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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **DATANG INTERNATIONAL POWER GENERATION CO., LTD.**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**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)**

**CONNECTED AND DISCLOSEABLE TRANSACTION**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



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A letter from the Board is set out on pages 3 to 8 of this circular. A letter from the Independent Board Committee is set out on page 9 of this circular. A letter from Quam Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 10 to 19 of this circular.

The Company will convene the EGM at the function room of 5/F, InterContinental Hotel, No. 11 Financial Street, Xicheng District, Beijing, the PRC on 27 August 2014 (Wednesday) at 9:30 a.m.. The notice convening the EGM has been despatched to the shareholders on 11 July 2014.

Completion and return of the proxy form shall not preclude you from attending and voting in person at the AGM or at any adjourned meetings should you so wish.

16 July 2014

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Contribution Agreement”	the capital contribution agreement entered into between the Company, CDC, Huayin Electric Power and Leizhou Peicai Construction Company on 16 June 2014 in relation to the capital contribution for the establishment of Leizhou Power Generation Company
“CDC”	China Datang Corporation, a State-owned enterprise established under the laws of the PRC and is the controlling Shareholder of the Company which, together with its subsidiaries, own approximately 34.71% of the issued share capital of the Company as at the Latest Practicable Date
“Company”	Datang International Power Generation Co., Ltd., a sino-foreign joint stock limited company incorporated in the PRC on 13 December 1994, whose H Shares are listed on the Stock Exchange and the London Stock Exchange and whose A Shares are listed on the Shanghai Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at the function room of 5/F, InterContinental Hotel, No. 11 Financial Street, Xicheng District, Beijing, the PRC on 27 August 2014 (Wednesday) at 9:30 a.m. to consider and approve, among others, the Capital Contribution Agreement
“Huayin Electric Power”	Datang Huayin Electric Power Co., Ltd., details of which are set out in the section entitled “Information of the Relevant Parties of the Agreement”
“Independent Board Committee”	the independent board committee of the Company, comprising five independent non-executive Directors, and each of them does not have any material interest in the Capital Contribution Agreement

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## DEFINITIONS

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“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules
“Latest Practicable Date”	15 July 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Leizhou Coal-fired Project”	The coal-fired project, which capital is jointly contributed by the Company, CDC, Huayin Electric Power and Leizhou Peicai Construction Company, and is located at the Wushi Town, Beibu Gulf, the western coast of Leizhou Peninsula, Zhanjiang. Phase 1 of the construction is planned to consist of 2×1,000 MW ultra-supercritical coal-fired steam turbine generating units, and the planned capacity is 6×1,000 MW
“Leizhou Peicai Construction Company”	Leizhou City Peicai Infrastructure Construction Co., Ltd. (雷州市培財基礎設施建設有限公司), details of which are set out in the section entitled “Information of the Relevant Parties of the Agreement”
“Leizhou Power Generation Company”	Guangdong Datang International Leizhou Power Generation Co., Ltd. (廣東大唐國際雷州發電有限責任公司), which is to be jointly established and whose capital contribution is to be made by the Company, CDC, Huayin Electric Power and Leizhou Peicai Construction Company, in order to construct the Leizhou Coal-fired project
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NDRC”	National Development and Reform Commission
“PRC”	the People’s Republic of China
“Quam Capital”	Quam Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Capital Contribution Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

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## LETTER FROM THE BOARD

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# 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)

*Executive Directors:*

Mr. Wu Jing  
Mr. Zhou Gang

*Non-executive Directors:*

Mr. Chen Jinhang (*Chairman*)  
Mr. Hu Shengmu  
Mr. Fang Qinghai  
Mr. Li Gengsheng  
Mr. Cao Xin  
Mr. Cai Shuwen  
Mr. Liu Haixia  
Ms. Guan Tiangang

*Independent non-executive Directors:*

Mr. Dong Heyi  
Mr. Ye Yansheng  
Mr. Li Hengyuan  
Ms. Zhao Jie  
Mr. Jiang Guohua

*Office address:*

No.9 Guangningbo Street  
Xicheng District  
Beijing, 100033  
the PRC

*Principal place of business*

*in Hong Kong:*  
c/o Eversheds  
21/F, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

16 July 2014

*To the Shareholders*

Dear Sir or Madam,

### CONNECTED AND DISCLOSEABLE TRANSACTION

On 16 June 2014, the Company entered into the Capital Contribution Agreement with CDC, Huayin Electric Power and Leizhou Peicai Construction Company, pursuant to which the parties agreed to make capital contribution to establish Leizhou Power Generation Company in order to construct the Leizhou Coal-fired Project (two 1,000 MW coal-fired generating units). The total investment of the Leizhou Power Generation Company project amounted to RMB9,934,170,000 and the project capital amounted to RMB1,986,834,000. The proportion and amount of capital contribution to be made by each party were as follow: The Company agreed to contribute a sum of RMB675,523,600, which accounts for 34% of the equity interest of Leizhou Power Generation Company. Huayin Electric Power agreed to contribute a sum of RMB655,655,200, which accounts for 33% of the equity interest of Leizhou Power

