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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)

**DISCLOSEABLE TRANSACTIONS
AND
CONNECTED TRANSACTIONS**

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



A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee is set out on page 15 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 16 to 26 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 19 December 2014 (Friday) at 9:30 a.m. The notice convening the EGM has been despatched to the shareholders on 3 November 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.

1 December 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
“Beijing Guoneng”	Beijing Guoneng Zhixin Investment Co., Ltd., a shareholder of Renewable Resource Company
“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
“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 19 December 2014 (Friday) at 9:30 a.m. to consider and approve, among others, the Entrusted Loan Agreements
“Entrusted Loan Agreements”	the Renewable Resource Entrusted Loan Agreement and Xilinhaote Mining Entrusted Loan Agreement
“Entrusted Loan Arrangement”	the arrangement where Datang Finance Company is designated by the Company and its subsidiaries to act as a lending agent to lend the entrusted loan to Renewable Resource Company and Xilinhaote Mining Company (as the case maybe) pursuant to the Entrusted Loan Agreements

DEFINITIONS

“Financial Services Agreement”	the financial services agreement entered into between the Company and Datang Finance Company on 15 October 2013, particulars of which are contained in 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 Agreements
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules
“Latest Practicable Date”	28 November 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
“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 Agreements
“Renewable Resource Agreements (Implemented)”	ten entrusted loan agreements entered into between the Company, Datang Finance Company and Renewable Resource Company during the period from 16 December 2013 to 28 September 2014 for an aggregate principal amount of no more than RMB3,402 million
“Renewable Resource Agreement (New)”	the entrusted loan agreement entered into between the Company, Datang Finance Company and Renewable Resource Company on 30 October 2014 for the provision of an entrusted loan with a principal amount of no more than RMB850 million

DEFINITIONS

“Renewable Resource Company”	Inner Mongolia Datang International Renewable Energy Resource Development Company Limited, the details of which are set out in the section headed “Information Relating to the Parties of the Agreement”
“Renewable Resource Entrusted Loan Agreement”	Renewable Resource Agreement (New) and Renewable Resource Agreements (Implemented)
“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
“Xilinhaote Mining Company”	Inner Mongolia Datang International Xilinhaote Mining 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”
“Xilinhaote Mining Entrusted Loan Agreement”	the entrusted loan agreement entered into between the Company and Datang Finance Company and Xilinhaote Mining Company on 30 October 2014 for the provision of an entrusted loan of RMB1,000 million
“Xilinhaote Mining Agreement (Implemented)”	the entrusted loan agreement entered into between the Company and Datang Finance Company and Xilinhaote Mining Company on 13 May 2014 for the provision of a revolving entrusted loan of a principal amount of RMB1,500 million, details of which are contained in the announcement of the Company dated 13 May 2014
“%”	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. Liang Yongpan
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

1 December 2014

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS

On 30 October 2014, the Company entered into Renewable Resource Agreement (New) with Datang Finance Company and Renewable Resource Company in relation to the provision of an entrusted loan of no more than RMB850 million by the Company to Renewable Resource Company through the Entrusted Loan Arrangement, in which Datang Finance Company acts as the lending agent.

During the period from 16 December 2013 to 28 September 2014, the Company and its subsidiaries entered into ten entrusted loan agreements with Datang Finance Company and Renewable Resource Company for an aggregate amount of no more than RMB3,402 million in relation to the provision of entrusted loans by the Company to Renewable Resource Company through the Entrusted Loan

LETTER FROM THE BOARD

Arrangement, in which Datang Finance Company acted as the lending agent. Among which, the total amount of entrusted loans with a term of one year amounted to RMB1,750 million and the total amount of entrusted loans with a term of three years amounted to RMB1,652 million. On 30 October 2014, the Company convened the fifteenth meeting of the eighth session of the Board to ratify the Renewable Resource Agreements (Implemented).

On 30 October 2014, the Company entered into the Xilinhaote Mining Entrusted Loan Agreement with Datang Finance Company and Xilinhaote Mining Company in relation to the provision of an entrusted loan of no more than RMB1,000 million by the Company to Xilinhaote Mining Company through the Entrusted Loan Arrangement, in which Datang Finance Company acts as the lending agent.

