

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.



大唐国际发电股份有限公司

DATANG INTERNATIONAL POWER GENERATION CO., LTD.

(a sino-foreign joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00991)

ANNOUNCEMENT

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANIES FROM CDC REPLY TO THE ENQUIRY LETTER AND CLARIFICATION

Reference is made to the announcements (the “**Announcements**”) of Datang International Power Generation Co., Ltd (the “**Company**”) dated 6 December 2017 and 8 December 2017, respectively, in relation to the major and connected transaction in respect of the Acquisition pursuant to the Transfer Agreement. Unless otherwise indicated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

A. REPLY TO THE ENQUIRY LETTER

As disclosed in the announcement of the Company dated 8 December 2017, the Company received the Enquiry Letter from the Shanghai Stock Exchange. CDC, the controlling shareholder of the Company, has discussed, verified and carefully analysed with the Company the matters related to the transactions set out in the announcement of the Company issued on 6 December 2017 on the Shanghai Stock Exchange in respect of the Acquisition, the Company has submitted a reply to the questions raised in the Enquiry Letter, the material contents of which are set out as follows:

Question 1:

Pursuant to the “Undertakings in respect of the Matters relating to Further Avoidance by China Datang Corporation of Intra-industry Competition with Datang International Power Generation Co., Ltd. (《關於中國大唐集團公司進一步避免與大唐國際發電股份有限公司同業競爭有關事項的承諾》)” issued by CDC in 2010 and the status of fulfillment of such undertakings in 2014, the Company and CDC, the controlling shareholder of the Company, are requested to specifically explain whether the Acquisition is consistent with the content of such undertakings.

Response:

The Company and CDC conducted verification on matters in relation to the undertakings to avoid competition, details of which are set out as follows:

A. Undertakings in respect of intra-industry competition and the status of fulfillment

(I) CDC issued the “Undertakings in respect of the Matters relating to Further Avoidance by China Datang Corporation of Intra-industry Competition with Datang International Power Generation Co., Ltd. (《關於中國大唐集團公司進一步避免與大唐國際發電股份有限公司同業競爭有關事項的承諾》)” in October 2010

In support of the further business development of the Company, CDC issued the “Undertakings in respect of the Matters relating to Further Avoidance by China Datang Corporation of Intra-industry Competition with Datang International Power Generation Co., Ltd. (《關於中國大唐集團公司進一步避免與大唐國際發電股份有限公司同業競爭有關事項的承諾》)” in 2010. CDC will continue to comply with the undertakings it has previously given. For further avoidance of intra-industry competition with the Company, CDC further undertakes that:

- (i) CDC confirms that the Company shall be the ultimate platform for integrating the coal-fired power businesses of CDC;
- (ii) in respect of the coal-fired power assets of the non-listed companies of CDC, CDC undertakes that it will inject such assets into the Company in 5 to 8 years when the profitability of such assets has improved and the relevant conditions are met;
- (iii) in respect of the coal-fired power business assets of CDC located in Hebei Province, CDC undertakes that it will inject such assets into the Company in approximately 5 years when the profitability of such assets has improved and the relevant conditions are met;
- (iv) CDC will continue to perform each of its undertakings previously given to support the development of its subordinated listed companies.

(II) CDC issued an “Illustration on the Specifications of the Undertakings made by CDC to Datang International Power Generation Co., Ltd. (《關於規範大唐集團對大唐國際發電股份有限公司相關承諾的說明》)” in June 2014

1. Term of the undertakings

- (i) in respect of the coal-fired power business assets of CDC located in Hebei Province, CDC undertakes that it will inject such assets into the Company no later than around October 2015 when the profitability of such assets has improved and the relevant conditions are met;
- (ii) in respect of the coal-fired power assets of the non-listed companies of CDC (except such coal-fired power business assets located in Hebei Province), CDC undertakes that it will inject such assets into the Company no later than around October 2018 when the profitability of such assets has improved and the relevant conditions are met.

