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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 2016**

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 2016 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 nineteenth meeting of the third session of the Board of the Company. All directors of the Company attended the meeting.
- 1.3 Zhang Yuzhuo, 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 2.3 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.
- 1.5 Restatement: In October 2015, the Company acquired 100% equity interests in Ningxia Guohua Ningdong Power Generation Co., Ltd., 100% equity interests in Guohua Xuzhou Power Generation Company Limited and 51% equity interests in Shenhua Guohua (Zhoushan) Power Generation Co., Ltd. held by Shenhua Group Corporation through consolidation under common control. This report has correspondingly restated the financial and business data for the year 2015.

## 2. COMPANY PROFILE

### 2.1 Major financial indicators

	<b>January to September 2016</b>	January to September 2015 (restated)	Percentage change %
Basic earnings per share ( <i>RMB/share</i> )	<b>0.938</b>	0.961	(2.4)
Net cash generated from operating activities per share ( <i>RMB/share</i> )	<b>3.13</b>	1.86	67.9
Revenue ( <i>RMB million</i> )	<b>124,803</b>	134,814	(7.4)
Profit before income tax ( <i>RMB million</i> )	<b>32,071</b>	32,827	(2.3)
Profit for the period ( <i>RMB million</i> )	<b>24,964</b>	25,779	(3.2)
Profit attributable to equity holders of the Company for the period ( <i>RMB million</i> )	<b>18,648</b>	19,107	(2.4)
Net cash generated from operating activities ( <i>RMB million</i> )	<b>62,174</b>	37,025	67.9
Net cash generated from operating activities excluding the impact of Shenhua Finance Company ( <i>RMB million</i> )	<b>71,453</b>	32,406	120.5

	As at 30 September 2016	As at 31 December 2015	Percentage change %
Total assets ( <i>RMB million</i> )	<b>571,254</b>	559,791	2.0
Total liabilities ( <i>RMB million</i> )	<b>191,821</b>	195,870	(2.1)
Total equity ( <i>RMB million</i> )	<b>379,433</b>	363,921	4.3
Equity attributable to equity holders of the Company ( <i>RMB million</i> )	<b>310,574</b>	298,068	4.2
Shareholders' equity per share ( <i>RMB/share</i> )	<b>15.61</b>	14.99	4.2

## 2.2 Major operational data

		2016		2015 (restated)		Percentage change year-on-year (%)	
Operational indicators	Unit	July to September	January to September	July to September	January to September	July to September	January to September
<b>(I) Coal</b>							
1. Commercial coal production	million tonnes	<b>73.6</b>	<b>213.3</b>	71.2	210.6	3.4	1.3
2. Coal sales	million tonnes	<b>101.9</b>	<b>288.2</b>	101.1	278.9	0.8	3.3
Of which: Self-produced coal	million tonnes	<b>75.5</b>	<b>215.1</b>	77.5	215.8	(2.6)	(0.3)
Coal purchased from third parties	million tonnes	<b>26.4</b>	<b>73.1</b>	23.6	63.1	11.9	15.8
<b>(II) Power generation</b>							
1. Gross power generation	billion kwh	<b>63.86</b>	<b>174.87</b>	58.51	168.71	9.1	3.7
2. Total power output dispatch	billion kwh	<b>59.44</b>	<b>163.34</b>	54.37	157.18	9.3	3.9
<b>(III) Coal chemical</b>							
1. Sales volume of polyethylene	kilo tonnes	<b>84.2</b>	<b>213.8</b>	80.2	243.4	5.0	(12.2)
2. Sales volume of polypropylene	kilo tonnes	<b>81.2</b>	<b>206.0</b>	75.9	229.1	7.0	(10.1)
<b>(IV) Transportation</b>							
1. Turnover of self-owned railway transportation	billion tonne km	<b>61.4</b>	<b>181.2</b>	50.2	148.7	22.3	21.9
2. Seaborne coal	million tonnes	<b>58.0</b>	<b>170.3</b>	55.5	153.4	4.5	11.0
Of which: Via Huanghua Port	million tonnes	<b>41.9</b>	<b>118.4</b>	31.6	83.0	32.6	42.7
Via Shenhua Tianjin Coal Dock	million tonnes	<b>9.8</b>	<b>30.2</b>	9.7	29.7	1.0	1.7
3. Shipment volume	million tonnes	<b>20.9</b>	<b>57.2</b>	20.9	60.7	0.0	(5.8)
4. Shipment turnover	billion tonne nautical miles	<b>17.2</b>	<b>46.2</b>	16.2	49.0	6.2	(5.7)

## 2.3 Major differences between financial statements prepared under different accounting standards

*Unit: RMB million*

Items	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company	
	January to September 2016	January to September 2015 (restated)	As at 30 September 2016	As at 31 December 2015
Under the Accounting Standards for Business Enterprises	<b>17,307</b>	17,193	<b>305,789</b>	292,790
Adjustments: Simple production maintenance, production safety and other related expenditures	<b>1,341</b>	1,914	<b>4,785</b>	5,278
Under IFRSs	<b>18,648</b>	19,107	<b>310,574</b>	298,068

*Note:* 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.