The purpose of this circular is:

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

(1) RENEWABLE RESOURCE ENTRUSTED LOAN AGREEMENT

I. Renewable Resource Agreement (New)

Date and Subject Matter

On 30 October 2014, the Company entered into the Renewable Resource Agreement (New) with Datang Finance Company and Renewable Resource Company in relation to the provision of an entrusted loan of no more than RMB850 million by the Company to Renewable Resource Company through the Entrusted Loan Arrangement, in which Datang Finance Company acts as the lending agent.

Parties

- (1) The Company, as the lender;
- (2) Datang Finance Company, as the lending agent; and
- (3) Renewable Resource Company, as the borrower.

Entrusted Loan Arrangement

Datang Finance Company is designated by the Company to act as a lending agent to provide the entrusted loan to Renewable Resource Company.

LETTER FROM THE BOARD

Amount of the Entrusted Loan

During the term of the Renewable Resource Agreement (New), Renewable Resource Company could withdraw an aggregate amount of no more than RMB850 million in tranches.

Term of the Entrusted Loan

Three years commencing from 30th October 2013 to 29th October 2017.

II. Renewable Resource Agreements (Implemented)

Date and Subject Matter

During the period from 16 December 2013 to 28 September 2014, the Company and its subsidiaries entered into ten entrusted loan agreements with Datang Finance Company and Renewable Resource Company for an aggregate amount of no more than RMB3,402 million in relation to the provision of entrusted loans by the Company to Renewable Resource Company through the Entrusted Loan Arrangement, in which Datang Finance Company acted as the lending agent. Among which, the total amount of loans with a term of one year amounted to RMB1,750 million and the total amount of entrusted loans with a term of three years amounted to RMB1,652 million. On 30 October 2014, the Company convened the fifteenth meeting of the eighth session of the Board to ratify the Renewable Resource Agreements (Implemented).

Parties

- (1) The Company and some of its subsidiaries, including the Company, Inner Mongolia Datang International Hohhot Thermal Power Company Ltd., Inner Mongolia Datang International Zhungeer Mining Company Limited and Inner Mongolia Electric Power Fuel Company Ltd., as the lender;
- (2) Datang Finance Company, as the lending agent; and
- (3) Renewable Resource Company, as the borrower.

LETTER FROM THE BOARD

Major Terms of the Agreement:

During the period from 16 December 2013 to 28 September 2014, the parties entered into a total of 10 entrusted loan agreements with terms which are substantially identical. The major terms of these agreements are summarised below:

	Lender	Borrower	Lending agent	Amount (RMB'000)	Term (Years)	Date of Entering	Date of Expiry
1)	The Company	Renewable Resource Company	Datang Finance Company	200,000	3	16 December 2013	15 December 2016
2)	Inner Mongolia Datang International Hohhot Thermal Power Company Ltd.			800,000	1	20 December 2013	19 December 2014
3)	The Company			72,000	3	10 March 2014	9 March 2017
4)	Inner Mongolia Datang International Hohhot Thermal Power Company Ltd.			100,000	1	25 March 2014	24 March 2015
5)	The Company			180,000	3	8 April 2014	7 April 2017
6)	Inner Mongolia Datang International Zhungeer Mining Company Ltd.			150,000	1	15 May 2014	14 May 2015
7)	The Company			800,000	3	17 June 2014	16 June 2017
8)	Inner Mongolia Electric Power Fuel Company Ltd.			200,000	1	29 July 2014	28 July 2015
9)	The Company			400,000	3	11 September 2014	10 September 2017
10)	Inner Mongolia Electric Power Fuel Company Ltd.			500,000	1	28 September 2014	27 September 2015
Total				3,402,000			

LETTER FROM THE BOARD

(2) XILINHAOTE MINING ENTRUSTED LOAN AGREEMENT

Date and Subject Matter

On 30 October 2014, the Company entered into the Xilinhaote Mining Entrusted Loan Agreement with Datang Finance Company and Xilinhaote Mining Company in relation to the provision of an entrusted loan of no more than RMB1,000 million by the Company to Xilinhaote Mining Company through the Entrusted Loan Arrangement, in which Datang Finance Company acts as the lending agent.

Parties

- (1) The Company, as the lender;
- (2) Datang Finance Company, as the lending agent; and
- (3) Xilinhaote Mining Company, as the borrower.