2. Conditions for injection

The coal-fired power assets to be injected by CDC shall satisfy the following conditions at the same time:

- (i) in respect of the assets to be injected, there is no trend of adverse changes such as decline of expected profitability of the Company;
- (ii) after the injection of the assets, it shall be beneficial for the enhancement of assets quality of the Company, the strengthening of the sustainable profitability of the Company and improvement of the Company’s financial condition, among which, the earnings per share or return on net assets of the Company shall be on a rising trend;
- (iii) the assets to be injected shall comply with the requirements of the national laws, regulations, departmental rules and the regulations of regulatory authorities, including clear titles and completion of the approval procedures and so forth.

(III) In May 2015 and September 2015, CDC issued a “Letter on Further Determination of Relevant Undertakings” and a “Letter on the Alteration of Relevant Undertakings”, respectively

In July 2014, in order to adjust and optimize the industry layout, increase the competitiveness of the principal business, the Company and China Reform Holdings Corporation Ltd. reorganised the coal-to-chemical segment and related projects of the Company (“**Coal-to-Chemical Reorganisation**”). Since the Coal-to-Chemical Reorganisation scheme will have a significant effect on the earnings per share and return on net assets of the Company, there was, therefore, uncertainty as to whether the injection of coal-fired power assets located in Hebei Province by CDC, the controlling shareholder of the Company prior to the completion of the Coal-to-Chemical Reorganisation were in compliance with relevant requirements of the conditions for assets injection.

In view of the above factors, CDC decided to postpone the term of performing the relevant undertakings for the injection of assets located in Hebei Province, and issued a “Letter on Further Determination of Relevant Undertakings” and a “Letter on the Alteration of Relevant Undertakings” in May 2015 and September 2015, respectively. The content of the adjusted undertakings were as follows:

1. Term of the undertakings:

- (i) in respect of the coal-fired power business assets of CDC located in Hebei Province, after the outcome of the Coal-to-Chemical Reorganisation becomes definite, CDC proposed to inject such assets into the Company no later than around October 2018 when the profitability of such assets has improved and the relevant conditions are met;
- (ii) in respect of the coal-fired power assets of the non-listed companies of CDC (except for the coal-fired power business assets located in Hebei Province and Hunan Province), CDC will inject such assets into the Company no later than around October 2018 when the profitability of such assets has improved and the relevant conditions are met.

2. *Conditions for injection*

The coal-fired power assets to be injected by CDC shall satisfy the following conditions at the same time:

- (i) there exists no trend of adverse changes such as decline of expected profitability of the Company in respect of the assets to be injected;
- (ii) after the injection of the assets, it shall be beneficial for the enhancement of assets quality of the Company, strengthening of the sustainable profitability of the Company and improvement of the Company's financial condition, among which, the earnings per share or return on net assets of the Company shall be on a rising trend;
- (iii) the assets to be injected shall comply with the requirements of the national laws, regulations, departmental rules and the regulations of regulatory authorities, including clear titles and completion of the approval procedures.

B. Conformity of the Acquisition with the above undertakings

(I) The Acquisition is an essential initiative taken by CDC in the performance of its intra-industry competition undertakings to the Company, which reflects the determination of the Company and CDC, the controlling shareholder in resolving the problem of intra-industry competition

Upon the issuance of the intra-industry competition undertakings, CDC has been committed to the performance of the above undertakings in the long run. The injection of coal-fired power assets located in Hebei, Anhui and Heilongjiang Provinces to the Company is an important arrangement which reflects CDC's initiative in performing the intra-industry competition undertakings. At the same time, it also represents an important initiative of CDC to utilize the Company as a platform to integrate its coal-fired power assets in order to strengthen and optimize the Company.

The Company managed to integrate the coal-fired power assets of CDC in Hebei, Anhui and Heilongjiang Provinces through the Acquisition. Upon completion of the Acquisition, the coal-fired power assets held by CDC in Hebei, Anhui and Heilongjiang Provinces will be fully injected in the Company, while CDC will no longer control the coal-fired power assets in the aforementioned three provinces, thus no longer result in intra-industry competition with the Company. The Acquisition is conducive to mitigating the intra-industry competition between the Company and CDC, the controlling shareholder, as well as protecting the interests of the Company and minority Shareholders.

