

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



中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01088)

FIRST QUARTERLY REPORT FOR THE YEAR 2019

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 (the “**Board**”) of the Company is pleased to announce the results of the Group for the three months ended 31 March 2019 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 19th meeting of the fourth session of the Board.
- 1.3 Ling Wen, Chairman of the Company, Xu Shancheng, Chief Financial Officer of the Company and Ban Jun, Head of Finance Department, 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, but have not been audited. Major differences between the financial statements prepared under the IFRSs and those under the Accounting Standards for Business Enterprises are detailed in the explanation under Section 2.2 of this report.

2. COMPANY PROFILE

2.1 Major financial data

	January to March 2019	January to March 2018	Change (%)
Revenue (<i>RMB million</i>)	57,011	62,979	(9.5)
Profit before income tax (<i>RMB million</i>)	18,592	18,227	2.0
Profit for the period (<i>RMB million</i>)	15,227	14,915	2.1
Profit attributable to equity holders of the Company for the period (<i>RMB million</i>)	12,865	12,203	5.4
Net cash generated from operating activities (<i>RMB million</i>)	30,964	11,810	162.2
Net cash generated from operating activities, excluding the impact of Shenhua Finance Company (<i>RMB million</i>)	23,631	13,044	81.2
Basic earnings per share (<i>RMB/share</i>)	0.647	0.614	5.4
Net cash generated from operating activities per share (<i>RMB/share</i>)	1.56	0.59	162.2
Net cash generated from operating activities per share, excluding the impact of Shenhua Finance Company (<i>RMB/share</i>)	1.19	0.66	81.2
	31 March 2019	31 December 2018	Change (%)
Total assets (<i>RMB million</i>)	556,461	591,626	(5.9)
Total liabilities (<i>RMB million</i>)	147,723	182,789	(19.2)
Total equity (<i>RMB million</i>)	408,738	408,837	0.0
Equity attributable to equity holders of the Company (<i>RMB million</i>)	344,409	331,693	3.8
Equity attributable to equity holders per share (<i>RMB/share</i>)	17.32	16.68	3.8

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 March 2019	January to March 2018	As at 31 March 2019	As at 31 December 2018
Under the Accounting Standards for Business Enterprises	12,587	11,633	340,714	327,763
Adjustment:				
Simple production maintenance, production safety and other related expenditures	278	570	3,695	3,930
Under IFRSs	12,865	12,203	344,409	331,693

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 2019	January to March 2018	Change (%)
(I) Coal				
1. Commercial coal production	million tonnes	71.5	72.1	(0.8)
2. Coal sales	million tonnes	105.1	108.4	(3.0)
(II) Transportation				
1. Transportation turnover of self-owned railway	billion tonne km	67.8	68.1	(0.4)
2. Seaborne coal sales	million tonnes	62.1	58.9	5.4
Of which: Via Huanghua Port	million tonnes	44.5	42.0	6.0
Via Shenhua Tianjin Coal Dock	million tonnes	9.4	10.1	(6.9)
3. Shipping volume	million tonnes	26.4	24.9	6.0
4. Shipment turnover	billion tonne nautical miles	21.1	21.0	0.5
(III) Power generation				
1. Gross power generation	billion kWh	46.40	66.50	(30.2)
2. Total power output dispatch	billion kWh	43.61	62.48	(30.2)
(IV) Coal chemicals				
1. Polyethylene sales	thousand tonnes	95.4	92.0	3.7
2. Polypropylene sales	thousand tonnes	91.6	81.9	11.8

Note: Based on comparative data, the power generation and the power output dispatch of the Group from January to March 2018 was 45.62 billion kWh and 43.07 billion kWh, respectively.

