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

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

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

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**大唐国际发电股份有限公司**  
**DATANG INTERNATIONAL POWER GENERATION CO., LTD.**

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

**(Stock Code: 00991)**

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
AND  
CONTINUING CONNECTED TRANSACTIONS**

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

**MIZUHO**

**Mizuho Securities Asia Limited**

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A letter from the Board is set out on pages 7 to 34 of this circular. A letter from the Independent Board Committee is set out on pages 35 to 36 of this circular. A letter from Mizuho Securities containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 37 to 68 of this circular.

The Company will convene the EGM at Summer Room of 2/F, The Westin Beijing Financial Street, No. 9B Financial Street, Xicheng District, Beijing, the PRC on 26 February 2016 (Friday) at 9:30 a.m.. The notice convening the EGM has been despatched to the shareholders on 11 January 2016.

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 February 2016

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## DEFINITIONS

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

“Agreements”	the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi), the purchase of Chemical Products under the Sale and Purchase Contract of Chemical Products (Duolun), the Entrusted Loan Framework Agreement (Duolun), the Entrusted Loan Framework Agreement (Renewable Resource), the Framework Agreement for Engineering Materials Purchase, the Entrusted Loan Agreements, the Coal Purchase and Sale Framework Agreement (Beijing), the Coal Purchase and Sale Framework Agreement (Inner Mongolia) and the Coal Purchase and Sale Framework Agreement (Chaozhou)
“Announcement”	the continuing connected transaction announcement of the Company dated 25 April 2014 and 23 December 2014
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Datang Fuel Company”	Beijing Datang Fuel Company Limited, a subsidiary of the Company, details of which are set out in the section headed “Information Relating to the Parties”
“Board”	the board of directors
“CDC”	China Datang Corporation, a State-owned enterprise established under the laws of the PRC and is a controlling shareholder of the Company. CDC and its subsidiaries own approximately 34.77% of the issued share capital of the Company in aggregate as at the Latest Practicable Date
“Chemical Products”	chemical products to be produced and sold to Energy and Chemical Marketing Company by Keqi Coal-based Gas Company and Duolun Coal Chemical Company as stipulated under the Sale and Purchase Contract of Chemical Products (Keqi) and the Sale and Purchase Contract of Chemical Products (Duolun), including coal tar, mixed benzene, polypropylene, propylene, ethanol, LPG, BTX aromatics and etc.

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## DEFINITIONS

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“China Water Resources and Power”	China National Water Resources & Electric Power Materials & Equipment Group Co., Ltd., details of which are set out in the section headed “Information Relating to the Parties”
“Coal Purchase and Sale Framework Agreement (Beijing)”	the Coal Purchase and Sale Framework Agreement dated 31 December 2015 entered into between the Company and Beijing Datang Fuel Company
“Coal Purchase and Sale Framework Agreement (Chaozhou)”	the Coal Purchase and Sale Framework Agreement dated 31 December 2015 entered into between the Company and Chaozhou Fuel Company
“Coal Purchase and Sale Framework Agreement (Inner Mongolia)”	the Coal Sale and Purchase Framework Agreement dated 31 December 2015 entered into between the Company and Inner Mongolia Fuel Company
“Company”	Datang International Power Generation Co., Ltd., a sino-foreign joint stock limited company incorporated in the PRC on 13 December 1994, whose H Shares are listed on the Stock Exchange and the London Stock Exchange and whose A Shares are listed on the Shanghai Stock Exchange
“Construction Bank Railway Sub-branch”	Beijing Railway Sub-branch of China Construction Bank Corporation, details of which are set out in the section headed “Information Relating to the Parties of the Agreements”
“Datang Finance Company”	Datang Corporation Finance Limited Company (大唐集團財務有限公司), details of which are set out in the section headed “Information Relating to the Parties”
“Directors”	the director(s) of the Company
“Duolun Coal Chemical Company”	大唐內蒙古多倫煤化工有限責任公司Datang Inner Mongolia Duolun Coal Chemical Company Limited, a subsidiary of the Company, details of which are set out in the section headed “Information Relating to the Parties”

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## DEFINITIONS

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“EGM”	The extraordinary general meeting of the Company to be held at Summer Room of 2/F, The Westin Beijing Financial Street, No. 9B Financial Street, Xicheng District, Beijing, the PRC on 26 February 2016 (Friday) at 9:30 a.m. to consider and approve, among others, the Agreements and their respective annual caps (as the case maybe)
“Energy and Chemical Company”	Datang Energy and Chemical Company Limited, a subsidiary of the Company, details of which are set out in the section headed “Information Relating to the Parties”
“Energy and Chemical Marketing Company”	大唐能源化工營銷有限公司Datang Energy and Chemical Marketing Company Limited, a wholly-owned subsidiary of the Company, details of which are set out in the section headed “Information Relating to the Parties”
“Entrusted Loan Agreements”	the three entrusted loan agreements entered into on 30 December 2015 between Tuoketuo Power Generation, Datang Finance Company, and Renewable Resource Company. Tuoketuo Power Generation Company entrusted Datang Finance Company to provide entrusted loan of 160 million, 100 million, and 1.1 billion, respectively, amounting to an aggregate sum of 1.36 billion, to Renewable Resource Company
“Entrusted Loan Framework Agreement (Duolun)”	the entrusted loan business cooperation agreement entered into on 25 December 2015 between the Company, Energy and Chemical Company, Duolun Coal Chemical Company and Construction Bank Railway Sub-branch in respect of the relevant entrusted loan arrangement
“Entrusted Loan Framework Agreement (Renewable Resource)”	the cooperation agreement on limited group-based unit entrusted loans entered into on 25 December 2015 between the Company, Renewable Resource Company and Construction Bank Railway Sub-branch in respect of the relevant entrusted loan arrangement
“Framework Agreement for Engineering Materials Purchase”	the Framework Agreement for Centralised Purchase in connection with project construction machinery, equipment and materials entered into between the Company and China Water Resources and Power on 29 December 2015

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## DEFINITIONS

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“Framework Agreement of Sale of Natural Gas”	the framework agreement of sale of natural gas entered into between Energy and Chemical Marketing Company and Keqi Coal-based Gas Company on 25 April 2014
“Group”	the Company and its subsidiaries
“Guoneng Zhixin”	Beijing Guoneng Zhixin Investment Co., Ltd., a wholly-owned subsidiary of the CDC
“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 Agreements
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules
“Inner Mongolia Fuel Company”	Inner Mongolia Electric Power Fuel Company Ltd., a wholly-owned subsidiary of Beijing Datang Fuel Company Limited, details of which are set out in the section entitled “Information Relating to the Parties”
“Keqi Coal-based Gas Company”	內蒙古大唐國際克什克騰煤制天然氣有限責任公司Inner Mongolia Datang International Keshiketeng Coal-based Gas Company Limited, a subsidiary of the Company, details of which are set out in the section headed “Information Relating to the Parties”
“Latest Practicable Date”	29 January 2016, 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 Stock Exchange
“Mizuho Securities”	Mizuho Securities Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreements, and a licensed corporation for types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 5 (advising on futures contracts), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
“PRC”	the People’s Republic of China

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## DEFINITIONS

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“Previous Transactions”	three entrusted loan agreements entered into on 18 May 2015, 21 May 2015 and 10 June 2015, respectively, details of which are set out in the relevant announcements issued by the Company on 19 May 2015, 22 May 2015 and 10 June 2015, respectively
“Renewable Resource Company”	Inner Mongolia Datang International Renewable Energy Resource Development Company Limited, a subsidiary of the Company, details of which are set out in the section headed “Information Relating to the Parties”
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Sale and Purchase Agreement of Chemical Products and Materials”	the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi), and the Sale and Purchase Contract of Chemical Products (Duolun)
“Sale and Purchase Contract of Chemical Products (Duolun)”	the Sale and Purchase Contract of Chemical Products entered into between Energy and Chemical Marketing Company and Duolun Coal Chemical Company on 25 April 2014
“Sale and Purchase Contract of Chemical Products (Keqi)”	the Sale and Purchase Contract of Chemical Products entered into between Energy and Chemical Marketing Company and Keqi Coal-based Gas Company on 25 April 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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LETTER FROM THE BOARD

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**大唐国际发电股份有限公司**

**DATANG INTERNATIONAL POWER GENERATION CO., LTD.**

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

**(Stock Code: 00991)**

*Executive Directors:*

Mr. Wu Jing

Mr. Ying Xuejun

*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

*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

*Independent non-executive Directors:*

Mr. Jiang Guohua

Mr. Feng Genfu

Mr. Luo Zhongwei

Mr. Liu Huangsong

Mr. Jiang Fuxiu

1 February 2016

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
AND  
CONTINUING CONNECTED TRANSACTIONS**

Reference is made in accordance with (i) the continuing connected transactions announcement of the Company dated 22 December 2015 in relation to, amongst others, the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi) and the purchase of Chemical



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## LETTER FROM THE BOARD

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Products under the Sale and Purchase Contract of Chemical Products (Duolun); (ii) the discloseable and connected transaction announcement dated 28 December 2015 in relation to, amongst others, the Entrusted Loan Framework Agreement (Duolun) and the Entrusted Loan Framework Agreement (Renewable Resource); (iii) the continuing connected transactions announcement dated 29 December 2015 relating to the Framework Agreement for Engineering Materials Purchase); (iv) the discloseable and connected transaction announcement dated 30 December 2015 relating to the Entrusted Loan Agreements; and (v) the continuing connected transaction announcement dated 31 December 2015 relating to, amongst others, the Coal Purchase and Sale Framework Agreement (Beijing), the Coal Purchase and Sale Framework Agreement (Inner Mongolia) and the Coal Purchase and Sale Framework Agreement (Chaozhou).

The purpose of this circular is:

- (1) to provide you with further details of the Agreements and their respective annual caps (if applicable);
- (2) to set out the recommendation of the Independent Board Committee in respect of the Agreements; and
- (3) to set out the letter of advice from Mizuho Securities to the Independent Board Committee and the Independent Shareholders in respect of the Agreements.

### A) SALES AND PURCHASE OF COAL CHEMICAL PRODUCTS FOR 2016

#### **Background**

On 25 April 2014, Energy and Chemical Marketing Company, a wholly-owned subsidiary of the Company, entered into the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi) and the purchase of Chemical Products under the Sale and Purchase Contract of Chemical Products (Duolun). Pursuant to the agreements, upon expiration of the term of the agreement where no change is to be made by the parties to the terms of the agreement and subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements (as the case maybe) under Chapter 14A of the Listing Rules, it shall be extended automatically. On 22 December 2015, the Company convened the twenty-ninth meeting of the eighth session of the Board where the "Resolution on Continuing Connected Transactions of the Company's Sales and Purchase of Coal Chemical Products for 2016" was considered and approved. Since no change to the terms and conditions of the agreement is to be made by the parties, the parties agreed to extend the term of the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi) and the purchase of Chemical Products under the Sale and Purchase Contract of Chemical Products (Duolun).

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## LETTER FROM THE BOARD

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### 1. Framework Agreement of Sale of Natural Gas

#### *Agreement Date*

25 April 2014

#### *Parties to Agreement*

Energy and Chemical Marketing Company and Keqi Coal-based Gas Company

#### *Major terms*

Subject Matter: Energy and Chemical Marketing Company agreed to purchase natural gas produced by Keqi Coal-based Gas Company within the term of the agreement.

Extended Term: From 1 January 2016 to 31 December 2016.

The other major terms of the agreement were set out in the Announcement.

#### *Annual Cap*

The annual cap of transactions under the Framework Agreement of Sale of Natural Gas for the year ending 31 December 2016 is expected to be approximately RMB3.075 billion which is based on: (i) the volume of natural gas expected to be produced and sold by Keqi Coal-based Gas Company to Energy and Chemical Marketing Company for the year ending 31 December 2016 (which is expected to be substantially increased due to the increase of production capacity of Keqi Coal-based Gas Company and the improvement of the equipment); and (ii) the price of natural gas as provided in the agreement.

Based on the anticipated production capacity of natural gas of Keqi Coal-based Gas Company for the year ending 31 December 2016, estimated market demand and the negotiation between both parties, it is expected that the annual cap for the year ending 31 December 2016 would materially increase as compared with the historical transaction amount.

#### *Historical Transaction Amounts*

From 1 January 2015 to 31 October 2015, the amount of purchase of natural gas by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was RMB1.014 billion.

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## LETTER FROM THE BOARD

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For the year ended 31 December 2014, the amount of purchase of natural gas by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was RMB963 million.

For the year ended 31 December 2013, the amount of purchase of natural gas by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was below the de minimis threshold under Chapter 14A of the Listing Rules.

### **2. Sale and Purchase Contract of Chemical Products (Keqi)**

#### *Agreement Date*

25 April 2014

#### *Parties to Agreement*

Energy and Chemical Marketing Company and Keqi Coal-based Gas Company

#### *Major terms*

Subject Matter: Energy and Chemical Marketing Company agreed to purchase Chemical Products produced by Keqi Coal-based Gas Company within the term of the agreement.

Extended Term: From 1 January 2016 to 31 December 2016.