## 2.4 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	207,187
Including: Number of registered holders of A shares	204,820
Number of registered holders of H shares	2,367

### Shareholding of top ten shareholders

Name of shareholder (in full)	Number of shares		Number of shares held subject to selling restrictions	Shares pledged or frozen		Nature of shareholder
	held at the end of the period	Percentage (%)		Status of shares	Number	
Shenhua Group Corporation Limited	14,530,574,452	73.06	0	Nil	N/A	State
HKSCC NOMINEES LIMITED	3,390,219,309	17.05	0	Unknown	N/A	Foreign legal person
China Securities Finance Corporation Limited	571,607,143	2.87	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	67,562,482	0.34	0	Nil	N/A	Foreign legal person
Bank of China Limited – China Merchants Fengqing Flexible Configuration Hybrid Initiated Securities Investment Fund	25,159,394	0.13	0	Nil	N/A	Others
National Social Security Fund 504 Portfolio	15,000,000	0.08	0	Nil	N/A	State
Industrial & Commercial Bank of China – SSE Index 50 Trading Open-end Index Securities Investment Fund	14,808,126	0.07	0	Nil	N/A	Others
Industrial & Commercial Bank of China Limited Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund	14,014,887	0.07	0	Nil	N/A	Others
Bank of Communications – E Fund 50 Index Securities Investment Fund	11,023,687	0.06	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	3,390,219,309	Overseas listed foreign shares	3,390,219,309
China Securities Finance Corporation Limited	571,607,143	RMB ordinary shares	571,607,143
Central Huijin Asset Management Ltd.	110,027,300	RMB ordinary shares	110,027,300
Hong Kong Securities Clearing Company Limited	67,562,482	RMB ordinary shares	67,562,482
Bank of China Limited – China Merchants Fengqing Flexible Configuration Hybrid Initiated Securities Investment Fund	25,159,394	RMB ordinary shares	25,159,394
National Social Security Fund 504 Portfolio	15,000,000	RMB ordinary shares	15,000,000
Industrial & Commercial Bank of China – SSE Index 50 Trading Open-end Index Securities Investment Fund	14,808,126	RMB ordinary shares	14,808,126
Industrial & Commercial Bank of China Limited Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund	14,014,887	RMB ordinary shares	14,014,887
Bank of Communications – E Fund 50 Index Securities Investment Fund	11,023,687	RMB ordinary shares	11,023,687

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 Open-end 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
<i>Note:</i> 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 2016, revenue of the Group under the IFRSs was RMB124,803 million (for the nine months ended 30 September 2015: RMB134,814 million (restated)), representing a year-on-year decrease of 7.4%. Profit before income tax was RMB32,071 million (for the corresponding period in 2015: RMB32,827 million (restated)), representing a year-on-year decrease of 2.3%. Profit attributable to equity holders of the Company for the period was RMB18,648 million (for the corresponding period in 2015: RMB19,107 million (restated)), representing a year-on-year decrease of 2.4%.

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 and loss and other comprehensive income	January to September 2016	January to September 2015 (restated)	Percentage change %	Major reasons for changes
1	Revenue	124,803	134,814	(7.4)	A decrease in sales price of power as compare with the same period of last year; a decrease in the volume of material trading business
2	Cost of sales	(82,501)	(92,264)	(10.6)	A decrease in production cost of self-produced coal and a decrease in cost of externally purchased coal; a decrease in external transportation expenses; and a decrease in the volume of material trading business



No.	Items of consolidated statement of profit and loss and other comprehensive income	January to September 2016	January to September 2015 (restated)	Percentage change %	Major reasons for changes
3	Other gains and losses	(158)	(489)	(67.7)	Provisions for impairment loss of the power generation facilities and related equipment owned by Beijing Thermal due to its closure in the same period of last year
4	Other income	1,033	914	13.0	Beijing Gas commenced production in the second half of last year, and the Company received more government subsidies for gas power generation
5	Interest income	351	709	(50.5)	A decrease in gains from external loans as compared with the same period of last year; a decrease in interest rate resulted in a decrease in the interest income
6	Finance costs	(4,266)	(3,837)	11.2	The commencement of operation of newly constructed railways led to a decrease in capitalized interests, and an increase in interest costs included in finance costs; appreciation of Japanese Yen resulted in an increase in the exchange loss in borrowings denominated in Japanese Yen
7	Profits and losses attributable to associate	148	250	(40.8)	The capital checkup and verification of subordinate units of the associative power generation enterprises resulted in a decrease in gains

