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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)**

**FIRST 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 the 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 three months ended 31 March 2017 prepared in accordance with the 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 severally and jointly accept legal liability.
- 1.2 This report was considered and approved at the 25th meeting of the third session of the Board. All directors of the Company attended the Board meeting to consider the quarterly report.
- 1.3 Ling Wen, Vice Chairman of the Company, Zhang Kehui, Chief Financial Officer of the Company and Xu Shancheng, General Manager of Finance 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 first quarterly report of the Company are prepared in accordance with IFRSs.
- 1.5 Unless otherwise specified, the figures in this report are presented in Renminbi (RMB).

## 2. COMPANY PROFILE

### 2.1 Major financial data

	<b>January to March 2017</b>	January to March 2016	Percentage Change (%)
Basic earnings per share (RMB/share)	<b>0.650</b>	0.238	172.9
Net cash generated from operating activities per share (RMB/share)	<b>1.26</b>	0.77	64.1
Revenue (RMB million)	<b>61,062</b>	39,402	55.0
Profit before income tax (RMB million)	<b>18,530</b>	9,025	105.3
Profit for the period (RMB million)	<b>15,065</b>	6,797	121.6
Profit attributable to equity holders of the Company for the period (RMB million)	<b>12,937</b>	4,741	172.9
Net cash generated from operating activities (RMB million)	<b>24,983</b>	15,225	64.1
Net cash generated from operating activities excluding the impact of Shenhua Finance Company (RMB million)	<b>23,524</b>	19,123	23.0
	<b>As at 31 March 2017</b>	As at 31 December 2016	Percentage Change (%)
Total assets (RMB million)	<b>596,322</b>	576,729	3.4
Total liabilities (RMB million)	<b>195,089</b>	191,760	1.7
Total equity (RMB million)	<b>401,233</b>	384,969	4.2
Equity attributable to equity holders of the Company (RMB million)	<b>330,010</b>	316,975	4.1
Equity attributable to equity holders per share (RMB/share)	<b>16.59</b>	15.94	4.1

## 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	January to	As at 31	As at 31
	March 2017	March 2016	March 2017	December 2016
Under the Accounting Standards for Business Enterprises	<b>12,235</b>	4,607	<b>325,617</b>	312,357
Adjustment:				
Simple production maintenance, production safety and other related expenditures	<b>702</b>	134	<b>4,393</b>	4,618
Under IFRSs	<b>12,937</b>	4,741	<b>330,010</b>	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 operating data

Operational indicator	Unit	January to March 2017	January to March 2016	Percentage Change (%)
<b>(I) Coal</b>				
1. Commercial coal production	million tonnes	<b>78.0</b>	71.3	9.4
2. Coal sales	million tonnes	<b>113.3</b>	92.5	22.5
<b>(II) Power generation</b>				
1. Gross power generation	billion kWh	<b>59.90</b>	54.90	9.1
2. Total power output dispatch	billion kWh	<b>56.21</b>	51.50	9.1
<b>(III) Coal chemical</b>				
1. Sales volume of polyethylene	kilo tonnes	<b>92.8</b>	80.6	15.1
2. Sales volume of polypropylene	kilo tonnes	<b>85.5</b>	75.8	12.8
<b>(IV) Transportation</b>				
1. Turnover of self-owned railway transportation	billion tonne km	<b>67.9</b>	60.8	11.7
2. Seaborne coal	million tonnes	<b>67.7</b>	55.1	22.9
Of which: Via Huanghua Port	million tonnes	<b>47.3</b>	37.9	24.8
Via Shenhua Tianjin Coal Dock	million tonnes	<b>11.0</b>	10.0	10.0
3. Shipment volume	million tonnes	<b>22.0</b>	17.9	22.9
4. Shipment turnover	billion tonne nautical miles	<b>18.9</b>	14.1	34.0

**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	236,799
Including: Number of registered holders of A shares	234,494
Number of registered holders of H shares	2,305

