

INFORMATION NOTICE



Introduction

This Information Notice as well as all information contained herein (the “Information Notice”) is meant to provide details on the securities and the issuer in relation to the registration of the securities onto the securities official list held by the Luxembourg Stock Exchange (LuxSE) without admission to trading on one of the securities markets operated by LuxSE (LuxSE SOL).

The Information Notice is provided for information purposes only. It does not constitute and is not construed as any advice, solicitation, offer, endorsement, commitment or recommendation to invest in the securities described herein. The provision of the Information Notice is not and shall not be a substitute for your own researches, investigations, verifications, checks or consultation for professional or investment advice. You are using the Information Notice at your own risks. This Information Notice may not be the complete disclosed information of the securities described herein. For more disclosed information of the displayed securities, please visit the official website of Shanghai Stock Exchange (SSE) (<http://www.sse.com.cn/>) which is the statutory information disclosure website of the displayed securities.

LuxSE takes no responsibility for the contents of this Information Notice, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the contents of this document.

Whole or part of the Information Notice may come from a translation of documents drafted in Chinese and provided by the issuer of the securities described herein. SSE have made its best efforts to verify that the content of the Information Notice is consistent with the information and provisions of the initial documents drafted in Chinese and provided by the issuer of the securities (the Issuer). Subject to the above, SSE takes no responsibility for the contents of this Information Notice, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the contents of this document.

The Information Notice has been reviewed and approved by the Issuer. The Issuer accepts full responsibility and liability for the authenticity and accuracy of the Information Notice and its content.

The date of this Information Notice is June 7, 2018.

Information on the Issuer

China Huadian Corporation Ltd is a China State-own company established in accordance with the Company Law the Special Regulations and other relevant laws and regulations of the People's Republic of China (The "PRC").

The Company was established with the approval of the State-owned Assets Supervision and Administration Commission of the State Council. It is registered with and has obtained a business license from State Administration for Industry and Commerce of the PRC on 29 DEC 2002. The Company's business license number is: 100000000037772.

The registered address of the Company: No.2 Xuanwumennei Street Xicheng District Beijing China- Postal code: 100031.

The Company is a state-own company of perpetual existence.

The industry of the company is according to the national economic industry classification (GB / T4754-2011) the issuer belongs to the industry of electricity, heat, gas, and water production and supply - 4414 wind power which has good prospects for development.

The Company is an independent legal entity with independent properties and rights therein which shall enjoy civil rights and assume civil obligations in accordance with the law.

In 2017 profit before taxation of the Group amounted to RMB 6,725 billion representing an increase of -47.80% as compared with RMB 12.882 billion of the previous year.

Net profit amounted to RMB 4,752 billion representing an increase of or -42.68% as compared with RMB 8.29 billion of the previous year.

Net profit attributable to equity shareholders of the Company amounted to RMB 2,253 billion representing an increase of -4.53% as compared with RMB 2.36 billion of the previous year.

There has been significant change in the financial position or trading position of the Company since 31 December 2017.

Because the fuel purchase costs rise sharply, coal and electricity linkage price adjustment is not timely. The profit before taxation has been decreased and influenced the net profit.

There has been no material adverse change in the prospects of the Company since 31 December 2017.

No profit forecast or estimate is made by Company.

The audit report for the year ended 31 December 2017 has been prepared by Shu Lun Pan Certified Public Accountants Co Ltd in Beijing and does not include any qualifications.

There are no recent events particular to the Company which are to a material extent relevant to its solvency.

China Huadian Corporation Ltd is one of the five state-owned sole proprietorship power generation corporations organized at the end of 2002 according to national reform for electricity system.

The major business of China Huadian Corporation Ltd. includes power generation heat production and supply development of primary energy related with electricity such as coal and relevant technical service. It generates electricity through thermal hydro nuclear wind and solar power sources. The company also engages in extracting transporting and selling coal for railways ports and storage centers.