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## LETTER FROM THE BOARD

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Generation Company. CDC agreed to contribute a sum of RMB596,050,200, which accounts for 30% of the equity interest of Leizhou Power Generation Company. Leizhou Peicai Construction Company agreed to contribute a sum of RMB59,605,000, which accounts for 3% of the equity interest of Leizhou Power Generation Company.

The purpose of this circular is:

- (1) to provide you with further details of the Capital Contribution Agreement;
- (2) to set out the recommendation of the Independent Board Committee in respect of the Capital Contribution Agreement; and
- (3) to set out the letter of advice from Quam Capital to the Independent Board Committee and the Independent Shareholders in respect of the Capital Contribution Agreement.

### CAPITAL CONTRIBUTION AGREEMENT

#### Date

16 June 2014

#### Parties

1. The Company;
2. Huayin Electric Power;
3. CDC; and
4. Leizhou Peicai Construction Company.

#### Major Terms of the Agreement

1. The parties agreed to make capital contribution to establish Leizhou Power Generation Company in order to construct the Leizhou Coal-fired Project (two 1,000 MW coal-fired generating units). The total investment of the Leizhou Power Generation Company project amounted to RMB9,934,170,000, which is arrived at after considering the construction engineering fee, facilities acquisition costs, installation engineering cost and other related fee set out in the feasibility report of the Leizhou Coal-fired Project dated April 2014 prepared by 中國能源建設集團廣東省電力設計研究院, an independent third party. The project capital amounted to RMB1,986,834,000, representing 20% of the total investment, which is arrived at after considering the relevant requirement of the PRC which requires the project capital of power generation projects to be at least 20% of the total investment amount of the project.

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## LETTER FROM THE BOARD

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The proportion and amount of capital contribution to be made by each party were as follow: The Company agreed to contribute a sum of RMB675,523,600, which accounts for 34% of the equity interest of Leizhou Power Generation Company. Huayin Electric Power agreed to contribute a sum of RMB655,655,200, which accounts for 33% of the equity interest of Leizhou Power Generation Company. CDC agreed to contribute a sum of RMB596,050,200, which accounts for 30% of the equity interest of Leizhou Power Generation Company. Leizhou Peicai Construction Company agreed to contribute a sum of RMB59,605,000, which accounts for 3% of the equity interest of Leizhou Power Generation Company.

The capital will be injected by the parties depending on the construction progress of the project.

2. The initial registered capital of Leizhou Power Generation Company is RMB100 million and will be contributed by the parties in cash on an one-off basis. The proportion and the amount of capital contribution to be made by each party was as follows: The Company agreed to make capital contribution in the sum of RMB34,000,000, which accounts for 34% of the registered capital. Huayin Electric Power agreed to make capital contribution in the sum of RMB33,000,000, which accounts for 33% of the registered capital. CDC agreed to make capital contribution in the sum of RMB30,000,000, which accounts for 30% of the registered capital. Leizhou Peicai Construction Company agreed to make capital contribution in the sum of RMB3,000,000, which accounts for 3% of the registered capital.
3. The differences between the total investment and the project capital will be supplemented by way of project financing, i.e., loans from banks. If necessary, the parties shall provide guarantee for the abovementioned financing facility in proportion to their respective contribution to the registered capital of Leizhou Power Generation Company.

The Company is not required to make additional cash contribution to Leizhou Power Generation Company beyond its share of project capital of RMB675,523,600 at this stage. In the event that the Company is required to make additional capital contribution to Leizhou Power Generation Company, the Company will implement further internal approval procedures and make disclosures in accordance with the relevant requirements as and when appropriate.

4. The scope of business of Leizhou Power Generation Company mainly includes the construction and operation of power plants, the sale of electricity and thermal power, the repair and maintenance of power equipment and power related technical services, the integrated utilization and sale of by-products such as pulverised fuel ash and desulfurised plaster (subject to the scope of business set out in the Business License for the Enterprise Legal Person to be issued by the administration for industry and commerce).

### **Conditions for the Capital Contribution Agreement becoming effective**

The agreement shall become effective when it is duly signed by the legal representatives or authorised agent of the parties with their respective company seals affixed thereon, and is approved by the respective board of directors or general meeting of the parties.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL CONTRIBUTION AGREEMENT

The joint capital contributions of the Company, CDC, Huayin Electric Power and Leizhou Peicai Construction Company to establish Leizhou Power Generation Company in order to construct the Leizhou Coal-fired Project is in compliance with the Company's strategy to consolidate the leading position of its principal power generation business, which will be beneficial for the expansion of the Company's power source scale, optimisation of the Company's asset quality, thereby facilitating the sustainable development of the Company.