**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	Status of shares	Shares pledged or frozen Number	Nature of shareholder
Shenhua Group Corporation Limited	14,530,574,452	73.06	0	Nil	N/A	State
HKSCC NOMINEES LIMITED	3,390,494,096	17.05	0	Unknown	N/A	Foreign legal person
China Securities Finance Corporation Limited	571,963,591	2.88	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	23,800,234	0.12	0	Nil	N/A	Foreign legal person
Bank of China Limited – China Merchants Fengqing Flexible Configuration Hybrid Initiated Securities Investment Fund	22,952,488	0.12	0	Nil	N/A	Others
Agricultural Bank of China Limited – Fullgoal CSI State-owned Enterprises Reform Index Classification Securities Investment Fund	16,528,410	0.08	0	Nil	N/A	Others
Industrial & Commercial Bank of China – SSE Index 50 Trading Open-end Index Securities Investment Fund	14,092,326	0.07	0	Nil	N/A	Others
Industrial & Commercial Bank of China Limited-China Southern Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund	13,082,927	0.07	0	Nil	N/A	Others
Bank of Communications – E Fund 50 Index Securities Investment Fund	12,523,640	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	3,390,494,096	Overseas listed foreign shares	3,390,494,096
China Securities Finance Corporation Limited	571,963,591	RMB ordinary shares	571,963,591
Central Huijin Asset Management Ltd.	110,027,300	RMB ordinary shares	110,027,300
Hong Kong Securities Clearing Company Limited	23,800,234	RMB ordinary shares	23,800,234
Bank of China Limited – China Merchants Fengqing Flexible Configuration Hybrid Initiated Securities Investment Fund	22,952,488	RMB ordinary shares	22,952,488
Agricultural Bank of China Limited – Fullgoal CSI State-owned Enterprises Reform Index Classification Securities Investment Fund	16,528,410	RMB ordinary shares	16,528,410
Industrial & Commercial Bank of China – SSE Index 50 Trading Open-end Index Securities Investment Fund	14,092,326	RMB ordinary shares	14,092,326
Industrial & Commercial Bank of China Limited-China Southern Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund	13,082,927	RMB ordinary shares	13,082,927
Bank of Communications – E Fund 50 Index Securities Investment Fund	12,523,640	RMB ordinary shares	12,523,640

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

*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.



### 3. SIGNIFICANT EVENTS

#### 3.1 Changes in major items of accounting statements of the Company and the underlying reasons

From January to March 2017, revenue of the Group under the IFRSs was RMB61,062 million (for the corresponding period in 2016: RMB39,402 million), representing a year-on-year increase of 55.0%. Profit before income tax was RMB18,530 million (for the corresponding period in 2016: RMB9,025 million), representing a year-on-year increase of 105.3%. Profit attributable to equity holders of the Company for the period was RMB12,937 million (for the corresponding period in 2016: RMB4,741 million), representing a year-on-year increase of 172.9%.

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 March 2017	January to March 2016	Percentage change (%)	Major reasons for changes
1	Revenue	61,062	39,402	55.0	An increase in sales volume of coal and power output dispatch; an increase in sales price of coal
2	Cost of sales	(39,990)	(27,122)	47.4	An increase in sales volume of coal and power output dispatch
3	Selling expenses	(154)	(127)	21.3	An increase in various expenses incurred in sales resulting from the increase in volume of trading coal

No.	Items of consolidated statement of profit or loss and other comprehensive income	January to March 2017	January to March 2016	Percentage change (%)	Major reasons for changes
4	Other gains and losses	37	(71)	(152.1)	A decrease in loss on disposal of fixed assets
5	Other income	460	58	693.1	An increase in government grants for transportation and power segments; an increase in income from wealth management products
6	Interest income	246	102	141.2	An increase of deposits and interest income from external loans
7	Finance costs	(1,172)	(1,321)	(11.3)	A decrease in interest expenses and exchange loss
8	Share of results of associates	33	10	230.0	An increase in share of gains of coal associates
9	Income tax expense	(3,465)	(2,228)	55.5	the average rate of income tax of the first quarter in 2017 was 18.7% (the first quarter in 2016: 24.7%), with a decrease of 6.0 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 segments, which are entitled to less preferential tax rates