*Unit: RMB million*

No.	Items of consolidated statement of financial position	As at 30 September 2016	As at 31 December 2015	Percentage change %	Major reasons for changes
1	Construction in progress	<b>37,608</b>	33,610	11.9	An increase in the investment in construction projects of power and transportation segments
2	Inventories	<b>14,739</b>	12,816	15.0	An increase in coal inventories and spare parts
3	Accounts and bills receivable	<b>22,525</b>	41,019	(45.1)	A decrease in the sales of power, and the settlement for the sales of power and coal resulting in a decrease in accounts receivable; due payment of bills and a decrease in bank acceptances
4	Prepaid expenses and other current assets	<b>17,009</b>	19,351	(12.1)	A decrease in the short-term loans issued by Shenhua Finance Company; a decrease in input value-added tax to be deducted in the next period
5	Cash and cash equivalents	<b>73,332</b>	42,323	73.3	Due payment of bank acceptances; an increase in the collection of accounts receivable
6	Short-term debenture	<b>0</b>	4,998	(100.0)	Due repayment of super-short-term financing bonds
7	Accounts and bills payable	<b>31,172</b>	33,990	(8.3)	Settlement of project payments of previous years; a decrease in outsourcing projects and services resulting in a decrease in the accounts payable
8	Long-term payables due within one year	<b>20,324</b>	203	9,911.8	An increase in the medium-term bills due within one year
9	Long-term borrowings	<b>60,983</b>	54,179	12.6	An increase in long-term borrowings from power generation, transportation and coal chemical segments
10	Medium-term bills	<b>4,929</b>	24,955	(80.2)	The medium-term bills will be due within one year, and will be reclassified as long-term payables due within one year

*Unit: RMB million*

No.	Items of the consolidated statement of cash flows	From January to September 2016	From January to September 2015 (restated)	Percentage change %	Major reasons for changes
1	Net cash generated from operating activities	<b>62,174</b>	37,025	67.9	
	Including: Net cash (used in) generated from operation of Shenhua Finance Company <sup>Note</sup>	<b>(9,279)</b>	4,619	(300.9)	A decrease in deposits placed with Shenhua Finance Company; settlement of matured bank acceptance bills receivable and an increase in collection of accounts receivable; a decrease in cost resulting in a decrease in the cash payments for procurement
	Net cash generated from operating activities excluding the impact of Shenhua Finance Company	<b>71,453</b>	32,406	120.5	
2	Net cash used in investing activities	<b>(16,377)</b>	(15,458)	5.9	An increase in time deposits in financial institutions and a decrease in cash paid to acquire long-term assets
3	Net cash used in financing activities	<b>(14,853)</b>	(10,642)	39.6	Year-on-year decrease in net amount of external debt financing

*Note:* Shenhua Finance Company has provided 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 volume and price

To deal with the impact on significant fluctuation in market price of coal in the third quarter, the Group closely followed up with the changes of relations between market supply and demand. Under restricted increase in the amount of self-produced coal, efforts in improving the organization of coal resources have been increased, while the sale volume of seaborne coal purchased from third parties has been increased moderately, and a market-oriented sales strategy has been adopted.

#### ① Coal Sales from July to September

*Currency: RMB*

	July to September 2016			July to September 2015 (restated)			Change	
	Percentage		Price	Percentage		Price	Sales volume	Price
	Sales volume	to total sales		Sales volume	to total sales			
	million tonnes	%		million tonnes	%			
<b>I. Domestic sales</b>	<b>99.2</b>	<b>97.3</b>	<b>304</b>	99.8	98.7	276	(0.6)	10.1
(I) Self-produced coal and purchased coal	<b>97.0</b>	<b>95.1</b>	<b>306</b>	97.2	96.1	277	(0.2)	10.5
1. Direct arrival	<b>39.7</b>	<b>38.9</b>	<b>213</b>	42.0	41.5	206	(5.5)	3.4
2. Seaborne	<b>57.3</b>	<b>56.2</b>	<b>370</b>	55.2	54.6	331	3.8	11.8
(II) Sales of domestic trading coal	<b>2.2</b>	<b>2.2</b>	<b>244</b>	2.5	2.5	234	(12.0)	4.3
(III) Sales of imported coal	<b>0</b>	<b>0.0</b>	<b>N/A</b>	0.1	0.1	497	(100.0)	N/A
<b>II. Export sales</b>	<b>0.7</b>	<b>0.7</b>	<b>375</b>	0.2	0.2	403	250.0	(6.9)
<b>III. Overseas sales</b>	<b>2.0</b>	<b>2.0</b>	<b>292</b>	1.1	1.1	196	81.8	49.0
(I) EMM Nansu	<b>0.5</b>	<b>0.5</b>	<b>148</b>	0.6	0.6	90	(16.7)	64.4
(II) Re-export trade	<b>1.5</b>	<b>1.5</b>	<b>336</b>	0.5	0.5	320	200.0	5.0
<b>Total sales volume/weighted average price</b>	<b>101.9</b>	<b>100.0</b>	<b>305</b>	101.1	100.0	275	0.8	10.9

