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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**



A letter from the Board is set out on pages 4 to 10 of this circular. A letter from the Independent Board Committee is set out on page 11 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 12 to 21 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 30 October 2014 at 9:30 a.m.. The notice convening the EGM has been despatched to the shareholders on 12 September 2014.

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

17 September 2014

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DEFINITIONS

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

“A Share(s)”	the domestic ordinary share(s) of the Company with a nominal value of RMB1.00 each and are listed on the Shanghai Stock Exchange
“Board”	the board of Directors of the Company
“CDC”	China Datang Corporation, a State-owned enterprise established under the laws of the PRC and is the controlling Shareholder of the Company pursuant to the Listing Rules 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 Hong Kong 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
“Datang Finance Company”	Datang Corporation Finance Limited Company, a controlling subsidiary of CDC
“Directors”	the director(s) of the Company
“Duolun Coal Chemical Company”	Datang Inner Mongolia Duolun Coal Chemical Company Limited, a subsidiary of the Company, the details of which are set out in the section headed “Information Relating to the Parties of the Agreement”
“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 30 October 2014 at 9:30 a.m. to consider and approve, among others, the Entrusted Loan Framework Agreement
“Energy and Chemical Company”	Datang Energy and Chemical Company Limited, a wholly-owned subsidiary of the Company
“Entrusted Loan”	the ordinary entrusted loan of a total principal amount of not more than RMB4 billion

DEFINITIONS

“Entrusted Loan Arrangement”	the arrangement where Datang Finance Company is entrusted by the Company to act as a lending agent to release the Entrusted Loan to Duolun Coal Chemical Company pursuant to the Entrusted Loan Framework Agreement
“Entrusted Loan Framework Agreement”	the entrusted loan framework agreement dated 27 August 2014 entered into between the Company, Energy and Chemical Company, Datang Finance Company and Duolun Coal Chemical Company in respect of the Entrusted Loan Arrangement
“Entrusted Loan Contract”	the entrusted loan contract entered into on 27 August 2014 between the Company, Datang Finance Company and Duolun Coal Chemical Company
“Financial Services Agreement”	the financial services agreement entered into between the Company and Datang Finance Company on 15 October 2013, particulars of which please refer to the Company’s circular dated 5 November 2013
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and the London Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Entrusted Loan Framework Agreement
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules
“Latest Practicable Date”	15 September 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PRC”	the People’s Republic of China

DEFINITIONS

“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 Entrusted Loan Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Shares”	the ordinary shares of the Company with a nominal value of RMB1.00 each, comprising domestic Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

LETTER FROM THE BOARD



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. Cao Xin
Mr. Cai Shuwen
Mr. Liu Haixia
Ms. Guan Tiangang
Mr. Yang Wenchun

Independent non-executive Directors:

Mr. Dong Heyi
Mr. Ye Yansheng
Ms. Zhao Jie
Mr. Jiang Guohua
Mr. Feng Genfu

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

17 September 2014

To the Shareholders

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

On 27 August 2014, the thirteenth meeting of the eighth session of the Board considered and approved the provision of the Entrusted Loan of not more than RMB4 billion to Duolun Coal Chemical Company. On 27 August 2014, the Company, Energy and Chemical Company, Datang Finance Company and Duolun Coal Chemical Company entered into the Entrusted Loan Framework Agreement in relation to the provision of the Entrusted Loan of an aggregate amount of RMB4 billion by the Company or Energy and Chemical Company to Duolun Coal Chemical Company within the term of agreement, in which Datang Finance Company acts as the lending agent.

LETTER FROM THE BOARD

On 27 August 2014, the Company entered into the Entrusted Loan Contract with Datang Finance Company and Duolun Coal Chemical Company according to the relevant terms as agreed in the Entrusted Loan Framework Agreement. The entrusted loan amount involved in the Entrusted Loan Contract was RMB140 million with a term of one year.

The purpose of this circular is:

- (1) to provide you with further details of the Entrusted Loan Framework Agreement;
- (2) to set out the recommendation of the independent Board Committee in respect of the Entrusted Loan Framework 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 Entrusted Loan Framework Agreement.