Leizhou Power Generation Company will become a subsidiary of the Company and its financial statements will be consolidated into the financial statements of the Company.

The Directors (including the independent non-executive Directors) are of the view that the relevant terms of the Capital Contribution Agreement are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms, and are in the interests of the Company and its Shareholders as a whole.

### INFORMATION OF THE RELEVANT PARTIES OF THE AGREEMENT

1. The Company is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the repair and maintenance of power equipment and power related technical services, with its main service areas being in the PRC.
2. CDC was established on 9 March 2003 with a registered capital of RMB18.009 billion. It is principally engaged in the development, investment, construction, operation and management of power energy, organization of power (thermal) production and sales; manufacturing, repair and maintenance of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering; development of new energy as well as development and production of power related coal resources.
3. Huayin Electric Power was established on 22 March 1993 with a registered capital of RMB712 million. It is principally engaged in power production business and CDC holds 33.34% of its equity.
4. Leizhou Peicai Construction Company was established on 13 December 2012 with a registered capital of RMB50 million. It is principally engaged in land development & consolidation, road construction, building construction, urban infrastructure construction, financing, project supervision and other businesses. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Leizhou Peicai Construction Company and its beneficial owner are third parties independent of the Company and its connected person.



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## LETTER FROM THE BOARD

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### INFORMATION OF THE LEIZHOU COAL-FIRED PROJECT

Since the Leizhou Coal-fired Project is still subject to verification and approval by the relevant governmental departments/authorities, including NDRC, the expected construction period and commencement date of operation of the project are not yet certain as at the Latest Practicable Date.

### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction under the Capital Contribution Agreement is more than 5% and all the applicable percentage ratios are less than 25%, the Capital Contribution Agreement and the transaction contemplated thereunder constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, CDC is the controlling Shareholder of the Company, which together with its subsidiaries hold 34.71% of the issued share capital of the Company. Huayin Electric Power is a subsidiary of CDC. Accordingly, CDC and Huayin Electric Power are connected persons of the Company. The entering into of the Capital Contribution Agreement and the transaction contemplated thereunder constitute a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction under the Capital Contribution Agreement is more than 5%, the Capital Contribution Agreement and the transaction contemplated thereunder is subject to the reporting and announcement requirements as well as the approval by the independent Shareholders of the Company under Chapter 14A of the Listing Rules.

The Company will disclose the relevant details of the transaction under the Capital Contribution Agreement in the next annual report and accounts of the Company in accordance with the relevant requirements as set out in Chapter 14A of the Listing Rules.

None of the Directors has material interests in the Capital Contribution Agreement. Those connected Directors, including Chen Jinhang, Hu Shengmu and Fang Qinghai, who are current or former principal management staff of CDC, have abstained from voting at the Board meeting for approval of the relevant transaction in accordance with the requirements of the Listing Rules of the Shanghai Stock Exchange.

Any Shareholder with a material interest in the transactions and its associates will abstain from voting at the EGM to be held by the Company, to, among others, consider and approve the Capital Contribution Agreement.

As at the Latest Practicable Date, CDC together with its subsidiaries holds approximately 34.71% of the issued share capital of the Company. Since CDC is a party to the Capital Contribution Agreement, therefore, CDC and its associates shall abstain from voting at the EGM to approve the Capital Contribution Agreement. To the best of the Directors' knowledge, apart from CDC and its associates, no other shareholders have material interest in the transaction contemplated under the Capital Contribution Agreement and shall abstain from voting at the relevant transaction at the EGM.

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## LETTER FROM THE BOARD

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### EGM

The Company will convene the EGM to, among other things, consider and approve the Capital Contribution Agreement. The notice convening the EGM has been despatched to the shareholders on 11 July 2014.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 9 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Capital Contribution Agreement. Your attention is also drawn to the letter of advice received from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 10 to 19 of this circular which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Capital Contribution Agreement, the casting of votes for or against the resolutions approving the Capital Contribution Agreement by poll at the AGM as well as the principal factors and reasons considered by it in concluding its advice.

The Directors consider that the terms of the Capital Contribution Agreement are fair and reasonable and in the interest of the Shareholders and the Company as a whole and they recommend the Shareholders to vote in favour of the resolution at the EGM.

