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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)

**MAJOR TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS
FINANCIAL SERVICES AGREEMENT
AND
PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION**

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



Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 1 to 10 of this circular. A letter from the Independent Board Committee is set out on page 11 to page 12 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 25 of this circular.

The Company will convene the EGM at 1608 Conference Room, Datang International, 9 Guangningbo Street, Xicheng District, Beijing, the People's Republic of China on 29 December 2016 (Thursday) at 9:30 a.m. The notice convening the EGM has been despatched to the shareholders on 14 November 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.

9 December 2016

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DEFINITIONS

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

“Announcement”	the major and continuing connected transactions announcement in relation to the Financial Services Agreement dated 11 November 2016
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CDC”	China Datang Corporation, a state-owned enterprise established under the laws of the PRC, is a controlling shareholder of the Company. CDC together with its subsidiaries of the Company, holds approximately 34.77% of the issued share capital of the Company as at the Latest Practicable Date
“Company”	Datang International Power Generation Co., Ltd., a sino-foreign joint stock limited company incorporated in the PRC on 13 December 1994, whose H Shares are listed on the Stock Exchange and the London Stock Exchange and whose A Shares are listed on the Shanghai Stock Exchange, details of which are set out in the section headed “Information on Relevant Parties”
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Datang Finance Company”	China Datang Finance Co., Ltd.* (中國大唐集團財務有限公司), a controlled subsidiary of CDC. For details, please refer to “Information on Relevant Parties”
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 1608 Conference Room, Datang International, 9 Guangningbo Street, Xicheng District, Beijing, the People’s Republic of China on 29 December 2016 (Thursday) at 9:30 a.m. to consider and approve, among others, the Financial Services Agreement
“Financial Services Agreement”	the financial services agreement entered into between the Company and Datang Finance Company on 11 November 2016
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Financial Services Agreement and its annual caps
“Group”	The Company and its subsidiaries
“Independent Board Committee”	the independent board committee of the Company, comprising four independent non-executive Directors, and each of them does not have any material interest in the Financial Services Agreement
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules
“Latest Practicable Date”	8 December 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Proposed Amendments”	the proposed amendments to the Articles of Association as set out in Appendix III to this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

* *For identification purposes only*

LETTER FROM THE BOARD



大唐国际发电股份有限公司

DATANG INTERNATIONAL POWER GENERATION CO., LTD.

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

(Stock Code: 00991)

Executive Directors:

Mr. Wang Xin
Mr. Ying Xuejun

Office address:

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

Non-executive Directors:

Mr. Chen Jinhang (*Chairman*)
Mr. Liu Chuandong
Mr. Liang Yongpan
Mr. Zhu Shaowen
Mr. Cao Xin
Mr. Zhao Xianguo
Mr. Liu Haixia
Ms. Guan Tiangang

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. Feng Genfu
Mr. Luo Zhongwei
Mr. Liu Huangsong
Mr. Jiang Fuxiu

9 December 2016

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

BACKGROUND

On 28 August 2008, the Company and Datang Finance Company entered into a financial services agreement with a term commencing from 1 January 2008 to 31 December 2010. On 26 October 2010, the Company and Datang Finance Company entered into a financial services agreement, with a term of

LETTER FROM THE BOARD

three years commencing from 1 January 2011 and ending on 31 December 2013. On 15 October 2013, the Company and Datang Finance Company entered into a financial services agreement, with a term commencing from 1 January 2014 and ending on 31 December 2016. In order to further enhance the effects of scale of the capital, accelerate capital turnover, save financing costs and ensure that the stability of the partnership between both parties is maintained and the relevant financial services agreement is renewed. On 11 November 2016, the Company and Datang Finance Company entered into the Financial Services Agreement with a term of three years commencing from 1 January 2017 and ending on 31 December 2019, pursuant to which Datang Finance Company agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein.