ENTRUSTED LOAN FRAMEWORK AGREEMENT

Date and Subject Matter

On 27 August 2014, the thirteenth meeting of the eighth session of the Board considered and approved the provision of the Entrusted Loan of not more than RMB4 billion to Duolun Coal Chemical Company. On 27 August 2014, the Company and Energy and Chemical Company entered into the Entrusted Loan Framework Agreement with Datang Finance Company and Duolun Coal Chemical Company in relation to the provision of the Entrusted Loan of an aggregate amount of RMB4 billion by the Company or Energy and Chemical Company to Duolun Coal Chemical Company within the term of agreement, in which Datang Finance Company acts as the lending agent.

Parties

1. The Company or Energy and Chemical Company, as the lender;
2. Datang Finance Company, as the lending agent; and
3. Duolun Coal Chemical Company, as the borrower.

MAJOR TERMS OF THE ENTRUSTED LOAN FRAMEWORK AGREEMENT

1. Entrusted Loan Framework Agreement

Pursuant to the Entrusted Loan Framework Agreement, Datang Finance Company is entrusted by the Company or Energy and Chemical Company to act as a lending agent to, inter alia, release the Entrusted Loan by various tranches to Duolun Coal Chemical Company.

Each of the parties agrees that it shall enter into separate entrusted loan contracts, during the term of the Entrusted Loan Framework Agreement, in relation to the provision of the Entrusted Loan in tranches, provided that such separate entrusted loan contracts shall be in compliance with the principles, terms and conditions under the Entrusted Loan Framework Agreement.

LETTER FROM THE BOARD

2. Amount of the Entrusted Loan

During the term of the Entrusted Loan Framework Agreement, the total loan amount of Duolun Coal Chemical Company under the Entrusted Loan Framework Agreement shall not exceed RMB4 billion.

3. Term

One year commencing from the effective date of the Entrusted Loan Framework Agreement.

4. Interest Rate

The loan interest rate was at a floating interest rate, being the benchmark interest rate to be charged for the same level of loans in RMB for the same term as announced by the People's Bank of China on the date when each tranche of loan is withdrawn plus 10%, and such interest rate is to be adjusted annually. The adjustment date is 21st December of each year. The adjusted borrowing interest rate will be the benchmark interest rate for the same level of loans in RMB for the same term announced by the People's Bank of China on the adjustment date plus 10%.

As at the Latest Practicable Date, the prevailing benchmark interest rate for one-year loans in RMB as announced by the People's Bank of China is 6% per annum.

Such interest rate is arrived at after arm's length negotiation between the Company and Duolun Coal Chemical Company in consideration of the overall reduction in capital costs to the Group after the accounts of Duolun Coal Chemical Company (being the controlled subsidiary of the Company) are consolidated into the accounts of the Company.

5. Calculation of Interests

Interests of the Entrusted Loan shall be accrued on quarterly basis. The settlement date falls on the twentieth (20th) day of the last month of each quarter.

6. Handling Fee

The handling fee of the Entrusted Loan shall be charged on the date of grant of each tranche of the Entrusted Loan. The rate of the handling fee shall be 0.025% of the actual released amount. The handling fee is arrived at after considering the standard of handling fee of same scale of the entrusted loans charged by commercial banks and a discount is provided on this basis. The handling fee will be settled by Duolun Coal Chemical Company to Datang Finance Company in one lump sum on the date of grant of each tranche of the loan.

7. Uses of the Entrusted Loan

The loan will be utilised by Duolun Coal Chemical Company for the replacement of due borrowings, repayment of principal and interests, and the replenishment of liquidity.

LETTER FROM THE BOARD

8. Repayment schedule of the Entrusted Loan

One-off repayment of the principal for the Entrusted Loan upon maturity of each of the entrusted loan contract.

9. Effective Date

The Entrusted Loan Framework Agreement shall become effective when it is duly signed by the legal representatives or authorised agents of both parties, with their respective company seals affixed thereon and upon the approval of the internal authority of each of the parties (or the internal approval procedures of each of the parties have been implemented, including obtaining the approval of the Entrusted Loan Framework Agreement by the independent Shareholders of the Company).