Entrusted Loan Arrangement

Datang Finance Company is designated by the Company to act as the lending agent to provide the entrusted loan to Xilinhaote Mining Company.

Amount of the Entrusted Loan

During the term of the Xilinhaote Mining Entrusted Loan Agreement, Xilinhaote Mining Company could withdraw an aggregate of no more than RMB1,000 million in tranches.

Term of the Entrusted Loan

One year commencing from 30th October 2014 to 29th October 2015.

OTHER MAJOR TERMS OF THE ENTRUSTED LOAN AGREEMENTS

The other major terms of the Entrusted Loan Agreements are substantially identical and summarised below:

1. 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, and such interest rate is to be adjusted annually. 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.

LETTER FROM THE BOARD

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 5.6% per annum.

As at the Latest Practicable Date, the prevailing benchmark interest rate for three-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 Renewable Resource Company and Xilinhaote Mining Company in consideration of the overall reduction in capital costs to the Group after the accounts of Renewable Resource Company and Xilinhaote Mining Company (being the controlled subsidiary of the Company) are consolidated into the accounts of the Company.

2. Calculation and payment of interests

Interests of the entrusted loan shall be borne on daily basis and accrued on quarterly basis. The settlement date falls on the twentieth (20th) day of the last month of each quarter.

3. Handling fee

The handling fee shall be charged on an annual basis and is payable by the borrowers to the lending agent on an one-off basis within five working days after Entrusted Loan Agreements becoming effective. The rate of the handling fee does not exceed 0.06% of the released amount. The handling fee is determined after taking into account the handling fee charged by commercial banks on the provision of the same size of entrusted loan and the discount rate of handling fee to be offered.

4. Uses of the entrusted loan

Approximately 63.65% of the loans will be utilised for the replacement of due borrowings and approximately 36.35% of the loans will be utilised for the supplement for liquid capital.

5. Repayment schedule of the entrusted loan

Repayment shall be made on or before the repayment date as set out in the respective Entrusted Loan Agreements.

6. Sources of funding for the repayment of the entrusted loan

Sales income and other fund.

7. Effective date

The Entrusted Loan Agreements shall become effective when they are duly signed by the legal representatives or authorised agent of the relevant parties and sealed with their respective chops 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 the approval of the Entrusted Loan Agreements by the independent shareholders of the Company at the EGM.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTED LOAN AGREEMENTS

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 under the Financial Services Agreement, Datang Finance Company has good 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 Agreements 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 Agreements.

In order to ensure the day-to-day cash flow of Renewable Resource Company and Xilinhaote Mining Company, the Company agreed to provide the entrusted loan to Renewable Resource Company and Xilinhaote Mining Company. The Company is of the view that the entrusted loan will be primarily utilised by Renewable Resource Company and Xilinhaote Mining Company to replace the due borrowings and supplement their liquid capital, and is thus beneficial for the smooth progress of the production and operation activities of Renewable Resource Company and Xilinhaote Mining Company.

Considering the possible higher financial costs for Renewable Resource Company and Xilinhaote Mining 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 Renewable Resource Company and Xilinhaote Mining Company (being the subsidiaries 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 Agreements 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.

APPROVAL BY THE BOARD

On 30 October 2014, at the fifteenth meeting of the eighth session of the Board of the Company, the Board considered, approved and ratified the "Resolution on the Provision of entrusted loans to Certain Subsidiaries". It was agreed that the Company shall provide Renewable Resource Company with entrusted loans of no more than RMB850 million under the Renewable Resource Agreements (New) and the Company shall provide Xilinhaote Mining Company with entrusted loan of RMB1,000 million under the Xilinhaote Mining Entrusted Loan Agreement. The provision of the entrusted loan of RMB3,402 million under the Renewable Resource Agreements (Implemented) by the Company and its subsidiaries to Renewable Resource Company through Datang Finance Company during the period from 16 December 2013 to 28 September 2014 was also considered, approved and ratified in the Board meeting.

LETTER FROM THE BOARD

The Directors have no material interests in the transactions under the Entrusted Loan Agreements, and connected Directors, namely Chen Jinhang, Hu Shengmu and Liang Yongqing, who are the principal management staff of CDC or its subsidiaries, have abstained from voting for the abovementioned resolutions pursuant to the listing rules of the Shanghai Stock Exchange.