The power generation industry highlights clean, low-carbon and safe and efficient. The company will increase the development of clean energy and actively and orderly develop hydropower. The company will strive to achieve greater breakthroughs and realize the development of “watershed, cascade, rolling”. Adhere to the combination of scale and efficiency, new construction and mergers and acquisitions. Combining, centralizing, and decentralizing, the company will continue to increase the development of new energy sources such as high-quality wind and optoelectronics. According to the national electricity price policy, the city Field affordability, changes in production and operation costs, release of electricity sales market, etc., cautious and rational investment, promotion due to time Fabric energy. The focus of coal power development has shifted to clean and efficient projects and cogeneration projects.

The coal industry highlights safety and quality and controls losses and turns losses. Effectively moving from the pursuit of scale to improving quality and efficiency, Win the battle for quality and efficiency. The company adheres to the principle of “mainly relying on electricity, extending from top to bottom supply chain,” and vigorously develops the coal industry to form an industrial structure that combines coal with electricity and coal-fired electricity.

As one of the top five independent power producers (“IPPs”) in China, Huadian Corporation has been focusing on a variety of fields, which include power generation, heat generation and supply, the development of primary energies used to generate electricity, financing activities, and technology and engineering development. The Group has assets spread across 32 provinces in the PRC and other overseas regions including Russia, Indonesia, Cambodia and Spain.

Specifically, as for power generation sector, the Group’s total controllable installed capacity reached 146.92GW at 31 December 2017, including 104,054MW of thermal power, 26,967MW of hydropower, 13,088MW of wind power and 2,806MW of solar power. The thermal power installation included 89,682MW coal-fired plants, 14,319MW of natural gas-powered turbines, and 53.3MW of biomass facilities. In terms of power output, the Group generated 483.7TWh and 492.0TWh of electricity respectively for the years ended 31 December 2015 and 2016. In 2017, the Group’s total thermal power generation reached 512,300GWh, with 481,000GWh fed into the grid and a total of 3,534 of utilization hours.

Description of the Bonds

| | |
|-----------------------|--|
| Issuer | CHINA HUADIAN CORPORATION. |
| Bonds Issued | RMB 1 000 000 000 Green Corporate Bonds in denominations of RMB 100. |
| Issue Date | 20 July 2017. The Green Corporate Bonds have been issued in public to eligible investors. |
| Issue Price | 100% of principal amount. |
| Interest Rate | 4.42% per annum payable annually. |
| Interest Payment Date | 20 July in each year. Interest on the Bonds will accrue from their date of issue. |
| Maturity Date | 20 July 2022. |

| | |
|-----------------------|--|
| Redemption | <p>The Bonds will be redeemed at par on 20 July 2022.</p> <p>The Bonds may be redeemed on 20 July 2020 at the issuer/investors' decision.</p> |
| Special Provisions | <p>Issuer's Option of Adjusting Coupon Rate :</p> <p>At the end of the third year from issuance the issuer has the right to adjust the bond coupon rate for the remaining year of its duration.</p> <p>Investor's Put Option :</p> <p>After the issuer making public announcement on whether or not to exercise the right to adjust coupon rate (and by how much to adjust the coupon rate) bondholders have the right to exercise the put option.</p> |
| Rating | AAA by United Credit Ratings Co. Ltd, Beijing. |
| Ranking | The Bonds constitute direct unsecured and unsubordinated obligations of the bank ranking <i>pari passu</i> without any preference or priority of payment among themselves with all other unsecured and unsubordinated indebtedness of the Company. |
| Transfer Restrictions | The Bonds may be traded on the Shanghai Stock Exchange and circulated in the secondary market. |
| Identification number | ISIN Code CND10000JT88. |
| Display | <p>Application has been made to display the Bonds on the Securities Official List held by the Luxembourg Stock Exchange (LuxSE SOL) without admission to trading on one of the markets operated by the Luxembourg Stock Exchange. The Bonds will also be displayed on the Luxembourg Green Exchange (LGX).</p> <p>The display of the Bonds on LuxSE SOL and LGX will become effective on 7 June 2018.</p> |
| Trading | The Bonds are listed and admitted to trading on the Shanghai Stock Exchange under ticker symbol 143180. |
| Governing Law | The Bonds are governed by the laws of the People's Republic of China. |
| Use of proceeds | The proceeds from the Green Corporate Bonds have been used principally to repay the Company's interest-bearing debts so as to support the Company's green business development. |

Risks Factors

Summary of the information on the key risks specific and individual to the Company and the bonds.