The other major terms of the agreement were set out in the Announcement.

#### *Annual Cap*

The annual cap of transaction amount under the Sale and Purchase Contract of Chemical Products (Keqi) for the year ending 31 December 2016 is expected to be approximately RMB296 million which is based on: (i) the volume of Chemical Products expected to be produced and sold by Keqi Coal-based Gas Company to Energy and Chemical Marketing Company for the year ending 31 December 2016 (which is expected to be substantially increased due to the increase of production capacity of Keqi Coal-based Gas Company and the improvement of the equipment); and (ii) the expected price of Chemical Products.

Based on the anticipated production capacity of Chemical Products of Keqi Coal-based Gas Company for the year ending 31 December 2016, estimated market demand and the negotiation between both parties, it is expected that the annual cap for the year ending 31 December 2016 would materially increase as compared with the historical transaction amount.

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## LETTER FROM THE BOARD

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### *Historical Transaction Amounts*

From 1 January 2015 to 31 October 2015, the amount of purchase of Chemical Products by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was RMB126.39 million.

For the year ended 31 December 2014, the amount of purchase of Chemical Products by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was RMB162 million.

For the year ended 31 December 2013, the transaction amount for the purchase of Chemical Products by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was below the de minimis threshold under Chapter 14A of the Listing Rules.

### **3. Purchase of Chemical Products produced by Duolun Coal Chemical Company by Energy and Chemical Marketing Company under the Sale and Purchase Contract of Chemical Products (Duolun)**

#### *Agreement Date*

25 April 2014

#### *Parties to Agreement*

Energy and Chemical Marketing Company and Duolun Coal Chemical Company

#### *Major terms*

Amongst other matters as set out in the agreement, Energy and Chemical Marketing Company agreed to purchase Chemical Products produced by Duolun Coal Chemical Company during the term of contract.

Extended Term: From 1 January 2016 to 31 December 2016.

The other major terms of the agreement were set out in the Announcement.

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## LETTER FROM THE BOARD

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### *Annual Cap*

The annual cap of transactions in respect of purchase of Chemical Products under the Sale and Purchase Contract of Chemical Products (Duolun), for the year ending 31 December 2016 is expected to be approximately RMB3.7 billion which is based on: (i) the anticipated volume of Chemical Products to be produced and sold by Duolun Coal Chemical Company to Energy and Chemical Marketing Company for the year ending 31 December 2016 (which is expected to be substantially increased due to the increase of production capacity of Duolun Coal Chemical Company and the improvement of the equipment); and (ii) the estimated price of Chemical Products.

Based on the anticipated production capacity of Chemical Products of Duolun Coal Chemical Company for the year ending 31 December 2016, it is expected that the annual cap for the year ending 31 December 2016 would materially increase as compared with the historical transaction amount.

### *Historical Transaction Amounts*

From 1 January 2015 to 31 October 2015, the transaction amount for the purchase of Chemical Products by Energy and Chemical Marketing Company from Duolun Coal Chemical Company was RMB723.75 million.

For the year ended 31 December 2014, the transaction amount for the purchase of Chemical Products by Energy and Chemical Marketing Company from Duolun Coal Chemical Company was RMB1,418 million.

No purchase of Chemical Products was made by Energy and Chemical Marketing Company with Duolun Coal Chemical Company for the year ended 31 December 2013.

## **PROCEDURES FOR DETERMINATION OF PRICING POLICY**

The mechanism by which the transaction prices of relevant products under the Sale and Purchase Agreement of Chemical Products and Materials were determined is set out in the Announcement, the summary of which are as follows:

- (1) Purchase of Chemical Products by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company and Duolun Coal Chemical Company:
  - (i) Extended settlement method (i.e. listing for sale) was mainly used for the purchase of polypropylene from Duolun Coal Chemical Company. In other words, pricing meeting will be held regularly by Energy and Chemical Marketing Company and the relevant business division will collect and analyse the selling price and trends of similar products. Selling price and settlement price of polypropylene will be determined by a pricing committee after due consideration of various factors such as proposed sales volume, inventories and price trend.

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## LETTER FROM THE BOARD

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- (ii) For the purchase of other Chemical Products, the selling price was determined by way of request of quotation tendering. In other words, the business division of Energy and Chemical Marketing Company will conduct tendering by issuing quotation request documents to eligible trading companies and downstream production units in PRC based on the sales plan and product quality report provided by Keqi Coal-based Gas Company and Duolun Coal Chemical Company. Pricing meeting will be held by the pricing committee. The selling price of products will be determined based on the result of quotation request and after due analysis of the information on market trends of relevant products collected by the business division. Settlement of payment with Keqi Coal-based Gas Company and Duolun Coal Chemical Company will be made in accordance with the selected principle for settlement.
- (2) Purchase of Natural Gas from Keqi Coal-based Gas Company by Energy and Chemical Marketing Company:

The sales representatives of the parties will verify the sales volume of natural gas every day and calculate the unit selling price of natural gas based on the calorific value. Settlement of payment with Keqi Coal-based Gas Company will be made in accordance with the selected principle for settlement.

### **REASONS FOR AND BENEFITS OF EXTENDING THE TERM OF THE FRAMEWORK AGREEMENT OF SALE OF NATURAL GAS, SALE AND PURCHASE CONTRACT OF CHEMICAL PRODUCTS (KEQI) AND SALE AND PURCHASE CONTRACT OF CHEMICAL PRODUCTS (DUOLUN)**

The extension of the term of the Framework Agreement of Sale of Natural Gas, the Sale And Purchase Contract of Chemical Products (Keqi) and the Sale and Purchase Contract of Chemical Products (Duolun) were mainly in consideration that the purchase of natural gas and Chemical Products by Energy and Chemical Marketing Company to and from Keqi Coal-based Gas Company and Duolun Coal Chemical Company could secure stable material supply and product sales channels for the coal chemical enterprises under the Company as well as better guarantee the sustainability of ordinary safe production and operation.

The Directors (including the independent non-executive Directors) are still of the view that the terms in respect of the purchase of natural gas and Chemical Products under the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi) and the Sale and Purchase Contract of Chemical Products (Duolun), are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms, and are in the interests of the Company and its shareholders as a whole.

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## LETTER FROM THE BOARD

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### BOARD'S APPROVAL

None of the Directors has material interest in the transactions under the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi) and the Sale and Purchase Contract of Chemical Products (Duolun). In accordance with the requirements of the Listing Rules of the Shanghai Stock Exchange, those connected Directors, including Chen Jinhang, Hu Shengmu and Liang Yongpan, have abstained from voting for the above-mentioned resolutions; Connected Director Mr. Yang Wenchun has abstained from voting for entering into the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi) and the Sale and Purchase Contract of Chemical Products (Duolun) and the transactions contemplated thereunder.

### B) ENTRUSTED LOAN MATTERS

#### 1. Entrusted Loan Framework Agreement (Duolun)

##### *Date and Subject Matter*

On 25 December 2015, the Company, Energy and Chemical Company, Construction Bank Railway Sub-branch and Duolun Coal Chemical Company entered into the Entrusted Loan Framework Agreement (Duolun), pursuant to which, the Company entrusted Construction Bank Railway Sub-branch to act as the lending agent to provide entrusted loan of an aggregate amount of RMB6.0 billion to Duolun Coal Chemical Company during the term of the agreement.

##### *Parties*

1. The Company, Energy and Chemical Company, as the entrusted lenders;
2. Construction Bank Railway Sub-branch, as the lending agent;
3. Duolun Coal Chemical Company, as the borrower.

To the best of the Company's knowledge, information and belief having made all reasonable enquiries, Construction Bank Railway Sub-branch and its ultimate beneficial owners (if any) is a third party independent of the Company and its connected persons.

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## LETTER FROM THE BOARD

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### *Major Terms*

1. *Entrusted loan arrangement*

Pursuant to the Entrusted Loan Framework Agreement (Duolun), the Company or Energy and Chemical Company entrusted Construction Bank Railway Sub-branch to act as the lending agent to provide entrusted loan to Duolun Coal Chemical Company. The Company, Energy and Chemical Company, Construction Bank Railway Sub-branch and Duolun Coal Chemical Company shall enter into specific borrowing contracts setting out the details of the entrusted loan arrangement. These specific loan contracts shall be subject to the terms of the Entrusted Loan Framework Agreement (Duolun).

2. *Amount of the entrusted loan*

The loan amount for Duolun Coal Chemical Company under the Entrusted Loan Framework Agreement (Duolun) shall be RMB6.0 billion.

3. *Term*

The term is 12 months commencing from 23 December 2015.

The Company confirms that no transaction occurred for the period from 23 December 2015 to the date of this announcement.

4. *Interest rate*

The interest rate of the entrusted loan shall be a floating rate, being the benchmark interest rate to be charged for the same level of loans in RMB as announced for implementation by the People's Bank of China on the actual date when the loan is granted. In the event that the People's Bank of China adjusts the benchmark interest rate during the term of the agreement, 21st December of each year shall be the adjustment date for the interest rate under the agreement. The adjusted borrowing interest rate will be the benchmark interest rate for the same level of loans in RMB announced for implementation by the People's Bank of China on the adjustment date.

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 4.35% per annum.



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## LETTER FROM THE BOARD

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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 a subsidiary of the Company) are consolidated into the accounts of the Company.

5. *Handling fee*

The annual handling fee of the entrusted loan shall be 0.02% of the contract amount of the specific entrusted loan contracts, which is arrived at with reference to the standard handling fee charged by commercial banks for the provision of same level of entrusted loan, and the handling fee is at certain discount on that basis. The handling fee of the entrusted loan shall be settled by the Company to Construction Bank Railway Sub-branch.

6. *Use of the entrusted loan*

The entrusted loan will be utilised for the replacement of due borrowings and repayment of principal and interest of Duolun Coal Chemical Company.

7. *Effective date*

The Entrusted Loan Framework Agreement (Duolun) shall become effective when it is duly signed by the legal representatives or authorised agents of the parties and with their respective seals affixed therein.

8. *Repayment schedule*

One-off repayment of the principal of the relevant entrusted loan upon maturity of the relevant specific borrowing contract, while interests shall be settled on a quarterly basis.

## 2. **Entrusted Loan Framework Agreement (Renewable Resource)**

### *Date and Subject Matter*

On 25 December 2015, the Company, Construction Bank Railway Sub-branch and Renewable Resource Company entered into the Entrusted Loan Framework Agreement (Renewable Resource), pursuant to which, the Company or its subsidiaries entrusted Construction Bank Railway Sub-branch to act as the lending agent to provide entrusted loan of an aggregate amount of RMB4.0 billion to Renewable Resource Company during the term of the agreement.

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## LETTER FROM THE BOARD

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### *Parties*

1. The Company (or its subsidiaries), as the entrusted lender;
2. Construction Bank Railway Sub-branch, as the lending agent;
3. Renewable Resource Company, as the borrower.

To the best of the Company's knowledge, information and belief having made all reasonable enquiries, Construction Bank Railway Sub-branch and its ultimate beneficial owners (if any) is a third party independent of the Company and its connected persons.

### *Major Terms*

1. *Entrusted loan arrangement*

Pursuant to the Entrusted Loan Framework Agreement (Renewable Resource), the Company or its subsidiaries entrusted Construction Bank Railway Sub-branch to act as the lending agent to provide entrusted loan to Renewable Resource Company. The Company or its subsidiaries, Construction Bank Railway Sub-branch and Renewable Resource Company shall enter into specific entrusted loan borrowing contracts setting out the details of the entrusted loan arrangement. These specific contracts shall be subject to the terms of the Entrusted Loan Framework Agreement (Renewable Resource).

2. *Amount of the entrusted loan*

The loan amount for Renewable Resource Company under the Entrusted Loan Framework Agreement (Renewable Resource) shall be RMB4.0 billion.

3. *Term*

The term is 36 months commencing from 1 January 2016.

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## LETTER FROM THE BOARD

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4. *Interest rate*

The interest rate of the entrusted loan shall be a floating rate, being the benchmark interest rate to be charged for the same level of loans in RMB as announced for implementation by the People's Bank of China on the actual date when the loan is granted. In the event that the People's Bank of China adjusts the benchmark interest rate during the term of the agreement, 21st December of each year shall be the adjustment date for the interest rate under the agreement. The adjusted borrowing interest rate will be the benchmark interest rate for the same level of loans in RMB announced for implementation by the People's Bank of China on the adjustment date.

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 4.75% per annum.

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

5. *Handling fee*

The annual handling fee of the entrusted loan shall be 0.02% of the contract amount of the specific entrusted loan contracts, which is arrived at with reference to the standard handling fee charged by commercial banks for the provision of same level of entrusted loan, and the handling fee is at certain discount on that basis. The handling fee of the entrusted loan shall be settled by the Company or its subsidiaries to Construction Bank Railway Sub-branch.

6. *Use of the entrusted loan*

The entrusted loan will be utilised for the replacement of due borrowings and repayment of debts of Renewable Resource Company.

7. *Effective date*

The Entrusted Loan Framework Agreement (Renewable Resource) shall become effective when it is duly signed by the legal representatives or authorised agents of the parties and with their respective seals affixed therein.