Renewable Resource Company was established in July 2007 whose equity interest is owned as to 40.35%, 49% and 10.65% by the Company, Duolun Xinyuan Renewable Resource Company and Beijing Guoneng Zhixin Investment Co., Ltd., respectively. In October 2014, the Company was informed by CDC that CDC had acquired 100% equity interest of Beijing Guoneng from Beijing Guoneng's individual shareholders in November 2013 and therefore Renewable Resource Company became a connected subsidiary of the Company at that time and the transactions under the Renewable Resource Agreements (Implemented) were connected transactions of the Company. As soon as the Company was informed by CDC about the acquisition in October 2014 and Renewable Resource Company has become a connected subsidiary of the Company, the Company has taken immediate remedial action to re-comply with the requirements under Rules 14A.35, 14A.36 and 14A.46 of the Listing Rules,

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the aggregate principal amount of the entrusted loan under the Renewable Resource Agreements (Implemented) as at 17 June 2014 are more than 5% but less than 25%, while other applicable percentage ratios are less than 5%, the Renewable Resource Agreements (Implemented) and the transactions thereunder are subject to the requirements of reporting, announcement and approval by the independent Shareholders of the Company under Chapter 14A of the Listing Rules. It also constitutes a discloseable transaction under Chapter 14 of the Listing Rules. In order to re-comply with the applicable requirements under Chapter 14A of the Listing Rules, the Company makes supplemental disclosure of the Renewable Resource Agreements (Implemented) in the announcement dated 30 October 2014 and in this circular and will convene an EGM to, among others, enable its Independent Shareholders to consider, approve and ratify the Renewable Resource Agreements(Implemented)and the transactions thereunder.

INFORMATION RELATING TO THE 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 Xilinhaote Mining Company

Xilinhaote Mining Co. is a subsidiary of the Company. It was duly incorporated on 23 August 2007 with a registered capital of RMB376 million. It is primarily responsible for the development, construction and operation of Shengli Open-cut Coal Mine East Unit 2 project. The equity holding structure of the company is as follows: 60% of its equity interest is held by the Company and 40% of its equity interest is held by China Datang Coal Industry Co., Ltd., a subsidiary of CDC.

LETTER FROM THE BOARD

3. Information relating to Renewable Resource Company

Renewable Resource Company is a subsidiary of the Company with a registered capital of RMB110 million and from November 2013, Beijing Guoneng Zhixin Investment. Co., Ltd. became a wholly-owned subsidiary of CDC. Renewable Resource Company is principally engaged in: production and sale of aluminium oxide, aluminium hydroxide, aluminium, aluminium alloy series and white carbon black, active calcium silicate board, lightweight calcium silicate board, 4A Zeolite and silicon-calcium slag (dicalcium silicate), as well as products related to cement, that are extracted from charcoal powder.

4. 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.

5. 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.

6. Information relating to Inner Mongolia Datang International Hohhot Thermal Power Company Ltd.

Inner Mongolia Datang International Hohhot Thermal Power Company Ltd. is a subsidiary of the Company with a registered capital of RMB60 million, which is principally engaged in power production and operation.

7. Information relating to Inner Mongolia Datang International Zhungeer Mining Company Limited

Inner Mongolia Datang International Zhungeer Mining Company Limited is a subsidiary of the Company with a registered capital of RMB60 million, which is principally engaged in mining resources, mining enterprises, electrical equipment and logistics information consultancy, etc..

8. Information relating to Inner Mongolia Electric Power Fuel Company Ltd.

Inner Mongolia Electric Power Fuel Company Ltd. is a wholly-owned subsidiary of the Company with a registered capital of RMB3,000 million, which is principally engaged in the operation of power fuels.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Discloseable Transactions

Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of each of the Renewable Resource Entrusted Loan Agreement and Xilinhaote Mining Entrusted Loan Agreement (when aggregated with the Xilinhaote Mining Agreement (Implemented)) is more than 5% and all the applicable percentage ratios are less than 25%, each of the Renewable Resource Entrusted Loan Agreement and Xilinhaote Mining Entrusted Loan Agreement constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Connected Transactions