(II) Explanation on whether the coal-fired power assets to be injected by CDC fulfill the relevant conditions of injection

1. The desirable profitability of the Target Companies from 2014 to 2016

The three Target Companies involved in the Acquisition maintained a desirable profitability from 2014 to 2016, details of which are set forth as follows:

Unit: RMB0'000

Company Names	Items	January to	2016	2015	2014
		September 2017			
Hebei Company	Operating Income	405,078.02	537,926.57	553,105.97	577,901.85
	Net Profit	-21,924.10	77,573.65	102,020.65	46,367.04
Heilongjiang Company	Operating Income	385,652.34	561,853.39	601,557.73	607,643.81
	Net Profit	13,441.39	65,082.79	42,623.96	24,264.46
Anhui Company	Operating Income	594,651.34	753,947.37	888,450.96	696,859.48
	Net Profit	-42,014.13	44,032.58	122,829.85	36,639.28

2. *Major reasons for the loss incurred by some of the Target Companies in the period from January to September 2017*

From January to September 2017, Hebei Company and Anhui Company incurred losses in their net profits. Both Hebei Company and Anhui Company principally engaged in the coal-fired power generation business. As of 30 September 2017, Hebei Company had a total installed capacity of 2.947 million kW, of which coal-fired installed capacity accounted for 2.65 million kW, or 89.92%. Anhui Company had a total installed capacity of 6.244 million kW, of which coal-fired installed capacity accounted for 6.06 million kW, or 97.05%. The major fuel for coal-fired power generating units is coal. In the most recent year, due to the significant increase of coal price, the price of standard coal used in power generation of Hebei Company has increased from RMB337.94/ton (January to September 2016) to RMB602.58/ton (January to September 2017), representing a year-on-year increase of 78.31%. The price of standard coal used in power generation of Anhui Company has increased from RMB496.61/ton (January to September 2016) to RMB751.05/ton (January to September 2017), representing a year-on-year increase of 51.24%. The significant increase in coal price is the major reason for the significant decrease in profitability of Hebei Company and Anhui Company from January to September 2017.

3. *Analysis on prospects of profitability of the Target Companies*

The temporary losses of Hebei Company and Anhui Company due to the significant increase in coal price are expected to be reversed in the future, analysis of which is set out as follows:

- (1) The National Development and Reform Commission (“NDRC”) and other authorities are taking measures to curb the coal price

In October 2017, the NDRC published the “Notice on Regulating the Market Price of Coal in the Winter Peak Season(《關於做好迎峰度冬期間煤炭市場價格監管的通知》)”, requiring immediate inspection of the market coal price in order to strictly crack down price manipulation and price monopolies in the coal industry. During the same month, the NDRC convened a forum to analyse the promotion of direct purchase and direct sale of coal, the signing of medium and long-term contracts, and the establishment of social responsibility corporate policy in

maintaining stable coal supply and price during the summer and winter peak seasons. The forum pointed out that the responsibility of maintaining stable coal supply and price shall be borne by both the coal and electricity industries, and that there is a need to formulate upgraded medium and long-term contracts, so as to promote direct purchase and sale and cut down intermediate stages. The forum believed that the exploration and establishment of the social responsibility corporate policy of maintaining stable coal supply and price are significant to maintain the stable and reliable supply of coal during peak seasons, avoiding the fluctuations of coal price and enhancing the stable operation of economy.

- (2) The policy of coal-electricity linkage is beneficial to improving the financial condition of power generating enterprises

To alleviate the contradictions between coal and electricity, the NDRC first implemented the policy of coal-electricity price linkage in 2014. Pursuant to the “Notice on Relevant Matters regarding Improving the Coal-Electricity Linkage Mechanism (Fa Gai Jia Ge (2015) No. 3169)”, if the fluctuation of coal price exceeds a certain range during a period, both on-grid tariff and sales tariff of electricity shall be adjusted accordingly. Since the second half of 2016, the price of steam coal in the PRC entered into a new rising period, breaking the historical record of annual increase, which resulted in a significant increase in the cost of fuel for power generating enterprises. If the price of steam coal remains at a high level, the NDRC and other competent authorities will determine whether the coal-electricity linkage mechanism has to be triggered based on the changes in coal and electricity prices. As such, the financial condition of power generation enterprises is expected to improve.

