shipping volume, relevant costs for shipping by chartering, as well as oil prices
Gross profit	<i>RMB million</i>	695	524	32.6	
Gross profit margin	%	22.9	22.8	Increased by 0.1 percentage point	

3.5 Industry environment

In the first three quarters of 2018, China has, overall, achieved a stable performance while at the same time securing progress in its macro-economy. Growth rate of the Gross Domestic Product (GDP) was 6.7%. The Producer Price Index for Industrial Products (PPI) recorded a year on-year increase of 4.0%.

From January to September, the supply and demand in domestic coal market were generally balanced with tight supply in partial periods and regions with coal prices fluctuated within at reasonable intervals. Coal prices showed slightly downward fluctuations in the early third quarter affected by an increase in contribution of hydropower and a high level of coal inventory of power plants; With procurement of coal for storage in winter started in the Northeast region, an increase in domestic purchasing from cement and other industries along with other factors, the demand for coal increased in September, with a recovery in coal prices. As of the end of September, the price index of Bohai Bay thermal coal (5,500 kcal) was RMB569/tonne, decreasing by RMB9/tonne compared with that at the beginning of the year. In the first three quarters of 2018, the average price index was RMB571/tonne, representing a year-on-year decrease of 2.8%.

From January to September, total raw coal production in the PRC was 2.59 billion tonnes, representing a year-on-year increase of 5.1%, of which raw coal production in the third quarter recorded a year-on-year increase of 5.2%. The accumulative coal import amounted to 0.23 billion tonnes, representing a year-on-year increase of 11.8%. Thermal power generation by power plants above a designated scale in China amounted to 3,691.8 billion kWh, representing a year-on-year increase of 6.9%. Affected by factors such as an increase in power consumption demand and a restriction on contribution of hydropower in the first half of the year, the average utilisation hours of thermal power equipment represented an increase of 158 hours as compared with the corresponding period of last year.

It is expected that the supply and demand of the coal market will be in balance in the fourth quarter, but the operation of the coal market may fluctuate due to factors such as the weather and uncertain hydropower output.

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

(1) Changes of senior management

On 24 August 2018, upon consideration and approval at the 12th meeting of the fourth session of the Board of the Company, Mr. Zhang Guangde has been appointed as the Vice President of the Company. For details, please refer to the H-share Announcement dated 24 August 2018 and the A-share Announcement dated 25 August 2018 of the Company.

On 13 September 2018, upon consideration and approval at the 13th meeting of the fourth session of the Board of the Company, Mr. Zhang Jiming has been appointed as the president of the Company. On 13 September 2018, due to work adjustment, Mr. Lv Zhiren conveyed to the Board his request to resign from the post of Vice President of the Company. The above resignation took effect immediately. For details, please refer to the H-share Announcement dated 13 September 2018 and the A-share Announcement dated 14 September 2018 of the Company.

On 19 October 2018, due to work adjustment, Dr. Li Dong conveyed to the Board his request to resign from the post of senior vice president. The resignation took effect immediately. Dr. Li Dong continues to serve as a director of the Company and members of Board committees. Due to work adjustment, Dr. Wang Jinli conveyed to the Board of the Company his request to resign from the post of senior vice president. The resignation took effect immediately. Due to work adjustment, Dr. Wang Shumin conveyed to the Board of the Company his request to resign from the post of vice president. The resignation took effect immediately. For details, please refer to the H-share Announcement dated 19 October 2018 and A-share Announcement dated 20 October 2018 of the Company.

(2) Progress of the merger of the group companies

According to the Inspection Decision Letter of No Prohibition Concerning Anti-monopoly Inspection of the Concentration of Undertakings (Anti-monopoly Inspection Letter [2018] No. 26) issued by the Anti-Monopoly Bureau under the State Administration for Market Regulation (for details, please refer to the H-share Announcement dated 28 August 2018 and the A-share Announcement dated 29 August 2018 of the Company), the conditions for completion of the Merger of the Group Companies as agreed under the Merger Agreement between China Energy Investment Corporation Limited and China Guodian Group Co., Ltd. signed by China Energy and China Guodian on 5 February 2018 have been fully satisfied. After the Merger of the Group Companies, the controlling shareholder and de facto controller of the Company would remain unchanged.

Given that the conditions for completion of the aforesaid Merger of the Group Companies have been fully satisfied on 27 August 2018, the Supplemental Agreement to the Existing Non-Competition Agreement entered into between the Company and China Energy (for details, please refer to the H-share Announcement dated 1 March 2018 and the A-share Announcement dated 2 March 2018 of the Company) has officially become effective.