*Note:* In accordance with the Notice on the Accounting Provisions on Value Added Tax of the Ministry of Finance (Cai Kuai [2016] No. 22) issued by the Ministry of Finance on 3 December 2016, the account Business Taxes and Surcharges in the Income Statement under the PRC GAAP for the year 2016 of the Group is adjusted to be Taxes and Surcharges. Travel tax, property tax, land use tax and stamp duty originally included in administrative expenses have been included in Taxes and Surcharges for the year of 2016. The above tax types under the IFRSs are adjusted for audit correspondingly from general and administrative expenses to operating costs. This report carried out adjustment to the operating costs and the amount of general and administrative expenses in the first quarter of 2016 in accordance with the requirements of Cai Kuai [2016] No. 22.

*Unit: RMB million*

No.	Items of consolidated statement of financial position	As at 31 March 2017	As at 31 December 2016	Percentage change (%)	Major reasons for changes
1	Inventories	<b>12,215</b>	13,341	(8.4)	A decrease in coal inventories
2	Accounts and bills receivable	<b>21,986</b>	20,573	6.9	An increase in bank acceptance bills received from transportation and coal business; an increase in receivables from coal sales
3	Prepaid expenses and other current assets	<b>31,509</b>	48,792	(35.4)	A decrease in balance of wealth management products
4	Time deposits with original maturity over three months	<b>1,989</b>	3,428	(42.0)	Maturity of time deposits
5	Cash and cash equivalents	<b>82,237</b>	41,188	99.7	Redemption of wealth management products on maturity
6	Current portion of medium-term notes and bonds payable	<b>23,484</b>	19,989	17.5	Partial USD-denominated bonds issued by the Company to be due within one year
7	Bonds	<b>6,839</b>	10,331	(33.8)	Transfer of partial USD-denominated bonds issued by the Company to be due within one year to current portion of medium-term notes and bonds payable

*Unit: RMB million*

No.	Items of the consolidated statement of cash flows	From January to March 2017	From January to March 2016	Percentage change (%)	Major reasons for changes
1	Net cash generated from operating activities	<b>24,983</b>	15,225	64.1	Increase in deposits placed with Shenhua Finance Company;
	Including: Net cash generated from (used in) operation of Shenhua Finance Company <sup>Note</sup>	<b>1,459</b>	(3,898)	(137.4)	increase in cash inflow resulting from an increase in net profit
	Net cash generated from operating activities excluding the impact of Shenhua Finance Company	<b>23,524</b>	19,123	23.0	
2	Net cash generated from (used in) investing activities	<b>16,472</b>	(3,668)	(549.1)	Redemption of wealth management products on maturity
3	Net cash used in financing activities	<b>(609)</b>	(1,926)	(68.4)	Year-on-year increase in net amount by external debt financing activities

*Note:* This item represents the cash flow of deposits and loans, interests, fees and commission generated from financial services, including deposits and loans, to other units apart from the Group provided by Shenhua Finance Company.