ENTRUSTED LOAN CONTRACT

Date and Subject Matter

On 27 August 2014, the Company entered into the Entrusted Loan Contract with Datang Finance Company and Duolun Coal Chemical Company according to the relevant terms as agreed in the Entrusted Loan Framework Agreement. The amount involved in the Entrusted Loan Contract was RMB140 million with a term of one year.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTED LOAN FRAMEWORK AGREEMENT

In view of the cooperation history between Datang Finance Company and the Company and given that the provision of entrusted loan services by Datang Finance Company is covered within the capital risks control measures under the Financial Services Agreement entered into between the Company and Datang Finance Company on 15 October 2013, Datang Finance Company has better understanding of the operations of the Company which will allow more expedient and efficient services than those rendered by other PRC commercial banks. Further, the handling fees charged by Datang Finance Company will not be higher than those charged by other PRC commercial banks. In view of the above considerations, the Company appointed Datang Finance Company, rather than other PRC commercial banks, as the lending agent.

Further, considering the capital risks control measures under the Financial Services Agreement and the terms under the Entrusted Loan Framework Agreement are normal commercial terms which confer no additional obligations nor risks on the Company when comparing with other entrusted loan agreements in the market, the Company considers that no additional risks will be involved by appointing Datang Finance Company as the lending agent under the Entrusted Loan Framework Agreement.

In order to ensure the replacement of due borrowings in schedule as well as to satisfy the need for liquidity of Duolun Coal Chemical Company, the Company intends to provide the Entrusted Loan of not exceeding RMB4 billion to Duolun Coal Chemical Company. The Company is of the view that the Entrusted Loan will be primarily utilized by Duolun Coal Chemical Company to replace the due borrowings and replenish its liquidity, and is thus beneficial for the smooth progress of the production and operation activities of Duolun Coal Chemical Company.

LETTER FROM THE BOARD

Considering the possible higher financial costs for Duolun Coal Chemical Company to obtain the current loan from other commercial banks when comparing with the financial costs incurred by the Company to obtain the funding of the Entrusted Loan, the Company considers that the overall capital costs to the Group will be relatively reduced after the accounts of Duolun Coal Chemical Company (being the subsidiary of the Company) are consolidated into the accounts of the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Entrusted Loan Framework 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 is in the best interests of the Company and its Shareholders as a whole.

INFORMATION OF THE RELEVANT PARTIES OF THE AGREEMENT

1. Information relating to the Company

The Company is principally engaged in the development and operation of power plants, the sale of electricity and thermal power, and the repair, testing and maintenance of power equipment as well as the provision of power-related technical services. The main service areas of the Company are in the PRC.

2. Information relating to Duolun Coal Chemical Company

Duolun Coal Chemical Company, a subsidiary of the Company, was duly incorporated on 19 August 2009 with a paid-in capital of RMB4,050 million. Duolun Coal Chemical Company is principally responsible for the construction and operation of the coal-based olefin project with an annual output of 460,000 tonnes. The equity structure of Duolun Coal Chemical Company is as follows: Energy and Chemical Company, a wholly-owned subsidiary of the Company, holds 60% equity interests, and CDC holds 40% equity interests.

3. Information relating to Datang Finance Company

Datang Finance Company is a non-banking financial institution duly incorporated in the PRC on 10 May 2005. Its registered capital is RMB3 billion. Its principal business includes, among others, the provision of deposit services, loan services, entrusted loan services and entrusted investment services.

4. Information relating to CDC

CDC was established on 9 March 2003 with registered capital of RMB18.009 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.