As at the Latest Practicable Date, CDC together with its subsidiaries holds approximately 34.71% of the issued share capital of the Company. Renewable Resource Company and Xilinhaote Mining Company are both subsidiaries of the Company, and Renewable Resource Company and Xilinhaote Mining Company are owned as to 10.65% and 40% by CDC, respectively. Datang Finance Company is a subsidiary of CDC. Renewable Resource Company, Xilinhaote Mining Company and Datang Finance Company are therefore connected persons of the Company and the transactions under the Entrusted Loan Agreements constitute connected transactions 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) of the aggregate principal amount of the entrusted loan under the Renewable Resource Agreements (Implemented) as at 17 June 2014 are more than 5%, while other applicable percentage ratios are less than 5%, the Renewable Resource Agreements (Implemented) and the transactions thereunder are subject to the requirements of reporting, announcement and approval by the Independent Shareholders of the Company under Chapter 14A of the Listing Rules. In order to re-comply with the applicable requirements under Chapter 14A of the Listing Rules, the Company will convene an EGM to, among others, enable its Independent Shareholders to consider, approve and ratify the Renewable Resource Agreements (Implemented) and the transactions thereunder.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the aggregate principal amount of the entrusted loan under the Renewable Resource Agreement (New) when aggregated with the Renewable Resource Agreements (Implemented) are more than 5%, while other applicable percentage ratios are less than 5%, the Renewable Resource Entrusted Loan Agreement and the transactions thereunder are subject to the requirements of reporting, announcement and approval by the independent Shareholders 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) of the entrusted loan under the Xilinhaote Mining Entrusted Loan Agreement together with the amount of the entrusted loan under the Xilinhaote Mining Agreement (Implemented) are more than 5%, the Xilinhaote Mining Entrusted Loan Agreement and the transaction thereunder are subject to the requirements of reporting, announcement and approval by the independent Shareholders of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

EGM

The Company will convene the EGM to, among other things, ratify, consider and approve the Entrusted Loan Agreements. The notice convening the EGM has been despatched to the shareholders on 3 November 2014.

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 Agreements, therefore, CDC and its associates shall abstain from voting at the EGM to approve the Entrusted Loan Agreements. To the best of the Directors' knowledge, apart from CDC and its associates, no other shareholders have material interest in the transactions under the Entrusted Loan Agreements and shall abstain from voting at the relevant resolutions at the EGM.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 15 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Entrusted Loan Agreements. 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 16 to 26 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 Agreements, the casting of votes for or against the resolution approving the Entrusted Loan Agreements 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 Agreements 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 resolutions 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

1 December 2014

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTIONS
AND
CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company to the shareholders dated 1 December 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 Agreements constitute connected and discloseable transactions of the Company, and are 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 Agreements and to advise the Independent Shareholders in connection with the Entrusted Loan Agreements as to whether, in our opinion, their terms are fair and reasonable and whether the Entrusted Loan Agreements are 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 Agreements are on normal commercial terms, and that the Entrusted Loan Agreements are in the best interests of the Company and the Shareholders as a whole.

We also consider that the terms of the Entrusted Loan Agreements are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Entrusted Loan Agreements 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 Agreements which have been prepared for the purpose of inclusion in this circular.



Quam Capital Limited

A Member of The Quam Group

1 December 2014

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs/Madam,

DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS

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 Agreements, 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 1 December 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.

During the period from 16 December 2013 to 28 September 2014, the Company and its subsidiaries entered into ten entrusted loan agreements with Datang Finance Company and Renewable Resource Company for an aggregate amount of no more than RMB3,402 million in relation to the provision of entrusted loans by the Company to Renewable Resource Company through the Entrusted Loan Arrangement, in which Datang Finance Company acted as the lending agent. Among which, the total amount of entrusted loans with a term of one year amounted to RMB1,750 million and the total amount of entrusted loans with a term of three years amounted to RMB1,652 million. On 30 October 2014, the Company convened the fifteenth meeting of the eighth session of the Board to ratify the Renewable Resource Agreements (Implemented).

On 30 October 2014, the Company, Renewable Resource Company and Datang Finance Company entered into the Renewable Resource Agreement (New) in relation to the provision of an entrusted loan of no more than RMB850 million by the Company to Renewable Resource Company through the Entrusted Loan Arrangement, in which Datang Finance Company acts as the lending agent.