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## LETTER FROM THE BOARD

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8. *Repayment schedule*

One-off repayment of the principal of the relevant entrusted loan upon maturity of the relevant specific borrowing contract, while interests shall be settled on a quarterly basis.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTED LOAN FRAMEWORK AGREEMENT (DUOLUN) AND ENTRUSTED LOAN FRAMEWORK AGREEMENT (RENEWABLE RESOURCES)**

In order to ensure the on-schedule replacement of due borrowings as well as the smooth progress of the production and operation activities, the Company or its subsidiaries provides entrusted loans to Duolun Coal Chemical Company and Renewable Resource Company. The Company is of the view that the entrusted loans, which will be primarily utilised by Duolun Coal Chemical Company, and Renewable Resource Company to, among others, replace due borrowings, are thus beneficial for the smooth progress of the production and operation activities of Duolun Coal Chemical Company, and Renewable Resource Company.

Considering the possible higher financial costs for Duolun Coal Chemical Company and Renewable Resource Company to obtain the same loans from other commercial banks when compared with the financial costs incurred by the Company to obtain the funding of the entrusted loans, the Company considers that the overall capital costs to the Group will be relatively reduced after the accounts of Duolun Coal Chemical Company and Renewable Resource 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 Framework Agreement (Duolun) and the Entrusted Loan Framework Agreement (Renewable Resource) are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms in ordinary and usual course of business and are in the interests of the Company and its Shareholders as a whole.

### **BOARD'S APPROVAL**

The twenty-ninth meeting of the eighth session of the Board of the Company has approved the transactions under the Entrusted Loan Framework Agreements. None of the Directors has any material interests in the Entrusted Loan Framework Agreement (Duolun) and the Entrusted Loan Framework Agreement (Renewable Resource). Those connected Directors, namely Chen Jinhang, Hu Shengmu and Liang Yongpan (all of whom are the key management personnel of CDC), have abstained from voting for approval of such resolution in accordance with the listing rules of the Shanghai Stock Exchange.

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## LETTER FROM THE BOARD

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### 3. Entrusted Loan Agreements

#### *Date*

30 December 2015

#### *Parties*

1. Tuoketuo Power Generation Company, as the entrusted lender;
2. Datang Finance Company, as the lending agent; and
3. Renewable Resource Company, as the borrower.

#### *Major Terms*

The terms of the three entrusted loan agreements are materially the same and are summarised as below:

##### *1. Entrusted loan arrangement*

Pursuant to the agreements, Tuoketuo Power Generation Company entrusted Datang Finance Company to act as the lending agent to provide entrusted loan to Renewable Resource Company.

##### *2. Amount of the entrusted loan*

The loan amount for Renewable Resource Company under the agreements shall be RMB160 million, and RMB100 million, and RMB1.1 billion, respectively, amounting to an aggregate sum of RMB1.36 billion.

##### *3. Term*

The term is 12 months commencing from 30 December 2015.

##### *4. Interest rate*

The loan interest rate shall be a fixed rate at 4.35% per annum throughout the loan period.

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 4.35% per annum.

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## LETTER FROM THE BOARD

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

5. *Calculation of interests*

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

6. *Handling fee*

The annual handling fee of the entrusted loan shall be 0.1% of the contract amount of the specific entrusted loan contracts, which is arrived at with reference to the standard handling fee charged by commercial banks for the provision of same level of entrusted loan, after consideration of the lending efficiency. The handling fee of the entrusted loan shall be settled by Tuoketuo Power Generation Company to Datang Finance Company in one lump sum within five working days after granting of the entrusted loan.

7. *Use of proceeds of the entrusted loan*

The loan will be utilised for the supplement for liquid capital.

8. *Repayment schedule of the entrusted loan*

Can be repaid by installment before maturity or repaid in lump sum upon maturity.

9. *Effective date*

The Entrusted Loan Agreement shall become effective when it is duly signed by the legal representatives or authorised agents of the parties and with their respective seals affixed therein.

### REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTED LOAN AGREEMENTS

In order to ensure the on-schedule replacement of due borrowings as well as the smooth progress of the production and operation activities, the subsidiaries of the Company provides entrusted loans of an aggregate amount of not exceeding RMB1.36 billion to Renewable Resource Company. The Company is of the view that the entrusted loans, which will be primarily utilised by Renewable Resource Company to, among others, supplement for liquid capital, are thus beneficial for the smooth progress of the production and operation activities of Renewable Resource.

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## LETTER FROM THE BOARD

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Considering the possible higher financial costs for Renewable Resource to obtain the same loans from other commercial banks when compared with the financial costs incurred by the Company to obtain the funding of the entrusted loans, the Company considers that the overall capital costs to the Group will be relatively reduced after the accounts of Renewable Resource 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 in ordinary and usual course of business and are in the interests of the Company and its Shareholders as a whole.

### **BOARD'S APPROVAL**

The twenty-ninth meeting of the eighth session of the Board of the Company has approved the transactions under the Entrusted Loan Framework Agreements. None of the Directors has any material interests in the Entrusted Loan Framework Agreements. Those connected Directors, namely Chen Jinhang, Hu Shengmu and Liang Yongpan (all of whom are the key management personnel of CDC), have abstained from voting for approval of such resolution in accordance with the listing rules of the Shanghai Stock Exchange.

### **C) PURCHASE OF ENGINEERING MATERIAL**

#### **1. Framework Agreement For Engineering Materials Purchase**

##### *Date*

29 December 2015

##### *Parties*

1. The Company; and
2. China Water Resources and Power

##### *Subject Matter in the Framework Agreement*

1. China Water Resources and Power agreed to conduct centralised purchase of machinery, equipment and materials required for project construction in accordance with the demand of the Company and its subsidiaries for project construction machinery, equipment and materials. The selling prices of such project construction machinery, equipment and materials shall not be higher than the prevailing average market prices of such project construction machinery, equipment and materials.

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## LETTER FROM THE BOARD

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2. According to the actual demands of the Company and its subsidiaries, China Water Resources and Power will conduct tender of materials purchase in accordance with relevant law and regulations of the State. The process of purchase tender conducted by China Water Resources and Power will be under the supervision of the Company.
3. Pursuant to the tender results, the Company and its subsidiaries will enter into specific purchase contracts with China Water Resources and Power, and such purchase contracts shall be bound by the terms and principles of the Framework Agreement for Engineering Materials Purchase.

### *Term*

The effective term of the Framework Agreement for Engineering Materials Purchase is from 1 January 2016 to 31 December 2016.

### *Fee Standard and Settlement*

During the course of centralised purchase, China Water Resources and Power will be responsible for the coordination of tenders invitation, contract signing and the implementation, delivery, check-and-acceptance and claims submission, etc. As such, China Water Resources and Power will charge a management service fee (which shall be no more than 6% of the purchase amount). Such management service fee is determined after arm's length negotiation between the parties taking into account the management service fee to be charged for the provision of similar services by other independent cooperating service providers. The relevant management service fee to be charged by China Water Resources and Power shall not be higher than the fee to be charged by China Water Resources and Power for the provision of identical services to other independent third parties and other companies of CDC.

Before entering into specific purchase contracts, the engineering and construction department (工程建設部) of the Company and the relevant departments of the subsidiaries of the Company that are responsible for procurement of materials will consult with China Water Resources and Power and ask for the management service fee(s) charged by China Water Resources and Power to other independent third parties as reference. After obtaining the rate of such management service fees, the engineering and construction department or the relevant departments of the subsidiaries of the Company (as the case may be) will compare such management service fees with the fee to be charged by China Water Resources and Power to the Company or the subsidiaries of the Company as contemplated in the specific purchase contracts and make sure that the relevant management service fee shall not be higher than the fee to be charged by China Water Resources and Power for the provision of identical services to other independent third parties and other companies of CDC.

China Water Resources and Power will issue a value added-tax invoice comprising the purchase amount and the management service fee to the Company and its subsidiaries.



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## LETTER FROM THE BOARD

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### *Annual Cap and Basis for Determination*

Taking into account the requirement of project construction machinery, equipment and materials applicable for centralised purchase which are used in the construction of infrastructure projects of the Company and its subsidiaries for the year ending 31 December 2016, the continuing connected transactions under the Framework Agreement for Engineering Materials Purchase are subject to an annual cap of RMB1,900 million (including the purchase costs for the project construction machinery, equipment and materials and the management service fees payable to China Water Resources and Power) for the year ending 31 December 2016.

The prices of project construction machinery, equipment and materials under the Framework Agreement for Engineering Materials Purchase were all determined by way of public tender carried out by China Water Resources and Power.

According to the anticipated demand on project construction machinery, equipment and materials for the infrastructure projects of the Company and its subsidiaries for the year ending 31 December 2016 as well as the result of negotiation between the parties, the annual cap for the year ending 31 December 2016 is expected to be substantially higher when compared to the historical transaction amounts.

### *Historical Transaction Amounts*

The transaction amount of engineering materials purchase by the Company and its subsidiaries from China Water Resources and Power for the period from 1 January 2015 to the date of this announcement is estimated to be approximately RMB642 million.

For the year ended 31 December 2014, the transaction amount of engineering materials purchase by the Company and its subsidiaries from China Water Resources and Power was approximately RMB340 million.

For the year ended 31 December 2013, the transaction amount of engineering materials purchase by the Company and its subsidiaries from China Water Resources and Power was approximately RMB782 million.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT FOR ENGINEERING MATERIALS PURCHASE

After taking into account the necessity for lowering purchase costs and successful completion of the Company's infrastructure project materials purchase tasks during the year, the Company entered into the Framework Agreement for Engineering Materials Purchase to leverage on the role of China Water Resources and Power as a professional institution in sourcing project construction machinery, equipment and materials, and to leverage on the advantage of bulk purchasing, in order to enhance purchase efficiency, lower purchase costs and further enhance the profitability of the Company.

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions under the Framework Agreement for Engineering Materials Purchase are conducted in the ordinary and usual course of business of the Company, and are fair and reasonable and are in the interest of the Company and the shareholders as a whole.

### BOARD'S APPROVAL

None of the Directors has any material interest in the transactions under the Framework Agreement for Engineering Materials Purchase. Connected Directors, namely Chen Jinhang, Hu Shengmu and Liang Yongpan, have abstained from voting for this resolution pursuant to the listing rules of the Shanghai Stock Exchange.

### D) PURCHASE OF COAL FROM BEIJING DATANG FUEL COMPANY AND ITS SUBSIDIARIES BY THE GROUP

#### 1. Coal Purchase and Sale Framework Agreement (Beijing)

*Date*

31 December 2015

*Parties*

The Company, Beijing Datang Fuel Company

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## LETTER FROM THE BOARD

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### *Major terms*

- (1) Subject matter: the Company and its subsidiaries agreed to purchase coal from Beijing Datang Fuel Company during the term of the agreement.

The parties may, from time to time during the term of the agreement, enter into specific purchase and sale contracts in respect of the purchase of coal, and such specific purchase and sale contracts shall be subject to the terms of the Coal Sale and Purchase Framework Agreement (Beijing).

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: One year, commencing from 1 January 2016 to 31 December 2016.
- (5) The Coal Purchase and Sale Framework Agreement (Beijing) becomes effective when it is duly signed by the legal representatives or authorised agent of both parties and sealed with their respective chops.

### *Annual Cap*

It is expected that the maximum transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Beijing) for the year ending 31 December 2016 is RMB13,712 million; such amount is determined with reference to (i) the anticipated quantity of coal to be purchased by the Company and its subsidiaries from Beijing Datang Fuel Company for the year ending 31 December 2016; and (ii) the estimated market price of coal.

### *Historical Transaction Amounts*

From 1 January 2015 to 30 November 2015, the transaction amount of purchase of coal by the Company and its subsidiaries from Beijing Datang Fuel Company was approximately RMB9,924 million.

For the year ended 31 December 2014, the transaction amount of purchase of coal by the Company and its subsidiaries from Beijing Datang Fuel Company was approximately RMB16,697 million.

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## LETTER FROM THE BOARD

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For the year ended 31 December 2013, the transaction amount of purchase of coal by the Company and its subsidiaries from Beijing Datang Fuel Company was approximately RMB17,485 million.

### **2. Coal Purchase and Sale Framework Agreement (Inner Mongolia)**

#### *Date*

31 December 2015

#### *Parties*

The Company, Inner Mongolia Fuel Company

#### *Major Terms*

- (1) Subject matter: The Company and certain of its subsidiaries agreed to purchase coal from Inner Mongolia Fuel Company during the term of the agreement.

The parties may, from time to time during the term of the agreement, enter into specific purchase and sale contracts in respect of the purchase of coal by certain of subsidiaries of the Company provided that such specific purchase and sale contracts shall be subject to the terms of the Coal Purchase and Sale Framework Agreement (Inner Mongolia).

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: One year, commencing from 1 January 2016 to 31 December 2016.
- (5) The Coal Purchase and Sale Framework Agreement (Inner Mongolia) becomes effective when it is duly signed by the legal representatives or authorised agent of both parties and sealed with their respective chops.

