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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)

INSIDE INFORMATION
PROVISION FOR IMPAIRMENT OF ASSETS

This announcement is made pursuant to Rule 13.09(2) 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).

On 17 March 2017, the Resolution on the Provision for Impairment of Assets of China Shenhua was considered and approved at the 24th meeting of the third session of the board of directors and the 12th meeting of the third session of the supervisory committee of China Shenhua Energy Company Limited (the “**Company**”).

In 2016, power generators of Shenhua Funeng (Fujian Longyan) Power Co., Ltd., a subsidiary of the Company, were shut down upon approval. The Company continued to spend extra efforts on the upgrade and transformation of the energy conservation and environmental protection of coal-fired generators, and renewed certain equipment in coal mines. Subsequently, there were indicators of impairment on relevant assets of certain power plants and coal companies of the Company. In order to reveal the objective and impartial view of the assets conditions of the Company, in accordance with the principle of prudence, the Company has conducted impairment tests on the fixed assets and inventories which had indication of impairment for 2016 based on China Accounting Standards for Business Enterprises (“**CASs**”) and International Accounting Standards (“**IASs**”) and made corresponding provision for impairment based on the results of the impairment tests.

I. BASIC INFORMATION ON THE PROVISION FOR IMPAIRMENT OF ASSETS

The Company made accumulated provision for impairment of assets for the year 2016 totaling RMB2.807 billion, including RMB2.07 billion for the provision for impairment of principal assets. Details of which are as follows:

(I) Shenhua Fujian Energy Co., Ltd.

1. Reasons for and basis of the provision for impairment

In accordance with relevant approval from the Consent Letter on Application for the Shut Down of Small Thermal Power Generating Units of Shenhua Fujian Energy Co., Ltd. by Fujian Provincial Commission of Economy and Information Technology (Min Jing Xin Han Neng Yuan [2016] No. 62), Shenhua Funeng (Fujian Longyan) Power Co., Ltd., a subsidiary of Shenhua Fujian Energy Co., Ltd., has shut down its power generators in the fourth quarter of 2016.

Pursuant to the requirements of CAS No. 8 – Asset Impairment and IAS 36 – Impairment of Assets, if an asset has or will become idle, its usage has been terminated or disposed of ahead of schedule, it indicates that such asset may have been impaired. The Company shall estimate its recoverable amount by the net amount of the fair value of the asset minus the disposal costs of the asset and the provision for impairment shall be made if the carrying amount is higher than the recoverable amount.

2. Amount of the provision for impairment

According to the results of the asset impairment tests, Shenhua Funeng (Fujian Longyan) Power Co., Ltd. made an impairment provision for fixed assets of RMB799 million and Shenhua Funeng Power Generation Co., Ltd., its parent company, made an impairment provision for goodwill of RMB98 million.

(II) Certain power plants of the Company

1. Seven power plants including Guangdong Guohua Yudean Taishan Power Co., Ltd.

(1) Reasons for and basis of the provision for impairment

In 2016, the Company commenced upgrade and technology transformation of energy conservation and environmental protection for seven power plants including Guangdong Guohua Yudean Taishan Power Co., Ltd.. Indication of impairment occurred to the fixed assets and unusable spare parts which had been demolished or were necessary to be demolished including machineries and equipment due to technical transformation.

Pursuant to the requirements of CAS No. 1 – Inventories, CAS No. 8 – Asset Impairment and IAS 36 – Impairment of Assets, if an asset has or will become idle, its usage has been terminated or disposed of ahead of schedule, it indicates that such asset may have been impaired. The Company shall estimate its recoverable amount by the net amount of the fair value of the asset minus the disposal costs of the asset and the provision for impairment shall be made if the carrying amount is higher than the recoverable amount; if the inventory cost is higher than the net realizable value, provision for inventory impairment shall be made.

(2) Amount of the provision for impairment

According to the results of the asset impairment tests, Guangdong Guohua Yudean Taishan Power Co., Ltd. made an impairment provision for fixed assets of RMB144 million and an impairment provision for inventories (spare parts) of RMB14 million; Zhejiang Guohua Zheneng Power Generation Co., Ltd. made an impairment provision for fixed assets of RMB137 million and an impairment provision for inventories (spare parts) of RMB4 million; Guohua Taicang Power Generation Co., Ltd. made an impairment provision for fixed assets of RMB74 million and an impairment provision for inventories (spare parts) of RMB2 million; Suizhong Power Co., Ltd. made an impairment provision for fixed assets of RMB61 million and an impairment provision for inventories (spare parts) of RMB9 million; Sanhe Power Co., Ltd. made an impairment provision for fixed assets of RMB29 million and an impairment provision for inventories (spare parts)

of RMB10 million; Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd. made an impairment provision for fixed assets of RMB28 million and an impairment provision for inventories (spare parts) of RMB16 million; Shaanxi Guohua Jinjie Energy Co., Ltd. made an impairment provision for fixed assets of RMB33 million and an impairment provision for inventories (spare parts) of RMB1 million.

The above seven power plants have made impairment provision for fixed assets totaling RMB506 million and impairment provision for inventories (spare parts) of RMB56 million.

2. *Guohua Beijing Thermal Power Branch*

(1) Reasons for and basis of the provision for impairment

Guohua Beijing Thermal Power Branch has shut down its coal-fired generators and made an impairment provision based on the results of the impairment tests in 2015. During the disposal process of assets in 2016, there were further indications of impairment on certain specialized equipment.