(3) Transfer of A shares by the controlling shareholder for nil consideration

On 22 October 2018, the Company received a notice from China Energy, the controlling shareholder of the Company, that as approved by the State-owned Assets Supervision and Administration Commission of the State Council, China Energy proposed to transfer 358,932,628 A shares to Beijing Chengtong Financial Investment Co., Ltd. (“**Chengtong Financial**”) and 358,932,628 A shares to Guoxin Investment Co., Ltd. (“**Guoxin Investment**”) for nil consideration. As at the date of the disclosure of this report, the transfer has not been completed.

After this transfer, China Energy will hold 13,812,709,196 A shares, representing approximately 69.45% of the share capital of the Company; Chengtong Financial will hold 358,932,628 A shares, representing approximately 1.805% of the share capital of the Company; Guoxin Investment will hold 358,932,628 A shares, representing approximately 1.805% of the total share capital of the Company.

This transfer will not result in any change in the controlling shareholder of the Company or the de facto controller. For details, please refer to the H-share Announcement dated 23 October 2018 and A-share Announcement dated 24 October 2018 of the Company.

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

3.9 Others

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

3.10 Definition

China Energy	China Energy Investment Corporation Limited
China Energy Group	China Energy and its subsidiaries
China Shenhua/the Company The Group	China Shenhua Energy Company Limited the Company and its subsidiaries
China Guodian	China Guodian Group Co., Ltd.
Guodian Group	China Guodian and its subsidiaries
GD Power	GD Power Development Co., Ltd.
Shenhua Finance Company	Shenhua Finance Co., Ltd.
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
Reporting period	January to September 2018

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

Beijing, 30 October 2018

As at the date of this announcement, the Board comprises the following: Dr. Ling Wen, Dr. Li Dong, Mr. Gao Song and Mr. Mi Shuhua as executive directors, Mr. Zhao Jibin as non-executive director, and Dr. Tam Wai Chu, Maria, Dr. Jiang Bo, Ms. Zhong Yingjie, Christina, Dr. Peng Suping and Dr. Huang Ming as independent non-executive directors.

IV. APPENDIX

PREPARED UNDER IFRSs

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September

	2018 <i>RMB million</i> (unaudited)	2017 <i>RMB million</i> (unaudited)
Revenue	194,084	182,535
Cost of sales	(126,293)	(118,306)
Gross profit	67,791	64,229
Selling expenses	(490)	(424)
General and administrative expenses	(6,720)	(6,022)
Other gains and losses	35	601
Other income	469	655
Impairment losses, net of reversal	299	–
Other expenses	(787)	(240)
Interest income	796	923
Finance costs	(3,492)	(3,337)
Share of results of associates	348	412
Profit before income tax	58,249	56,797
Income tax expense	(12,677)	(11,037)
Profit for the period	45,572	45,760

	2018 <i>RMB million</i> (unaudited)	2017 <i>RMB million</i> (unaudited)
Other comprehensive income (expense)		
<i>Item that will not be reclassified subsequently to profit or loss, net of income tax</i>		
Remeasurement of defined benefit obligations	(24)	11
Fair value changes on investments in equity instruments at fair value through other comprehensive income	75	–
<i>Item that may be reclassified subsequently to profit or loss, net of income tax</i>		
Exchange differences	174	(64)
Share of other comprehensive income of associates	9	1
Fair value changes on available-for-sale investments	–	14
	<hr/>	<hr/>
Other comprehensive income (expense) for the period, net of income tax	234	(38)
	<hr/>	<hr/>
Total comprehensive income for the period	45,806	45,722
	<hr/> <hr/>	<hr/> <hr/>
Profit for the period attributable to:		
Equity holders of the Company	37,207	38,610
Non-controlling interests	8,365	7,150
	<hr/>	<hr/>
	45,572	45,760
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the period attributable to :		
Equity holders of the Company	37,394	38,599
Non-controlling interests	8,412	7,123
	<hr/>	<hr/>
	45,806	45,722
	<hr/> <hr/>	<hr/> <hr/>
Earnings per share (RMB)		
– Basic	1.871	1.941
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<i>Legal representative:</i>	<i>Chief Financial Officer:</i>	<i>Head of Finance Department:</i>
Ling Wen	Zhang Kehui	Ban Jun

PREPARED UNDER IFRSs**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 September 2018*