- (3) The stable GDP growth rate of the PRC boosted the growth of electricity demand

The electricity industry is an important fundamental industry of the national economy in the PRC and is closely related to the development of the national economy. As electricity is an important input for economic growth, the growth rate of electricity consumption is generally in tandem with economic growth. In accordance with public information publicly disclosed by the National Bureau of Statistics, the GDP for the third quarter of 2017 of the PRC manifested a

year-on-year increase of 6.8%, which is expected to reach the target of an annual GDP growth rate of 6.5% as stated in the government report at the fifth session of the twelfth National People's Congress. Based on the strong correlation between economic growth and electricity demand, it is expected that electricity demand will increase following the steady growth of the national GDP in the PRC.

- (4) With favourable operating conditions, the profitability of the Target Companies have greater room for improvement in the future

Anhui Company, which is adjacent to the Yangtze River Delta Economic Zone, has favourable regional advantages. The increase in electricity consumption in Yangtze River Delta and peripheral areas creates a robust driving force to the power generation business of Anhui Company. Meanwhile, the installed capacity of Anhui Company amounts to 6.244 million kW, among which large power units with over 0.6 million kW account for over 60%. The unit coal consumption of the operation of the units is relatively low, which leads to better potential of profits. Hebei Company is situated in the Beijing-Tianjin-Hebei Economic Zone. The area of power supply covers Xiong'an new area. Further implementation of integrated strategies of Beijing-Tianjin-Hebei and the plan of Xiong'an new area will give rise to decent business expansion opportunities for Hebei Company, which is conducive to the enhancement of the results of Hebei Company in the future.

4. Conforming with the long-term strategic target of the Company

The asset injection will result in the improvement of electricity supply capacity and the coverage of electricity supply by the Company in Eastern, Northern and Northeast China, thereby enhancing the Company's core business of power generation and improving the market share and influence of the Company, which will further enhance the continuous operating capabilities of the Company, achieving specific implementation of the long-term development strategy of "Expanding New Scope and Space for Development" of the Company.

On the whole, the historical profitability level of the Target Companies is favourable. The losses of Heibe Company and Anhui Company during the period from January to September 2017 were primarily attributable to the significant rise in coal

price in the second half of 2016. According to the foregoing analysis, there are possibilities for adjustment of the coal price. In the future, it is expected that Hebei Company and Anhui Company will recover to generate profits, while the annual profitability of the Target Companies in the future is expected to gradually improve, which will be conducive to the realisation of long-term strategic target of the Company.

5. *The Target Companies are in compliance with the requirements of national laws, regulations, departmental rules and the regulations of regulatory authorities, including clear titles and completion of the approval procedures.*

According to the undertakings and guarantees as given in the Transfer Agreement by CDC and upon review by the Company, the equity interests of the Target Companies to be injected in the Acquisition have clearly defined titles. There were no mortgages, pledges and any other limitations of transfer. No legal proceedings and measures such as litigation, arbitration, seizure or freezing orders were involved, nor were there other conditions that impede the transfer of titles.

According to Rule 31 of “Administrative Measures of Supervising Transfer of State-owned Assets of Enterprises (Order No. 32 of State-owned Assets Supervision and Administration Commission (“SASAC”) of the State Council and Ministry of Finance) (《企業國有資產交易監督管理辦法》(國務院國資委、財政部令第32號))”, if there are ownership transfers due to the implementation of internal reorganisation and integration between the same state-funded enterprise and its controlling enterprises at all levels or de facto controlled enterprises, transfers by way of non-public agreements may be adopted upon consideration by and decision of the state-funded enterprise. On 29 November 2017, CDC convened the ninth meeting of the third session of its board of directors, and resolved to agree on matters in relation to the transfer of 100% equity interests of the Target Companies held by CDC to the Company, which is in conformity with the aforementioned regulatory requirements of the SASAC.