Pursuant to the requirements of CAS No. 8 – Asset Impairment and IAS 36 – Impairment of Assets, if an asset has or will become idle, its usage has been terminated or disposed of ahead of schedule, it indicates that such asset may have been impaired. The Company shall estimate its recoverable amount by the net amount of the fair value of the asset minus the costs of disposal and the provision for impairment shall be made if the carrying amount is higher than the recoverable amount.

(2) Amount of the provision for impairment

According to the results of the asset impairment tests, Guohua Beijing Thermal Power Branch made additional impairment provision for fixed assets of RMB173 million.

(III) Shenhua Shendong Coal Group Co., Ltd.

1. Reasons for and basis of the provision for impairment

Subject to the depression in the local real estate market, a continued decrease was recorded for the market price of certain underground parking spaces under the real estate projects, located in Dongsheng District, Kangbashi New Area and Shendong Mining Area of Ordos City, of a real estate development company under Shenhua Shendong Coal Group Co., Ltd., and, therefore there were indications of impairment. The principal objective of establishing the aforesaid real estate projects is to resolve the accommodation issue of staff in mining areas.

Pursuant to the requirements of CAS No. 1 – Inventories, CAS No. 8 – Asset Impairment and IAS 36 – Impairment of Assets, the Company will make provision for inventory impairment if the cost is higher than the net realizable value after comparing the cost and the net realizable value of inventories (real estate).

2. Amount of the provision for impairment

According to the results of the asset impairment tests, Shenhua Shendong Coal Group Co., Ltd. made an impairment provision for inventories (real estate) of RMB214 million.

(IV) Ha'erwusu Coal Branch

1. Reasons for and basis of the provision for impairment

In 2016, Ha'erwusu Coal Branch experienced indications of impairment on spare parts due to equipment renewal and technology upgrade.

Pursuant to the requirements of CAS No. 1 – Inventories and IAS 36 – Impairment of Assets, the Company will make provision for inventory impairment if the cost is higher than the net realizable value after comparing the cost and the net realizable value of inventories (spare parts) of Ha'erwusu Coal Branch.

2. *Amount of the provision for impairment*

According to the results of the asset impairment tests, Ha'erwusu Coal Branch made an impairment provision for inventories (spare parts) of RMB127 million.

(V) Shenhua Zhunge'er Energy Co., Ltd.

1. *Reasons for and basis of the provision for impairment*

In 2016, Shenhua Zhunge'er Energy Co., Ltd. experienced indications of impairment on spare parts due to equipment renewal and technology upgrade.

Pursuant to the requirements of CAS No. 1 – Inventories, CAS No. 8 – Asset Impairment and IAS 36 – Impairment of Assets, the Company will make provision for inventory impairment if the cost is higher than the net realizable value after comparing the cost and the net realizable value of inventories (spare parts) of Shenhua Zhunge'er Energy Co., Ltd..

2. *Amount of the provision for impairment*

According to the results of the asset impairment tests, Shenhua Zhunge'er Energy Co., Ltd. made an impairment provision for inventories (spare parts) of RMB97 million.

II. RELEVANT PROCEDURES FOR CONSIDERATION AND APPROVAL

The provision for impairment of assets has been considered and approved by the board of directors and the supervisory committee of the Company. Independent directors of the Company have expressed their independent opinions in respect of the provision for impairment of assets. The audit committee of the Company has conducted prior review for the provision for impairment of assets and agreed to submit such matters to the board of directors for consideration.

The board of directors of the Company is of the view that: the provision for impairment of assets is in accordance with CASs, IASs and relevant requirements of the Company and the actual conditions of the Company's assets. After the provision for impairment, the 2016 annual financial statements will provide a more impartial view of the financial position, the value of assets and operating results of the Company for the year ended 31 December 2016. The board of directors agreed on the provision for impairment of assets. Independent directors of the Company are of the view that: the provision for impairment of assets is in accordance with CASs, IASs and relevant requirements of the Company and the actual conditions of the Company's assets. The procedures of approving the provision for impairment are in compliance with laws and regulations. After the provision for impairment, the 2016 annual financial statements will provide a more impartial view of the financial position, the value of assets and operating results of the Company for the year ended 31 December 2016, which is beneficial to the provision of more accurate and reliable accounting information to the investors without impairing the interests of the Company and the shareholders, especially the interests of minority shareholders. With reference to the aforementioned opinion, independent directors agreed on the provision for impairment of assets.

The supervisory committee of the Company is of the view that: the provision for impairment of assets is in accordance with CASs, IASs and relevant requirements of the Company and the actual conditions of the Company's assets. After the provision for impairment, the 2016 annual financial statements will provide a more impartial view of the financial position, the value of assets and operating results of the Company for the year ended 31 December 2016.

III. IMPACT ON THE OPERATING RESULTS OF THE COMPANY FOR 2016

In 2016, the provision for asset impairment by the Company will lead to an increase of RMB2.807 billion in other losses, a decrease of RMB2.807 billion in profit before income tax as well as a decrease of RMB1.878 billion in profit for the year attributable to equity holders of the Company in the consolidated financial statements of the Company.

IV. OTHERS

For breakdown and details of the above figures of the provision for impairment of assets, please refer to the results announcement for 2016 published on the date of this announcement.

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

Beijing, 17 March 2017

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.