② Coal Sales from January to September

*Currency: RMB*

	January to September 2016			January to September 2015 (restated)			Change	
	Percentage		Price	Percentage		Price	Sales	
	Sales	to total		Sales	to total		volume	Price
	volume million tonnes	sales %		volume million tonnes	sales %		volume %	Price %
<b>I. Domestic sales</b>	<b>282.4</b>	<b>98.0</b>	<b>283</b>	275.2	98.7	302	2.6	(6.3)
(I) Self-produced coal and purchased coal	277.9	96.5	284	265.2	95.2	300	4.8	(5.3)
1. Direct arrival	109.6	38.1	205	112.7	40.5	227	(2.8)	(9.7)
2. Seaborne	168.3	58.4	336	152.5	54.7	354	10.4	(5.1)
(II) Sales of domestic trading coal	4.4	1.5	185	9.9	3.5	344	(55.6)	(46.2)
(III) Sales of imported coal	0.1	0.0	366	0.1	0.0	370	0.0	(1.1)
<b>II. Export sales</b>	<b>2.0</b>	<b>0.7</b>	<b>392</b>	0.8	0.3	449	150.0	(12.7)
<b>III. Overseas sales</b>	<b>3.8</b>	<b>1.3</b>	<b>239</b>	2.9	1.0	230	31.0	3.9
(I) EMM Nansu	1.4	0.5	96	1.4	0.5	85	0.0	12.9
(II) Re-export trade	2.4	0.8	320	1.5	0.5	367	60.0	(12.8)
<b>Total sales volume/weighted average price</b>	<b>288.2</b>	<b>100.0</b>	<b>283</b>	278.9	100.0	301	3.3	(6.0)

*Note:* The above coal prices were exclusive of value-added tax and the weighted average sales prices were affected by sales mode, product quality and various trading mode.

**(2) The Operating Results of the Coal Segment**

*Currency: RMB*

		January to September 2016	January to September 2015 (restated)	Change %	Main reasons for changes
Revenue	RMB million	<b>85,197</b>	93,287	(8.7)	A year-on-year decrease in coal sales prices and a decrease in business volume of material trading
Cost of sales	RMB million	<b>72,618</b>	80,257	(9.5)	A decrease in unit production cost of coal and a decrease in business volume of material trading
Gross profit	RMB million	<b>12,579</b>	13,030	(3.5)	
Gross profit margin	%	<b>14.8</b>	14.0	Increased by 0.8 percentage point	

**(3) Unit Production Cost of Self-Produced Coal**

*Currency: RMB*

	January to September 2016 RMB/tonne	January to September 2015 (restated) RMB/tonne	Change %	Main reasons for changes
<b>Unit production cost of self-produced coal</b>	<b>103.0</b>	116.4	(11.5)	
Raw materials, fuel and power	<b>18.7</b>	20.2	(7.4)	A decrease in tunneling footage for underground mines
Labour costs	<b>17.1</b>	16.8	1.8	
Repairs and maintenance	<b>6.7</b>	9.0	(25.6)	Maintenance cycle was duly extended on the premise of guarantee of safety and normal production
Depreciation and amortization	<b>20.1</b>	23.0	(12.6)	Part of the long-term deferred expenses (including compensation for land requisition, etc.) of the same period of last year have been amortized
Others	<b>40.4</b>	47.4	(14.8)	A decrease in the mine construction fees, taxation and compensation for land subsidence

Other expenses comprise the following three parts:

- (1) approximately 69% was from the cost directly related to production, including washing and processing cost, and mining engineering cost, etc.;
- (2) approximately 10% was from ancillary production cost;
- (3) approximately 21% was from compensation for land requisition and collapse, cost on environmental protection and fees levied by local governments, etc.