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 184,329

Including: Number of holders of A shares
(including China Energy) 182,181

Number of registered holders of H shares 2,148

Name of shareholder (Full name)	Shareholding of top ten shareholders		Number of shares held subject to selling restrictions	Status of shares	Shares pledged or frozen Number	Nature of shareholder
	Number of shares held at the end of the period	Percentage (%)				
China Energy Investment Corporation Limited	13,812,709,196	69.45	0	Nil	N/A	State
HKSCC NOMINEES LIMITED	3,390,586,222	17.05	0	Unknown	N/A	Foreign legal person
China Securities Finance Corporation Limited	594,718,049	2.99	0	Nil	N/A	Others
Beijing Chengtong Financial Control Investment Co., Ltd. (北京誠通金控投資有限公司)	358,932,628	1.80	0	Nil	N/A	State
Guoxin Investment Co., Ltd. (國新投資有限公司)	358,932,628	1.80	0	Nil	N/A	State
Central Huijin Asset Management Ltd.	110,027,300	0.55	0	Nil	N/A	State
Hong Kong Securities Clearing Company Limited	67,881,875	0.34	0	Nil	N/A	Foreign legal person
China Merchants Bank – Bosera CSI Central Enterprise Structural Adjustment ETF Investment Fund (招商銀行股份有限公司-博時中證央企結構調整交易型開放式指數證券投資基金)	22,087,355	0.11	0	Nil	N/A	Others
Bank of Communications – E Fund 50 Index Securities Investment Fund	20,480,916	0.10	0	Nil	N/A	Others
Industrial & Commercial Bank of China – SSE Index 50 Trading Open-end Index Securities Investment Fund	16,486,946	0.08	0	Nil	N/A	Others

Shareholdings of top ten shareholders without selling restrictions

Name of shareholder	Number of shares without selling restrictions	Type and number of shares	
		Type	Number
China Energy Investment Corporation Limited	13,812,709,196	RMB ordinary shares	13,812,709,196
HKSCC NOMINEES LIMITED	3,390,586,222	Overseas listed foreign shares	3,390,586,222
China Securities Finance Corporation Limited	594,718,049	RMB ordinary shares	594,718,049
Beijing Chengtong Financial Control Investment Co., Ltd. (北京誠通金控投資有限公司)	358,932,628	RMB ordinary shares	358,932,628
Guoxin Investment Co., Ltd. (國新投資有限公司)	358,932,628	RMB ordinary shares	358,932,628
Central Huijin Asset Management Ltd.	110,027,300	RMB ordinary shares	110,027,300
Hong Kong Securities Clearing Company Limited	67,881,875	RMB ordinary shares	67,881,875
China Merchants Bank – Boserá CSI Central Enterprise Structural Adjustment ETF Investment Fund (招商銀行股份有限公司–博時中證央企結構調整交易型開放式指數證券投資基金)	22,087,355	RMB ordinary shares	22,087,355
Bank of Communications – E Fund 50 Index Securities Investment Fund	20,480,916	RMB ordinary shares	20,480,916
Industrial & Commercial Bank of China – SSE Index 50 Trading Open-end Index Securities Investment Fund	16,486,946	RMB ordinary shares	16,486,946

Statement on the connected relationships among the above shareholders or whether they are parties acting in concert

Both of HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited. Save as disclosed above, the Company is not aware of any connected relationships between the top ten shareholders without selling restrictions and the top ten shareholders, and whether they are parties acting in concert as defined in the Measures for Administration of Acquisition of Listed Companies of China Securities Regulatory Commission.

Statement on holders of preference shares with voting rights restored and number of shares held

N/A

2.5 Total number of holders of preference shares and shareholding of top ten holders of preference shares and top ten holders of preference shares not subject to selling restrictions at the end of the Reporting Period

Applicable Not applicable

3. SIGNIFICANT EVENTS

3.1 Significant change of the scope of consolidated financial statements

As approved at the ninth meeting of the fourth session of the Board and the 2018 first extraordinary general meeting, a joint venture company was established with the equities and assets (the “**Subject Assets**”) of the relevant coal-fired power generation companies separately contributed by the Company and GD Power (the “**Transaction for Establishing Joint Venture Company**”). On 3 January 2019, the Joint Venture Company has completed registration at Xicheng Bureau of Beijing Administration for Industry and Commerce and has obtained business license. (For details, please refer to the H share announcement of the Company dated 4 January 2019 and the A share announcement of the Company dated 5 January 2019)

Pursuant to the terms of the Agreement on Establishment of the Joint Venture Company by way of Assets Reorganisations entered into between China Shenhua Energy Company Limited and GD Power Development Co., Ltd. (the “**Agreement on Establishing Joint Venture Company**”), the Completion Date is the last day of the month in which the completion date of commercial and industrial registration of the Joint Venture Company falls, i.e. 31 January 2019 (For details, please refer to the H share announcement of the Company dated 31 January 2019 and the A share announcement of the Company dated 1 February 2019).