LETTER FROM THE BOARD

5. Information relating to Energy and Chemical Company

Energy and Chemical Company is principally engaged in the production and sales businesses for the products including coal-alkene, coal-natural gas and extraction of alumina from pulverized fuel ash.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Entrusted Loan under the Entrusted Loan Framework Agreement is more than 5% but less than 25%, the Entrusted Loan Framework Agreement constitutes a discloseable transaction of the Company and is subject to the relevant requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, CDC together with its subsidiaries holds approximately 34.71% of the issued share capital of the Company. Duolun Coal Chemical Company is owned as to 60% and 40% by Energy and Chemical Company, a wholly-owned subsidiary of the Company, and CDC, respectively. Datang Finance Company is a subsidiary of CDC which is a controlling Shareholder. Both Duolun Coal Chemical Company and Datang Finance Company are therefore connected persons of the Company and the transaction under the Entrusted Loan Framework Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the principal amount of the Entrusted Loan under the Entrusted Loan Framework Agreement is more than 5%, the Entrusted Loan Framework Agreement and the Entrusted Loan Arrangement are subject to the requirements of reporting, announcement and approval by the independent Shareholders of the Company under Chapter 14A of the Listing Rules.

The Company will disclose the relevant details 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.

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 the holding company of the parties to the Entrusted Loan Framework Agreement, therefore, CDC and its associates shall abstain from voting at the EGM to approve the Entrusted Loan Framework 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 Entrusted Loan Framework Agreement and shall abstain from voting at the relevant transaction at the EGM.

BOARD'S APPROVAL

None of the Directors has material interest in the transactions under the Entrusted Loan Framework Agreement. Connected Directors, including Chen Jinhang, Hu Shengmu and Fang Qinghai, have abstained from voting for this resolution at the relevant Board meeting pursuant to the Listing Rules of the Shanghai Stock Exchange.

LETTER FROM THE BOARD

EGM

The Company will convene the EGM to, among other things, consider and approve the Entrusted Loan Framework Agreement. The notice convening the EGM has been despatched to the shareholders on 12 September 2014.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 11 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Entrusted Loan Framework 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 12 to 21 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 Entrusted Loan Framework Agreement, the casting of votes for or against the resolution approving the Entrusted Loan Framework Agreement by poll at the EGM as well as the principal factors and reasons considered by it in concluding its advice.

The Directors consider that the terms of the Entrusted Loan Framework 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

LETTER FROM INDEPENDENT BOARD COMMITTEE



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

17 September 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 17 September 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 Entrusted Loan Framework 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 Entrusted Loan Framework Agreement and to advise the Independent Shareholders in connection with the Entrusted Loan Framework Agreement as to whether, in our opinion, its terms are fair and reasonable and whether the Entrusted Loan Framework Agreement is 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 Entrusted Loan Framework Agreement is on normal commercial terms, and that the Entrusted Loan Framework Agreement is in the best interests of the Company and the Shareholders as a whole.

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

Yours faithfully,

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

LETTER FROM QUAM CAPITAL

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



17 September 2014

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs/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 Entrusted Loan Framework 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 17 September 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 27 August 2014, the Company, Energy and Chemical Company, Datang Finance Company and Duolun Coal Chemical Company entered into the Entrusted Loan Framework Agreement in relation to the provision of the Entrusted Loan of an aggregate amount of RMB4 billion by the Company or Energy and Chemical Company to Duolun Coal Chemical Company within the terms of the agreement, in which Datang Finance Company acts as a lending agent. On the same day, the Company entered into the Entrusted Loan Contract (for the loan amount of RMB140 million with a term of one year) with Datang Finance Company and Duolun Coal Chemical Company according to the relevant terms as agreed in the Entrusted Loan Framework Agreement.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Entrusted Loan under the Entrusted Loan Framework Agreement is more than 5% but less than 25%, the Entrusted Loan Framework Agreement constitutes a discloseable transaction of the Company. As at the Latest Practicable Date, CDC together with its subsidiaries holds approximately 34.71% of the issued share capital of the Company. Duolun Coal Chemical Company is owned as to 60% and 40% by Energy and Chemical Company, a wholly-owned subsidiary of the Company, and CDC, respectively. Datang Finance Company is a subsidiary of CDC which is a controlling Shareholder. Both Duolun Coal Chemical Company and Datang Finance Company are therefore connected persons of the Company and the transaction under the Entrusted Loan Framework Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the principal amount of the Entrusted Loan under the Entrusted Loan Framework Agreement is more than 5%, the Entrusted Loan Framework Agreement and the Entrusted Loan Arrangement are subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

LETTER FROM QUAM CAPITAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Dong Heyi, Mr. Ye Yansheng, Ms. Zhao Jie, Mr. Jiang Guohua, and Mr. Feng Genfu, has been established to advise the Independent Shareholders as to whether the terms of the Entrusted Loan Framework Agreement are fair and reasonable so far as the Company and Independent Shareholders are concerned and whether the entering of the Entrusted Loan Framework 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 Entrusted Loan Framework 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.