#### *Annual Cap*

It is expected that the maximum transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Inner Mongolia) for the year ending 31 December 2016 is RMB3,239 million; such amount is determined with reference to (i) the anticipated quantity of coal to be purchased by certain of subsidiaries of the Company from Inner Mongolia Fuel Company for the year ending 31 December 2016; and (ii) the estimated market price of coal.

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## LETTER FROM THE BOARD

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### *Historical Transaction Amounts*

From 1 January 2015 to 30 October 2015, the transaction amount of purchase of coal by certain of subsidiaries of the Company from Inner Mongolia Fuel Company was approximately RMB1,763 million.

For the year ended 31 December 2014, the transaction amount of purchase of coal by certain of subsidiaries of the Company from Inner Mongolia Fuel Company was approximately RMB3,141 million.

For the year ended 31 December 2013, the transaction amount of purchase of coal by certain of subsidiaries of the Company from Inner Mongolia Fuel Company was approximately RMB4,449 million.

### **3. Coal Purchase and Sale Framework Agreement (Chaozhou)**

#### *Date*

31 December 2015

#### *Parties*

The Company, Chaozhou Fuel Company

#### *Major terms*

- (1) Subject matter: The Company and certain of its subsidiaries agreed to purchase coal from Chaozhou Fuel Company during the term of the agreement.

The parties may, from time to time during the term of the agreement, enter into specific purchase and sale contracts in respect of the purchase of coal by certain of subsidiaries of the Company provided that such specific purchase and sale contracts shall be subject to the terms of the Coal Purchase and Sale Framework Agreement (Chaozhou).

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

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## LETTER FROM THE BOARD

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- (4) Term: One year, commencing from 1 January 2016 to 31 December 2016.
- (5) The Coal Purchase and Sale Framework Agreement (Chaozhou) becomes effective when it is duly signed by the legal representatives or authorised agent of both parties and sealed with their respective chops.

### *Annual Cap*

It is expected that the maximum transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Chaozhou) for the year ending 31 December 2016 is RMB598 million; such amount is determined with reference to (i) the anticipated quantity of coal to be purchased by the Company and its subsidiaries from Chaozhou Fuel Company for the year ending 31 December 2016; and (ii) the estimated market price of coal.

### *Historical Transaction Amounts*

No transaction was conducted between the Company and Chaozhou Fuel Company in the last three years.

## **PROCEDURES FOR DETERMINING PRICE OF COAL TRANSACTION**

The consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreement (Beijing), the Coal Purchase and Sale Framework Agreement (Inner Mongolia) and the Coal Purchase and Sale Framework Agreement (Chaozhou) is to be determined with reference to the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the following factors in determination of the consideration:

- (1) Purchase costs of coal of the Company, including purchase costs of coal, vessel leasing costs, port construction fee, financial costs, insurance expenses, laboratory fee, business tax and other expenses.
- (2) Professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years for determination of pricing.
- (3) The selling price of the fuel company is determined with reference to the purchase cost of the fuel company, coal consumption of its power generation companies, as well as price trends in the Bohai Sea and international price trends. The Company also negotiates with its power generation companies and determines the coal purchasing price for 2016 after discussion by fuel management team meeting of the Company.

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## LETTER FROM THE BOARD

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### **REASONS FOR AND BENEFITS OF ENTERING INTO THE THE COAL PURCHASE AND SALE FRAMEWORK AGREEMENT (BEIJING), THE COAL PURCHASE AND SALE FRAMEWORK AGREEMENT (INNER MONGOLIA) AND THE COAL PURCHASE AND SALE FRAMEWORK AGREEMENT (CHAOZHOU)**

The purchase of coal by the Company and its subsidiaries from Beijing Datang Fuel Company and its subsidiaries is primarily for securing coal supply to the Company and the power generation enterprises of its subsidiaries, and fully leveraging the advantages in terms of supply and economy-of-scale of purchase of these specialized coal companies, so as to stabilise the market prices of coal to a certain extent, thereby exercising control over the costs of fuel and mitigating the adverse impact of changes in the coal market on the Group.

The Directors (including the views of the independent non-executive Directors) are of the view that the terms of the Coal Purchase and Sale Framework Agreement (Beijing), the Coal Purchase and Sale Framework Agreement (Inner Mongolia) and the Coal Purchase and Sale Framework Agreement (Chaozhou) 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 interests of the Company and the Shareholders as a whole.

### **BOARD'S APPROVAL**

None of the Directors has material interest in the transactions under the Coal Purchase and Sale Framework Agreement (Beijing), the Coal Purchase and Sale Framework Agreement (Inner Mongolia) and the Coal Purchase and Sale Framework Agreement (Chaozhou). Connected Directors, including Chen Jinhang, Hu Shengmu and Liang Yongpan, have abstained from voting for this resolution at the relevant Board meeting pursuant to the listing rules of the Shanghai Stock Exchange.

### **INFORMATION OF THE PARTIES TO THE AGREEMENTS**

1. The Company is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the repair, maintenance and tuning of power equipment and power related technical services. The Company's main service areas are in the PRC.
2. CDC was established on 9 March 2003 with a registered capital of RMB18.009 billion. It is principally engaged in the development, investment, construction, operation and management of power energy, organization of power (thermal) production and sales; manufacturing, repair and maintenance of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering development of new energy as well as development and production of power related coal resources.

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## LETTER FROM THE BOARD

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3. Energy and Chemical Marketing Company is a wholly-owned subsidiary of Datang Energy and Chemical Company Limited which is also a wholly-owned subsidiary of the Company. It was duly established in May 2009 with a registered capital of RMB50 million. Its scope of business includes the import and export of organic and inorganic chemical products and products and technologies under dealership and developed in-house.
4. Duolun Coal Chemical Company was duly incorporated on 19 August 2009 with a registered 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 shareholding structure of Duolun Coal Chemical Company is as follow: Datang Energy and Chemical Company Limited, a wholly-owned subsidiary of the Company, holds 60% of its equity interests, and CDC holds 40% of its equity interests.
5. Keqi Coal-based Gas Company was duly incorporated on 10 December 2010 with a registered capital of RMB5,090.974 million. It is mainly responsible for the production and sale of coal-based natural gas, tar, naphtha, crude phenol, sulphur and thiamine, technical consultation of coal-based chemicals and equipment inspection. The shareholding structure of Keqi Coal-based Gas Company is as follow: Datang Energy and Chemical Company Limited, a wholly-owned subsidiary of the Company, Beijing Gas Group Co., Ltd., CDC and Tianjin Jinneng Investment Company, holds 51%, 34%, 10% and 5% of its equity interests, respectively.
6. Construction Bank Railway Sub-branch is a commercial bank incorporated by China Construction Bank Corporation in Fengtai District, Beijing on 28 March 1997. It is principally engaged in the provision of RMB deposits, loans and settlement services, bill discounting, agency issue of financial bonds, agency issue, agency acceptance and underwriting of government bonds, trading of government bonds, agency collection and payment, and insurance agency.
7. Renewable Resource Company, a subsidiary of the Company, has a registered capital of RMB110 million. The equity-holding structure of Renewable Resource Company is as follows: 40.35% of its equity interest is held by the Company; 49% of its equity interest is held by Duolun Xinyuan Renewable Resource Company; and 10.65% of its equity interest is held by Beijing Guoneng Zhixin Investment Co., Ltd., a subsidiary of CDC.
8. Energy and Chemical Company, a wholly-owned subsidiary of the Company, has a registered capital of RMB9,733.25 million. It is principally engaged in energy and chemical technology development, technology transfer, technical consulting, technology services; investment management; engineering design; chemical and electrical equipment maintenance, installation, commissioning; import and export, import and export agent, technology import and export.



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## LETTER FROM THE BOARD

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9. China Water Resources and Power is a wholly-owned subsidiary of CDC which was established on 6 March 1989. Its principal businesses include acting as agent for tenders invitation and import, pipe supplies, project consultation, spare parts, equipment supervision, management of project materials resources, CDM, safety evaluation, and so forth.
10. Tuoketuo Power Generation Company, a subsidiary of the Company, has an installed capacity of 3,600MW.
11. Datang Finance Company is a non-banking financial institution duly incorporated in the PRC on 10 May 2005. Its registered capital is RMB3 billion. Datang Finance Company is a subsidiary of CDC. Currently it has 13 shareholders, names and shareholding of which are: CDC, 64.5%; the Company, 20%; 11 Shareholders, all being subsidiaries of CDC, each holding 0.83%-2.5%, 15.5% in total. Its principal business includes the provision of deposit services, loan services, entrusted loan services and entrusted investment services.
12. Beijing Datang Fuel Company is a subsidiary of the Company. It is principally engaged in sale of coal, investment management and technical services. The equity holding structure of the company is as follows: 51% of its equity interest is held by the Company and 49% of its equity interest is held by Datang Electric Power Fuel Company Limited, a wholly-owned subsidiary of CDC.
13. Inner Mongolia Fuel Company is a wholly-owned subsidiary of Beijing Datang Fuel Company, a subsidiary of the Company. It is principally engages in the business of electric fuel.
14. Chaozhou Fuel Company is a subsidiary of Beijing Datang Fuel Company, which is a subsidiary of the Company. It is principally engaged in sale of coal.

### LISTING RULES IMPLICATIONS

#### Discloseable Transactions

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of each of (i) the loans amount under the Entrusted Loan Agreements, when aggregated with the Previous Transactions; (ii) the loan amount under the Entrusted Loan Framework Agreement (Duolun); and (iii) the Entrusted Loan Framework Agreement(Renewable Resource)is more than 5% but all the applicable percentage ratios are less than 25%, each of the Entrusted Loan Agreements, Entrusted Loan Framework Agreement (Duolun) and Entrusted Loan Framework Agreement (Renewable Resource) constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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## LETTER FROM THE BOARD

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### **Connected/Continuing Connected Transactions**

As at the Latest Practicable Date, CDC and its subsidiaries held a total of approximately 34.77% of the issued share capital of the Company. Since CDC and its subsidiaries directly or indirectly hold certain equity interests in Beijing Datang Fuel Company (a subsidiary of the Company), Chaozhou Fuel Company, Inner Mongolia Fuel Company, Duolun Coal Chemical Company, Renewable Resource Company, Keqi Coal-based Gas Company, while China Water Resources and Power and Datang Finance Company are subsidiaries of CDC, they are connected persons of the Company.

As such, the transactions under the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi), the Sale and Purchase Contract of Chemical Products (Duolun), the Framework Agreement for Engineering Materials Purchase, the Coal Purchase and Sale Framework Agreement (Beijing), the Coal Purchase and Sale Framework Agreement (Inner Mongolia) and the Coal Purchase and Sale Framework Agreement (Chaozhou) constitute continuing connected transactions of the Company and the transactions under the Entrusted Loan Framework Agreement (Duolun), the Entrusted Loan Framework Agreement (Renewable Resource) and the Entrusted Loan Agreements constitute connected transactions of the Company.

Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the (i) the aggregated transaction amount for purchase of natural gas and Chemical Products under the Framework Agreement of Sale of Natural Gas and the Sale and Purchase Contract of Chemical Products (Keqi); (ii) the transaction amount for purchase of Chemical Products under the Sale and Purchase Contract of Chemical Products (Duolun); (iii) the loan amount under the Entrusted Loan Framework Agreement (Duolun); (iv) the loan amount under the Entrusted Loan Framework Agreement (Renewable Resource); (v) the transaction amount under the Framework Agreement for Engineering Materials Purchase; (vi) the entrusted loans amount under Entrusted Loan Agreements, when aggregated with the Previous Transactions; (vii) the aggregated transaction amount for purchase of coal under the Coal Purchase and Sale Framework Agreement (Beijing), the Coal Purchase and Sale Framework Agreement (Inner Mongolia) and the Coal Purchase and Sale Framework Agreement (Chaozhou) is/are more than 5%, such agreements and the transactions thereunder are subject to the reporting and announcement requirements, as well as the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **EGM**

The Company will convene the EGM to, among other things, consider and approve the Agreements. The notice convening the EGM has been despatched to the shareholders on 11 January 2016.

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

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, CDC together with its subsidiaries holds approximately 34.77% of the issued share capital of the Company. CDC and its associates shall abstain from voting at the EGM to approve the Agreements and their respective annual caps (as the case maybe).

As at the Latest Practicable Date, Tianjin Jinneng Investment Company together with its subsidiaries holds approximately 9.74% of the issued share capital of the Company. Tianjin Jinneng Investment Company (being a shareholder of Keqi Coal-based Gas Company) and its associates shall abstain from voting for the resolutions in relation to the Framework Agreement of Sale of Natural Gas and the Sale and Purchase Contract of Chemical Products (Keqi) and their respective annual caps.

To the best of the Directors' knowledge, apart from CDC, Tianjin Jinneng Investment Company and their respective associates, no other shareholders have material interest in the transactions under the Agreements and shall abstain from voting at the relevant resolution at the EGM.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 35 to 36 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Agreements. Your attention is also drawn to the letter of advice received from Mizuho Securities, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 37 to 68 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 Agreements, the casting of votes for or against the resolution approving the Agreements, their respective annual caps (as the case maybe) as well as the principal factors and reasons considered by it in concluding its advice.