From the Completion Date, assets and liabilities of relevant power plants which the Company took as capital contribution and related profit or loss after 31 January 2019 will not be included into the scope of financial statements of the Company (“**Change of Consolidation Scope**”). The Company will increase interests in associates to the Joint Venture Company, which will be subsequently measured by equity method. At the end of each accounting period, the Company will recognise share of results of Joint Venture Company on pro rata basis in share of results of associates for the current period.

3.2 Change in major items of financial statements and financial indicators of the Company and underlying reasons

From January to March 2019, the revenue of the Group under the IFRSs was RMB57,011 million (for the corresponding period in 2018: RMB62,979 million), representing a year-on-year decrease of 9.5%. Profit before income tax was RMB18,592 million (for the corresponding period in 2018: RMB18,227 million), representing a year-on-year increase of 2.0%. The profit attributable to equity holders of the Company for the period was RMB12,865 million (for the corresponding period in 2018: RMB12,203 million), representing a year-on-year increase of 5.4%.

Changes in major items of the consolidated financial statements during the Reporting Period are set out below:

Unit: RMB million

No.	Items of consolidated statement of profit or loss and other comprehensive income	January to March 2019	January to March 2018	Change (%)	Major reasons for changes
1	Revenue	57,011	62,979	(9.5)	Year-on-year decrease of coal sales volume and selling price, and decrease of revenue from sale of power due to Change of Consolidation Scope
2	Cost of sales	(37,699)	(41,775)	(9.8)	Decrease in sales volume and unit procurement cost of purchased coal, leading to year-on-year decrease in cost of purchased coal
3	Other gains and losses	1,567	(42)	(3,831.0)	Completion of the Transaction for Establishing Joint Venture Company, and recognition of relevant investment gain of RMB1,121 million at the Completion Date
4	Interest income	372	188	97.9	Increase in interest income of deposits
5	Finance costs	(822)	(1,031)	(20.3)	Decrease in average borrowings due to repayment of part of the obligations during the Reporting Period
6	Share of results of associates	178	29	513.8	Completion of the Transaction for Establishing Joint Venture Company, and recognition of RMB128 million of income from investment in Joint Venture Company from February to March 2019 at the end of the Reporting Period

Unit: RMB million

No.	Items of consolidated statement of financial position	As at 31 March 2019	As at 31 December 2018	Change (%)	Major reasons for changes
1	Right-of-use assets	3,141	N/A	N/A	Lease right-of-use assets recognised upon application of new lease standards by the Group
2	Interests in associates	38,582	10,047	284.0	Recognition of cost of investment in Joint Venture Company of RMB27,213 million
3	Accounts and bills receivable	14,391	13,055	10.2	Increase in receivables of coal business
4	Restricted bank deposits	7,156	8,607	(16.9)	Decrease in required deposit reserve of Shenhua Finance Company and other reserves
5	Cash and cash equivalents	80,124	61,863	29.5	Increase in cash generated from operating activities and decrease in cash used in operating activities

Unit: RMB million

No.	Items of consolidated statement of financial position	As at 31 March 2019	As at 31 December 2018	Change (%)	Major reasons for changes
6	Assets related to assets classified as held-for-sale	0	83,367	(100.0)	Completion of the Transaction for Establishing Joint Venture Company
7	Short-term borrowings	4,229	5,772	(26.7)	Repayment of part of short-term borrowings upon maturity
8	Accounts and bills payable	23,007	26,884	(14.4)	Decrease in payables of transportation and power businesses
9	Current portion of bonds	3,362	0	N/A	Increase in current portion of bonds payable
10	Current portion of long-term liabilities	389	457	(14.9)	Decrease in provisions and payables for acquisition of mining rights
11	Contract liabilities	5,762	3,404	69.3	Increase in receipts in advance of coal business
12	Long-term borrowings	42,508	46,765	(9.1)	Repayment of part of long-term borrowings upon maturity
13	Bonds	3,336	6,823	(51.1)	Reclassification of bonds maturing within one year to current portion of bonds
14	Lease liabilities (including current portion)	3,141	N/A	N/A	Lease liabilities recognised upon application of new lease standards by the Group