A particular attention should be paid to the fact that the Issuer operates in the People's Republic of China under a legal and regulatory environment which, in some respects, may differ from that which prevails in other countries.

I. Investment Risks Related to the Bond

Affected by factors such as the overall operation of the national economy, the country's macroeconomic environment, financial and monetary policies, and changes in the international economic environment, the market interest rate may fluctuate. Since this bond may span more than one interest rate fluctuation cycle, the investment value of bonds may fluctuate with the fluctuation of market interest rate during the duration of the bonds, thus making the bond value held by the current bond investors have some uncertainties.

(I) Solvency Risk

The issuer is currently operating and financially sound. During the bond duration, there are certain uncertainties in the external factors such as the macroeconomic environment, capital market conditions, and related national policies, as well as the company's own production and operation. Changes in these factors will affect the company's operating conditions, profitability and cash flow, may lead to the company cannot get enough funds from the expected source of repayment to pay the principal and interest of the bonds on time, so that investors face a certain solvency risk.

(II) Risks peculiar to this bond arrangement

The Company intends to rely on its good operating performance, bank-enterprise relationships and diversified financing channels to ensure the scheduled payment of the bonds. However, if the company's own operating performance fluctuates during the bond duration, or if the financing capacity is weakened due to changes in the financial market and bank-enterprise relations, it will be possible to exert pressure on the timely and full repayment of the bonds.

(III) Credit risk

The company's current asset quality and liquidity are good, and it can pay the debt principal and interest on time. In the past three years, there has been no serious breach of contract in important business transactions with its major customers. In the future business operations, the issuer will uphold the principle of good faith management and strictly perform the signed contracts, agreements or other commitments. However, if the issuer's creditworthiness changes due to objective reasons during the bond duration, the interests of the bond investors may be adversely affected.

(IV) Rating Risk

The company's current credit standing is in good condition and it can pay the debt principal and interest on time. The Company is unable to guarantee that the credit rating of the entity and the credit rating of the current bond will not change negatively during the current bond duration. If the company's credit rating and/or the credit rating of the current bond have changed negatively during the current bond duration, the market transaction price of the current bond may fluctuate drastically, and may even cause the current bond to fail to make a list in the Shanghai Stock Exchange.

II. Risk Related to the Issuer

(I) Financial Risk

1. Risk of high debt-to-liability ratio
2. Risk of solvency of current liabilities
3. Risk of recovery of accounts receivable
4. Risk of inventory depreciation
5. Risk of fluctuations in profitability
6. Risk of cash flow fluctuations in operating activities
7. Risk of greater capital expenditures
8. Risk of large capital expenditure commitments
9. Risk of exchange rate fluctuations
10. Risk of fluctuating investment returns
11. Risk of government subsidies
12. Risk of increased financial costs

(II) Operational risk

1. Risk of cyclical fluctuations in the economy

The correlation between the profit level of the power companies and the fluctuation of the economic cycle is relatively high. The power demand of the heavy industry and the manufacturing industry are in the downstream and the power generation of the power generation companies themselves are important factors that determine the profitability of the power generation enterprises. If the economic development slows down or declines in the future, the corresponding reduction in electricity demand may adversely affect the company's profitability.

In 2016, the total electricity consumption of the whole society was 5,919.837 billion kWh, an increase of 5.00% year-on-year. The primary industry's electricity consumption was 107,488 million kwh, an increase of 5.37%; the secondary industry's electricity consumption was 4,218,809 million kwh, an increase of 5.15%; the tertiary industry's electricity consumption was 796,136 million kwh with a year-on-year increase of 11.23%.

Economic fluctuations will directly affect the demand for power products such as electricity, especially in the economic downturn, the company's operating performance may be adversely affected.