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 and connected transaction (details of which were set out in the circular of the Company dated 20 May 2014 and 16 July 2014). Apart from normal professional fees paid or payable to us in connection with such appointment, no arrangements exist whereby we had received or will receive 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.

LETTER FROM QUAM CAPITAL

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, Energy and Chemical Company, Datang Finance Company and Duolun Coal Chemical Company or any of their respective subsidiaries or associates.

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 development and operation of power plants, the sale of electricity and thermal power, and the repair, testing and maintenance of power equipment as well as the provision of 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 2011, 2012 and 2013 and for the six months ended 30 June 2014.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	(Audited)	(Audited)	(Audited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	30,073,588	29,927,395	32,080,946	31,931,007
Current liabilities	63,414,995	65,492,802	70,006,170	74,945,632
Total Assets	247,697,189	275,245,533	298,479,612	301,743,916
Total liabilities	196,965,135	218,672,835	233,937,024	238,329,486
Equity attributable to owners of the Company	38,940,692	41,589,940	44,167,798	44,519,183

LETTER FROM QUAM CAPITAL

	For the six months ended			
	For the year ended 31 December			30 June
	2011	2012	2013	2014
	(Audited)	(Audited)	(Audited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	72,381,865	77,598,103	75,227,458	34,842,547
Power generation segment	65,275,284	68,491,810	65,629,209	31,231,502
Coal segment	2,986,809	5,982,644	4,210,348	1,451,423
Chemical segment	3,100,132	2,580,135	4,937,628	1,409,422
Other segments	1,019,640	543,514	450,273	750,200
Profit for the year/period after tax	3,042,149	6,180,829	5,743,084	2,863,095

As illustrated in the table above, the Group had recorded net current liabilities as at 31 December 2011, 2012 and 2013 and as at 30 June 2014. As at 30 June 2014, the Group recorded the net current liabilities of approximately RMB43.0 billion. According to the interim report of the Company for the six months ended 30 June 2014 (the “**2014 Interim Report**”), the net current liabilities position of the Group was mainly attributable to the fact that significant portion of the funding requirements of the Group for capital expenditures was satisfied by short-term borrowings. As at 30 June 2014, the Group had short-term loans, short-term bonds and current portion of the non-current liabilities in aggregate of approximately RMB43.0 billion representing approximately 57.4% of total current liabilities. According to the 2014 Interim Report, the Group had significant undrawn borrowing facilities, subject to certain conditions, amounting to approximately RMB247.88 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, and 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 six months ended 30 June 2014 on a going concern basis.

As set out in the announcement of the Company dated 17 July 2014, the Company has completed on 17 July 2014 the issuance of “The Fourth Tranche of Datang International Power Generation Co. Ltd’s Super Short-term Debentures in 2014” with the issuance amount of RMB3 billion at the issuance interest rate of 4.58% and a maturity of 270 days. On 22 August 2014, the Company also completed the issuance of “The First Tranche of Datang International Power Generation Co., Ltd’s Medium-term Notes in 2014” with the issuance amount of RMB3.5 billion at the interest rate of 5.2% and a maturity of 5 years. As set out in the announcement of the Company dated 28 August 2014, the Company has completed on 28 August 2014 the issuance of “The Fifth Tranche of Datang International Power Generation Co. Ltd’s Super Short-term Debentures in 2014” with the issuance amount of RMB3 billion at the issuance interest rate of 4.68% and a maturity of 270 days.

As at 30 June 2014, the Group had cash and cash equivalents of approximately RMB7.5 billion and the net assets of approximately RMB63.4 billion.