## 3.2 Operation of the coal segment

### (1) Sales

	From January to March 2017			From January to March 2016			Percentage change	
	Percentage		Price	Percentage		Price	Sales	
	to total			to total			volume	Price
	Sales volume	sales volume	volume	sales volume	volume	Price	volume	Price
Million tonnes	%	RMB/tonne	Million tonnes	%	RMB/tonne	%	%	
I. Domestic sales	111.7	98.5	422	91.1	98.5	268	22.6	57.5
(I) Self-produced coal and purchased coal	107.9	95.1	421	89.8	97.1	270	20.2	55.9
1. Direct arrival	41.0	36.2	300	35.4	38.3	202	15.8	48.5
2. Seaborne	66.9	58.9	495	54.4	58.8	315	23.0	57.1
(II) Sales of domestic trading coal	3.6	3.2	440	1.3	1.4	126	176.9	249.2
(III) Sales of imported coal	0.2	0.2	520	0.0	0.0	0	/	/
II. Export sales	0.8	0.7	347	0.7	0.8	416	14.3	(16.6)
III. Overseas sales	0.8	0.8	262	0.7	0.7	163	14.3	60.7
(I) EMM Indonesia	0.4	0.4	85	0.4	0.4	87	0.0	(2.3)
(II) Re-export trade	0.4	0.4	461	0.3	0.3	273	33.3	68.9
Total sales volume/average price	113.3	100.0	420	92.5	100.0	268	22.5	56.7

*Note:* Sales prices of coal in this report are all exclusive of tax.

From January to March 2017, the Group recorded a year-on-year increase of 249.2% in the average sales price of domestic trading coal, mainly due to: ① domestic trading of coal in the first quarter of 2016 was entirely conducted by direct arrival while the same in the first quarter of 2017 was mainly conducted by seaborne, and the sales price of seaborne coal was higher than the sales price of coal sold by direct arrival; ② the coal price in the first quarter of 2016 hit a record low in the coal market in recent three years, resulting in a low base in overall coal price; ③ trading coal by direct arrival in the first quarter of 2016 was mainly low calorific coal with relatively low price.

From January to March 2017, the Group recorded a year-on-year decrease of 16.6% in the average export price of coal, and the reasons of which were as follows: the Group commences to implement the contract of long-term contractual price of exported coal newly entered into in the current year in April every year, which means that the export price of coal implemented in the first quarter of 2017 was the long-term contractual price entered into in 2016, while the export price of coal implemented in the first quarter of 2016 was the long-term contractual price entered into in 2015. The long-term contractual price entered into in 2016 was lower than that of 2015.

**(2) Operating Results**

		From January to March 2017	From January to March 2016	Percentage change (%)	Major reasons for changes
Revenue	<i>RMB million</i>	<b>48,700</b>	25,962	87.6	A significant increase in coal sales prices and sales volume as affected by factors including the coal supply-side structural reform and an increase in the downstream demand of coal
Cost of sales	<i>RMB million</i>	<b>35,554</b>	23,531	51.1	
Gross profit	<i>RMB million</i>	<b>13,146</b>	2,431	440.8	
Gross profit margin	%	<b>27.0</b>	9.4	Increased by 17.6 percentage points	An increase in coal sales volume and procurement price of purchased coal

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

*Unit: RMB/tonne*

	From January to March 2017	From January to March 2016	Percentage change (%)	Major reasons for changes
<b>Unit production cost of self-produced coal</b>	<b>105.9</b>	112.6	(6.0)	
Raw materials, fuel and power	<b>17.8</b>	19.9	(10.6)	A decrease in consumption of materials and components resulting from a decrease in tunneling footage for underground mines, equipment supporting, etc. by optimizing the production units
Labour costs	<b>17.3</b>	17.5	(1.1)	
Repairs and maintenance	<b>8.0</b>	8.1	(1.2)	
Depreciation and amortization	<b>19.7</b>	20.2	(2.5)	An increase in production volume of coal
Others	<b>43.1</b>	46.9	(8.1)	A decrease in land requisition, surface subsidence compensation and other expenses

Other costs consist of the following three components: ① expenses directly related to production, including coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for approximately 72%; ② auxiliary production expenses, accounting for approximately 11%; ③ land requisition and surface subsidence compensation, environmental protection expenses, tax, fees levied by local government, etc., accounting for approximately 17%.