Unit: RMB million

No.	Items of the consolidated statement of cash flows	January to March 2019	January to March 2018	Change (%)	Major reasons for changes
1	Net cash generated from operating activities	30,964	11,810	162.2	
	Including: Net cash generated from (used in) operating activities of Shenhua Finance Company ¹	7,333	(1,234)	(694.2)	Net increase in deposits taken by Shenhua Finance Company during the Reporting Period
	Net cash generated from operating activities excluding the impact of Shenhua Finance Company	23,631	13,044	81.2	Year-on-year decrease in cost of purchased coal and coal for power plants, as well as income tax and other taxes during the Reporting Period
2	Net cash used in investing activities	(5,374)	(2,179)	146.6	Completion of the Transaction for Establishing Joint Venture Company, transfer of relevant cash and cash equivalents of power plants which the Company has taken as contributed assets, and refund of dividends paid to the Company by such power plants during the transition period in accordance with Agreement on Establishing Joint Venture Company ²
3	Net cash used in financing activities	(7,301)	(4,660)	56.7	Increase in repayment of obligations during the Reporting Period as compared to the corresponding period of prior year

Note:

1. 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.
2. In accordance with Agreement on Establishing Joint venture Company, accumulated undistributed profits of Subject Assets as at the Valuation Reference Date (30 June 2017) shall be retained by the Joint Venture Company. During the transition period (from the Valuation Reference Date to the Completion Date of the transaction), the profits or losses associated with operating activities of the Subject Assets is retained or borne by the Joint Venture Company.

3.3 Operation of the coal segment

3.3.1 Sales

(1) By contract pricing mechanisms

	From January to March 2019			From January to March 2018			Change	
	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume %	Price (exclusive of tax) %
I. Annual long-term contracts	51.0	48.5	369	48.5	44.7	381	5.2	(3.1)
II. Monthly long-term contracts	42.9	40.8	471	38.9	35.9	533	10.3	(11.6)
III. Spot commodity	11.2	10.7	369	21.0	19.4	404	(46.7)	(8.7)
Total sales volume/average price (exclusive of tax)	105.1	100.0	411	108.4	100.0	440	(3.0)	(6.6)

(2) By sales regions

	From January to March 2019			From January to March 2018			Change	
	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume <i>Million tonnes</i>	Proportion of total sales %	Price (exclusive of tax) <i>RMB/tonne</i>	Sales volume %	Price (exclusive of tax) %
I. Domestic sales	104.1	99.1	409	106.6	98.4	439	(2.3)	(6.8)
(I) Self-produced coal and purchased coal	102.0	97.0	410	99.5	91.8	437	2.5	(6.2)
1. Direct arrival	40.5	38.5	315	41.2	38.0	320	(1.7)	(1.6)
2. Seaborne	61.5	58.5	473	58.3	53.8	519	5.5	(8.9)
(II) Sales of domestic trading coal	1.6	1.6	312	7.1	6.6	472	(77.5)	(33.9)
(III) Sales of imported coal	0.5	0.5	431	0.0	0.0	576	N/A	(25.2)
II. Export Sales	0.6	0.5	630	0.7	0.6	470	(14.3)	34.0
III. Overseas sales	0.4	0.4	562	1.1	1.0	517	(63.6)	8.7
Total sales volume/average price (exclusive of tax)	105.1	100.0	411	108.4	100.0	440	(3.0)	(6.6)

3.3.2 Operating Results (Before Elimination on Consolidation)

Currency: RMB

		From January to March 2019	From January to March 2018	Change (%)	Major reasons for changes
Revenue	RMB million	44,460	48,785	(8.9)	Year-on-year decrease in sales volume and selling price of coal
Cost of sales	RMB million	34,159	36,955	(7.6)	Year-on-year decrease in sales volume and procurement price of purchased coal
Gross profit	RMB million	10,301	11,830	(12.9)	
Gross profit margin	%	23.2	24.2	Decreased by 1.0 percentage point	

3.3.3 Unit Production Cost of Self-Produced Coal

Unit: RMB/tonne

	From January to March 2019	From January to March 2018	Change (%)	Major reasons for changes
Unit production cost of self-produced coal	121.4	111.6	8.8	
Raw materials, fuel and power	22.9	20.7	10.6	More tripping works in open-pit mines such as Ha'erwusu Open-pit Mine, and increase in tariff of electricity consumed for production in coal mines in Inner Mongolia
Labour costs	22.4	20.6	8.7	Pay rise of certain production units
Repairs and maintenance	8.0	6.4	25.0	Concurrent overhaul of certain equipment
Depreciation and amortisation	18.2	20.5	(11.2)	Sufficient provision for depreciation of certain production equipment
Others	49.9	43.4	15.0	Year-on-year increase in relocation compensation due to larger relocation areas and more appurtenances on the ground

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 55%; ② auxiliary production expenses, accounting for approximately 22%; ③ land requisition and surface subsidence compensation, environmental protection expenses, tax and fees, etc., accounting for approximately 23%.