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The revenue of the Group was mainly generated by the power generation, representing approximately 90.2%, 88.3%, 87.2% and 89.6% of the total revenue of the Group for the year ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014 respectively. The revenue of the Group was relatively stable throughout the past three financial years and the six months ended 30 June 2014. The net profits after tax of the Group was increased by 103.2% for the year ended 31 December 2012 as compared to the year ended 31 December 2011. Such increase was mainly due to the increase in operating revenue and decrease in fuel costs. The net profits after tax of the Group was decreased by approximately 7.1% for the year ended 31 December 2013 as compared to the year ended 31 December 2012. Such decrease was mainly due to, among other things, (i) investment returns recorded a year-on-year decrease, leading to a decrease in profit of 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 RMB1.1 billion; (iii) fixed cost recorded a year-on-year increase, leading to a decrease in profit of RMB799 million; and (iv) provision for fixed asset depreciation led to a year-on-year decrease in profit of 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 RMB6.1 billion; (b) a decrease in financial expenditure which led to an increase in profit of RMB1.1 billion; and (c) an increase of profit of other businesses of RMB315 million.

2. Information of Energy and Chemical Company, Duolun Coal Chemical Company and Datang Finance Company

Energy and Chemical Company is a wholly-owned subsidiary of the Company. It is principally engaged in the production and sales businesses for the products including coal-alkene, coal-natural gas and extraction of alumina from pulverized fuel ash.

Duolun Coal Chemical Company, a subsidiary of the Company, was duly incorporated on 19 August 2009 with a paid-in capital of RMB4,050 million. Duolun Coal Chemical Company is principally responsible for the construction and operation of the coal-based olefin project with an annual output of 460,000 tonnes. The equity structure of Duolun Coal Chemical Company is as follows: Energy and Chemical Company, a wholly-owned subsidiary of the Company, holds 60% equity interests, and CDC holds 40% equity interests.

Datang Finance Company is a non-banking financial institution duly incorporated in the PRC on 10 May 2005. Its registered capital is RMB3 billion. Its principal business includes, among others, the provision of deposit services, loan services, entrusted loan services and entrusted investment services.

3. Reasons for entering into of the Entrusted Loan Framework Agreement

As stated in the Letter from the Board, the Company intends to provide the Entrusted Loan of not exceeding RMB4 billion to Duolun Coal Chemical Company for the purpose of the replacement of due borrowings in schedule as well as to satisfy the need for liquidity of Duolun Coal Chemical Company. The Duolun Coal Chemical Company is a subsidiary of the Company held as to 60% by the Company through Energy and Chemical Company and 40% by CDC and the accounts of Duolun Coal Chemical Company are consolidated into the accounts of the Company.

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We have discussed with the management of the Company and understand that Duolun Coal Chemical Company has been loss-making since it commenced operations and had high total debt to asset ratio and thus, it may be difficult for Duolun Coal Chemical Company to obtain financial facilities from commercial banks or other financing alternatives, if any, at favourable rates and conditions. The Company considers that the granting of the Entrusted Loans to Duolun Coal Chemical Company is beneficial to the reduction in overall capital costs of the Group since the accounts of Duolun Coal Chemical Company (being the subsidiary of the Company) are consolidated into the accounts of the Company.

The cooperation between the Company and Datang Finance Company commenced since December 2009 through the entering into a entrusted loan agreement with Datang Finance Company and Duolun Coal Chemical Company pursuant to which Datang Finance Company is designated by the Company to act as a lending agent to release a entrusted loan funded by the Company to Duolun Coal Chemical Company. In view of the cooperation history between Datang Finance Company and the Company, the Company considers Datang Finance Company has better understanding of the operations of the Group which will allow more expedient and efficient services rendered to the Group.