### 3.3 Analysis on Key Operational Indicators of the Power Segment of the Group

#### (1) Power Generation and Power Output Dispatch

##### 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>
<b><u>Domestic</u></b>	<b>63.44</b>	<b>59.08</b>	<b>1,174</b>	<b>301</b>
Coal-fired power	61.76	57.44	1,184	297
Wind power <sup>Note</sup>	0.00	0.00	321	604
Hydropower	0.23	0.23	1,837	197
Gas-fired power	1.45	1.41	836	453
<b><u>Overseas</u></b>	<b>0.42</b>	<b>0.36</b>	<b>1,395</b>	<b>460</b>
Coal-fired power	0.42	0.36	1,395	460
<b><u>Total/Weighted average</u></b>	<b>63.86</b>	<b>59.44</b>	<b>1,175</b>	<b>302</b>

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

##### ② January to September

Location/ Type of power	Total Power Generation <i>billion kwh</i>	Total Power Output Dispatch <i>billion kwh</i>	Average utilization hours <i>Hours</i>	Power tariff <i>RMB/MWh</i>
<b><u>Domestic</u></b>	<b>173.62</b>	<b>162.25</b>	<b>3,212</b>	<b>303</b>
Coal-fired power	168.60	157.36	3,231	299
Wind power	0.02	0.02	1,435	597
Hydro power	0.51	0.50	4,073	226
Gas-fired power	4.49	4.37	2,594	459
<b><u>Overseas</u></b>	<b>1.25</b>	<b>1.09</b>	<b>4,156</b>	<b>443</b>
Coal-fired power	1.25	1.09	4,156	443
<b><u>Total/Weighted average</u></b>	<b>174.87</b>	<b>163.34</b>	<b>3,172</b>	<b>304</b>



**(2) Installed Power Generators**

*Unit: MW*

<b>Classified by Power Type</b>	<b>Total installed capacity as at 31 December 2015</b>	<b>Newly-added installed capacity from January to September 2016</b>	<b>Total installed capacity as at 30 September 2016</b>
1. Coal-fired power	52,257	1,000	<b>53,257</b>
2. Wind power	16	0	<b>16</b>
3. Hydro power	125	0	<b>125</b>
4. Gas-fired power	1,730	0	<b>1,730</b>
<b>Total</b>	<b>54,128</b>	<b>1,000</b>	<b>55,128</b>

In August 2016, generating unit No. 1 of Guohua Shouguang Power Plant (1,000 MW) of the Group has commenced operation and is the first “ultra-low emission” coal-fired generating unit constructed by the Group in Shangdong province.

### (3) *The Operating Results of the Power Segment*

*Currency: RMB*

		January to September 2016	January to September 2015 (restated)	Percentage change %	Major reasons for changes
Revenue	RMB million	<b>51,108</b>	54,840	(6.8)	A decrease in price of sales of power
Cost of sales	RMB million	<b>36,526</b>	37,130	(1.6)	A decrease in price of fuel procurement of coal-fired power plant
Gross profit	RMB million	<b>14,582</b>	17,710	(17.7)	
Gross profit margin	%	<b>28.5</b>	32.3	Decreased by 3.8 percentage points	

From July to September in 2016, the Group's average power tariff of the power segment was RMB302/MWh (for the same period in 2015: RMB325/MWh (restated)), representing a year-on-year decrease of 7.1%, and the average cost of power output dispatch was RMB220.8/MWh (for the same period in 2015: RMB223.1/MWh (restated)), representing a year-on-year decrease of 1.0%.

From January to September in 2016, the Group's average power tariff of the power segment was RMB304/MWh (for the same period in 2015: RMB336/MWh (restated)), representing a year-on-year decrease of 9.5%, and the average cost of power output dispatch was RMB219.1/MWh (for the same period in 2015: RMB228.7/MWh (restated)), representing a year-on-year decrease of 4.2%, mainly due to the decrease in price of fuel procurement of coal-fired power plants.

### **3.4 Transportation business operation**

Transportation business closely serves the integrated operation, spares no effort to safeguard the coal transportation of Shenhua, actively cooperates with market sales, and vigorously develops the logistics business, while the revenue-generating efficiency of railway and port segments is remarkable.

Upon commencement of operation of Zhunchi Railway, transportation network of the Group's self-owned railways was further improved, and the railway transportation capacity was significantly enhanced, and the proportion of seaborne coal transported to the ports through the self-owned railways is continuously increasing. The Group actively promoted coal transportation, non-coal transportation and reverse transportation for third parties, leading to rapid development of logistics business. In the first three quarters of 2016, the turnover of self-owned railways transportation of the Group reached 181.2 billion tonne kilometers, representing a year-on-year increase of 21.9%; the operating income realized in railway segment was RMB24,477 million (for the same period in 2015: RMB20,148 million (restated)), representing a year-on-year increase of 21.5%.