3.4 Operation of the power segment

3.4.1 Power Generation and Power Output Dispatch

Location/Type of power	Power Generation		Power output dispatch		Average utilisation		Power tariff	
	billion kWh		billion kWh		hours		RMB/MWh	
	From January to March 2019	From January to March 2018	From January to March 2019	From January to March 2018	From January to March 2019	From January to March 2018	From January to March 2019	From January to March 2018
Domestic	46.05	66.07	43.31	62.11	1,123	1,150	322	316
Coal-fired power	44.63	64.58	41.92	60.66	1,125	1,162	314	310
Gas-fired power	1.34	1.40	1.31	1.36	1,104	808	577	587
Hydropower	0.08	0.09	0.08	0.09	642	743	297	288
Overseas	0.35	0.43	0.30	0.37	1,161	1,421	516	485
Coal-fired power	0.35	0.43	0.30	0.37	1,161	1,421	516	485
Total/Weighted average	46.40	66.50	43.61	62.48	1,123	1,151	323	317

3.4.2 Power Generators

Unit: MW

Classified by power type	Total installed capacity as at 31 December 2018	Changes of installed capacity from January to March 2019	Total installed capacity as at 31 March 2019
Coal-fired power	59,994	(30,050)	29,944
Gas-fired power	1,730	(780)	950
Hydropower	125	0	125
Total	61,849	(30,830)	31,019

In the first quarter of 2019, the Group recorded a decrease in installed capacity of coal-fired and gas-fired power, and the reasons was that the installed capacity of power generators related to contributed assets of the Company would not be included into the statistical scope of the Group upon the completion of the Transaction for Establishing Joint Venture Company entered into between the Company and GD Power. In addition, Shenhua Zhunge'er Energy Co., Ltd., a subsidiary of the Company, closed down the 300 MW generators of gangue power plant.

3.4.3 Operating Results (Before Elimination on Consolidation)

Currency: RMB

		From January to March 2019	From January to March 2018	Change (%)	Major reasons for changes
Revenue	RMB million	15,053	20,885	(27.9)	Exclusion of revenue and cost related to contributed assets of the Company from the scope of the Group upon the completion of the Transaction for Establishing Joint Venture Company during the Reporting Period
Cost of sales	RMB million	12,050	17,271	(30.2)	
Gross profit	RMB million	3,003	3,614	(16.9)	
Gross profit margin	%	19.9	17.3	Increased by 2.6 percentage points	

From January to March 2019, the Group's average cost of power output dispatch of the power segment was RMB269.7/MWh (for the same period in 2018: RMB270.7/MWh), representing a year-on-year decrease of 0.4%.

3.5 Major operation of transportation and coal chemical segments (before elimination on consolidation)

Currency: RMB

		Railway segment			Port segment			Shipping segment			Coal chemical segment		
		From January to March 2019	From January to March 2018	Change (%)	From January to March 2019	From January to March 2018	Change (%)	From January to March 2019	From January to March 2018	Change (%)	From January to March 2019	From January to March 2018	Change (%)
Revenue	RMB million	9,650	9,232	4.5	1,369	1,458	(6.1)	752	1,102	(31.8)	1,640	1,554	5.5
Cost of sales	RMB million	4,811	4,576	5.1	689	672	2.5	676	800	(15.5)	1,392	1,339	4.0
Gross profit	RMB million	4,839	4,656	3.9	680	786	(13.5)	76	302	(74.8)	248	215	15.3
Gross profit margin	%	50.1	50.4	Decreased by 0.3 percentage point	49.7	53.9	Decreased by 4.2 percentage points	10.1	27.4	Decreased by 17.3 percentage points	15.1	13.8	Increased by 1.3 percentage points

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

On 30 January 2019, the Company received a confirmation document on the share transfer registration from China Securities Depository and Clearing Corporation Limited forwarded on by China Energy confirming that the transfer registration of the state-owned shares has been completed. After this transfer for nil consideration, China Energy holds 13,812,709,196 A shares, representing approximately 69.45% of the share capital of the Company; Beijing Chengtong Financial Control Investment Co., Ltd. holds 358,932,628 A shares, representing approximately 1.805% of the share capital of the Company; Guoxin Investment Co., Ltd. holds 358,932,628 A shares, representing approximately 1.805% of the share capital of the Company. For details, please refer to the H share announcement of the Company dated 30 January 2019 and the A share announcement of the Company dated 31 January 2019.