On 30 October 2014, the Company, Xilinhaote Mining Company and Datang Finance Company entered into the Xilinhaote Mining Entrusted Loan Agreement in relation to the provision of an entrusted loan of no more than RMB1,000 million by the Company to Xilinhaote Mining Company through the Entrusted Loan Arrangement, in which Datang Finance Company acts as a lending agent.

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As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of each of the Renewable Resource Entrusted Loan Agreement and Xilinhaote Mining Entrusted Loan Agreement is more than 5% and all the applicable percentage ratios are less than 25%, each of the Renewable Resource Entrusted Loan Agreement and Xilinhaote Mining Entrusted Loan 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. Renewable Resource Company and Xilinhaote Mining Company are owned as to 10.65% and 40% by the subsidiary of CDC, respectively. Datang Finance Company is a subsidiary of CDC. Renewable Resource Company, Xilinhaote Mining Company and Datang Finance Company are therefore connected persons of the Company and the transactions under the Entrusted Loan Agreements constitute connected transactions 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) of the aggregate principal amount of the entrusted loan under the Renewable Resource Agreements (Implemented) as at 17 June 2014 are more than 5%, while other applicable percentage ratios are less than 5%, the Renewable Resource Agreements (Implemented) and the transactions thereunder are subject to the requirements of reporting, announcement and approval by the Independent Shareholders of the Company under Chapter 14A of the Listing Rules. In order to re-comply with the applicable requirements under Chapter 14A of the Listing Rules, the Company will convene an EGM to, among others, enable its Independent Shareholders to consider, approve and ratify the Renewable Resource Agreements (Implemented) and the transactions thereunder.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the aggregate principal amount of the entrusted loan under the Renewable Resource Agreement (New) when aggregated with the Renewable Resource Agreements (Implemented) are more than 5%, while other applicable percentage ratios are less than 5%, the Renewable Resource Entrusted Loan Agreement and the transactions thereunder are subject to the requirements of reporting, announcement and approval by the Independent Shareholders 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) of the entrusted loan under the Xilinhaote Mining Entrusted Loan Agreement together with the amount of the entrusted loan under the Xilinhaote Mining Entrusted Loan Agreement (Implemented) are more than 5%, the Xilinhaote Mining Entrusted Loan Agreement and the transaction thereunder are subject to the requirements of reporting, announcement and approval by the Independent Shareholders of the Company under Chapter 14A of the Listing Rules.

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THE INDEPENDENT BOARD COMMITTEE

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 Agreements are fair and reasonable so far as the Company and Independent Shareholders are concerned and whether the entering into of the Entrusted Loan Agreements 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 resolutions to be proposed at the EGM to approve the Entrusted Loan Agreements. 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 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, 16 July 2014 and 17 September 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.

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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, Xilinhaote Mining Company, Renewable Resource Company and Datang Finance 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 extracted from the annual reports and the interim report of the Company.

	As at 31 December			As at
	2011	2012	2013	30 June
	(Audited)	(Audited)	(Audited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
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

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	For the year ended			For the six
	31 December			months ended
	2011	2012	2013	30 June
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<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 30 June 2014. As at 30 June 2014, the Group recorded 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 a significant portion of the funding of the Group’s capital expenditures being 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 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 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 “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 “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 set out in the announcement of the Company dated 20 October 2014, the Company has completed on 20 October 2014 the issuance of the “The Sixth 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 4.3% and a maturity of 270 days.

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

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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 87.1% of the total revenue of the Group for the year ended 31 December 2011, 2012 and 2013 and 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 increased by approximately 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 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 RMB 1.1 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 RMB 718 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. Major terms of the Entrusted Loan Agreements

I. Renewable Resource Agreements (Implemented)

During the period from 16 December 2013 to 28 September 2014, the Company and its subsidiaries entered into ten entrusted loan agreements with Datang Finance Company and Renewable Resource Company for an aggregate amount of no more than RMB3,402 million in relation to the provision of entrusted loans by the Company to Renewable Resource Company through the Entrusted Loan Arrangement for terms ranging from one to three years, in which Datang Finance Company acted as the lending agent. Among which, the total amount of entrusted loans with a term of one year amounted to RMB1,750 million and the total amount of entrusted loans with a term of three years amounted to RMB1,652 million. On 30 October 2014, the Company convened the fifteenth meeting of the eighth session of the Board to ratify the Renewable Resource Agreements (Implemented). Major terms are set out in the subsection headed “(1) Renewable Resource Entrusted Loan Agreement” in the Letter from the Board.