The purpose of this circular is:

- (1) to provide you with further details of the Financial Services Agreement and the proposed amendment to the Articles of Association;
- (2) to set out the recommendation of the Independent Board Committee in respect of the Financial Services Agreement; and
- (3) to set out the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Agreement.

FINANCIAL SERVICES AGREEMENT

Date:

11 November 2016

Parties:

1. The Company; and
2. Datang Finance Company.

Major Terms:

1. Datang Finance Company shall provide the Group with the following major services subject to the terms and conditions provided therein:
 - (i) basic services, such as deposit, loans (which do not include entrusted loans) and other financial services including financial leasing, entrusted loans, bill acceptance and discount, payment and settlement, financial guarantees, financial and financing consultation, and bonds underwriting;

LETTER FROM THE BOARD

- (ii) conducting unified settlement services for funds according to the instructions of the Group, and the relevant settlement expenses shall be borne by Datang Finance Company;
 - (iii) conducting comprehensive credit services, including but not limited to loans, discount, guarantees and other forms of financing, with a comprehensive credit limit of RMB24 billion at an interest rate not higher than those charged by other domestic financial institutions;
 - (iv) consultation and training services in relation to monetary policies, financial market conditions, financing products and cash management;
 - (v) the current savings interest rate of the deposit services are settled according to the interest rates of the PBOC (for reference purposes, as at the date of the Announcement, the prevailing negotiated deposit interest rate is 1.15% per annum, while the prevailing savings interest rate is 0.35% per annum), with a daily maximum balance of deposits of not more than RMB15 billion, the current savings interest rate of the deposit services is floating in accordance with the PBOC interest rate;
 - (vi) provision of other financial services such as entrusted loans services, finance leasing services, bill acceptance and discount services, and so forth at the request and according to the instructions of the Company subject to obtaining the relevant approvals from the CBRC.
2. Deposit caps: the daily maximum deposit balance caps of the Group at Datang Finance Company for each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 is RMB15 billion.
3. The effective date and the term of the Financial Services Agreement: the Financial Services Agreement shall become effective when it is signed by the respective representatives of the parties and sealed and upon the approval of the internal authority of each of the parties (including obtaining the approval by the Independent Shareholders at the general meeting of the Company). The term of the Financial Services Agreement shall be from 1 January 2017 to 31 December 2019.

Capital Risk Control Measures

1. Datang Finance Company will ensure the safe and stable operation of the funds management information system, all of which has passed the security test in respect of the interface of online banking of commercial banks and has reached the security standards for domestic commercial banks. The system has adopted the mode awarded with CA safety certificate verification to ensure the security of the funds of the Group.

LETTER FROM THE BOARD

2. Datang Finance Company will ensure that it is operated in strict compliance with the risk monitoring indicators for financial institutions issued by the 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.
3. Any balance in the Group's funds (after deducting the amount used for making entrusted loans and the loans made to the Group by Datang Finance Company) will be deposited into one or more commercial banks in the PRC as interbank deposits.

Pricing Policy and Annual Caps

Deposit Services (which is one of the basic services under the Financial Services Agreement):

Pursuant to the financial services agreement entered into between the Company and Datang Finance Company on 15 October 2013, the daily maximum deposit balance of the Group at Datang Finance Company amounted to approximately RMB8,660 million, RMB9,780 million and RMB8,850 million for the two years ended 31 December 2014 and 31 December 2015 and for the nine months ended 30 September 2016, respectively. The deposit services will not be used as a pledge for loan.

In view of the Company's business growth and increase in demand for financial services, the Company plans to set the daily maximum deposit balance at Datang Finance Company as RMB15 billion for each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 after taking into account of the following:

1. As the number of newly-established companies and newly-operated companies of the Group continues to increase, the amount of deposits will also increase. In 2017, the number of newly-established and newly-operated companies of the Group is expected to be about 15 to 20, and the total number of newly-established and newly-operated companies of the Group is expected to be about 40 in the three years of 2017–2019.
2. In order to strengthen the centralised management of funds and monitor the use of funds, the Group will continuously roll out a “funding pool” platform through Datang Finance Company. Such platform amasses the funds of the Group and enables loans to be granted within the Group by utilising the position arising from the difference in the time for receipt and payment of funds of the members of the Group in order to support the development of the Group.
3. In respect of the Group's funds settlement business at Datang Finance Company, settlement expenses will be undertaken by Datang Finance Company.