The Directors consider that the terms of the Agreements and their respective annual caps (as the case maybe) 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.**

**Ying Xuejun**

*Secretary to 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)**

*office address*

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

1 February 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
AND  
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company to the shareholders dated 1 February 2016 (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 Agreements constitute connected transactions or continuing connected 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 Agreements and to advise the Independent Shareholders in connection with the Agreements as to whether, in our opinion, their terms are fair and reasonable and whether the Agreements are in the interests of the Company and the shareholders as a whole. Mizuho Securities 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 Mizuho Securities as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of Mizuho Securities as set out in its letter of advice, we consider that the Agreements are on normal commercial terms, and that the Agreements are in the best interests of the Company and the Shareholders as a whole.

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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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We also consider that the terms of the Agreements and their respective annual caps (as the case maybe) are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the entering into of the Agreements by the Company and their respective annual caps (as the case may be) at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Jiang Guohua, Feng Gengfu, Luo Zhongwei, Liu Huangsong, Jiang Fuxiu,**

*Independent non-executive Directors*

**Datang International Power Generation Co., Ltd.**

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## LETTER FROM MIZUHO SECURITIES

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*The following is the full text of a letter of advice from Mizuho Securities, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreements (including, where applicable, the respective annual caps contemplated thereunder).*



MIZUHO

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1 February 2016

*To the Independent Board Committee and the Independent Shareholders*

Datang International Power Generation Co., Ltd.

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS AND CONTINUING 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:

- (i) the extension of the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi) and the purchase of Chemical Products under the Sale and Purchase Contract of Chemical Products (Duolun) as announced by the Company on 22 December 2015 which constitute continuing connected transactions of the Company (“**Transaction 1**”);
- (ii) the Entrusted Loan Framework Agreement (Duolun), the Entrusted Loan Framework Agreement (Renewable Resource), and the Entrusted Loan Agreements as announced by the Company on 28 and 30 December 2015 which constitute discloseable and connected transactions of the Company (“**Transaction 2**”);
- (iii) the Framework Agreement for Engineering Materials Purchase as announced by the Company on 29 December 2015 which constitute continuing connected transactions of the Company (“**Transaction 3**”); and

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- (iv) the Coal Purchase and Sale Framework Agreement (Beijing), the Coal Purchase and Sale Framework Agreement (Inner Mongolia) and the Coal Purchase and Sale Framework Agreement (Chaozhou) as announced by the Company on 31 December 2015 which constitute continuing connected transactions of the Company (“**Transaction 4**”).

Details of the above-mentioned transactions 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 February 2016 (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.

As at the Latest Practicable Date, CDC and its subsidiaries held a total of approximately 34.77% of the issued share capital of the Company. Since CDC and its subsidiaries directly or indirectly hold certain equity interests in Beijing Datang Fuel Company (a subsidiary of the Company), Chaozhou Fuel Company, Inner Mongolia Fuel Company, Duolun Coal Chemical Company, Renewable Resource Company, Keqi Coal-based Gas Company, while China Water Resources and Power and Datang Finance Company are subsidiaries of CDC, they are connected persons of the Company. As such, the transactions under the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi), the Sale and Purchase Contract of Chemical Products (Duolun), the Framework Agreement for Engineering Materials Purchase, the Coal Purchase and Sale Framework Agreement (Beijing), the Coal Purchase and Sale Framework Agreement (Inner Mongolia) and the Coal Purchase and Sale Framework Agreement (Chaozhou) constitute continuing connected transactions of the Company and the transactions under the Entrusted Loan Framework Agreement (Duolun), the Entrusted Loan Framework Agreement (Renewable Resource) and the Entrusted Loan Agreements constitute connected transactions of the Company.

Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the (i) the aggregated transaction amount for purchase of natural gas and Chemical Products under the Framework Agreement of Sale of Natural Gas and the Sale and Purchase Contract of Chemical Products (Keqi); (ii) the transaction amount for purchase of Chemical Products under the Sale and Purchase Contract of Chemical Products (Duolun); (iii) the loan amount under the Entrusted Loan Framework Agreement (Duolun); (iv) the loan amount under the Entrusted Loan Framework Agreement (Renewable Resource); (v) the transaction amount under the Framework Agreement for Engineering Materials Purchase; (vi) the entrusted loans amount under Entrusted Loan Agreements, when aggregated with the Previous Transactions; (vii) the aggregated transaction amount for purchase of coal under the Coal Purchase and Sale Framework Agreement (Beijing), the Coal Purchase and Sale Framework Agreement (Inner Mongolia) and the Coal Purchase and Sale Framework Agreement (Chaozhou) is/are more than 5%, such agreements and the transactions thereunder are subject to the reporting and announcement requirements, as well as the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Jiang Guohua, Mr. Feng Gengfu, Mr. Luo Zhongwei, Mr. Liu Huangsong and Mr. Jiang Fuxiu has been established to advise the Independent Shareholders as to whether the terms of the Agreements (including, where applicable, the respective caps contemplated thereunder) are fair and reasonable so far as the Company and Independent Shareholders are concerned and 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, among others, the Agreements (including, where applicable, the respective caps contemplated thereunder). 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.

Mizuho Securities is independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, or any other parties that could reasonably be regarded as relevant to the independence of Mizuho Securities. Accordingly, Mizuho Securities is qualified to give an independent advice in respect of the terms of the Agreements and, where applicable, the adoption of the respective caps for the year ending 31 December 2016. Mizuho Securities has acted as independent financial adviser to the then independent board committee and independent shareholders of the Company more than two years ago.

### **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 as at the date of the Circular 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. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.



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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 Group, and any of the connected persons of the Company which have entered into the Agreements with the Group, or any of their respective subsidiaries or associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In forming our opinion, we have considered the following principal factors and reasons:

#### **A. Transaction 1: SALES AND PURCHASE OF CHEMICAL PRODUCTS FOR 2016**

##### **1. Background**

On 25 April 2014, Energy and Chemical Marketing Company, a wholly-owned subsidiary of the Company, entered into the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi) and the purchase of Chemical Products under the Sale and Purchase Contract of Chemical Products (Duolun). Pursuant to the agreements, upon expiration of the term of the agreement where no change is to be made by the parties to the terms of the agreement and subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements (as the case maybe) under Chapter 14A of the Listing Rules, it shall be extended automatically. On 22 December 2015, the Company convened the twenty-ninth meeting of the eighth session of the Board where the "Resolution on Continuing Connected Transactions of the Company's Sales and Purchase of Coal Chemical Products for 2016" was considered and approved. Since no change to the terms and conditions of the agreement is to be made by the parties, the parties agreed to extend the term of the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi) and the purchase of Chemical Products under the Sale and Purchase Contract of Chemical Products (Duolun).

We note that the subject agreements were extended automatically based on the original terms of the agreements, and do not represent agreements of new subject matters for the Company. The purpose of the extension is for conducting the transactions contemplated under the agreements for the year ending 31 December 2016, in accordance with the requirements of the Listing Rules regarding continuing connected transactions.

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### 2. Key information of the three agreements under Transaction 1

#### (a) *Framework Agreement of Sale of Natural Gas*

*Agreement Date:* 25 April 2014

*Parties to Agreement:* Energy and Chemical Marketing Company and Keqi Coal-based Gas Company

*Major terms*

**Subject Matter:** Energy and Chemical Marketing Company agreed to purchase natural gas produced by Keqi Coal-based Gas Company within the term of the agreement.

**Extended Term:** From 1 January 2016 to 31 December 2016.

#### (b) *Sale and Purchase Contract of Chemical Products (Keqi)*

*Agreement Date:* 25 April 2014

*Parties to Agreement:* Energy and Chemical Marketing Company and Keqi Coal-based Gas Company

*Major terms*

**Subject Matter:** Energy and Chemical Marketing Company agreed to purchase Chemical Products produced by Keqi Coal-based Gas Company within the term of the agreement.

**Extended Term:** From 1 January 2016 to 31 December 2016.

#### (c) *Sale and Purchase Contract of Chemical Products (Duolun)*

*Agreement Date:* 25 April 2014

*Parties to Agreement:* Energy and Chemical Marketing Company and Duolun Coal Chemical Company

*Major terms*

Amongst other matters as set out in the agreement, Energy and Chemical Marketing Company agreed to purchase Chemical Products produced by Duolun Coal Chemical Company during the term of contract.

**Extended Term:** From 1 January 2016 to 31 December 2016.

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### 3. Information on the parties to the agreements of Transaction 1

Information on the parties to the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi) and the purchase of Chemical Products under the Sale and Purchase Contract of Chemical Products (Duolun) is set out below:

- (1) The Company is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the repair, maintenance and tuning of power equipment and power related technical services. The Company's main service areas are in the PRC.
- (2) Energy and Chemical Marketing Company is a wholly-owned subsidiary of Datang Energy and Chemical Company Limited, which is also a wholly-owned subsidiary of the Company. It was duly established in May 2009 with a registered capital of RMB50 million. Energy and Chemical Marketing Company is mainly engaged in the import and export of organic and inorganic chemical products and products and technologies under dealership and developed in-house.
- (3) Duolun Coal Chemical Company was duly incorporated on 19 August 2009 with a registered 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. Duolun Coal Chemical Company is owned as to 60% by Datang Energy and Chemical Company Limited, a wholly-owned subsidiary of the Company and 40% by CDC.
- (4) Keqi Coal-based Gas Company was duly incorporated on 10 December 2010 with a registered capital of RMB392 million. It is mainly responsible for the production and sale of coal-based gas, tar, naphtha, crude phenol, sulphur and thiamine, technical consultation of coal-based chemicals and equipment inspection. Keqi Coal-based Gas Company is owned as to 51% by Datang Energy and Chemical Company Limited, a wholly-owned subsidiary of the Company, 34% by Beijing Gas Group Co., Ltd., 10% by CDC and 5% by Tianjin Jinneng Investment Company.
- (5) CDC was established on 9 March 2003 with a registered capital of RMB18.009 billion. It is principally engaged in the development, investment, construction, operation and management of power energy, organization of power (thermal) production and sales; manufacturing, repair and maintenance of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering; development of new energy as well as development and production of power related coal resources.

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#### 4. Procedures for determination of pricing policy

The mechanism by which the transaction prices of relevant products under the Sale and Purchase Agreement of Chemical Products and Materials were determined is set out in the Announcement, the summary of which are as follows:

- (1) Purchase of Chemical Products by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company and Duolun Coal Chemical Company:
  - (i) Extended settlement method (i.e. listing for sale) was mainly used for the purchase of polypropylene from Duolun Coal Chemical Company. Pricing meetings will be held regularly by Energy and Chemical Marketing Company and the relevant business division will collect and analyse the selling price and trends of similar products. Selling price and settlement price of polypropylene will be determined by a pricing committee after due consideration of various factors such as proposed sales volume, inventories and price trend.
  - (ii) For the purchase of other Chemical Products, the selling price was determined by way of request of quotation tendering. The business division of Energy and Chemical Marketing Company will conduct tendering by issuing quotation request documents to eligible trading companies and downstream production units in PRC based on the sales plan and product quality report provided by Keqi Coal-based Gas Company and Duolun Coal Chemical Company. Pricing meetings will be held by the pricing committee. The selling price of products will be determined based on the result of quotation request and after due analysis of the information on market trends of relevant products collected by the business division. Settlement of payment with Keqi Coal-based Gas Company and Duolun Coal Chemical Company will be made in accordance with the selected principle for settlement.
- (2) Purchase of natural gas from Keqi Coal-based Gas Company by Energy and Chemical Marketing Company:

The sales representatives of the parties will verify the sales volume of natural gas every day and calculate the unit selling price of natural gas based on the calorific value. Settlement of payment with Keqi Coal-based Gas Company will be made in accordance with the selected principle for settlement.

As stated in the Letter from the Board and in the Announcement, the Company has established procedures for determining the principles for the pricing policy. We consider that the pricing policy will safeguard the purchase prices of Chemical Products and natural gas under the Sale and Purchase Contract of Chemical Products (Duolun), the Sale and Purchase Contract of Chemical Products (Keqi) and the Framework Agreement of Sale of Natural Gas to be on normal commercial terms and determined with reference to the prevailing market prices.

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### 5. Reasons for and benefits of extension of the agreements under Transaction 1

As stated in the Letter from the Board, the extension of the term of the Framework Agreement of Sale of Natural Gas, the Sale And Purchase Contract of Chemical Products (Keqi) and the Sale and Purchase Contract of Chemical Products (Duolun) were mainly in consideration that the purchase of natural gas and Chemical Products by Energy and Chemical Marketing Company to and from Keqi Coal-based Gas Company and Duolun Coal Chemical Company could secure stable material supply and product sales channels for the coal chemical enterprises under the Company as well as better guarantee the sustainability of ordinary safe production and operation.