II. Renewable Resource Agreement (New)

On 30 October 2014, the Company, Renewable Resource Company and Datang Finance Company entered into the Renewable Resource Agreement (New) in relation to the provision of an entrusted loan of no more than RMB850 million by the Company to Renewable Resource Company through the Entrusted Loan Arrangement for a term of three years commencing from 30 October 2014 to 29 October 2017, in which Datang Finance Company acts as the lending agent. Major terms are set out in the subsection headed “(1) Renewable Resource Entrusted Loan Agreement” in the Letter from the Board.

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III. Xilinhaote Mining Entrusted Loan Agreement

On 30 October 2014, the Company, Xilinhaote Mining Company and Datang Finance Company entered into the Xilinhaote Mining Entrusted Loan Agreement in relation to the provision of an entrusted loan of no more than RMB1,000 million by the Company to Xilinhaote Mining Company through the Entrusted Loan Arrangement for a term of one year commencing from 30 October 2014 to 29 October 2015, in which Datang Finance Company acts as a lending agent. Major terms are set out in the subsection headed “(2) Xilinhaote Mining Entrusted Loan Agreement” in the Letter from the Board.

IV. Other major terms of the Entrusted Loan Agreements

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, 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. Interests of the entrusted loan shall be borne on daily basis and 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 Renewable Resource Company under the Renewable Resource Agreement (New); and the Company and Xilinhaote Mining Company under the Xilinhaote Mining Entrusted Loan Agreement after considering (i) the overall reduction in capital costs to the Group, as compared to the financing cost obtained by Renewable Resource Company and Xilinhaote Mining Company (being the controlled subsidiaries of the Company) on its own from other banks or financial institutions, and (ii) the consolidation of their accounts into the book of the Company.

We also noted that the interest rates under the Renewable Resource Agreements (Implemented) are in line with the benchmark interest rate published by the People’s Bank of China at the time of withdrawal of the loan.

As at the Latest Practicable Date, the prevailing benchmark interest rate for one-year loans and three-year loans in RMB as announced by the People’s Bank of China are 5.6% per annum and 6% per annum, respectively.

Handling fee

The handling fee shall be charged on an annual basis and is payable by the borrowers to the lending agent on an one-off basis within five working days after each of the Entrusted Loan Agreements becoming effective. The rate of the handling fee does not exceed 0.06% of the actual released amount. The handling fee is arrived at after considering the standard

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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 Renewable Resource Company and Xilinhaote Mining Company to Datang Finance Company.

In order to assess the fairness and reasonableness of the handling fee, we have identified entrusted loan transactions (the “**Comparables**”) of companies listed on the Main Board of the Stock Exchange which announced in the past 6 months up to 30 October 2014. The list of the Comparables, which we have prepared on best effort, summarized our findings in the table below:

<u>Date of announcement</u>	<u>Stock Code</u>	<u>Name</u>	<u>Lending agent</u>	<u>Handling fee (Note)</u>
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%
17-Sep-14	535	Gemdale Properties and Investment Corporation Limited	a bank designated by the parties	0.01%
25-Sep-14	989	Ground Properties Company Limited	China Merchants Bank Co., Ltd., Changchun branch	0.03%
			Maximum	0.50%
			Minimum	0.01%
			Average	0.13%
			Datang Finance Company	0.06%

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.

As shown in the above table, the handling fee of the entrusted loans of 0.06% is within the range and below the average of the Comparables.

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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 Renewable Resource Company and Xilinhaote Mining Company (being the subsidiaries of the Company) are consolidated into the accounts of the Company; and (ii) the handling fee of the entrusted loan of 0.06% is within the range and below the average of the Comparables, we are of the view that the terms of the Entrusted Loan Agreement are on normal commercial terms and are fair and reasonable so far as the Company and Independent Shareholders are concerned.