Yours faithfully,  
By Order of the Board of  
**Datang International Power Generation Co., Ltd.**  
**Zhou Gang**  
*Secretary to the Board*

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LETTER FROM INDEPENDENT BOARD COMMITTEE

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**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)

*Office address:*  
No.9 Guangningbo Street  
Xicheng District  
Beijing, 100033  
The PRC

16 July 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION**

We refer to the circular issued by the Company to the shareholders dated 16 July 2014 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

Under the Listing Rules, the Capital Contribution Agreement constitutes a connected and discloseable transaction of the Company, and is subject to the approval of the Independent Shareholders at the EGM.

We have been appointed as the Independent Board Committee to consider the terms of the Capital Contribution Agreement and to advise the Independent Shareholders in connection with the Capital Contribution Agreement as to whether, in our opinion, its terms are fair and reasonable and whether the Capital Contribution Agreement in the interests of the Company and the shareholders as a whole. Quam Capital has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from Quam Capital as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Quam Capital as set out in its letter of advice, we consider that the Capital Contribution Agreement is on normal commercial terms, and that the Capital Contribution Agreement in the best interests of the Company and the Shareholders as a whole.

We also consider that the terms of the Capital Contribution Agreement is fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Capital Contribution Agreement at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee  
**Dong Heyi, Ye Yansheng, Li Hengyuan, Zhao Jie, Jiang Guohua**  
*Independent non-executive Directors*  
**Datang International Power Generation Co., Ltd.**

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## LETTER FROM QUAM CAPITAL

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*The following is the full text of the letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and Independent Shareholders, in respect of the Capital Contribution Agreement which has been prepared for the purpose of inclusion in this circular.*



**Quam Capital Limited**

A Member of The Quam Group

16 July 2014

*To the Independent Board Committee  
and the Independent Shareholders*

Dear Sirs or Madam,

### **CONNECTED AND DISCLOSEABLE TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Capital Contribution Agreement, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 16 July 2014 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 16 June 2014, the Company entered into the Capital Contribution Agreement with CDC, Huayin Electric Power and Leizhou Peicai Construction Company, pursuant to which the parties agreed to make capital contributions to establish Leizhou Power Generation Company in order to construct the Leizhou Coal-fired Project.

As at the Latest Practicable Date, CDC is the controlling Shareholder, which together with its subsidiaries held 34.71% of the issued share capital of the Company. Huayin Electric Power is a subsidiary of CDC. Accordingly, CDC and Huayin Electric Power are connected persons of the Company. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction under the Capital Contribution Agreement is more than 5%, the Capital Contribution Agreement and the transactions contemplated thereunder constitutes a connected and discloseable transaction of the Company and is subject to the reporting and announcement requirements as well as the approval by the Independent Shareholders under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Dong Heyi, Mr. Ye Yansheng, Mr. Li Hengyuan, Ms. Zhao Jie and Mr. Jiang Guohua, has been established to advise the Independent Shareholders as to whether the terms of the Capital Contribution Agreement are fair and reasonable so far as the Company and Independent Shareholders are concerned and whether the entering of the Capital Contribution Agreement is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolution to be proposed at the EGM to approve the Capital Contribution Agreement. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

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## LETTER FROM QUAM CAPITAL

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As at the Latest Practicable Date, Quam Capital did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Quam Capital. In the last two years, Quam Capital has acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to certain continuing connected transactions of the Company (details of which were set out in the circular of the Company dated 20 May 2014). Apart from normal professional fees paid to us in connection with such appointment, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true up to the date of this letter and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. The Directors have confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, CDC, Huayin Electric Power, Leizhou Peicai Construction Company, Leizhou Power Generation Company or any of their respective subsidiaries or associates.

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## LETTER FROM QUAM CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

#### 1. Information of the Group

The Group is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the repair, maintenance and tuning of power equipment and power related technical services, with its main service areas being in the PRC.

Set out below is a summary of the consolidated financial statements of the Group for the three years ended 31 December 2013 as extracted from the annual reports of the Company for the years ended 31 December 2011, 31 December 2012 and 31 December 2013 (the “**2013 Annual Report**”).

	<b>As at 31 December</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	(Audited)	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	30,073,588	29,927,395	32,080,946
Current liabilities	63,414,995	65,492,802	70,006,170
Total assets	247,697,189	275,245,533	298,479,612
Total liabilities	196,965,135	218,672,835	233,937,024
Equity attributable to owners of the Company	38,940,692	41,589,940	44,167,798
	<b>For the year ended 31 December</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	(Audited)	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	72,381,865	77,598,103	75,227,458
Power generation segment	65,275,284	68,491,810	65,629,209
Coal segment	2,986,809	5,982,644	4,210,348
Chemical segment	3,100,132	2,580,135	4,937,628
Other segments	1,019,640	543,514	450,273
Profit for the year after tax	3,042,149	6,180,829	5,743,084