2. Risk of firepower and fuel costs

The company's business is mainly in thermal power generation. As of the end of 2016, the company's controllable installed capacity was 142.8236 million kilowatts, of which thermal power 10,150.5 kilowatts, accounting for 71.07% of the company's total installed capacity. Coal-fired power generating units use coal as the main fuel. Inadequate supply of coal, shortage of transport capacity, or declining coal quality may affect the normal operation of the company's power generation business.

The cost of fuel is the main component of thermal power business operations. Changes in coal prices will have a significant impact on the company's thermal power plant performance. Global coal prices have fallen sharply since 2014, which has led to a significant drop in power generation costs for power companies. Since 2016, coal prices have continued to rise. As of September 28, 2016, the 5,500-kilocal-ton Bohai steam coal price index closed at 561 yuan per ton, which represented a large increase from the beginning of the year. If coal prices rise in the future, it will cause the increase in costs, affecting the company's operating performance. In order to ensure the smooth and healthy development of the industry, on November 8, 2016, the four major

central enterprises of the Company, Shenhua Group, China Coal Group, and Guodian Investment Group, through full consultation and communication, signed the first batch of medium- and long-term contracts for the purchase and sale of coal in Beijing Huadian Building. It ensures the stability of the company's fuel prices and further reduces the risk of fuel cost fluctuations.

3. Risk of fluctuations in the number of hours of use of the unit

In recent years, with the rapid growth of power investment, the country's total installed power capacity has continued to grow. As of the end of 2016, the nation's installed power generation capacity reached 1.65 billion kilowatts, an increase of 8.2% year-on-year. In 2016, the total social power consumption was 5.92 trillion kilowatts. At the same time, it increased by 5.00% year-on-year. The growth rate of electricity consumption is lower than the growth rate of total installed capacity in the country. In 2014-2016, the average utilization hours of the company's power units were 4,188 hours, 3,842 hours and 3,582 hours, respectively. Affected by the aforementioned power supply and demand relationship, the average utilization hours of the company's power generating units may continue to decline in the future. If the average utilization hours further decline, the company's profitability and performance levels will be affected.

4. Risk of new projects and project operations

As of the end of 2016, the company's consolidated installed capacity reached 142.8136 million kilowatts. There are 8 sets of 1 million kilowatt-class thermal power units, 57 sets of 600,000 kilowatt-class thermal power units, 180 sets of 300,000~600,000 kilowatt-class units, and 161 sets of 300,000 kilowatts or lower units. The company's Yunnan Jinshajiangliyu Hydropower Project, Neimenggu Tuyou Project Phase I, and Hunan Changde Project Phase I all reached the 600,000-kilowatt-class unit level, and the construction and operation of the unit required large capital investment and high maintenance. The cost and high technical level of the operator, such as unexpected events in the construction and operation process or shortage of funds and personnel, will affect the company's production and operation, and may affect the company's profitability and solvency.

5. Risk of business type concentration

Most of the company's main business income comes from electricity sales, and the business structure is relatively single. Although it is conducive to the company's professional management, but with the intensified competition in the power industry, the business is too single which may weaken the company's ability to resist risks.

6. Risk of safety production

The safety of power production depends mainly on the safe and reliable operation of power equipment. If an operation accident occurs due to improper operation or maintenance, it will adversely affect the company's normal production.

On the other hand, the electric power industry in which the company is located is closely related to the coal industry. Although the state has strict supervision on the safety production of the coal industry in recent years, the coal industry is still one of the industries with high safety production accidents. The objective safety production risks in the coal industry may have a significant impact on company's operations.

7. The incident affects the risk of the company's production and operation

The business of the issuer may be affected by unexpected events such as natural disasters, industrial policy adjustments, and negative media reports, which pose potential risks to the company's production and operations. In recent years, the company has increased its investment in emergency prevention. However, the possibility of emergencies still exists. Once preventive measures are not implemented, it will have an impact on the company's production and operations, and thus affect the company's financial status.

8. Risk of holding company

The company is a holding group company. The profit of the parent company mainly comes from investment income. If the subsidiary company's operating conditions and dividend policy changes, it will have a certain impact on the parent company's profitability and solvency.