### 3.3 Operation of the power segment

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

Location/Type of power	Power Generation (billion kWh)		Power output dispatch (billion kWh)		Average utilization hours (Hours)		Power tariff (RMB/MWh)	
	From	From	From	From	From	From	From	From
	January to March 2017	January to March 2016	January to March 2017	January to March 2016	January to March 2017	January to March 2016	January to March 2017	January to March 2016
<b>Domestic</b>	<b>59.53</b>	54.50	<b>55.89</b>	51.15	<b>1,062</b>	1,012	<b>306</b>	310
Coal-fired power	<b>58.04</b>	52.85	<b>54.45</b>	49.54	<b>1,071</b>	1,017	<b>299</b>	305
Wind power	<b>0.01</b>	0.01	<b>0.01</b>	0.01	<b>492</b>	586	<b>598</b>	597
Hydropower	<b>0.09</b>	0.08	<b>0.08</b>	0.08	<b>690</b>	631	<b>289</b>	294
Gas-fired power	<b>1.39</b>	1.56	<b>1.35</b>	1.52	<b>803</b>	902	<b>567</b>	462
<b>Overseas</b>	<b>0.37</b>	0.40	<b>0.32</b>	0.35	<b>1,241</b>	1,337	<b>484</b>	429
Coal-fired power	<b>0.37</b>	0.40	<b>0.32</b>	0.35	<b>1,241</b>	1,337	<b>484</b>	429
Total/Weighted average	<b>59.90</b>	54.90	<b>56.21</b>	51.50	<b>1,063</b>	1,014	<b>307</b>	311

#### (2) Installed Power Generators

Unit: MW

Classified by Power Type	Newly-installed	
	Total installed capacity as at 31 December 2016	Total installed capacity as of 31 March 2017
1. Coal-fired power	54,417	90 <sup>Note</sup>
2. Wind power	16	-
3. Hydropower	125	-
4. Gas-fired power	1,730	-
<b>Total</b>	<b>56,288</b>	<b>90</b>

Note: It refers to the newly-installed capacity resulting from reformation for capacity expansion of generating units, among which, Guangdong Guohua Yuedian Taishan Power Co., Ltd. newly increased by 30MW of its capacity, while Zhejiang Guohua Zheneng Power Generation Co., Ltd. newly increased by 60MW of its capacity.



### (3) Operating Results

		From January to March 2017	From January to March 2016	Percentage change (%)	Major reasons for changes
Revenue	<i>RMB million</i>	<b>18,073</b>	16,704	8.2	A year-on-year increase in power output dispatch
Cost of sales	<i>RMB million</i>	<b>15,836</b>	11,938	32.7	An increase in the coal procurement price and power output dispatch
Gross profit	<i>RMB million</i>	<b>2,237</b>	4,766	(53.1)	
Gross profit margin	%	<b>12.4</b>	28.5	Decreased by 16.1 percentage points	

From January to March 2017, the Group's average cost of power output dispatch of the power segment was RMB275.3/MWh (for the same period in 2016: RMB224.7/MWh), representing a year-on-year increase of 22.5%, which was mainly due to the increase in price of coal procurement of coal-fired power plant.

### 3.4 Major operation of transportation segment

#### (1) Revenue of the railway segment (before elimination on consolidation)

*Unit: RMB million*

	From January to March 2017	From January to March 2016	Percentage change (%)
Revenue from provision of transportation services to internal customers	<b>7,837</b>	7,350	6.6
Revenue from provision of transportation services to external customers	<b>1,397</b>	885	57.9
<b>Total</b>	<b>9,234</b>	<b>8,235</b>	<b>12.1</b>

(2) *Revenue of the port segment (before elimination on consolidation)*

*Unit: RMB million*

	<b>From January to March 2017</b>	From January to March 2016	Percentage change (%)
Revenue from provision of services to internal customers	<b>1,219</b>	1,046	16.5
Revenue from provision of services to external customers	<b>174</b>	149	16.8
Total	<b><u>1,393</u></b>	<b><u>1,195</u></b>	<b><u>16.6</u></b>

### 3.5 Industry environment

In the first quarter of 2017, the economy in the PRC continued to maintain at a stable and moderate growth momentum. China's gross domestic product (GDP) grew by 6.9% year-on-year, representing an increase 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 increased by 7.4% year-on-year, reversing the situation of a continuing year-on-year decline since the second quarter of 2012.