As set out in the Letter from the Board, the provision of entrusted loan services by Datang Finance Company is covered within the capital risks control measures under the Financial Services Agreement entered into between the Company and Datang Finance Company on 15 October 2013. According to the circular of the Company dated 5 November 2013, the capital risks control measures include, among other things, (i) Datang Finance Company will ensure the safe and stable operation of the funds management information system which has undergone the security test in respect of connection to the interface of online commercial banking and has reached the national security standards for commercial banks. The system is equipped with the mode awarded with CA safety certificate to ensure the security of the funds of the Group; (ii) Datang Finance Company will ensure that it is in strict compliance with the risk monitoring indicators for financial institutions issued by the China Banking Regulatory Commission (中國銀行業監督管理委員會 (“CBRC”)) and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC; (iii) a copy of every regulatory report submitted by Datang Finance Company to the CBRC will be provided to and reviewed by the senior management of the Company, including the relevant executive director(s); and (iv) the financial statements of Datang Finance Company for each month will be provided to and reviewed by the senior management of the Company, including the relevant executive director(s), on the fifth working day of the following month.

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Having considered (i) that the overall capital costs to the Group will be relatively reduced through the provision of the Entrusted Loans to Duolun Coal Chemical Company as discussed above; (ii) the cash and cash equivalents of Group of RMB7.5 billion as at 30 June 2014; (iii) long history cooperation between the Company and the Datang Finance Company; (iv) the capital risks control measures under the Financial Services Agreement (and considering the role of the lending agent in the entrusted loan arrangement) minimized the risks on appointing of Datang Finance Company as the lending agent under the Entrusted Loan Framework Agreement; and (v) the fairness and reasonableness of the major terms of the Entrusted Loan Framework Agreement (with detailed analysis set out in the paragraph headed “4. Major terms of the Entrusted Loan Framework Agreement” below), we are of the view that the entering into of the Entrusted Loan Framework Agreement is in the interest of the Company and the Shareholders as a whole.

4. Major terms of the Entrusted Loan Framework Agreement

Pursuant to the Entrusted Loan Framework Agreement, Datang Finance Company is entrusted by the Company or Energy and Chemical Company to act as a lending agent to, inter alia, release the Entrusted Loan with the total loan amount not exceeding RMB4 billion by various tranches to Duolun Coal Chemical Company with a term of one year commencing from the effective date of the Entrusted Loan Framework Agreement. The loan will be utilized by Duolun Coal Chemical Company for the replacement of due borrowings, repayment of principal and interests, and the replenishment of liquidity.

Each of the parties agrees that it shall enter into separate entrusted loan contracts, during the term of the Entrusted Loan Framework Agreement, in relation to the provision of the Entrusted Loan in tranches, provided that such separate entrusted loan contracts shall be in compliance with the principles, terms and conditions under the Entrusted Loan Framework Agreement. On 27 August 2014, the Company entered into the Entrusted Loan Contract (for the loan amount of RMB140 million with a term of one year) with Datang Finance Company and Duolun Coal Chemical Company according to the relevant terms as agreed in the Entrusted Loan Framework Agreement.

Interest rate

The loan interest rate was at a floating interest rate, being the benchmark interest rate to be charged for the same level of loans in RMB for the same term as announced by the People’s Bank of China on the date when each tranche of loan is withdrawn plus 10%, and such interest rate is to be adjusted annually. The adjustment date is 21st December of each year. The adjusted borrowing interest rate will be the benchmark interest rate for the same level of loans in RMB for the same term announced by the People’s Bank of China on the adjustment date plus 10%. Interests of the Entrusted Loan shall be accrued on quarterly basis. The settlement date falls on the twentieth (20th) day of the last month of each quarter.

The loan interest rate is arrived at after arm’s length negotiation between the Company and Duolun Coal Chemical Company in consideration of the overall reduction in capital costs to the Group after the accounts of Duolun Coal Chemical Company (being the controlled subsidiary of the Company) are consolidated into the accounts of the Company.

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As at the Latest Practicable Date, the prevailing benchmark interest rate for one-year loans in RMB as announced by the People's Bank of China is 6% per annum.

We note that the Company has issued "The Fourth Tranche of Datang International Power Generation Co. Ltd's Super Short-term Debentures in 2014" in July 2014, "The Fifth Tranche of Datang International Power Generation Co. Ltd's Super Short-term Debentures in 2014" in August 2014 and "The First Tranche of Datang International Power Generation Co., Ltd's Medium-term Notes in 2014" in August 2014 at the interest rates ranged from 4.58% to 5.2%, which was lower than the expected interest rate of 6.6% under the Entrusted Loan Framework Agreement based on the prevailing benchmark interest rate for one-year loans in RMB as announced by the People's Bank of China of 6% per annum as at the Latest Practicable Date.