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## LETTER FROM QUAM CAPITAL

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As illustrated in the table above, the Group had recorded net current liabilities as at 31 December 2011, 2012 and 2013. Based on the 2013 Annual Report, the Group had short-term loans, short-term bonds and current portion of non-current liabilities of approximately RMB41.2 billion as at 31 December 2013, representing approximately 58.9% of the current liabilities. The total liabilities of the Group amounted to approximately RMB233.9 billion as at 31 December 2013, representing an increase of approximately RMB15.3 billion over the end of 2012, which was mainly due to the increase in borrowings and amount of debentures to support daily operation and infrastructure development. As at 31 December 2013, the Group had cash and cash equivalents of approximately RMB7.9 billion. As at 31 December 2013, a significant portion of the funding requirements of the Group for capital expenditures was satisfied by short-term borrowings. Consequently, as at 31 December 2013, the Group had net current liabilities of approximately RMB37.9 billion. The Group had significant undrawn borrowing facilities, subject to certain conditions, amounting to approximately RMB256.5 billion and may refinance and/or restructure certain short-term borrowings into long-term borrowings and will also consider alternative sources of financing, where applicable. The Directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared the financial statements for the year ended 31 December 2013 on a going concern basis.

The total assets and equity attributable to owners of the Company had increased steadily over the last two financial years. However, the revenue and profit after tax of the Group had decreased slightly for the financial year ended 31 December 2013 comparing to the financial year ended 31 December 2012 after the revenue and profit after tax of the Group recorded an increase of approximately 7.2% and 103.2%, respectively, for the financial year ended 31 December 2012 as compared to the corresponding year in 2011. The decrease of revenue of approximately 3.1% for the financial year ended 31 December 2013 as compared to the corresponding year in 2012 was mainly due to the decrease of approximately RMB3.1 billion in revenue from electricity sales during the year of 2013. As set out in the 2013 Annual Report, the decrease in profit of the Group for the financial year ended 31 December 2013 was due to, among other things, (i) investment returns recorded a year-on-year decrease, leading to a decrease in profit of approximately RMB1.8 billion; (ii) on-grid electricity recorded a year-on-year decrease of 7.994 billion kWh, leading to a decrease in profit of approximately RMB1.1 billion; (iii) fixed cost recorded a year-on-year increase, leading to a decrease in profit of approximately RMB799 million; and (iv) provision for fixed asset depreciation led to a year-on-year decrease in profit of approximately RMB718 million, which was partly offset by (a) a decrease of unit price of standard coal-into-furnace and coal equivalent of RMB111.7 per tonne, leading to an increase of profit of approximately RMB6.1 billion; (b) a decrease in financial expenditure which led to an increase in profit of approximately RMB1.1 billion; and (c) an increase of profit of other businesses of approximately RMB315 million.

### **2. Background of CDC, Huayin Electric Power and Leizhou Peicai Construction Company**

CDC was established in the PRC on 9 March 2003 with a registered capital of approximately RMB18.0 billion. It is principally engaged in the development, investment, construction, operation and management of power energy, organisation of power (thermal) production and sales; manufacturing, repair and maintenance of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering; development of new energy as well as development and production of power related coal resources.

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## LETTER FROM QUAM CAPITAL

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Huayin Electric Power was established in the PRC on 22 March 1993 with a registered capital of RMB712 million. It is principally engaged in power production business and has vast experience in power production, management and project development.

Leizhou Peicai Construction Company was established in the PRC on 13 December 2012 with a registered capital of RMB50 million. It is principally engaged in land development and consolidation, road construction, building construction, urban infrastructure construction, financing, project supervision and other businesses. As set out in the Letter from the Board, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Leizhou Peicai Construction Company and its beneficial owner are third parties independent of the Company and its connected persons.

### **3. Background and information on Leizhou Power Generation Company**

As stated in the Letter from the Board, the Company, CDC, Huayin Electric Power and Leizhou Peicai Construction Company (together, the "**Investor(s)**") agreed to make capital contribution (the "**Capital Contribution**") to establish Leizhou Power Generation Company in order to construct the Leizhou Coal-fired Project (two 1,000 MW coal-fired generating units) located in Leizhou City, Guangdong Province pursuant to the Capital Contribution Agreement. The total investment of the Leizhou Coal-fired Project amounted to RMB9,934,170,000 and the aggregate project capital contribution by the Investors amounted to RMB1,986,834,000, representing 20% of the total investment.

The scope of business of Leizhou Power Generation Company mainly includes the construction and operation of power plants, the sale of electricity and thermal power, the repair and maintenance of power equipment and power related technical services, the integrated utilisation and sale of by-products such as pulverised fuel ash and desulfurised plaster (subject to the scope of business set out in the Business License for the Enterprise Legal Person to be issued by the administration for industry and commerce).