From January to March 2017, the northern region is still in the heating season. As influenced by factors such as stable and positive development of domestic economy and restriction on contribution of hydropower, the demand of coal increased. As the Chinese government continued to strengthen the regulation of coal mine safety and environmental protection, coal supply was subject to certain constraints. In addition, coal inventories were at a relatively low level, which causes the slight recovery of coal price. As at the end of March, the price of the Bohai-Rim Thermal Coal Price (5,500 kcal/kg) increased from RMB593 per tonne as at the end of 2016 to RMB605 per tonne, representing an increase of 2.0%. National raw coal output was 0.81 billion tonnes, representing a year-on-year decrease of 0.3%; coal import volume was 64.7 million tonnes, representing a year-on-year increase of 33.8%, leading a slowdown of growth rate.

Power supply was relatively sufficient to meet the demand in China. Society-wide power consumption was 1,446.1 billion kWh in total, representing a year-on-year increase of 6.9%. Thermal power generation by power plants above a designated scale in China amounted to 1,135.7 billion kWh, representing a year-on-year increase of 7.4% and the average utilisation hours of power generators increased by 31 hours year-on-year. Hydropower generation amounted to 193.8 billion kWh, representing a year-on-year decrease of 4.1%.

For the second quarter of 2017, demand for coal will enter into the traditional low season due to the rise of temperature and an increase in contribution of hydropower. However, as restricted by factors such as examination of safety and environmental protection issues as well as overhaul to Daqin Railway, coal supply will rise slightly along with gradual production resumption in key production places, and it is expected that the coal price will fall. For the second half of 2017, stable and positive economic development in the PRC will be beneficial to the stability of coal demand, and thermal coal demand will experience seasonal fluctuations. With the continuous promotion of supply-side structural reform in coal industry as well as the advancement of policies and measures on replacement of existing capacities with less amount and increase in coal supply implemented by the Chinese government, it is expected that the coal price will be stable with steady slowdown as there will not be a tight balance between demand and supply.

*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**

On 17 March 2017, the 24th meeting of the third session of the Board approved the Proposal on Profit Distribution for 2016 and the Proposal for the Distribution of Special Dividend by the Company, and suggested a distribution of 2016 final dividend of RMB0.46 per share (inclusive of tax) and special dividend of RMB2.51 per share (inclusive of tax). Please refer to the relevant announcement on 17 March 2017 for details. The above proposal of dividend distribution is subject to the approval at the general meeting of the Company. The notice of the general meeting will be announced on another selected date.

On 27 March 2017, due to adjustment of work arrangements, Dr. Zhang Yuzhuo has conveyed to the Board his request to resign from the posts of the Chairman and Executive Director of the Company. Dr. Zhang Yuzhuo's appointments as the Chairman of the Strategy Committee of the Board and the member of the Nomination Committee of the Board are terminated at the same time. The resignation takes effect immediately. In accordance with the articles of association of the Company, Dr. Ling Wen, the Vice Chairman and the President, will perform the duties of the Chairman since that date till a new Chairman is elected. Please refer to the relevant announcement on 27 March 2017 for details.

**3.7 Commitments that have yet to be fulfilled within the stated timeframe 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**

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 in the first quarter of 2017 increased by 172.9% year-on-year.

In light of: ① a good performance in achieving the profitability of the Group for the first quarter in 2017; ② fluctuation of the current coal price and relatively year-on-year high position of coal price, if there is no significant change in coal price, the growth of the profit attributable to equity holders of the Company for the first half of 2017 is expected to exceed 100% year-on-year with relatively high possibility.