In addition, the occurrence of a debt default event by the subsidiary company of the company may affect the company's ability to pay its debt and interest, as well as its corporate image, thereby adversely affecting bondholders.

9. Risk of major lawsuits

The issuer's business involves multiple types and spreads across various regions of the country. Therefore, the issuer's business activities involve many stakeholders, including government departments, residents of operating areas, and environmental protection organizations. If the above stakeholders raise lawsuits on thermal power projects, hydropower projects, wind power projects and nuclear power projects operated or constructed by the company, the company's business activities will be adversely affected.

(III) Managing Risk

The company's main business is electric power production, but it is also involved in coal development, investment, engineering construction and other fields. Diversified operation across industries has great challenges to the company's expertise, management, and operation level.

As one of the five national power generation enterprise groups, the company has established second-tier companies such as Sichuan, Yunnan, Inner Mongolia, Shanxi, Shaanxi, Huadian Finance, Huadian Science and Technology and Huadian Coal, and has more than 700 grass-roots enterprises in more than 30 provinces, cities and autonomous regions throughout the country. Although the company has established and implemented a relatively complete internal control system and system, due to the large number of subordinate companies and geographical distribution, the company still has the possibility of not being able to implement effective control and risk management on its subsidiaries, and may affect the company's business activities and the smooth development.

(IV) Policy Risk

1. Risk of pricing of electricity products

At present, the company's electricity prices are supervised and managed by the National Development and Reform Commission, the Ministry of Environmental Protection, and local competent authorities. In September 2014, the National Development and Reform Commission's "Notice on Addressing Issues Concerning the Contradiction of Environmental Protection Electricity Price Contradictions" (Development and Reform Price [2014] No. 1908) decided to appropriately reduce the on-grid tariff of coal-fired power generation companies while maintaining the overall level of sales price. In January 2015, the National Development and Reform Commission formally issued the "Notice on Adjusting On-grid Price of Land-based Wind Power Benchmarking Properly" to reduce the on-grid price of wind power benchmarks in the first, second and third resource regions. In April 2015, the National Development and Reform Commission's "Notice on Reducing the On-grid Electricity Prices for Coal-fired Power Generation and the Price of Industrial and Commercial Electricity" announced the continued reduction of the coal-fired electricity generation on-grid tariffs and industrial and commercial electricity prices in the country. In December 2015, the National Development and Reform Commission issued the "Notice of the National Development and Reform Commission on Reducing the Price of Coal-fired Power Generation for On-grid Electricity Tariffs and General Industrial and Commercial Electricity Prices" (Development and Reform Price [2015] No. 3105), and decided that from January 1, 2016 onwards.