As confirmed by the Directors in the Letter from the Board, they (including the independent non-executive Directors) are still of the view that the terms in respect of the purchase of natural gas and Chemical Products under the Framework Agreement of Sale of Natural Gas, the Sale and Purchase Contract of Chemical Products (Keqi) and the Sale and Purchase Contract of Chemical Products (Duolun), are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms, and are in the interests of the Company and its shareholders as a whole.

The continuing connected transactions contemplated under the agreements were approved by the Independent Shareholders in the shareholders' meetings held on 12 June 2014 (in respect of the transactions for the year ended 31 December 2014) and 10 February 2015 (in respect of transactions for the year ended 31 December 2015). Details of the context, reasons for, benefits, and key terms including pricing principles for such transactions were contained in the shareholders' circulars of the Company dated 20 May 2014 and 22 January 2015. The Directors confirm to us that there has been no change to the factors, considerations and commercial circumstances in respect of the transactions, and, accordingly, the agreements were extended by the parties. We have reviewed the agreements and note that the key terms therein are summarised and discussed in the shareholders' circulars of the Company dated 20 May 2014 and 22 January 2015. On the basis of the terms of the agreements, we consider that the transactions contemplated in the agreements are conducted in the ordinary course of business of the Group. We were advised by the Company that the pricing principles were formulated with the intention of covering the operating costs of Energy and Chemical Marketing Company in conducting the work under the agreement, and such pricing principles have been and shall be adhered to.

**6. Review of Annual Caps**

*(a) Framework Agreement of Sale of Natural Gas*

*Annual Cap for 2016*

The annual cap of the transactions under the Framework Agreement of Sale of Natural Gas for the year ending 31 December 2016 is expected to be approximately RMB3.075 billion which is based on: (i) the volume of natural gas expected to be produced and sold by Keqi Coal-based Gas Company to Energy and Chemical Marketing Company for the year ending 31 December 2016; and (ii) the price of natural gas as provided in the agreement.

Based on the anticipated production capacity of natural gas of Keqi Coal-based Gas Company for the year ending 31 December 2016, estimated market demand and the negotiation between both parties, it is expected that the annual cap for the year ending 31 December 2016 would materially increase as compared with the historical transaction amount.

We noted that the annual cap of the transactions under the Framework Agreement of Sale of Natural Gas for the year ended 31 December 2015 which was approved by the Independent Shareholders was set at RMB4.029 billion. We understand from the Company that due to technical reasons, the production capacity of Keqi Coal-based Gas Company in 2015 was well below the planned capacity, and as such, the amount of purchase of natural gas by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was much below such annual cap. The Company advised that the production capacity of Keqi Coal-based Gas Company shall increase substantially in 2016 with the resolution of the technical issues. The annual cap for the year ending 31 December 2016 is proposed to be set at RMB3.075 billion which is below the set annual cap for the year ended 31 December 2015 by an amount of nearly RMB1 billion. On the basis of the above, we consider that the annual cap for the year ending 31 December 2016 is determined by the Directors after due and careful consideration.

*Historical Transaction Amounts*

From 1 January 2015 to 31 October 2015, the amount of purchase of natural gas by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was RMB1.014 billion.

For the year ended 31 December 2014, the amount of purchase of natural gas by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was RMB963 million.

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For the year ended 31 December 2013, the amount of purchase of natural gas by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was below the de minimis threshold under Chapter 14A of the Listing Rules.

**(b) *Sale and Purchase Contract of Chemical Products (Keqi)***

*Annual Cap for 2016*

The annual cap of transaction amount under the Sale and Purchase Contract of Chemical Products (Keqi) for the year ending 31 December 2016 is expected to be approximately RMB296 million which is based on: (i) the volume of Chemical Products expected to be produced and sold by Keqi Coal-based Gas Company to Energy and Chemical Marketing Company for the year ending 31 December 2016; and (ii) the expected price of Chemical Products.

Based on the anticipated production capacity of Chemical Products of Keqi Coal-based Gas Company for the year ending 31 December 2016, estimated market demand and the negotiation between both parties, it is expected that the annual cap for the year ending 31 December 2016 would materially increase as compared with the historical transaction amount.

We noted that the annual cap of the transactions under the Sale and Purchase Contract of Chemical Products (Keqi) for the year ended 31 December 2015 which was approved by the Independent Shareholders was set at RMB623 million. We understand from the Company that due to technical reasons, the production capacity of Keqi Coal-based Gas Company in 2015 was well below the planned capacity, and as such, the amount of purchase of Chemical Products by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was much below such annual cap. The Company advised that the production capacity of Keqi Coal-based Gas Company shall increase substantially in 2016 with the resolution of the technical issues. The annual cap for the year ending 31 December 2016 is proposed to be set at RMB296 million which is below the set annual cap for the year ended 31 December 2015 by an amount of RMB327 million. On the basis of the above, we consider that the annual cap for the year ending 31 December 2016 is determined by the Directors after due and careful consideration.

*Historical Transaction Amounts*

From 1 January 2015 to 31 October 2015, the amount of purchase of Chemical Products by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was RMB126.39 million.

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For the year ended 31 December 2014, the amount of purchase of Chemical Products by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was RMB162 million.

For the year ended 31 December 2013, the transaction amount for the purchase of Chemical Products by Energy and Chemical Marketing Company from Keqi Coal-based Gas Company was below the de minimis threshold under Chapter 14A of the Listing Rules.

(c) ***Sale and Purchase Contract of Chemical Products (Duolun)***

*Annual Cap for 2016*

The annual cap of transactions in respect of purchase of Chemical Products under the Sale and Purchase Contract of Chemical Products (Duolun), for the year ending 31 December 2016 is expected to be approximately RMB3.7 billion which is based on: (i) the anticipated volume of Chemical Products to be produced and sold by Duolun Coal Chemical Company to Energy and Chemical Marketing Company for the year ending 31 December 2016; and (ii) the estimated price of Chemical Products.

Based on the anticipated production capacity of Chemical Products of Duolun Coal Chemical Company for the year ending 31 December 2016, it is expected that the annual cap for the year ending 31 December 2016 would materially increase as compared with the historical transaction amount.

We noted that the annual cap of the transactions in respect of the purchase of Chemical Products under the Sale and Purchase Contract of Chemical Products (Duolun) for the year ended 31 December 2015 which was approved by the Independent Shareholders was set at RMB4.147 billion. We understand from the Company that due to technical reasons, the production capacity of Duolun Coal Chemical Company in 2015 was well below the planned capacity, and as such, the amount of purchase of Chemical Products by Energy and Chemical Marketing Company from Duolun Coal Chemical Company was much below such annual cap. The Company advised that the production capacity of Duolun Coal Chemical Company shall increase substantially in 2016 with the resolution of the technical issues. The annual cap for the year ending 31 December 2016 is proposed to be set at RMB3.7 billion which is below the set annual cap for the year ended 31 December 2015 by an amount of RMB447 million. On the basis of the above, we consider that the annual cap for the year ending 31 December 2016 is determined by the Directors after due and careful consideration.



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### *Historical Transaction Amounts*

From 1 January 2015 to 31 October 2015, the transaction amount for the purchase of Chemical Products by Energy and Chemical Marketing Company from Duolun Coal Chemical Company was RMB723.75 million

For the year ended 31 December 2014, the transaction amount for the purchase of Chemical Products by Energy and Chemical Marketing Company from Duolun Coal Chemical Company was RMB1,418 million.

No purchase of Chemical Products was made by Energy and Chemical Marketing Company from Duolun Coal Chemical Company for the year ended 31 December 2013.

### **B. Transaction 2: ENTRUSTED LOAN MATTERS**

#### **1. Key terms of the five agreements under Transaction 2**

##### *(a) Entrusted Loan Framework Agreement (Duolun)*

#### *Date and Subject Matter*

On 25 December 2015, the Company, Energy and Chemical Company, Construction Bank Railway Sub-branch and Duolun Coal Chemical Company entered into the Entrusted Loan Framework Agreement (Duolun), pursuant to which, the Company entrusted Construction Bank Railway Sub-branch to act as the lending agent to provide entrusted loan of an aggregate amount of RMB6.0 billion to Duolun Coal Chemical Company during the term of the agreement.

#### *Parties*

1. The Company, Energy and Chemical Company, as the entrusted lenders;
2. Construction Bank Railway Sub-branch, as the lending agent;
3. Duolun Coal Chemical Company, as the borrower.

We note the confirmation from the Company that Construction Bank Railway Sub-branch and its ultimate beneficial owners (if any) is a third party independent of the Company and its connected persons.

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### *Major Terms*

1. Entrusted loan arrangement

Pursuant to the Entrusted Loan Framework Agreement (Duolun), the Company or Energy and Chemical Company entrusted Construction Bank Railway Sub-branch to act as the lending agent to provide entrusted loan to Duolun Coal Chemical Company. The Company, Energy and Chemical Company, Construction Bank Railway Sub-branch and Duolun Coal Chemical Company shall enter into specific borrowing contracts setting out the details of the entrusted loan arrangement. These specific loan contracts shall be subject to the terms of the Entrusted Loan Framework Agreement (Duolun).

2. Amount of the entrusted loan

The loan amount for Duolun Coal Chemical Company under the Entrusted Loan Framework Agreement (Duolun) shall be RMB6.0 billion.

3. Term

The term is 12 months commencing from 23 December 2015.

4. Interest rate

The interest rate of the entrusted loan shall be a floating rate, being the benchmark interest rate to be charged for the same level of loans in RMB as announced for implementation by the People's Bank of China on the actual date when the loan is granted. In the event that the People's Bank of China adjusts the benchmark interest rate during the term of the agreement, 21st December of each year shall be the adjustment date for the interest rate under the agreement. The adjusted borrowing interest rate will be the benchmark interest rate for the same level of loans in RMB announced for implementation by the People's Bank of China on the adjustment date.

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 4.35% 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 a subsidiary of the Company) are consolidated into the accounts of the Company.

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We note that the principle for determining the interest rate is in line with that of entrusted loans previously provided by the Company or its wholly-owned subsidiaries to Duolun Coal Chemical Company. Furthermore, the interest rate based on the entrusted loan framework agreements entered into amongst the Group, Duolun Coal Chemical Company and other parties on 27 August 2014 and 29 June 2015 respectively in respect of separate entrusted loans of RMB4 billion each were under the same determination principle plus 10%. We were advised that the Group's average interest rate for short-term loans during the year of 2015 was lower than the expected interest rate for the entrusted loan in context. On the basis of the above and the operational progress of Duolun Coal Chemical Company over the years, we consider that the interest rate is reasonably determined.

5. Handling fee

The annual handling fee of the entrusted loan shall be 0.02% of the contract amount of the specific entrusted loan contracts, which is arrived at with reference to the standard handling fee charged by commercial banks for the provision of same level of entrusted loan, and the handling fee is at certain discount on that basis. The handling fee of the entrusted loan shall be settled by the Company to Construction Bank Railway Sub-branch.

6. Use of the entrusted loan

The entrusted loan will be utilised for the replacement of due borrowings and repayment of principal and interest of Duolun Coal Chemical Company.

**(b) *Entrusted Loan Framework Agreement (Renewable Resource)***

*Date and Subject Matter*

On 25 December 2015, the Company, Construction Bank Railway Sub-branch and Renewable Resource Company entered into the Entrusted Loan Framework Agreement (Renewable Resource), pursuant to which, the Company or its subsidiaries entrusted Construction Bank Railway Sub-branch to act as the lending agent to provide entrusted loan of an aggregate amount of RMB4.0 billion to Renewable Resource Company during the term of the agreement.

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### *Parties*

1. The Company (or its subsidiaries), as the entrusted lender;
2. Construction Bank Railway Sub-branch, as the lending agent;
3. Renewable Resource Company, as the borrower.

We note the confirmation from the Company that Construction Bank Railway Sub-branch and its ultimate beneficial owners (if any) is a third party independent of the Company and its connected persons.

### *Major Terms*

1. Entrusted loan arrangement

Pursuant to the Entrusted Loan Framework Agreement (Renewable Resource), the Company or its subsidiaries entrusted Construction Bank Railway Sub-branch to act as the lending agent to provide entrusted loan to Renewable Resource Company. The Company or its subsidiaries, Construction Bank Railway Sub-branch and Renewable Resource Company shall enter into specific entrusted loan borrowing contracts setting out the details of the entrusted loan arrangement. These specific contracts shall be subject to the terms of the Entrusted Loan Framework Agreement (Renewable Resource).

2. Amount of the entrusted loan

The loan amount for Renewable Resource Company under the Entrusted Loan Framework Agreement (Renewable Resource) shall be RMB4.0 billion.

3. Term

The term is 36 months commencing from 1 January 2016.

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### 4. Interest rate

The interest rate of the entrusted loan shall be a floating rate, being the benchmark interest rate to be charged for the same level of loans in RMB as announced for implementation by the People's Bank of China on the actual date when the loan is granted. In the event that the People's Bank of China adjusts the benchmark interest rate during the term of the agreement, 21st December of each year shall be the adjustment date for the interest rate under the agreement. The adjusted borrowing interest rate will be the benchmark interest rate for the same level of loans in RMB announced for implementation by the People's Bank of China on the adjustment date.

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 4.75% per annum.