The nineteenth Board meeting of the ninth session of the Company considered and approved “the resolution in relation to the related transaction and the Acquisition of 100% equity interests of Datang Heilongjiang Power Generation Co., Ltd., Datang Anhui Power Generation Co., Ltd. and Datang Hebei Power Generation Co., Ltd.” on 6 December 2017. Chen Jinhang, Liu Chuandong and Liang Yongpan, connected Directors of the Company, abstained from voting. The Acquisition has been approved by Liu Jizhen,

Luo Zhongwei, Jiang Fuxiu, Feng Genfu and Liu Huangsong, being independent Directors, prior to the submission to the Board for consideration. The Acquisition is subject to the approval by the independent Shareholders at the general meeting, at which CDC and its associates will abstain from voting.

All in all, the Target Companies under the Acquisition are in compliance with the requirements of national laws, regulations, departmental rules and the regulations of regulatory authorities, including clear titles and completion of the approval procedures.

Question 2:

The Company is requested to explain the source of funds for the Consideration and the relevant arrangements, taking into account its own production and operation and cash flow conditions.

Response:

A. Instalment arrangement agreed in the Transfer Agreement

In December 2017, the Company entered into the Transfer Agreement with CDC, pursuant to which the Company proposed to acquire 100% equity interests of Hebei Company, Heilongjiang Company and Anhui Company held by CDC, the controlling shareholder, by way of cash at an aggregate Consideration of RMB18,127.5115 million. According to the Transfer Agreement, the payment arrangement for the Consideration of the Company is as follows:

Time of Payment	Payment Amount
Within 3 Working Days from the Settlement Date	50% of the total amount, equivalent to RMB9,063.7558 million
Within 3 months from the Settlement Date	40% of the total amount, equivalent to RMB7,251.0046 million
Within 3 months from the date on which the respective 100% equity interests of three Target Companies are fully transferred to the Company (subject to the date when the last Target Company Completes the transfer of 100% equity interests to the Company)	RMB1,643.535 million

Time of Payment	Payment Amount
Within 10 years from the Settlement Date, the Company arranges for payment according to the utilisation and development of the land assets of the Target Companies, with a total area of approximately 3.221 million square metres, comprising 16 plots of allocated land which are temporarily idle and one plot of land asset which does not yet have the relevant certificate	RMB169.2161 million

B. Current operating conditions and cash flow of the Company

Current operating conditions of the Company are favourable with outstanding profitability. From January to September 2017, net profits attributable to the parent company of the Company amounted to RMB1,909.298 million, representing a year-on-year increase of 160.70%. According to the statistics of Wind, from January to September 2017, among the 35 listed companies in total under the category of thermal power sector categorised by CITIC, only 7 listed companies recorded over RMB100 million of net profits attributable to their parent companies, while only 5 listed companies recorded year-on-year increase in their net profits attributable to their parent companies. The Company was within the abovementioned scope.

The current cash flow of the Company is favourable. Cash inflow generated from operating activities of the Company amounted to RMB56,697.74 million, cash outflow generated from operating activities amounted to RMB42,206.671 million, and net cash inflow generated from operating activities amounted to RMB14,491.069 million. As of 30 September 2017, the money funds owned by the Company on its books amounted to approximately RMB5,783.462 million.

The current credit limit of the Company is sufficient. As of 30 September 2017, the Company acquired a credit limit of RMB397.467 billion in total from banks and non-bank financial institutions. As RMB117.271 billion has been utilised, with RMB280.196 billion remaining as available credit limit.

C. Sources of funds and relevant arrangement for the payment of the Consideration by the Company in the Acquisition

Based on the favourable operating conditions of the Company, sufficient cash flow and adequate credit limit from banks of the Company, the Company will prioritise to utilise self-owned funds for the payment of the Consideration in the Acquisition based on the actual operating conditions and provided that it will not affect the normal production and operating activities of the Company. The balance will be obtained by way of application for loans from financial institutions such as banks, or through financing in the bond market.