Since the Leizhou Coal-fired Project is still subject to verification and approval by the relevant governmental departments/authorities, including NDRC, the expected construction period and commencement date of operation of the Leizhou Coal-fired Project are not yet certain as at the Latest Practicable Date.

### **4. Reasons for and benefits of entering into of the Capital Contribution Agreement**

In 2007, the PRC government issued the "Notice of the State Council (the "**State**") on Approving Several Opinions of the National Development and Reform Commission and the State Energy Leading Group Office on Accelerating the Closure of Small Coal-fired Power Units" and since then the "replacing small units with large units" policy has been strictly implemented for newly approved nationwide coal-fired power projects. Therefore, the replacement of small-capacity units by the construction of large-scale, high-efficiency and environmental-friendly new units is the current major policy of the PRC government for the approval of coal-fired power projects. In December 2012, the National Energy Administration of the PRC has agreed to commence the preliminary works of the construction of two 1,000 MW coal-fired generating units to replace 129.5 MW small-capacity units in Guangdong Province.



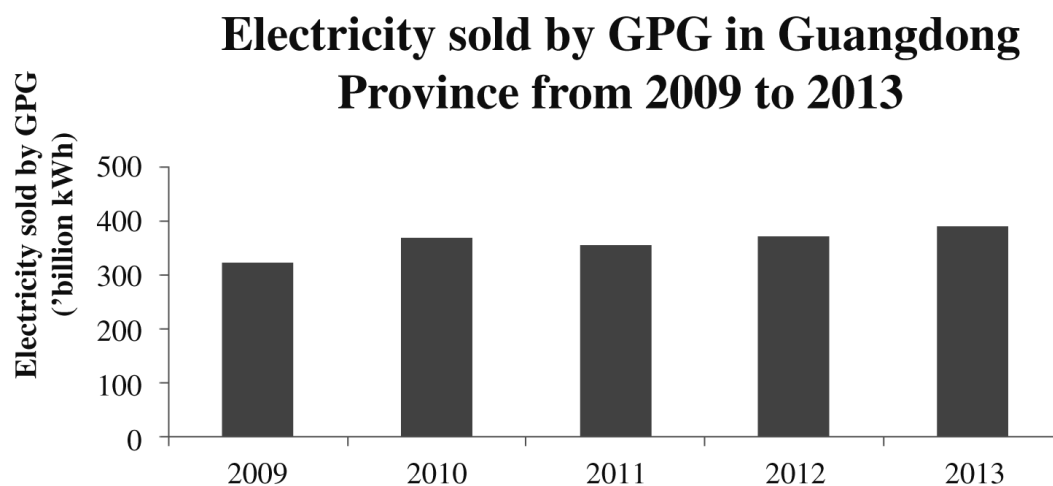
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## LETTER FROM QUAM CAPITAL

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On these bases, the Investors have entered into the Capital Contribution Agreement on 16 June 2014 to establish Leizhou Power Generation Company in order to construct the Leizhou Coal-fired Project (two 1,000 MW coal-fired generating units). The Directors are of the view that the construction of the Leizhou Coal-fired Project is in line with the Group's strategy to consolidate the leading position of its principal power generation business, which will be beneficial for the expansion of the Group's power source scale, optimisation of the Company's asset quality, thereby facilitating the sustainable development of the Group.

As advised by the management of the Group, the price of coal has been on a decreasing trend since 2013. As advised by the management of the Group, the coal-fired power plant of the Leizhou Coal-fired Project will be connected to and sell electricity mainly to Guangdong Power Grid Corporation ("GPG"), which is wholly-owned by the China Southern Power Grid Co., Ltd. GPG sells electricity exclusively in Guangdong Province. Detail of the amount of the electricity sold by GPG in Guangdong Province from 2009 to 2013 is illustrated in the chart below:



Source: GPG

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## LETTER FROM QUAM CAPITAL

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As illustrated in the chart above, the amount of the electricity sold by GPG steadily increased from approximately 322.9 billion kWh in 2009 to 390.7 billion kWh in 2013, representing a compound annual growth rate of approximately 4.9% during the period. As advised by the management of the Group, the electricity price is set by the relevant department of the PRC government, which varies for different geographical regions and the electricity price in Guangdong Province decreased from RMB521 per megawatt-hour (“MWh”) during the period of 2011 to September 2013 to RMB 502 per MWh since September 2013. The electricity price in Guangdong Province has been stable since 2011 despite the slight decrease in 2013, while the demand for electricity in Guangdong Province has been steadily growing over the last few years as shown in the chart above. According to GPG, Guangdong Province has experience shortage of power in the past. The average electricity blackout per user in Guangdong Province was approximately 10.1 hours, 7.1 hours and 6.2 hours during the year of 2011, 2012 and 2013 respectively. As such, the Leizhou Coal-fired Project is expected to benefit from the growing demand of electricity over the last few years and contribute to the improvement of the shortage of power supply in Guangdong Province.