With an increase in sales volume of seaborne coal, operation capacity of the Group's self-owned ports was fully utilized. In the first three quarters, the seaborne coal volume via the Group's self-owned ports reached 151.8 million tonnes, representing a year-on-year increase of 29.2%. In particular, the seaborne coal volume via Huanghua Port reached 118.4 million tonnes, representing a year-on-year increase of 42.7% and the loading and unloading unit cost of the port dropped significantly. The operating income realized in the port segment was RMB3,728 million (for the same period in 2015: RMB2,713 million (restated)), representing a year-on-year increase of 37.4%.

### 3.5 Industry environment

In the first three quarters of 2016, facing complex domestic and international environment, the Chinese government moderately expanded the total demand while accelerated the promotion of the supply-side structural reform, and the national economy has run smoothly and stably with moderate growth. China's gross domestic product (GDP) grew by 6.7% year-on-year, representing a decrease in the rate of growth of 0.2 percentage point over the same period of last year. The prices of industrial products (PPI) in respect of industrial manufacturers decreased by 2.9% year-on-year (decreased by 5.0% year-on-year in the first three quarters of 2015), among which, the PPI in September increased by 0.1% year-on-year, and it is the first time to turn negative to positive since March 2012.

In the first half of the year, the coal industry further promoted the implementation of the policy of reform of the supply-side and the coal price has rallied at the beginning of the year. The coal mines in the PRC have implemented a system of 276 working days each year since 1 May, and the coal supply volume was restrained. The coal market has turned to a direction in favorable to the supplier. The price index of monthly average price of Bohai Bay thermal coal (5,500 Kcal) has been continuously increasing from the lowest price at RMB372/tonne since January. However, as the index at the beginning of the year was in a low level, the average price of the index from January to June decreased by 16.5% year-on-year as compared to the same period of last year. Since July, the production of coal-fired power and the demand of thermal coal have been increasing, balanced supply and demand of coal turned into tight supply in certain areas in a short period, resulting in a rapid escalation of coal price. As of the end of September, the price index of Bohai Bay thermal coal (5,500 Kcal) rebounded at RMB561/tonne, representing an increase of 51.2% when compared with that at the beginning of the year, and continuously increased to RMB593/tonne as of 26 October. The index of average price in the third quarter increased by 15.9% year-on-year.

From January to September, 2.46 billion tonnes of raw coal were produced across the country, down 10.5% year-on-year; the production volume of raw coal for the third quarter decreased by 11.1% year-on-year, among which, a year-on-year decrease in September reached 12.3%. The consumption of coal in the country amounted to 2.84 billion tonnes<sup>1</sup>, down 2.4% year-on-year, among which, the coal consumption in power industry had a relatively rapid growth in the third quarter. A total of 0.18 billion tonnes of coal were imported, up 15.2% year-on-year. Thermal power generation by power plants above a certain size across the country amounted to 3,228.9 billion kWh,

<sup>1</sup> *Source: China National Coal Association*

up 0.8% year-on-year, among which, the power generation from July to September increased by 10.0% year-on-year, representing an increase of 7.6 percentage points as compared with the same period of last year. However, due to the impact of factors such as the increase of the installed capacity of the thermal power units, the average utilization hours of the generating units represented a year-on-year decrease of 213 hours.

In the fourth quarter, the use of coal for heating purposes in winter will lead to the entry of traditional peak season in coal demand. To restrain the growth of coal price at a excessive speed so as to promote the long-lasting, effective and stable development for elimination of industrial overcapacity, the government has initiated a proposal to provide stable coal supply to restrain the rapid rise of coal price, and will tentatively release certain safe, efficient and advanced capacity in an orderly manner from 1 October 2016 to 31 December 2016. In October, the supply and demand in domestic coal market were abundant and there was a continuous increase in coal price. It is expected that, under favorable market conditions, there will be an increase in coal supply and there will be sufficient resources in November. During the fourth quarter, overall supply and demand will be abundant and the market will gradually be stable.