Question 3:

In relation to the assets to be acquired under the Acquisition, the Company is requested to explain whether there might be any risk of impairment in value of such assets, taking into account the existing conditions of and the development trend of the industry.

Response:

A. Accounting policies in relation to the impairment on long-term equity investments of the Company

Upon injection of the equity interests of the Target Companies to the Company, such equity interests will be accounted for as long-term equity investments. In accordance with the requirements of the PRC enterprise accounting standard, the accounting policies of the Company on the impairment of long-term investments are set out below:

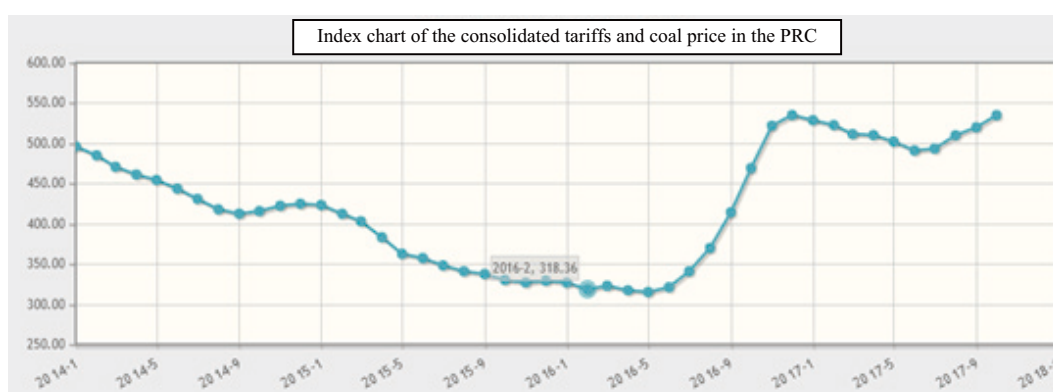
In terms of non-current non-financial assets, including long-term equity investments of subsidiaries, joint ventures and associates, the Company shall determine whether there is an indication of impairment as at the date of balance sheet. If this is the case, the Company shall estimate its recoverable amount and carry out impairment test. The recoverable amount represents the net amount of the fair value of the assets less disposal expense, or the present value of the expected future cash flow of the assets (whichever is higher). The impairment test results indicated that the recoverable amount of the assets is lower than its book value. The allowance of the impairment will be calculated based on the difference between the book value and the recoverable amount of the assets, and be counted towards impairment losses.

B. The existing condition of the thermal power industry

1. *Information of the thermal power industry from January to September 2017*

According to the “Operating Profile of the Electricity Industry from January to September 2017” published by China Electricity Council, the overall supply of electricity easily met the demand in the PRC from January to September 2017. The growth rate of the power consumption of the whole society was increased on a year-on-year basis while the power consumption of tertiary industries continued to grow rapidly. The growth rate of the industrial power consumption significantly increased on a year-on-year basis, and the growth rate of power consumption in light and heavy industries increased on a year-on-year basis. The accumulated power consumption in high-energy consuming industries also increased year-on-year, but the aggregated growth rate was lower than the average industrial level. The growth rate of power generation volume of hydro-power has decreased year-on-year while that of thermal power has increased year-on-year. The utilization hours of thermal power in the PRC increased year-on-year. The cross-region and cross-province transmission volume of electricity as well as the additional power generation capabilities increased year-on-year, among which the scale of new energy contributed to more than one half thereof.

2. *The coal price continued to rise in the first half of 2017, while the upward adjustment of the tariffs was limited in the same period, reducing the profitability of thermal power companies*



Source : Price Monitoring Center of the NDRC
<http://jgjc.ndrc.gov.cn/zgdmjgzs.aspx?clmId=syjgzs6>

The performance of companies in the power segment declined significantly due to factors including a greater increment in coal price when compared with that of the corresponding period. According to the statistics issued by Wind, in the first three quarters of 2017, among

the 28 CITIC first-grade industries, the growth rate of net profits attributable to the shareholders of the parent companies in the electricity and utilities segment was -15.29%, ranking in third to last. From January to September 2017, among the 35 listed companies in total in the thermal power segment under the CITIC industrial classification, only five companies recorded an increase in the net profits attributable to shareholders of the parent companies on a year-on-year basis.