3. Information relating to the parties of the Entrusted Loan Agreements

Renewable Resource Company is a subsidiary of the Company with a registered capital of RMB110 million, and is held by 40.35%, 49% and 10.65% as to the Company, Duolun Xinyuan Renewable Resource Company and Beijing Guoneng Zhixin Investment. Co., Ltd., respectively. From November 2013, Beijing Guoneng Zhixin Investment. Co., Ltd. became a wholly-owned subsidiary of CDC. Renewable Resource Company is principally engaged in production and sale of aluminium oxide, aluminium hydroxide, aluminium, aluminium alloy series and other related products, that are extracted from charcoal powder.

Xilinhaote Mining Co. is a subsidiary of the Company. It was duly incorporated on 23 August 2007 with a registered capital of RMB376 million. It is primarily responsible for the development, construction and operation of Shengli Open-cut Coal Mine East Unit 2 project. The equity holding structure of the company is as follows: 60% of its equity interest is held by the Company and 40% of its equity interest is held by China Datang Coal Industry Co., Ltd., a subsidiary of CDC.

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.

Inner Mongolia Datang International Hohhot Thermal Power Company Ltd. is a subsidiary of the Company with a registered capital of RMB60 million, which is principally engaged in power production and operation.

Inner Mongolia Datang International Zhungeer Mining Company Limited is a subsidiary of the Company with a registered capital of RMB60 million, which is principally engaged in mining resources, mining enterprises, electrical equipment and logistics information consultancy, etc..

Inner Mongolia Electric Power Fuel Company Ltd. is a wholly-owned subsidiary of the Company with a registered capital of RMB3,000 million, which is principally engaged in the operation of power fuels.

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4. Reasons for entering into of the Entrusted Loan Agreements

As stated in the Letter from the Board, the Company has provided and intends to provide the entrusted loans of RMB3,402 million and not exceeding RMB850 million to Renewable Resource Company respectively, and intends to provide the entrusted loan of not exceeding RMB1,000 million to Xilinhaote Mining Company for the purpose of ensuring their day-to-day cash flow and will be primarily utilised by Renewable Resource Company and Xilinhaote Mining Company to replace their due borrowings and supplement their liquid capital. The Renewable Resource Company and Xilinhaote Mining Company are subsidiaries of the Company and the accounts of Renewable Resource Company and Xilinhaote Mining Company are consolidated into the accounts of the Company.

We have discussed with the management of the Company and understand that although Renewable Resource Company and Xilinhaote Mining Company have been in normal operation, they had relatively high debt to asset ratio. Thus, it may be difficult for Renewable Resource Company and Xilinhaote Mining Company to obtain financing facilities from commercial banks or other financing alternatives, if any, at favourable rates and conditions on its own. After considering the higher financing costs for Renewable Resource Company and Xilinhaote Mining Company to obtain the current loan from other commercial banks when comparing with the financing costs incurred by the Company to obtain the funding of the entrusted loans under the Entrusted Loan Agreements, the Company considers that the granting of the entrusted loans to Renewable Resource Company and Xilinhaote Mining Company is beneficial to the reduction in overall capital costs of the Group since the accounts of Renewable Resource Company and Xilinhaote Mining Company (being the subsidiaries of the Company) are consolidated into the accounts of the Company.

The cooperation between the Company and Datang Finance Company commenced since 2009. In view of (i) the long cooperation history between Datang Finance Company and the Company; and (ii) the good track record, the Company considers Datang Finance Company has good 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 capital adequacy 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 that (i) the overall capital costs to the Group will be relatively reduced through the provision of the entrusted loans to Renewable Resource Company and Xilinhaote Mining Company as discussed above; (ii) the cash and cash equivalents of the Group of RMB7.5 billion as at 30 June 2014; (iii) long history and the good track record of 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 the appointment of Datang Finance Company as the lending agent under the Entrusted Loan Agreements; and (v) the fairness and reasonableness of the major terms of the Entrusted Loan Agreements (with detailed analysis set out in the paragraph headed “2. Major terms of the Entrusted Loan Agreements” above), we are of the view that the entering into of the Entrusted Loan Agreements is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATIONS

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the Entrusted Loan Agreements 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 resolutions to approve the Entrusted Loan Agreements.

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, 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 Agreements, 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 16 December 2014.