The average price of coal-fired electricity generated in the country is reduced by approximately 3 cents per kilowatt-hour (including tax, the same below). The average sales price of electricity for general industry and commerce in the country is reduced by about 3 cents per kilowatt-hour. In December 2015, the National Development and Reform Commission issued the "Notice on Perfecting Land-based Wind Power PV Power Generation Benchmarking Electricity Pricing Policy" to explicitly target the on-grid benchmark electricity prices for land-based wind power projects, and reduce the two-category resource areas by 2 cents and 3 cents respectively before 2016 and 2018 respectively. The four types of resource areas were reduced by 1 cent and 2 cents respectively. This regulation applies to onshore wind power projects approved after January 1, 2016 and January 1, 2018, as well as onshore wind power projects that were approved before January 1, 2016, but have not yet commenced construction by the end of 2017. On June 30, 2016, the National Development and Reform Commission issued the "Notice on Perfecting the Implementation Mode of Basic Electricity Price for Two-part Electricity Tariff Users", and adjusted the basic electricity price charging mode change cycle from current year-on-year to quarterly, and required power grid companies to actively apply for adjustments to billing methods, capacity reductions, and suspensions for power-using companies to ensure that relevant measures are put in place so that power companies can really benefit from them. On November 16, 2016, the National Development and Reform Commission announced the draft of the "Provincial Grid Transmission and Distribution Pricing Method (Trial)" solicitation draft form, formally soliciting opinions from the public, which may have a significant impact on power investment and electricity prices in the future. In December 2016, the National Development and Reform Commission issued the Notice on Adjusting the On-grid Price of Land-based Wind Power Benchmarking for Photovoltaic Power Generation (Price of Development and Reform [2016] No. 2729). According to the current technological progress and cost reduction of the new energy industry, it will reduce the on-grid benchmark on-grid tariffs for newly-built PV power generation after January 1, 2017 and new approvals onshore wind power after January 1, 2018. The newly established onshore wind power benchmarking on-grid price policy announced in the previous years will no longer be implemented. The part of on-grid PV power generation and land-based on-grid wind power prices that are within the benchmark price of local coal-fired units (including desulfurization, denitrification, and dust removal electricity prices) shall be settled by local provincial power grids; the higher part shall be subsidized through the National Renewable Energy Development Fund. After the adjustment, the benchmark on-grid tariffs for Class I, Class II, Class III, and Class IV resource zones in newly built onshore wind power projects in 2018 were 0.40 yuan/kWh (tax included), 0.45 yuan/kWh (tax included), 0.49 yuan/kWh (tax included) and RMB 0.57/kWh (tax included) respectively. At the same time, the notice clarified the on-grid tariff for offshore wind power benchmarking, and determined the on-grid tariff for non-bidding offshore wind projects by distinguishing offshore wind power and intertidal wind power. The on-grid tariff of the offshore wind power target pole is 0.85 yuan per kilowatt-hour, and the on-grid tariff of the inter-tidal wind power target pole is 0.75 yuan per kilowatt-hour. The part of on-grid tariffs for onshore wind power that are within the on-grid tariffs for local coal-fired units (including desulfurization, denitrification, and dust removal tariffs) shall be settled by local provincial power grids; the higher part shall be subsidized through the National Renewable Energy Development Fund. If the company's on-grid tariffs are subject to further downward adjustments or if the fuel costs cannot be raised in time, the company's operating performance will be affected.

2. Risk of power system reform

On March 15, 2015, the State Council promulgated "Several Opinions on Further Deepening the Reform of the Electric Power System by the Central Committee of the Communist Party of China and the State Council", and put forward the overall thinking, basic principles and recent key tasks for deepening the reform of the electric

power system. On November 26, 2015, the National Development and Reform Commission further promulgated the "Implementation Opinions on Promoting the Reform of Transmission and Distribution Prices", "Implementation Opinions on Promoting the Construction of Electricity Markets", "Implementation Opinions on the Establishment and Standardized Operation of Electricity Trading Institutions", "Opinions on the Implementation of Orderly Development and Utilization of Electricity", "Implementation Opinions on Promoting the Reform of Power Supply Side", and "Guiding Opinions on Strengthening and Regulating the Supervision and Management of Coal-fired Power Plants". On February 2, 2016, the "Replied Letter of the National Energy Administration of the National Development and Reform Commission on the Establishment of Beijing and Guangzhou Power Trading Centers" (National Development and Reform Commission [2016] No. 414) reviewed and passed the "Beijing Power Trading Center Construction Plan" and "Guangzhou Power Trading Center Construction Plan", and required the acceleration of the establishment and operation of the Beijing Power Trading Center and the Guangzhou Power Exchange Center, and the role of the trading center as a platform as soon as possible to provide a fair and standardized trading service for the optimization of power resources in a wider range of configurations. Since March 2016, the National Development and Reform Commission and the National Energy Administration have issued multiple reply letters to approve Shanxi, Beijing, Shanghai, Gansu, Ningxia, Hainan and other provinces in the country to conduct comprehensive pilot projects for power system reform. The main content of the power system reform is to deepen reforms to adhere to the direction of marketization, and to establish and improve the electricity market mechanism as the main objective. According to the institutional framework of keeping in mind and letting go of both ends, reform should orderly release of competitive link prices outside of transmission and distribution, orderly liberalize the electricity distribution business to social capital, orderly liberalize the electricity and electricity use plans beyond public welfare and regulation, gradually break monopolies, change the situation of grid companies purchasing electricity through unified purchase, promote direct trading of market entities, and give full play to the market's resources as decisive role in configuration.