*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

### 3.7 Commitments by the Company and shareholders with shareholding of 5% or above and the performance thereof

✓ Applicable ☐ Not applicable

Background of Commitment	Type of Commitment	Party Making the Commitment	Commitment	Time and Duration of Commitment	Any Time Limit for Commitment	Timely and Strict Performance of Commitment
Commitment in relation to initial public offering	Non-competition undertaking	Shenhua Group Corporation	The Company and Shenhua Group entered into a "Non-competition Agreement" on 24 May 2005. Pursuant to the agreement, Shenhua Group has committed not to compete with the Company in respect of the Company's principal businesses whether in or outside of the PRC, and granted the Company priority trading and preemptive right to acquire and be transferred from Shenhua Group any business opportunities and assets which may pose potential competition in the same sector.	24 May 2005, long-term	Yes. China Shenhua announced to the public in June 2014: China Shenhua will initiate the acquisition (to submit the asset acquisition proposal to relevant internal authorities of China Shenhua for approval) of 14 assets of Shenhua Group and its subsidiaries by 30 June 2019.	Yes, performance is in progress.
Other commitments	Commitments relating to increase of shareholding	Shenhua Group Corporation	Shenhua Group Corporation plans to increase its shareholding in the A shares of the Company under its own name through the securities trading system of Shanghai Stock Exchange within 12 months from 8 July 2015. Shenhua Group Corporation committed it will not reduce its shareholding in the Company during the implementation period of the increase in shareholding and within the statutory restricted period.	8 July 2015, from 8 July 2015 to 7 July 2016	Yes	Yes, performance has been fulfilled.

**3.8 Warnings and explanations in respect of 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**

Shenhua Group Corporation	Shenhua Group Corporation Limited
Shenhua Group	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
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	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, 28 October 2016

*As at the date of this announcement, the Board comprises the following: Dr. Zhang Yuzhuo, Dr. Ling Wen, Dr. Han Jianguo and Dr. Li Dong as executive directors, Mr. Chen Hongsheng and Mr. Zhao Jibin as non-executive directors, and Ms. Fan Hsu Lai Tai, Mr. Gong Huazhang and Mr. Guo Peizhang 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*

	<b>2016</b> <i>RMB million</i> <b>(unaudited)</b>	<b>2015</b> <i>RMB million</i> <b>(unaudited)</b> <b>(restated)</b>
<b>Revenue</b>	<b>124,803</b>	134,814
<b>Cost of sales</b>	<b>(82,501)</b>	(92,264)
<b>Gross profit</b>	<b>42,302</b>	42,550
Selling, general and administrative expenses	<b>(6,877)</b>	(6,954)
Other gains and losses	<b>(158)</b>	(489)
Other income	<b>1,033</b>	914
Other expenses	<b>(462)</b>	(316)
Interest income	<b>351</b>	709
Finance costs	<b>(4,266)</b>	(3,837)
Share of results of associates	<b>148</b>	250
<b>Profit before income tax</b>	<b>32,071</b>	32, 827
Income tax expense	<b>(7,107)</b>	(7,048)
<b>Profit for the period</b>	<b>24,964</b>	25,779
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Remeasurement of defined benefit obligations	<b>(7)</b>	(5)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences	<b>227</b>	27
Share of other comprehensive income of associates	<b>15</b>	0
<b>Total comprehensive income for the period</b>	<b>25,199</b>	25,801



	<b>2016</b> <i>RMB million</i> (unaudited)	2015 <i>RMB million</i> (unaudited) (restated)
<b>Profit for the period attributable to:</b>		
Equity holders of the Company	<b>18,648</b>	19,107
Non-controlling interests	<b>6,316</b>	6,672
	<hr/> <b>24,964</b>	<hr/> 25,779
<b>Total comprehensive income for the period attributable to:</b>		
Equity holders of the Company	<b>18,871</b>	19,120
Non-controlling interests	<b>6,328</b>	6,681
	<hr/> <b>25,199</b>	<hr/> 25,801
<b>Earnings per share (RMB)</b>		
– Basic	<b>0.938</b>	0.961
	<hr/> <hr/>	<hr/> <hr/>

*Chairman:*  
**Zhang Yuzhuo**

*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 2016*

	<b>As at 30 September 2016 RMB million (unaudited)</b>	<b>As at 31 December 2015 RMB million (audited)</b>
<b>Non-current assets</b>		
Property, plant and equipment	<b>329,407</b>	339,326
Construction in progress	<b>37,608</b>	33,610
Exploration and evaluation assets	<b>2,365</b>	2,176
Intangible assets	<b>2,889</b>	2,964
Interest in associates	<b>5,265</b>	5,113
Available-for-sale investments	<b>1,795</b>	1,795
Other non-current assets	<b>36,343</b>	34,562
Lease prepayments	<b>16,461</b>	16,535
Deferred tax assets	<b>2,635</b>	2,674
<b>Total non-current assets</b>	<b>434,768</b>	438,755
<b>Current assets</b>		
Inventories	<b>14,739</b>	12,816
Accounts and bills receivable	<b>22,525</b>	41,019
Prepaid expenses and other current assets	<b>17,009</b>	19,351
Restricted bank deposits	<b>5,460</b>	4,611
Time deposits with original maturity over three months	<b>3,421</b>	916
Cash and cash equivalents	<b>73,332</b>	42,323
<b>Total current assets</b>	<b>136,486</b>	121,036