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

Applicable Not applicable

3.8 Industry environment

In the first quarter of 2019, China's macro economy witnessed an overall stability, and the gross domestic product (GDP) recorded a growth rate of 6.4%. The producer price index (PPI) saw a year-on-year increase of 0.1%.

Domestic coal market maintained an overall supply-demand balance from January to March, and coal price fluctuated within a reasonable range. As at the end of March, the BSPI (5,500 kcal/kg) stood at RMB578 per tonne, representing an increase of RMB8 per tonne from the level at the beginning of the year. The average BSPI (5,500 kcal/kg) in the first quarter stood at RMB574 per tonne, representing a year-on-year decrease of RMB1 per tonne.

From January to March, the national raw coal output was 810 million tonnes, representing a year-on-year increase of 0.4%. Accumulated coal imports were 7,462 tonnes, representing a year-on-year decrease of 1.8%. Total thermal power generated by power plants above designated scale across the whole country reached 1,265.8 billion kWh, representing a year-on-year increase of 2.0%, and the growth narrowed by 4.9 percentage points as compared with the same period of prior year. The society-wide power consumption saw a slower growth on year-on-year basis, and the average utilisation hours of thermal power equipment was 1,083 hours, representing a year-on-year decrease of 6 hours. Among which, the utilization hours of coal-fired power equipment was 1,122 hours, representing a year-on-year decrease of 3 hours.

It is expected that the national coal market will maintain an overall supply-demand balance in the second quarter, but the coal market might be subject to certain fluctuations caused by weather, unstable hydropower supply and other factors.

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.

3.9 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

3.10 Definition

China Shenhua/the Company	China Shenhua Energy Company Limited
The Group	The Company and its controlling subsidiaries
China Energy	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司)
GD Power	GD Power Development Co., Ltd.
Joint Venture Company	a joint venture company established with equities and assets of the relevant coal-fired power generation companies separately contributed by the Company and GD Power
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	from January to March, 2019

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

Beijing, 25 April 2019

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. Peng Suping, Dr. Jiang Bo, Ms. Zhong Yingjie, Christina, and Dr. Huang Ming 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

	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Revenue	57,011	62,979
Cost of sales	(37,699)	(41,775)
Gross profit	19,312	21,204
Selling expenses	(174)	(152)
General and administrative expenses	(1,922)	(2,038)
Other gains and losses	1,567	(42)
Other income	163	114
Other expenses	(82)	(45)
Interest income	372	188
Finance costs	(822)	(1,031)
Share of results of associates	178	29
Profit before income tax	18,592	18,227
Income tax expense	(3,365)	(3,312)
Profit for the period	15,227	14,915

	2019 <i>RMB million</i> (unaudited)	2018 <i>RMB million</i> (unaudited)
Other comprehensive income (expense) for the period		
<i>Items that will not be reclassified subsequently to profit or loss, net of income tax:</i>		
Remeasurement of defined benefit obligations	34	–
	34	–
<i>Items that may be reclassified subsequently to profit or loss, net of income tax:</i>		
Exchange differences	(107)	(206)
Share of other comprehensive expense of associates	(91)	(208)
Fair value gain on available-for-sale financial assets	(16)	–
	N/A	2
Other comprehensive expense for the period, net of income tax	(73)	(206)
Total comprehensive income for the period	15,154	14,709
Profit for the period attributable to:		
Equity holders of the Company	12,865	12,203
Non-controlling interests	2,362	2,712
	15,227	14,915
Total comprehensive income for the period attributable to:		
Equity holders of the Company	12,813	12,030
Non-controlling interests	2,341	2,679
	15,154	14,709
Earnings per share (RMB)		
– Basic	0.647	0.614

PREPARED UNDER IFRSs**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 31 March 2019*