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 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
EMM Indonesia	PT. GH EMM INDONESIA
Accounting Standards for Business Enterprises	the Accounting Standards for Business Enterprises, Application Guidance to Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other related requirements issued by the Ministry of Finance of the People's Republic of China
International Financial Reporting Standards or IFRSs	International Financial Reporting Standards issued by the International Accounting Standards Committee

By Order of the Board  
**China Shenhua Energy Company Limited**  
**Huang Qing**  
*Secretary to the Board*

Beijing, 28 April 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. 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 OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the three months ended 31 March*

	<b>2017</b> <i>RMB million</i> <b>(unaudited)</b>	2016 <i>RMB million</i> (unaudited)
Revenue	<b>61,062</b>	39,402
Cost of sales	<b>(39,990)</b>	(27,122)
Gross profit	<b>21,072</b>	12,280
Selling expenses	<b>(154)</b>	(127)
General and administrative expenses	<b>(1,946)</b>	(1,832)
Other gains and losses	<b>37</b>	(71)
Other income	<b>460</b>	58
Other expenses	<b>(46)</b>	(74)
Interest income	<b>246</b>	102
Finance costs	<b>(1,172)</b>	(1,321)
Share of results of associates	<b>33</b>	10
<b>Profit before income tax</b>	<b>18,530</b>	9,025
<b>Income tax expense</b>	<b>(3,465)</b>	(2,228)
<b>Profit for the period</b>	<b>15,065</b>	6,797
Other comprehensive expenses that will be reclassified subsequently to profit or loss, net of income tax	<b>4</b>	0
Exchange differences	<b>92</b>	73
<b>Total comprehensive income for the period</b>	<b>15,161</b>	6,870

	<b>2017</b> <i>RMB million</i> (unaudited)	2016 <i>RMB million</i> (unaudited)
<b>Profit for the period attributable to:</b>		
Equity holders of the Company	<b>12,937</b>	4,741
Non-controlling interests	<b>2,128</b>	2,056
	<b>15,065</b>	6,797
<b>Total comprehensive income for the period attributable to:</b>		
Equity holders of the Company	<b>13,035</b>	4,817
Non-controlling interests	<b>2,126</b>	2,053
	<b>15,161</b>	6,870
<b>Earnings per share (RMB)</b>		
– Basic	<b>0.650</b>	0.238

*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 31 March 2017*

	<b>As at 31 March 2017 RMB million (unaudited)</b>	<b>As at 31 December 2016 RMB million (audited)</b>
<b>Non-current assets</b>		
Property, plant and equipment	<b>332,600</b>	337,785
Construction in progress	<b>36,932</b>	35,220
Exploration and evaluation assets	<b>2,459</b>	2,344
Intangible assets	<b>2,976</b>	3,018
Interest in associates	<b>5,017</b>	5,142
Available-for-sale investments	<b>1,900</b>	1,800
Other non-current assets	<b>37,770</b>	36,749
Lease prepayments	<b>17,381</b>	17,359
Deferred tax assets	<b>3,677</b>	3,849
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>440,712</b>	443,266
	<hr/>	<hr/>
<b>Current assets</b>		
Inventories	<b>12,215</b>	13,341
Accounts and bills receivable	<b>21,986</b>	20,573
Prepaid expenses and other current assets	<b>31,509</b>	48,792
Restricted bank deposits	<b>5,674</b>	6,141
Time deposits with original maturity over three months	<b>1,989</b>	3,428
Cash and cash equivalents	<b>82,237</b>	41,188
	<hr/>	<hr/>
<b>Total current assets</b>	<b>155,610</b>	133,463
	<hr/>	<hr/>