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

We note that the principle for determining the interest rate is in line with that of entrusted loans previously provided by the Company or its wholly-owned subsidiaries to Renewable Resource Company. We were advised that the Group's average interest rate for short-term loans during the year of 2015 is lower than the expected interest rate of the entrusted loan in context. On the basis of the above, we consider that the interest rate is reasonably determined.

### 5. Handling fee

The annual handling fee of the entrusted loan shall be 0.02% of the contract amount of the specific entrusted loan contracts, which is arrived at with reference to the standard handling fee charged by commercial banks for the provision of same level of entrusted loan, and the handling fee is at certain discount on that basis. The handling fee of the entrusted loan shall be settled by the Company or its subsidiaries to Construction Bank Railway Sub-branch.

### 6. Use of the entrusted loan

The entrusted loan will be utilised for the replacement of due borrowings and repayment of debts of Renewable Resource Company.

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## LETTER FROM MIZUHO SECURITIES

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(c) *Entrusted Loan Agreements*

*Date*

30 December 2015

*Parties*

1. Tuoketuo Power Generation Company, as the entrusted lender;
2. Datang Finance Company, as the lending agent; and
3. Renewable Resource Company, as the borrower.

*Major Terms*

The terms of the three entrusted loan agreements are materially the same and are summarised as below:

1. Entrusted loan arrangement

Pursuant to the agreements, Tuoketuo Power Generation Company entrusted Datang Finance Company to act as the lending agent to provide entrusted loan to Renewable Resource Company.

2. Amount of the entrusted loan

The loan amount for Renewable Resource Company under the agreements shall be RMB160 million, and RMB100 million, and RMB1.1 billion, respectively, amounting to an aggregate sum of RMB1.36 billion.

3. Term

The term is 12 months commencing from 30 December 2015.

4. Interest rate

The loan interest rate shall be a fixed rate at 4.35% per annum throughout the loan period.

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## LETTER FROM MIZUHO SECURITIES

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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 4.35% per annum.

Such interest rate is arrived at after arm's length negotiation between the Company and Renewable Resource Company in consideration of the overall reduction in capital costs to the Group after the accounts of Renewable Resource Company (being a subsidiary of the Company) are consolidated into the accounts of the Company. We note that the interest rate of the subject entrusted loans which has a tenor of one year at 4.35% per annum is same as the prevailing benchmark interest rate for one-year loans in RMB as announced by the People's Bank of China.

5. Handling fee

The annual handling fee of the entrusted loan shall be 0.1% of the contract amount of the specific entrusted loan contracts, which is arrived at with reference to the standard handling fee charged by commercial banks for the provision of same level of entrusted loan, after consideration of the lending efficiency. The handling fee of the entrusted loan shall be settled by Tuoketuo Power Generation Company to Datang Finance Company in one lump sum within five working days after granting of the entrusted loan.

We were advised that Datang Finance Company has revised its scale of charges and shall charge an annual handling fee of 0.1% of the contract amount for entrusted loans irrespective of the size of the entrusted loans. We note that the rate of 0.1% reflects the relatively smaller size of the subject entrusted loan at RMB1.36 billion, as compared to the entrusted loans of RMB6 billion under the Entrusted Loan Framework Agreement (Duolun) and RMB4 billion under the Entrusted Loan Framework Agreement (Renewable Resource) respectively, for both of which the rate is 0.02% as charged by Construction Bank Railway Sub-branch as lending agent.

6. Use of proceeds of the entrusted loan

The loan will be utilised for the supplement for liquid capital.

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## LETTER FROM MIZUHO SECURITIES

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### 2. Information on the parties to the agreements under Transaction 2

- (1) Construction Bank Railway Sub-branch is a commercial bank incorporated by China Construction Bank Corporation in Fengtai District, Beijing on 28 March 1997. It is principally engaged in the provision of RMB deposits, loans and settlement services, bill discounting, agency issue of financial bonds, agency issue, agency acceptance and underwriting of government bonds, trading of government bonds, agency collection and payment, and insurance agency.
- (2) Datang Finance Company is a non-banking financial institution duly incorporated in the PRC on 10 May 2005. Its registered capital is RMB3 billion. Datang Finance Company is a subsidiary of CDC. Currently it has 13 shareholders, names and shareholding of which are: CDC, 64.5%; the Company, 20%; 11 Shareholders, all being subsidiaries of CDC, each holding 0.83%–2.5%, 15.5% in total. Its principal business includes the provision of deposit services, loan services, entrusted loan services and entrusted investment services.
- (3) Renewable Resource Company, a subsidiary of the Company, has a registered capital of RMB110 million. The equity-holding structure of Renewable Resource Company is as follows: 40.35% of its equity interest is held by the Company; 49% of its equity interest is held by Duolun Xinyuan Renewable Resource Company; and 10.65% of its equity interest is held by Beijing Guoneng Zhixin Investment Co., Ltd., a subsidiary of CDC.
- (4) Energy and Chemical Company, a wholly-owned subsidiary of the Company, has a registered capital of RMB9,733.25 million. It is principally engaged in energy and chemical technology development, technology transfer, technical consulting, technology services; investment management; engineering design; chemical and electrical equipment maintenance, installation, commissioning; import and export, import and export agent, technology import and export.
- (5) Tuoketuo Power Generation Company, a subsidiary of the Company, has an installed capacity of 3,600MW.
- (6) Other parties to the agreements include the Company and Duolun Coal Chemical Company, the information of which is set out in the information relating to Transaction 1.



### **3. Reasons for the Entrusted Loan Matters**

In order to ensure the on-schedule replacement of due borrowings as well as the smooth progress of the production and operation activities, the subsidiaries of the Company provide entrusted loans to Duolun Coal Chemical Company and Renewable Resource Company. The Company is of the view that the entrusted loans, which will be primarily utilised by Duolun Coal Chemical Company, and Renewable Resource Company to, among others, replace due borrowings, are thus beneficial for the smooth progress of the production and operation activities of Duolun Coal Chemical Company, and Renewable Resource Company.

Considering the possible higher financial costs for Duolun Coal Chemical Company and Renewable Resource Company to obtain the same loans from other commercial banks when compared with the financial costs incurred by the Company to obtain the funding of the entrusted loans, the Company considers that the overall capital costs to the Group will be relatively reduced after the accounts of Duolun Coal Chemical Company and Renewable Resource Company (being the subsidiaries of the Company) are consolidated into the accounts of the Company.

We have discussed with the management of the Company and understand that although Duolun Coal Chemical Company and Renewable Resource Company have been in normal operation, they had relatively high debt to asset ratio. Thus, it may be difficult for Duolun Coal Chemical Company and Renewable Resource 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 Duolun Coal Chemical Company and Renewable Resource Company to obtain the current loan from other commercial banks when comparing with the financing costs incurred by the Group to obtain the funding of the entrusted loans under the Entrusted Loan Agreements, the Company considers that the granting of the entrusted loans to Duolun Coal Chemical Company and Renewable Resource Company is beneficial to the reduction in overall capital costs of the Group since the accounts of Duolun Coal Chemical Company and Renewable Resource Company (being the subsidiaries of the Company) are consolidated into the accounts of the Company.

### **4. Risk management considerations**

Regarding the Entrusted Loan Agreements, Datang Finance Company acted as the lending agent. 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.

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## LETTER FROM MIZUHO SECURITIES

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The Company confirmed 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. 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.

### **5. Overall Discussion for Entrusted Loan Matters**

Having considered that (i) the overall capital costs to the Group will be relatively reduced through the provision of the entrusted loans to Duolun Coal Chemical Company and Renewable Resource Company; (ii) long history and the good track record of cooperation between the Company and the Datang Finance Company; (iii) the capital risks control measures under the financial services agreement as mentioned above (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 (iv) the terms of the entrusted loan arrangements and the Entrusted Loan Agreements, we are of the view that the entering into of the Entrusted Loan Framework Agreement (Duolun), the Entrusted Loan Framework Agreement (Renewable Resource) and the Entrusted Loan Agreements are fair and reasonable as far as the interest of the Independent Shareholders are concerned.

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## LETTER FROM MIZUHO SECURITIES

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### C. Transaction 3: PURCHASE OF ENGINEERING MATERIAL

#### 1. Key terms of the Framework Agreement For Engineering Materials Purchase

*Date:* 29 December 2015

*Parties*

1. The Company; and
2. China Water Resources and Power

*Subject Matter in the Framework Agreement*

1. China Water Resources and Power agreed to conduct centralised purchase of machinery, equipment and materials required for project construction in accordance with the demand of the Company and its subsidiaries for project construction machinery, equipment and materials. The selling prices of such project construction machinery, equipment and materials shall not be higher than the prevailing average market prices of such project construction machinery, equipment and materials.
2. According to the actual demands of the Company and its subsidiaries, China Water Resources and Power will conduct tender of materials purchase in accordance with relevant law and regulations of the State. The process of purchase tender conducted by China Water Resources and Power will be under the supervision of the Company.
3. Pursuant to the tender results, the Company and its subsidiaries will enter into specific purchase contracts with China Water Resources and Power, and such purchase contracts shall be bound by the terms and principles of the Framework Agreement for Engineering Materials Purchase.

We note that the framework agreement shall allow the Group to exploit the advantages of centralised purchase of machinery, equipment and materials for project construction by engaging China Water Resources and Power to conduct tenders of the materials, and the process of purchase tender shall be under the supervision of the Company. We were advised by the Company that the tender results shall be publicised in the media such that the public is made aware of the tender information.

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## LETTER FROM MIZUHO SECURITIES

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### *Term*

The effective term of the Framework Agreement for Engineering Materials Purchase is from 1 January 2016 to 31 December 2016.

### *Fee Standard and Settlement*

During the course of centralised purchase, China Water Resources and Power will be responsible for the coordination of tenders invitation, contract signing and the implementation, delivery, check-and-acceptance and claims submission, etc. As such, China Water Resources and Power will charge a management service fee (which shall be no more than 6% of the purchase amount). Such management service fee is determined after arm's length negotiation between the parties taking into account the management service fee to be charged for the provision of similar services by other independent cooperating service providers. The relevant management service fee to be charged by China Water Resources and Power shall not be higher than the fee to be charged by China Water Resources and Power for the provision of identical services to other independent third parties and other companies of CDC.

Before entering into specific purchase contracts, the engineering and construction department (工程建設部) of the Company and the relevant departments of the subsidiaries of the Company that are responsible for procurement of materials will consult with China Water Resources and Power and ask for the management service fee(s) charged by China Water Resources and Power to other independent third parties as reference. After obtaining the rate of such management service fees, the engineering and construction department or the relevant departments of the subsidiaries of the Company (as the case may be) will compare such management service fees with the fee to be charged by China Water Resources and Power to the Company or the subsidiaries of the Company as contemplated in the specific purchase contracts and make sure that the relevant management service fee shall not be higher than the fee to be charged by China Water Resources and Power for the provision of identical services to other independent third parties and other companies of CDC.

China Water Resources and Power will issue a value added-tax invoice comprising the purchase amount and the management service fee to the Company and its subsidiaries.

We note that the management service fee to be charged by China Water Resources and Power shall not be higher than the fee to be charged by China Water Resources and Power for the provision of identical services to other independent third parties and other companies of CDC, and shall be no more than 6% of the purchase amount. We consider that such principle can work towards the objective that the management service fee to be charged by China Water Resources shall not be excessive relative to the service to be provided. We note that the Company has a procedure in place for protecting the interest of the Company regarding the scale of management service fee to be charged by China Water Resources.

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## LETTER FROM MIZUHO SECURITIES

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### 2. Information on the parties to the agreement under Transaction 3

China Water Resources and Power is a wholly-owned subsidiary of CDC which was established on 6 March 1989. Its principal businesses include acting as agent for tenders invitation and import, pipe supplies, project consultation, spare parts, equipment supervision, management of project materials resources, CDM, safety evaluation, and so forth.

We note that the Group intend to leverage on the experience and expertise of China Water Resources and Power on tenders for engineering materials.

### 3. Review of Annual Cap for 2016

Taking into account the requirement of project construction machinery, equipment and materials applicable for centralised purchase which are used in the construction of infrastructure projects of the Company and its subsidiaries for the year ending 31 December 2016, the continuing connected transactions under the Framework Agreement for Engineering Materials Purchase are subject to an annual cap of RMB1,900 million (including the purchase costs for the project construction machinery, equipment and materials and the management service fees payable to China Water Resources and Power) for the year ending 31 December 2016.

The prices of project construction machinery, equipment and materials under the Framework Agreement for Engineering Materials Purchase were all determined by way of public tender carried out by China Water Resources and Power.

According to the anticipated demand on project construction machinery, equipment and materials for the infrastructure projects of the Company and its subsidiaries for the year ending 31 December 2016 as well as the result of negotiation between the parties, the annual cap for the year ending 31 December 2016 is expected to be substantially higher when compared to the historical transaction amounts.

We have reviewed a schedule provided by the Company containing the estimated amounts of purchases of project construction machinery, equipment and materials for infrastructure projects of the subsidiaries of the Company for the year ending 31 December 2016. We are satisfied that the annual cap of RMB1,900 million was determined by the Directors after due and careful consideration, based on anticipated needs.