	As at 30 September 2018 RMB million (unaudited)	As at 31 December 2017 RMB million (audited)
Non-current assets		
Property, plant and equipment	259,346	329,970
Construction in progress	35,822	39,054
Exploration and evaluation assets	1,014	998
Intangible assets	3,414	3,447
Interest in associates	9,333	9,513
Available-for-sale investments	–	854
Equity instruments at fair value through other comprehensive income	810	–
Other non-current assets	28,797	33,466
Lease prepayments	15,213	17,858
Assets held-for-sale	81,452	–
Deferred tax assets	3,496	3,798
	<hr/>	<hr/>
Total non-current assets	438,697	438,958
	<hr/>	<hr/>
Current assets		
Inventories	12,657	11,647
Accounts and bills receivables	15,008	19,455
Prepaid expenses and other current assets	22,900	20,452
Restricted bank deposits	8,167	7,348
Time deposits with original maturity over three months	2,450	1,870
Cash and cash equivalents	104,067	71,872
	<hr/>	<hr/>
Total current assets	165,249	132,644
	<hr/>	<hr/>

	As at 30 September 2018 <i>RMB million</i> (unaudited)	As at 31 December 2017 <i>RMB million</i> (audited)
Current liabilities		
Borrowings	7,883	15,785
Accounts and bills payable	24,486	33,914
Accrued expenses and other payables	52,054	51,995
Current portion of medium-term notes	5,002	4,995
Current portion of bonds	–	3,267
Current portion of long-term liabilities	11	345
Income tax payable	2,836	5,604
Liabilities held for sale	33,654	–
Contract liabilities	6,695	–
	<hr/>	<hr/>
Total current liabilities	132,621	115,905
	<hr/>	<hr/>
Net current assets	32,628	16,739
	<hr/>	<hr/>
Total assets less current liabilities	471,325	455,697
	<hr/>	<hr/>
Non-current liabilities		
Borrowings	53,355	64,321
Bonds	6,833	6,485
Long-term liabilities	2,024	2,292
Accrued reclamation obligations	2,867	2,745
Deferred tax liabilities	582	749
	<hr/>	<hr/>
Total non-current liabilities	65,661	76,592
	<hr/>	<hr/>
Net assets	405,664	379,105
	<hr/> <hr/>	<hr/> <hr/>

	As at 30 September 2018 RMB million (unaudited)	As at 31 December 2017 RMB million (audited)
Equity		
Share capital	19,890	19,890
Reserves	304,757	285,651
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	324,647	305,541
Non-controlling interests	81,017	73,564
	<hr/>	<hr/>
Total equity	405,664	379,105
	<hr/> <hr/>	<hr/> <hr/>

Legal representative: **Ling Wen** *Chief Financial Officer:* **Zhang Kehui** *Head of Finance Department:* **Ban Jun**

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

	2018	2017
	<i>RMB million</i>	<i>RMB million</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Operating activities		
Cash generated from operations	83,087	95,591
Income taxes paid	(15,265)	(11,777)
Net cash generated from operating activities	67,822	83,814
Investing activities		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation of assets, and additions to construction in progress and other non-current assets	(13,089)	(15,940)
Increase in lease prepayments	(40)	(463)
Proceeds from disposal of property, plant and equipment, intangible assets and lease prepayments	463	2,265
Proceeds from disposal of an available-for-sale investment and an associate	2	59,490
Investments in associates	(704)	(130)
Dividend received from associates	51	8
Interest received	712	1,037
Proceeds from disposal of derivative financial instruments	106	4
Net increase in restricted bank deposits	(818)	827
Increase in time deposits with original maturity over three months	(2,213)	(1,912)
Maturity of time deposits with original maturity over three months	1,633	3,235
Investment expenditure in entrusted loans and entrusted wealth management products	–	(29,403)
Net cash (used in) generated from investing activities	(13,897)	19,018

	2018 <i>RMB million</i> (unaudited)	2017 <i>RMB million</i> (unaudited)
Financing activities		
Interest paid	(3,188)	(4,110)
Proceeds from borrowings	31,562	15,968
Repayments of borrowings	(23,439)	(30,989)
Repayments of short-term bonds	(3,208)	–
Proceeds from bills discounted	29	25
Contributions from non-controlling shareholders	189	1,044
Distribution to non-controlling shareholders	(4,800)	(2,622)
Distribution to shareholders of the Company	(18,310)	(59,072)
Net cash used in financing activities	(21,165)	(79,756)
Net increase in cash and cash equivalents	32,760	23,076
Cash and cash equivalents as at the beginning of the period	71,872	41,188
Effect of foreign exchange rate changes	71	(153)
Cash and cash equivalents as at the end of the period	104,703	64,111

Legal representative: **Ling Wen** *Chief Financial Officer:* **Zhang Kehui** *Head of Finance Department:* **Ban Jun**