According to the 2013 Annual Report, the revenue from the power generation segment of the Group decreased from approximately RMB68.5 billion for the year ended 31 December 2012 to approximately RMB65.6 billion for the year ended 31 December 2013. As at 31 December 2013, the coal-fired generating units accounted for approximately 79.7% of the Group’s total installed power generation capacity.

As at 31 December 2013, the Group had cash and cash equivalents of approximately RMB7.9 billion. The joint capital contributions with CDC, Huayin Electric Power and Leizhou Peicai Construction Company would benefit the Group by reducing the capital commitment of the Group in its participation in the Leizhou Coal-fired Project and in turn providing greater financial flexibility for the business operations of the Group, while Leizhou Power Generation Company will become a subsidiary of the Company and its financial results will be consolidated into the Group’s accounts. As set out in the paragraph headed “2. Background of CDC, Huayin Electric Power and Leizhou Peicai Construction Company” above and as advised by the management of the Group, CDC and Huayin Electric Power have vast experience and expertise in the development, investment, construction, operation and management of power production and sales, whereas Leizhou Peicai Construction Company has local experience in construction in Leizhou. As such, the Group is expected to benefit from the experience and expertise of the other Investors in developing the Leizhou Coal-fired Project.

Taking into account (i) the expansion of the electricity production capacity of the Group upon completion of the construction of the Leizhou Coal-fired Project to meet the growing demand of electricity power in Guangdong Province; (ii) the decreasing trend of the price of coal since 2013; (iii) that the participation in the Capital Contribution would reduce the capital commitment of the Group; and (iv) the Group is expected to benefit from the experience and expertise of the other Investors from the Capital Contribution in developing the Leizhou Coal-fired Project, we are of the view that the entering into of the Capital Contribution Agreement is in line with the Group’s existing business strategies and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM QUAM CAPITAL

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### 5. Principal terms of the Capital Contribution Agreement

As set out in the Letter from the Board, the proportion and amount of capital contribution to be made by each Investor, according to the construction progress of the Leizhou Coal-fired Project, are as follows:

	<b>Total capital contribution in Leizhou Power Generation Company (RMB)</b>	<b>Initial capital contribution as initial registered capital of Leizhou Power Generation Company (Note) (RMB)</b>	<b>Percentage of Equity interest in Leizhou Power Generation Company</b>
The Company	675,523,600	34,000,000	34%
CDC	596,050,200	30,000,000	30%
Huayin Electric Power	655,655,200	33,000,000	33%
Leizhou Peicai Construction Company	59,605,000	3,000,000	3%
<b>Total</b>	<b>1,986,834,000</b>	<b>100,000,000</b>	<b>100%</b>

*Note:* The initial registered capital of Leizhou Power Generation Company is included in the total amount of the Capital Contribution.

As illustrated in the table above, the amount of capital contribution to be made by each Investor is in proportion to their respective interest in the registered capital of Leizhou Power Generation Company. The total investment of the Leizhou Coal-fired Project amounted to RMB9,934,170,000, which was arrived at after considering the projected cost of constructing the Leizhou Coal-fired Project (two 1,000 MW coal-fired generating units), including construction engineering fee, facilities acquisition costs, installation engineering costs, and other related fee, as set out in the feasibility report of the Leizhou Coal-fired Project issued in April 2014 prepared by 中國能源建設集團廣東省電力設計研究院, an independent consultant. In order to access the fairness and reasonableness of the total investment amount of the Leizhou Coal-fired Project, we have reviewed the contract for another coal-fired project (the “**Comparable Project**”) of similar scale and nature entered into between the Group and another investor independent of the Company and noted that the required investment amount of such project is similar to that of the Leizhou Coal-fired Project.

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The project capital amounted to RMB1,986,834,000, representing 20% of the total investment amount of the Leizhou Coal-fired Project, which was arrived at after considering the relevant requirement of the PRC which requires the project capital of power generation projects to account for at least 20% of the total investment amount of the project. The difference between the total investment and the project capital will be funded by way of project financing. If necessary, the Investors shall provide guarantees for such project financing in proportion to their respective contribution to the registered capital of Leizhou Power Generation Company. As set out in the Letter from the Board, the Company is not required to make additional cash contribution to Leizhou Power Generation Company beyond its share of project capital of RMB675,523,600 at this stage. In the event that the Company is required to make additional capital contribution to Leizhou Power Generation Company, the Company will implement further internal approval procedures and make disclosures in accordance with the relevant requirements as and when appropriate. The management of the Group advised that the debt-to-asset ratio of the Leizhou Power Generation Company project of 80% meets the minimum ratio requirement of fixed asset project capital investment ratio set out by the State and is in line with industry practice for project of similar scale and nature. In order to assess the fairness and reasonableness of the capital amount of the Leizhou Coal-fired Project, we have reviewed the contract for the Comparable Project and noted that the debt-to-asset of such project was also 80%. We also noted that the debt-to-asset ratio of the Group as at 31 December 2013 was approximately 78.4%, which is similar to that of the Leizhou Coal-fired Project.