	<b>As at 31 March 2017 RMB million (unaudited)</b>	As at 31 December 2016 RMB million (audited)
<b>Current liabilities</b>		
Borrowings	<b>11,568</b>	11,811
Accounts and bills payable	<b>33,199</b>	35,156
Accrued expenses and other payables	<b>45,015</b>	41,361
Current portion of medium-term notes and bonds payable	<b>23,484</b>	19,989
Current portion of long-term liabilities	<b>363</b>	403
Income tax payable	<b>3,812</b>	3,465
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>117,441</b>	112,185
	<hr/>	<hr/>
<b>Net current assets</b>	<b>38,169</b>	21,278
	<hr/>	<hr/>
<b>Total assets less current liabilities</b>	<b>478,881</b>	464,544
<b>Non-current liabilities</b>		
Borrowings	<b>60,033</b>	58,462
Medium-term notes	<b>4,933</b>	4,985
Bonds	<b>6,839</b>	10,331
Long-term liabilities	<b>2,464</b>	2,451
Accrued reclamation obligations	<b>2,583</b>	2,549
Deferred tax liabilities	<b>796</b>	797
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>77,648</b>	79,575
	<hr/>	<hr/>
<b>Net assets</b>	<b>401,233</b>	384,969
	<hr/> <hr/>	<hr/> <hr/>

	<b>As at 31 March 2017 RMB million (unaudited)</b>	As at 31 December 2016 RMB million (audited)
<b>Equity</b>		
Share capital	<b>19,890</b>	19,890
Reserves	<b>310,120</b>	297,085
	<hr/>	<hr/>
<b>Equity attributable to equity holders of the Company</b>	<b>330,010</b>	316,975
Non-controlling interests	<b>71,223</b>	67,994
	<hr/>	<hr/>
<b>Total equity</b>	<b>401,233</b>	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 three months ended 31 March*

	<b>2017</b>	2016
	<i>RMB million</i>	<i>RMB million</i>
	<b>(unaudited)</b>	(unaudited)
<b>Operating activities</b>		
Cash generated from operations	<b>27,862</b>	17,374
Income taxes paid	<b>(2,879)</b>	(2,149)
<b>Net cash generated from operating activities</b>	<b>24,983</b>	15,225
<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>(2,937)</b>	(2,980)
Increase in lease prepayments	<b>(136)</b>	(46)
Proceeds from disposal of property, plant and equipment, intangible assets and lease prepayments	<b>106</b>	2
Investments in associates	<b>(1)</b>	(5)
Interest received	<b>588</b>	71
Proceeds from investment in debt securities	<b>0</b>	24
Decrease/(increase) in restricted bank deposits	<b>467</b>	(278)
Increase in time deposits with original maturity over three months	<b>(748)</b>	(788)
Proceed from maturity of time deposits with original maturity over three months	<b>2,186</b>	172
Investment expenses in entrusted loans and entrusted wealth management products	<b>(18,053)</b>	0
Repayments received from entrusted loans	<b>2,000</b>	0
Proceed from disposal of entrusted wealth management products	<b>33,000</b>	160
<b>Net cash generated from (used in) investing activities</b>	<b>16,472</b>	(3,668)

	<b>2017</b>	2016
	<i>RMB million</i>	<i>RMB million</i>
	<b>(unaudited)</b>	(unaudited)
<b>Financing activities</b>		
Interest paid	(970)	(1,162)
Proceeds from borrowings	3,242	7,684
Repayments of borrowings	(1,994)	(3,387)
Repayments of short-term debentures	0	(5,000)
Contributions from non-controlling shareholders	489	416
Distributions to non-controlling shareholders	(1,376)	(168)
Cash paid for acquisition of subsidiaries under same control	0	(309)
	<u>        </u>	<u>        </u>
<b>Net cash used in financing activities</b>	<b>(609)</b>	(1,926)
	<u>        </u>	<u>        </u>
<b>Net decrease in cash and cash equivalents</b>	<b>40,846</b>	9,631
Cash and cash equivalents as at the beginning of the period	41,189	42,323
Effect of foreign exchange rate changes	202	(5)
	<u>        </u>	<u>        </u>
<b>Cash and cash equivalents as at the end of the period</b>	<b>82,237</b>	51,949
	<u>        </u>	<u>        </u>

*Vice Chairman:*  
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*Chief Financial Officer:*  
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*General Manager of the  
Financial Department:*  
**Xu Shancheng**