Repayment

One-off repayment of the principal for the Entrusted Loan upon maturity of each of the entrusted loan contract.

Handling fee

The handling fee of the Entrusted Loan shall be charged on the date of grant of each tranche of the Entrusted Loan. The rate of the handling fee shall be 0.025% of the actual released amount. The handling fee is arrived at after considering the standard of handling fee of same scale of the entrusted loans charged by commercial banks and a discount is provided on this basis. The handling fee will be settled by Duolun Coal Chemical Company to Datang Finance Company in one lump sum on the date of grant of each tranche of the loan.

In order to assess the fairness and reasonableness of the handling fee, we have identified the entrusted loan transactions (the "**Comparables**") of the companies listed on the Stock Exchange which announced in the past 12 months from the date of the Entrusted Loan Framework Agreement. The list of the Comparables, which we consider exhaustive, and details of our findings are summarized in the table below:

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Date of announcement	Stock Code	Name	Lending agent	Handling fee (Note)
10-Oct-13	2357	AviChina Industry & Technology Company Limited	Bank of Communications Limited, the Beijing Dongdan Branch	0.07%
27-Nov-13	165	China Everbright Limited	Agricultural Bank of China, Shanghai Pudong Branch	0.05%
24-Dec-13	217	China Chengtong Development Group Limited	Industrial Bank Co., Ltd., Cangzhou Branch	0.08%
30-Dec-13	3898	Zhuzhou CSR Times Electric Co., Ltd	Industrial and Commercial Bank of China Ltd., Zhuzhou Tianxin Branch	0.05%
14-Jan-14	3898	Zhuzhou CSR Times Electric Co., Ltd	a commercial bank in the PRC	0.05%
27-Jan-14	3398	China Ting Group Holdings Limited	Ningbo Bank Corporation	0.10%
23-May-14	798	Optics Valley Union Holding Company Limited	Bank of Communications Co., Ltd., Wuchang Branch	0.50%
23-May-14	1312	Allied Cement Holdings Limited	a commercial bank in the PRC	0.02%
2-Jul-14	1312	Allied Cement Holdings Limited	a commercial bank in the PRC	0.02%
23-Jul-14	217	China Chengtong Development Group Limited	Bank of Nanjing Co., Ltd., Beijing Branch	0.20%
24-Jul-14	85	China Electronics Corporation Holdings Company Limited	China Electronics Financial Co., Ltd	0.20%
8-Aug-14	165	China Everbright Limited	China Merchants Bank Co., Ltd, Beijing Chang An Street Sub-Branch	0.10%
			Maximum	0.50%
			Minimum	0.02%
			Average	0.120%
			Datang Finance Company	0.025%

Note: The basis of charging handling fee is either on a per annum basis or one off basis per the principal amount of the entrusted loan.

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As shown in the above table, the handling fee of the Entrusted Loan of 0.025% is within the range and below the average of the Comparables.

Having considered that (i) the interest expense/income in respect of the Entrusted Loan is not expected to have a material impact on the consolidated accounts of the Group as the accounts of Duolun Coal Chemical Company (being the subsidiary of the Company) are consolidated into the accounts of the Company; (ii) the Company has ability to obtain funds at borrowing cost lower than the expected interest rate under the Entrusted Loan Framework Agreement; and (iii) the handling fee of the Entrusted Loan of 0.025% is within the range and below the average of the Comparables, we are of the view that the terms of the Entrusted Loan Framework Agreement are on normal commercial terms and fair and reasonable so far as the Company and Independent Shareholders are concerned.

RECOMMENDATIONS

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the Entrusted Loan Framework 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 Entrusted Loan Framework 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 Limited 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:

Name	Qualifications
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. 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.

9. MATERIAL CONTRACTS

Copies of the Entrusted Loan Framework 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 1 October 2014.