Having considered that (i) the amount of capital contribution to be made by each Investor is in proportion to their respective interest in the registered capital of Leizhou Power Generation Company; (ii) the total investment amount of the Leizhou Coal-fired Project is estimated by an independent consultant and is similar to that of the Comparable Project; (iii) the debt-to-asset ratio of the Leizhou Coal-fired Project meets the regulatory requirement and is consistent with industry practice and the Group's treasury policy; (iv) the amount of capital contribution is based on the aforesaid debt-to-asset ratio and the total investment amount of the Leizhou Coal-fired Project; and (v) the Investors shall provide guarantees for any project financing in proportion to their respective contribution to the registered capital of Leizhou Power Generation Company, we are of the view that the terms of the Capital Contribution Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

### **6. Financial effects of the Capital Contribution**

Upon its establishment, Leizhou Power Generation Company will become a subsidiary of the Company and accordingly the financial results, total assets and total liabilities of Leizhou Power Generation Company will be consolidated into the Group's accounts. The actual effect on earnings or losses of the Company will depend on future financial performance of Leizhou Power Generation Company.

Pursuant to the Capital Contribution Agreement, the capital contribution by the Company is RMB675,523,600, of which RMB34,000,000 will be paid as initial registered capital of Leizhou Power Generation Company on an one-off basis, and the remaining amount of which will be injected depending on the construction progress of the project. The Company intends to fund its cash capital contribution by internal resources. As per the 2013 Annual Report, the Group had cash and cash equivalents of approximately RMB7.9 billion as at 31 December 2013 and the Company is of the view that the Capital Contribution will not have a material adverse impact on the Group's liquidity and working capital position.

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## LETTER FROM QUAM CAPITAL

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### RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the Capital Contribution Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Capital Contribution Agreement.

Yours faithfully,  
For and on behalf of  
**Quam Capital Limited**  
**Gary Mui**  
*Deputy Chief Executive Officer*

*Note:* Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Quam Capital to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 15 years of experience in the finance and investment banking industry.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY**

- (i) As at the Latest Practicable Date, save as and except Mr. Fang Qinghai, being a Director, who held 24,000 A shares of the Company, none of the Directors, supervisors and chief executive of the Company have any interests and short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company under section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.
- (ii) As at the Latest Practicable Date, none of the Directors, proposed Directors, supervisors or proposed supervisors of the Company has any direct or indirect interest in any assets which have since 31 December 2013 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**3. SERVICE AGREEMENTS**

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

**4. INTEREST IN CONTRACT**

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement entered into by any member of the Group, and which was significant in relation to the business of the Group.

## 5. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up.

## 6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors of the Company and its Subsidiaries, or their respective associates has interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries.

## 7. EXPERT

- (a) The following sets out the qualifications of the expert which has given its opinion or advice as contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Quam Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

- (b) Quam Capital did not have any shareholding, direct or indirect, in any members of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group as at the Latest Practicable Date.
- (c) Quam Capital does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any members of the Group, or which are proposed to be acquired or disposed of by or leased to any members of the Group since 31 December 2013, the date to which the latest published audited financial statements of the Company were made up.
- (d) Quam Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

## 8. LITIGATION

No member of the Company and its subsidiaries is at present engaged in any litigation or arbitration of material importance to the Company and its subsidiaries and no litigation or claim of material importance to the Company and its subsidiaries is known to the Directors or the Company to be pending or threatened by or against any member of the Company and its subsidiaries.

**9. MISCELLANEOUS**

- (a) The registered office and office address of the Company is No. 9 Guangningbo Street, Xicheng District, Beijing, the PRC.
- (b) The place of business of the Company in Hong Kong is at c/o Eversheds, 21/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.
- (c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The secretary to the Board of the Company is Mr. Zhou Gang. Mr. Zhou graduated from East China Institute of Water Conservancy (currently known as Hehai University), and is a senior engineer.

**10. MATERIAL CONTRACTS**

Copies of the Capital Contribution Agreement, the consent letter and the letter of advice from Quam Capital are available for inspection at the principal place of business in Hong Kong of the Company at 21/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from the date of this circular up to and including 6 August 2014.