With the gradual progress of the reform of the power system, the company's generating units meeting the requirements will gradually participate in the power market transactions. The on-grid tariff for participating in electricity market trading units will be changed from the current government pricing method to market transaction pricing. The electricity sales volume of the units participating in the electricity market transaction will also shift from government planned electricity to market-determined electricity sales, so there is a certain degree of uncertainty on the company's future electricity price level and electricity sales, which may have a certain degree of impact on the company's business or profitability.

3. Risk of environmental protection policy adjustment

In August 2012, the "Twelfth Five-Year Plan for Energy Saving and Emission Reduction" formally issued by the State Council put forward a proposal to strengthen the management of energy use and energy conservation, and improve a series of environmental protection requirements such as energy conservation and environmental protection laws and standards. From January 1, 2012, the "Emission Standard of Air Pollutants for Thermal Power Plants" (GB13223-2011) jointly issued by the Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine was formally implemented. Among them, the requirements for the new units to begin in 2012 are: In 2014, the unit's nitrogen oxide emissions must not exceed 100 mg/m³. By 2015, all thermal power units must install flue gas denitrification facilities. In addition, during the "Twelfth Five-Year Plan" period, nitrogen oxides are included as a rigid constraint indicator in the national assessment of pollution reduction, and the construction of flue gas denitrification facilities in coal-fired power plants is the key to achieving the total nitrogen oxide emission control targets. In

April 2014, the eighth session of the Standing Committee of the National People's Congress revised and passed the new "Environmental Protection Law," perfected the basic system of environmental protection, strengthened the environmental responsibility of the Chinese government and enterprises, and increased the total amount of pollutants. On August 29, 2015, the 16th Session of the Standing Committee of the Twelfth National People's Congress revised and passed the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution" and implemented it on January 1, 2016. The newly revised "The Air Pollution Prevention Act" stipulates that the State Council's environmental protection authorities, in conjunction with relevant State Council departments, shall, in accordance with the provisions of the State Council, carry out assessments of the objectives of the improvement of the atmospheric environment quality and the key tasks for the prevention and control of atmospheric pollution in the provinces, autonomous regions, and municipalities directly under the Central Government. The people's governments of provinces, autonomous regions, and municipalities directly under the Central Government shall formulate assessment methods and conduct assessments on the improvement of local atmospheric environmental quality objectives and the completion of key tasks for prevention and control of atmospheric pollution within the administrative area. On March 17, 2016, the "Thirteenth Five-Year Plan Outline for National Economic and Social Development of the People's Republic of China" was formally issued. The outline clearly stated that during the "Thirteenth Five-Year Plan" period, we must focus on improving environmental quality to solve problems. Focus on outstanding problems in the ecological environment, increase the intensity of ecological environmental protection and increase the efficiency of resource utilization.

With the continuous improvement of national environmental protection requirements, the relevant departments may further increase the environmental protection requirements for desulfurization, denitrification, and denitrification of thermal power plants of the company, which may increase the environmental protection costs of the issuer in production and operations and affect the issuer's profitability.

4. Risk of Adjustment of Coal Industry Policy

Due to the special nature of the coal industry, its mining is strictly regulated by the relevant government departments, and the enterprises' approval, supervision and control of coal production, processing, and sales are relatively strict. The National Development and Reform Commission is responsible for formulating major policies such as coal industry development planning and comprehensive balance. The National Coal Mine Safety Supervision Bureau is responsible for coal mine safety supervision. The State-owned Assets Supervision and Administration Commission of the State Council or the Provincial State-owned Assets Supervision and Administration Commission is responsible for the assets, cadres, personnel, and major issues of coal companies. The management, related industry supervision, and the development of industry standards are performed by the China Coal Industry Association.