C. Development trend of the thermal power industry

Since 2017, several development trends have emerged in the thermal power industry, including the implementation of measures by competent authorities such as the NDRC to control the rise of coal price, the coal-electricity linkage policy which helps improve the financial condition of power generation enterprises, and the stability of GDP growth rate in the PRC which ensured the continued growth of demand for power. For details, please refer to “Question 1-Response/B. Conformity of the Acquisition with the above undertakings/(II) Explanation on whether the proposed injection coal-fired assets to be injected by CDC fulfill the relevant conditions of injection”.

D. Explanation on whether there might be any risk of impairment in value of the assets to be acquired under the Acquisition

(I) Possible risk of impairment in value of the assets to be acquired under the Acquisition

As the profitability of the Target Companies is affected by a number of factors, such as industry policies and market changes, if one or several material and adverse circumstances occur in the future, including the coal price maintaining at a high level for a long period of time, the coal-electricity linkage mechanism not yet in operation or the extent of adjustment being under what is expected and the receding of the utilization hours of thermal power equipment, the Target Companies may record continual losses or their profitability may not be ideal. Then, in accordance with the aforesaid policies of the Company on the impairment of long-term investments, the need of calculating impairment rate has to be considered if the recoverable amount of the Target Shares is lower than their book value. Therefore, the possible risk of impairment of Target Companies in the future cannot be completely excluded.

Meanwhile, the Target Companies are in the thermal power generation industry with good historical profitability. As affected by the high level of coal price from January to September 2017, Hebei Company and Anhui Company recorded losses. Based on the industry development trends including the expectation of downward adjustment of coal price in the future, the possibility of upward adjustment of on-grid tariffs driven by coal-electricity linkage mechanism, and the continued growth of future power demand, Hebei Company and Anhui Company are expected to resume profitability in the future, and the profitability of the Target Companies is expected to gradually increase with good performance prospects.

(II) Relevant risks have been disclosed in the “Announcement on Connected Transaction of Assets Purchase”

Based on the possible risk of impairment of the Target Companies in the future, it was disclosed in the “Announcement on Connected Transactions of Assets Purchase” of the Company dated 6 December 2017 on the Shanghai Stock Exchange that:

The assets valuation reports of the Target Companies are the principal references for the pricing of the transaction. In the event that there are material changes in market conditions, industry policies and assets condition after the valuation benchmark date, the valuation of the Target Companies may be inconsistent with the actual situation in the future and the relevant target assets may be subject to risk of impairment.

B. CLARIFICATION

The Company hereby clarifies that due to an inadvertent typographical error, the forecasted net profit/loss for 2018 of Anhui Company (denominated in RMB'0,000) should be “-12,949.83” rather than “12,949.83” in the section headed “VI. PROFIT FORECAST AS REQUIRED UNDER THE RELEVANT RULES OF THE SHANGHAI STOCK EXCHANGE RELATING TO THE APPRECIATION OF THE TARGET COMPANIES” on page 36 of the Chinese and English versions of the announcement of the Company dated 6 December 2017 in relation to the major and connected transaction.

Save as stated above, all other information in the Chinese and English versions of the announcement remains unchanged.

By order of the Board
Ying Xuejun
Company Secretary

Beijing, the PRC, 14 December 2017

As at the date of this announcement, the Directors of the Company are:

Chen Jinhang, Liu Chuandong, Wang Xin, Liang Yongpan, Ying Xuejun, Zhu Shaowen, Cao Xin, Zhao Xianguo, Liu Haixia, Guan Tiangang, Liu Jizhen, Feng Genfu*, Luo Zhongwei*, Liu Huangsong*, Jiang Fuxiu**

* *Independent non-executive Directors*