	As at 31 March 2019 RMB million (unaudited)	As at 31 December 2018 RMB million (audited)
Non-current assets		
Property, plant and equipment	253,670	257,349
Right-of-use assets	3,141	N/A
Construction in progress	38,026	36,585
Exploration and evaluation assets	977	951
Intangible assets	3,521	3,623
Interests in associates	38,582	10,047
Equity instruments at fair value through other comprehensive income	810	811
Other non-current assets	31,098	29,456
Lease prepayments	16,344	16,425
Deferred tax assets	3,070	3,083
Total non-current assets	389,239	358,330
Current assets		
Inventories	10,911	9,967
Accounts and bills receivables	14,391	13,055
Prepaid expenses and other current assets	52,859	54,702
Restricted bank deposits	7,156	8,607
Time deposits with original maturity over three months	1,781	1,735
Cash and cash equivalents	80,124	61,863
Assets related to assets classified as held for sale	–	83,367
Total current assets	167,222	233,296

	As at 31 March 2019 RMB million (unaudited)	As at 31 December 2018 RMB million (audited)
Current liabilities		
Borrowings	4,229	5,772
Accounts and bills payables	23,007	26,884
Accrued expenses and other payables	52,383	52,737
Lease liabilities	294	N/A
Current portion of bonds	3,362	–
Current portion of long-term liabilities	389	457
Income tax payable	3,744	4,213
Contract liabilities	5,762	3,404
Liabilities related to assets classified as held for sale	–	29,914
	<u>93,170</u>	<u>123,381</u>
Total current liabilities		
Net current assets	<u>74,052</u>	<u>109,915</u>
Total assets less current liabilities	<u>463,291</u>	<u>468,245</u>
Non-current liabilities		
Borrowings	42,508	46,765
Bonds	3,336	6,823
Long-term liabilities	2,000	2,092
Lease liabilities	2,847	N/A
Accrued reclamation obligations	3,323	3,191
Deferred tax liabilities	539	537
	<u>54,553</u>	<u>59,408</u>
Total non-current liabilities		
Net assets	<u><u>408,738</u></u>	<u><u>408,837</u></u>

	As at 31 March 2019 <i>RMB million</i> (unaudited)	As at 31 December 2018 <i>RMB million</i> (audited)
Equity		
Share capital	19,890	19,890
Reserves	324,519	311,803
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	344,409	331,693
Non-controlling interests	64,329	77,144
	<hr/>	<hr/>
Total equity	408,738	408,837
	<hr/> <hr/>	<hr/> <hr/>

PREPARED UNDER IFRSs

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March

	2019	2018
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Operating activities		
Cash generated from operations	35,644	17,234
Income taxes paid	(4,680)	(5,424)
	<hr/>	<hr/>
Net cash generated from operating activities	30,964	11,810
	<hr/>	<hr/>
Investing activities		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, and additions to construction in progress and other non-current assets	(2,850)	(2,757)
Increase in lease prepayments	–	(45)
Proceeds from disposal of property, plant and equipment, intangible assets, lease prepayments and other non-current assets	133	146
Investments in associates	(1,394)	(30)
Interest received	382	148
Decrease in restricted bank deposits	1,451	132
Net cash used in investment in power plants to establish a joint venture company	(3,096)	–
Proceed from maturity of time deposits with original maturity over three months	–	227
	<hr/>	<hr/>
Net cash used in investing activities	(5,374)	(2,179)
	<hr/>	<hr/>

	2019 <i>RMB million</i> (unaudited)	2018 <i>RMB million</i> (unaudited)
Financing activities		
Interest paid	(1,292)	(1,813)
Proceeds from borrowings	2,452	5,183
Repayments of borrowings	(8,125)	(5,565)
Contributions from non-controlling shareholders	–	39
Distributions to non-controlling shareholders	(336)	(2,504)
	<u>(7,301)</u>	<u>(4,660)</u>
Net cash used in financing activities		
	<u>(7,301)</u>	<u>(4,660)</u>
Net increase in cash and cash equivalents	18,289	4,971
Cash and cash equivalents as at the beginning of the period	61,863	71,872
Effect of foreign exchange rate changes	(28)	(86)
	<u>(28)</u>	<u>(86)</u>
Cash and cash equivalents as at the end of the period	80,124	76,757
	<u><u>80,124</u></u>	<u><u>76,757</u></u>