According to the development goals set forth by the National Development and Reform Commission's "12th Five-Year Plan for Coal Industry Development", the degree of coal mining in the country has reached more than 75%. Among them, large-scale coal mines have reached more than 95%; 300,000 tons and above of small and medium-sized coal mines have reached more than 70%; and 300,000 tons of small coal mines have reached more than 55%. Millions of tons of mines (outdoors) have reached 60 sites with a production capacity of 800 million tons/year. Safe and efficient coal mines have reached 800 sites and output is 2.5 billion tons. On the other hand, the state will strengthen the planning and adjustment of the coal industry, support high-quality coal companies, strengthen the consolidation of closure of small and medium coal mines, and reverse the pattern of "scattered, small and chaotic" coal industry in China. On July 11, 2016, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of

Finance and other ministries jointly issued the “Notice on Doing a Better Job in Coal Consumption Reduction and Substitution in 2016”. The notice emphasized that local governments should pay attention to coal consumption reduction substitution work and improve it. The coal consumption decrement alternative work plan, and strictly control the new production capacity of high-consumption coal projects, and accelerate the reduction of coal consumption. If the policy of the national coal industry changes in the future, it may affect the operation and production of the company's coal sector.

5. Risk of tax policy

According to relevant state regulations, the issuer’s current business involves a number of taxes and fees, including corporate income tax, value-added tax, consumption tax, urban maintenance and construction costs, urban land use tax, etc. Changes in relevant tax policies and tax rate adjustments will affect the issuer’s Business performance has a certain degree of impact.

SELECTED FINANCIAL INFORMATION OF THE ISSUER

The selected financial information set forth below has been extracted from the company's audited consolidated financial statements as at and for the years ended 31 December 2017.

Financial Statements Summary (RMB '000)

| | 2017-12-31 | 2016-12-31 | 2015-12-31 |
|--------------------------------------|------------------|------------------|------------------|
| Income Statement Summary | | | |
| Gross Revenues | 200 134 700,7258 | 187 370 865,3848 | 197 561 742,0647 |
| Growth Rate (%) | 7,5079 | -5,1257 | -6,7570 |
| Costs | 199 408 185,5698 | 178 804 275,8420 | 178 284 766,5032 |
| Gross Profit | 5 807 904,3881 | 10 865 554,4807 | 23 497 701,4315 |
| Growth Rate (%) | -45,4569 | -53,3420 | 23,3380 |
| Profit before Income Tax | 6 724 597,0966 | 13 122 985,2836 | 25 478 143,7255 |
| Growth Rate (%) | -47,8000 | -48,0683 | 24,3942 |
| Net Profit | 4 751 677,8200 | 8 545 444,0914 | 18 916 864,5603 |
| Growth Rate (%) | -44,3952 | -54,8263 | 21,5181 |
| Balance Sheet Summary | | | |
| Total Assets | 796 775 007,6812 | 779 145 291,5492 | 761 307 375,0493 |
| Total Liabilities | 643 089 116,3668 | 635 251 982,1679 | 621 004 991,5559 |
| Total Equity | 153 685 891,3144 | 143 893 309,3813 | 140 302 383,4935 |
| Cash Flow Statement Summary | | | |
| Cash flows from operating activities | 51 530 036,1483 | 67 252 449,1809 | 83 161 006,0911 |
| Cash flows from investing activities | -42 669 818,6131 | -46 374 501,7348 | -59 701 804,4702 |
| Cash flows from financing activities | -7 544 701,6520 | -21 353 096,8247 | -20 116 864,3904 |
| Key Ratios | | | |
| ROE (%) | 3,1936 | 6,0138 | 14,4115 |
| ROA (%) | 0,6030 | 1,1095 | 2,5428 |
| Gross Margin (%) | 15,7441 | 21,3506 | 26,9078 |
| Asset-Liability Ratio (%) | 80,7115 | 81,5319 | 81,5709 |

| | | | |
|--|--------|--------|--------|
| Asset Turnover | 0,2540 | 0,2433 | 0,2656 |
| Current Ratio | 0,3352 | 0,3155 | 0,3579 |
| Interest Coverage Ratio (EBIT/Interest Expenses) | 1,3267 | 1,6520 | 2,0977 |