	As at 30 September 2016 <i>RMB million</i> (unaudited)	As at 31 December 2015 <i>RMB million</i> (audited)
<b>Current liabilities</b>		
Borrowings	12,102	12,812
Short-term debenture	0	4,998
Accounts and bills payable	31,172	33,990
Accrued expenses and other payables	44,607	47,519
Current portion of long-term liabilities	20,324	203
Income tax payable	2,207	1,965
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>110,412</b>	101,487
	<hr/>	<hr/>
<b>Net current assets</b>	<b>26,074</b>	19,549
	<hr/>	<hr/>
<b>Total assets less current liabilities</b>	<b>460,842</b>	458,304
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Borrowings	60,983	54,179
Medium-term notes	4,929	24,955
Bonds	9,936	9,651
Long-term liabilities	2,360	2,523
Accrued reclamation obligations	2,386	2,197
Deferred tax liabilities	815	878
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>81,409</b>	94,383
	<hr/>	<hr/>
<b>Net assets</b>	<b>379,433</b>	363,921
	<hr/> <hr/>	<hr/> <hr/>

	<b>As at 30 September 2016 RMB million (unaudited)</b>	<b>As at 31 December 2015 RMB million (audited)</b>
<b>Equity</b>		
Share capital	<b>19,890</b>	19,890
Reserves	<b>290,684</b>	278,178
	<hr/>	<hr/>
<b>Equity attributable to equity holders of the Company</b>	<b>310,574</b>	298,068
Non-controlling interests	<b>68,859</b>	65,853
	<hr/>	<hr/>
<b>Total equity</b>	<b>379,433</b>	363,921
	<hr/> <hr/>	<hr/> <hr/>

*Chairman:*  
**Zhang Yuzhuo**

*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*

	<b>2016</b>	2015
	<b><i>RMB million</i></b>	<i>RMB million</i>
	<b>(unaudited)</b>	(unaudited)
		(restated)
<b>Operating activities</b>		
Cash generated from operations	<b>55,077</b>	45,023
Income taxes paid	<b>7,097</b>	(7,998)
<b>Net cash generated from operating activities</b>	<b>62,174</b>	37,025
<b>Investing activities</b>		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, and additions to construction in progress and other non-current assets	<b>(13,546)</b>	(16,110)
Increase in lease prepayments	<b>(244)</b>	(46)
Proceeds from disposal of property, plant and equipment, intangible assets and lease prepayments	<b>338</b>	66
Proceeds from disposal of an available-for-sale investment and an associate	<b>40</b>	2
Investments in associates	<b>(38)</b>	(48)
Dividend received from associates	<b>72</b>	249
Interest received	<b>356</b>	475
Interest received on trading debt securities	<b>0</b>	189
Proceeds from disposal of trading debt securities	<b>0</b>	400
Net increase in restricted bank deposits	<b>(850)</b>	(1,028)
Increase in time deposits with original maturity over three months	<b>(3,614)</b>	(450)
Maturity of time deposits with original maturity over three months	<b>1,109</b>	843
<b>Net cash used in investing activities</b>	<b>(16,377)</b>	(15,458)

	<b>2016</b> <i>RMB million</i> <b>(unaudited)</b>	2015 <i>RMB million</i> (unaudited) (restated)
<b>Financing activities</b>		
Interest paid	<b>(4,200)</b>	(4,336)
Proceeds from borrowings	<b>18,319</b>	18,795
Repayments of borrowings	<b>(17,717)</b>	(20,293)
Net proceeds from short-term debentures and medium-term notes	<b>0</b>	14,985
Payments of short-term debentures	<b>0</b>	(10,000)
Proceeds from issuance of bonds	<b>0</b>	9,049
Contributions from non-controlling shareholders	<b>743</b>	1,425
Contributions from shareholders of the Company	<b>0</b>	700
Distributions to non-controlling shareholders	<b>(5,324)</b>	(6,245)
Distributions to shareholders of the Company	<b>(6,365)</b>	(14,718)
Acquisition of non-controlling interest of subsidiaries	<b>0</b>	(4)
Cash paid for acquisition of subsidiaries under same control	<b>(309)</b>	0
<b>Net cash used in financing activities</b>	<b>(14,853)</b>	(10,642)
<b>Net increase in cash and cash equivalents</b>	<b>30,944</b>	10,925
Cash and cash equivalents as at the beginning of the period	<b>42,323</b>	35,956
Effect of foreign exchange rate changes	<b>65</b>	168
<b>Cash and cash equivalents as at the end of the period</b>	<b>73,332</b>	47,049

*Chairman:*  
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