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## LETTER FROM MIZUHO SECURITIES

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#### **4. Reasons for and benefits of entering into the Framework Agreement for Engineering Materials Purchase**

As stated in the Letter from the Board, after taking into account the necessity for lowering purchase costs and successful completion of the Company's infrastructure project materials purchase tasks during the year, the Company entered into the Framework Agreement for Engineering Materials Purchase to leverage on the role of China Water Resources and Power as a professional institution in sourcing project construction machinery, equipment and materials, and to leverage on the advantage of bulk purchasing, in order to enhance purchase efficiency, lower purchase costs and further enhance the profitability of the Company. We consider that there is sound commercial logic for the centralised purchase by virtue of the entering into of the Framework Agreement for Engineering Materials Purchase.

#### **D. Transaction 4: PURCHASE OF COAL FROM BEIJING DATANG FUEL COMPANY AND ITS SUBSIDIARIES BY THE GROUP**

##### **1. Key terms of the three agreements under Transaction 4**

###### *(a) Coal Purchase and Sale Framework Agreement (Beijing)*

*Date:* 31 December 2015

*Parties*

The Company, Beijing Datang Fuel Company

*Major terms*

- (1) Subject matter: the Company and its subsidiaries agreed to purchase coal from Beijing Datang Fuel Company during the term of the agreement.

The parties may, from time to time during the term of the agreement, enter into specific purchase and sale contracts in respect of the purchase of coal, and such specific purchase and sale contracts shall be subject to the terms of the Coal Sale and Purchase Framework Agreement (Beijing).

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.

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## LETTER FROM MIZUHO SECURITIES

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- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: One year, commencing from 1 January 2016 to 31 December 2016.

**(b) *Coal Purchase and Sale Framework Agreement (Inner Mongolia)***

*Date:* 31 December 2015

*Parties:* The Company, Inner Mongolia Fuel Company

*Major Terms*

- (1) Subject matter: The Company and certain of its subsidiaries agreed to purchase coal from Inner Mongolia Fuel Company during the term of the agreement.

The parties may, from time to time during the term of the agreement, enter into specific purchase and sale contracts in respect of the purchase of coal by certain of subsidiaries of the Company provided that such specific purchase and sale contracts shall be subject to the terms of the Coal Purchase and Sale Framework Agreement (Inner Mongolia).

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: One year, commencing from 1 January 2016 to 31 December 2016.

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## LETTER FROM MIZUHO SECURITIES

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(c) *Coal Purchase and Sale Framework Agreement (Chaozhou)*

*Date:* 31 December 2015

*Parties:* The Company, Chaozhou Fuel Company

*Major terms*

- (1) Subject matter: The Company and certain of its subsidiaries agreed to purchase coal from Chaozhou Fuel Company during the term of the agreement.

The parties may, from time to time during the term of the agreement, enter into specific purchase and sale contracts in respect of the purchase of coal by certain of subsidiaries of the Company provided that such specific purchase and sale contracts shall be subject to the terms of the Coal Purchase and Sale Framework Agreement (Chaozhou).

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: One year, commencing from 1 January 2016 to 31 December 2016.

### **2. Information on the parties to the agreements under Transaction 4**

- (1) Beijing Datang Fuel Company is a subsidiary of the Company. It is principally engaged in sale of coal, investment management and technical services. The equity holding structure of the company is as follows: 51% of its equity interest is held by the Company and 49% of its equity interest is held by Datang Electric Power Fuel Company Limited, a wholly-owned subsidiary of CDC.
- (2) Inner Mongolia Fuel Company is a wholly-owned subsidiary of Beijing Datang Fuel Company, a subsidiary of the Company. It is principally engages in the business of electric fuel.



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## LETTER FROM MIZUHO SECURITIES

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- (3) Chaozhou Fuel Company is a subsidiary of Beijing Datang Fuel Company, which is a subsidiary of the Company. It is principally engaged in sale of coal.

### **3. Procedures for determining price of coal transactions**

The consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreement (Beijing), the Coal Purchase and Sale Framework Agreement (Inner Mongolia) and the Coal Purchase and Sale Framework Agreement (Chaozhou) is to be determined with reference to the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the following factors in determination of the consideration:

- (1) Purchase costs of coal of the Company, including purchase costs of coal, vessel leasing costs, port construction fee, financial costs, insurance expenses, laboratory fee, business tax and other expenses.
- (2) Professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years for determination of pricing.
- (3) The selling price of the fuel company is determined with reference to the purchase cost of the fuel company, coal consumption of its power generation companies, as well as price trends in the Bohai Sea and international price trends. The Company also negotiates with its power generation companies and determines the coal purchasing price for 2016 after discussion by fuel management team meeting of the Company.

We note that a price mechanism is implemented for the determination of the purchase price of coal, with reference to, among other things, the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

### **4. Reasons and benefit for entering into the agreements under Transaction 4**

The purchase of coal by the Company and its subsidiaries from Beijing Datang Fuel Company and its subsidiaries is primarily for securing coal supply to the Company and the power generation enterprises of its subsidiaries, and fully leveraging the advantages in terms of supply and economy-of-scale of purchase of these specialized coal companies, so as to stabilise the market prices of coal to a certain extent, thereby exercising control over the costs of fuel and mitigating the adverse impact of changes in the coal market on the Group.

Coal is a major material for the coal-fired power generation plants of the Group. The centralized supply of coal for power generation by Beijing Datang Fuel Company and its subsidiaries to the power generation companies of the Group shall help the Group to leverage on the experience and expertise of these coal-procurement specialized companies and achieve the advantages of bulk purchase. The collective purchase of coal enables the parties to achieve enhancement in bargaining power to secure stable coal supply and stabilize purchase prices of coal to a certain extent, and enhancement in flexibility to adjust the composition of coal portfolios, and possible reduction in overall procurement and administration costs.

The Group has entered into similar agreements with Beijing Datang Fuel Company and Inner Mongolia Fuel Company for the same purpose of coal purchases in recent years. The dates of such previous agreements are 6 February 2013 and 23 December 2014. The transactions contemplated under those agreements constituted continuous connected transactions of the Company which were approved by the then Independent Shareholders. We noted that the key terms of such previous agreements and that of the three subject agreements are similar. We note also that the Group is not required to purchase coal from Beijing Datang Fuel Company and its subsidiaries on an exclusive basis pursuant to the terms of the subject agreements, and it is possible that the Group can still purchase coal from third party suppliers.

**5. Review of Annual Cap for 2016**

*(a) Coal Purchase and Sale Framework Agreement (Beijing)*

It is expected that the maximum transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Beijing) for the year ending 31 December 2016 is RMB13,712 million; such amount is determined with reference to (i) the anticipated quantity of coal to be purchased by the Company and its subsidiaries from Beijing Datang Fuel Company for the year ending 31 December 2016; and (ii) the estimated market price of coal.

We note that annual cap for the purchase of coal by the Group from Beijing Datang Fuel Company for the year ended 31 December 2015 as approved by the then Independent Shareholders was RMB21,289 million. The proposed annual cap for the year ending 31 December 2016 of RMB13,712 million represents a decrease of approximately 35.6% as compared the 2015 cap. We have reviewed a schedule provided by the Company regarding the estimated maximum quantity purchase of coal by the Group from Beijing Datang Fuel Company for the year ending 31 December 2016. We note that the estimated quantity represents a drop of approximately 15.7% as compared to the internal estimate of quantity purchase of coal from Beijing Datang Fuel Company for the year ended 31 December 2015 when the 2015 cap was determined. We understand that the Company considers that the prevailing market price of coal is on a low level, and does not foresee substantial further drop if the forthcoming policy measure of the PRC Government is not unfavourable to coal prices. Under the circumstance, we are satisfied that the annual cap for coal purchase from Beijing Datang Fuel Company for the year ending 31 December 2016 is determined by the Directors after due and careful consideration.

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## LETTER FROM MIZUHO SECURITIES

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### *Historical Transaction Amounts*

From 1 January 2015 to 30 November 2015, the transaction amount of purchase of coal by the Company and its subsidiaries from Beijing Datang Fuel Company was approximately RMB9,924 million.

For the year ended 31 December 2014, the transaction amount of purchase of coal by the Company and its subsidiaries from Beijing Datang Fuel Company was approximately RMB16,697 million.

For the year ended 31 December 2013, the transaction amount of purchase of coal by the Company and its subsidiaries from Beijing Datang Fuel Company was approximately RMB17,485 million.

**(b) *Coal Purchase and Sale Framework Agreement (Inner Mongolia)***

It is expected that the maximum transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Inner Mongolia) for the year ending 31 December 2016 is RMB3,239 million; such amount is determined with reference to (i) the anticipated quantity of coal to be purchased by certain of subsidiaries of the Company from Inner Mongolia Fuel Company for the year ending 31 December 2016; and (ii) the estimated market price of coal.

We note that annual cap for the purchase of coal by the Group from Inner Mongolia Fuel Company for the year ended 31 December 2015 as approved by the then Independent Shareholders was RMB5,228 million. The proposed annual cap for the year ending 31 December 2016 of RMB3,239 million represents a decrease of approximately 38.1% as compared the 2015 cap. We have reviewed a schedule provided by the Company regarding the estimated maximum quantity purchase of coal by the Group from Inner Mongolia Fuel Company for the year ending 31 December 2016. We note that the estimated quantity represents a drop of approximately 20.7% as compared to the internal estimate of quantity purchase of coal from Inner Mongolia Fuel Company for the year ended 31 December 2015 when the 2015 cap was determined. We understand that the Company considers that the prevailing market price of coal is on a low level, and does not foresee substantial further drop if the forthcoming policy measure of the PRC Government is not unfavourable to coal prices. Under the circumstance, we are satisfied that the annual cap for coal purchase from Inner Mongolia Fuel Company for the year ending 31 December 2016 is determined by the Directors after due and careful consideration.

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## LETTER FROM MIZUHO SECURITIES

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### *Historical Transaction Amounts*

From 1 January 2015 to 30 October 2015, the transaction amount of purchase of coal by certain of subsidiaries of the Company from Inner Mongolia Fuel Company was approximately RMB1,763 million.

For the year ended 31 December 2014, the transaction amount of purchase of coal by certain of subsidiaries of the Company from Inner Mongolia Fuel Company was approximately RMB3,141 million.

For the year ended 31 December 2013, the transaction amount of purchase of coal by certain of subsidiaries of the Company from Inner Mongolia Fuel Company was approximately RMB4,449 million.

(c) ***Coal Purchase and Sale Framework Agreement (Chaozhou)***

It is expected that the maximum transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Chaozhou) for the year ending 31 December 2016 is RMB598 million; such amount is determined with reference to (i) the anticipated quantity of coal to be purchased by the Company and its subsidiaries from Chaozhou Fuel Company for the year ending 31 December 2016; and (ii) the estimated market price of coal.

We have reviewed a schedule supplied by the Company regarding the estimated quantity purchase of coal by the Group from Chaozhou Fuel Company for the year ending 31 December 2016. We have discussed with the Company and understand that there are logistics and other considerations regarding the planned quantity purchase of coal by the Group from Beijing Datang Fuel Company, Inner Mongolia Fuel Company and Chaozhou Fuel Company respectively. We are satisfied that the annual cap for coal purchase from Chaozhou Fuel Company for the year ending 31 December 2016 is determined by the Directors after due and careful consideration.

### *Historical Transaction Amounts*

No transaction was conducted between the Company and Chaozhou Fuel Company in the last three years.

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## LETTER FROM MIZUHO SECURITIES

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### OPINION

Having considered the principal factors and reasons described above, we are of the opinion that the Agreements have been entered into within the ordinary and usual course of the Group's business based on normal commercial terms, and their respective terms together with, where applicable, the respective annual caps for the year ending 31 December 2016 are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and from this perspective, we consider that the Agreements are 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 entering into of the Agreements by the Company as well as the adoption of the respective annual caps for the year ending 31 December 2016 at the EGM.

Yours faithfully,  
For and on behalf of  
**Mizuho Securities Asia Limited**  
**Kelvin Lau**  
*Head of Corporate Finance*

*Mr. Kelvin Lau is the Head of Corporate Finance of Mizuho Securities Asia Limited. He is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Lau has over 25 years of working experience in the financial industry in Hong Kong specializing in corporate finance and capital markets. He has, in his role as team leader, participated in and completed a number of corporate transactions for listed companies in Hong Kong including various connected transactions and continuing connected transactions.*

**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 2014 (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 2014, being the date to which the latest published audited financial statements of the Group were made up.

**6. COMPETING INTEREST**

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

**7. EXPERT**

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

<b>Name</b>	<b>Qualifications</b>
Mizuho Securities	a licensed corporation for types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 5 (advising on futures contracts), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

- (b) Mizuho Securities 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) Mizuho Securities 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 2014, the date to which the latest published audited financial statements of the Company were made up.

- (d) Mizuho Securities 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. Ying Xuejun.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Agreements, the consent letter and the letter of advice from Mizuho Securities 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 15 February 2016.