LETTER FROM THE BOARD

4. During the term of the agreement, the issuance of short-term debentures, super short-term debentures and non-public debt financing instruments will also enhance the Company's daily maximum deposit balance at Datang Finance Company.
5. CDC undertakes the following to the CBRC: in the event that Datang Finance Company is in urgent difficulty in making payment, CDC will increase Datang Finance Company's capital accordingly based on the actual need.

The Directors (excluding the independent non-executive Directors, whose views will be contained in the circular after considering the advice from the Gram Capital) consider that the above proposed deposit caps in respect of the deposit services are fair and reasonable.

The Company will adopt internal control and monitoring procedures relating to the Deposit Services, including:

- (i) before entering into any deposit arrangements with Datang Finance Company, the Company will obtain and review quotes (i.e. savings interest rate (活期存款利率)) from at least four other independent financial institutions and the then savings interest rate (活期存款利率) and negotiated savings interest rate (協定存款利率) as published by PBOC. In the event that the Company notes the then negotiated savings interest rate as announced by PBOC is less than the then savings interest rate (活期存款利率) as published by PBOC or the then savings interest rate (活期存款利率) as offered by other independent financial institutions, the Company will enter into of supplemental agreement with Datang Finance Company to ensure the deposit interest rate of the Deposit Services will be no less favourable than the then savings interest rate (活期存款利率) as published by PBOC;

in the event that upon receiving deposit certificate which shows the actual deposit interest rate as offered by Datang Finance Company, the Company notes that the deposit interest rate as offered by Datang Finance Company is less than the then negotiated savings interest rate as offered by PBOC, the Company will require Datang Finance Company to provide the differences in the part of interest to the Company;

- (ii) finance department of the Company will on a daily basis monitor the Deposit Services to ensure the proposed annual caps will not be exceeded;
- (iii) finance department of the Company will report to the management of the Company giving an update of the deposit arrangements with Datang Finance Company on a monthly basis; and

LETTER FROM THE BOARD

- (iv) the independent non-executive Directors and auditors of the Company will conduct annual review of the Deposit Services and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the agreement, on normal commercial terms and in accordance with the pricing policy.

Loan Services (which is one of the basic services under the Financial Services Agreement):

In view of the fact that the loan services to be provided by Datang Finance Company to the Group are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for similar services in the PRC, and that no collateral against the assets of the Group will be required in respect of the loan services, the loan services are exempt from all reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules. No cap has been set for such services. Loan services do not include entrustment loan services. The Directors (including the independent non-executive Directors) consider that the loan services to be provided under the Financial Services Agreement are fair and reasonable and in the interests of the Shareholders as a whole. The internal control procedures adopted by the Company in relation to the loan services include, among others, during a certain period of time before the financing, the Company will take the initiative to locate financing institutions, inquire about the financing costs, undergo a comprehensive comparison according to the preferential conditions and interest rates and financing procedures given by each financial institution in the negotiation process to determine the optimal choice to ensure that the company financing is the most cost-effective financing.

Other Services:

Apart from the deposit services and the loan services, other financial services which may be provided by Datang Finance Company to the Company mainly include entrusted loans services, finance leasing services, bill acceptance and discount services, and so forth.

The other services to be provided under the Financial Services Agreement will be on normal commercial terms and on terms similar to or even more favourable than those offered by other commercial banks for similar services in the PRC. The Directors (including the independent non-executive Directors) consider that the other services provided under the Financial Services Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the total fees payable by the Company to Datang Finance Company will fall within the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules if the transaction amounts of the other services to be provided by Datang Finance Company to the Group under the Financial Services Agreement exceed the relevant threshold.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL SERVICES AGREEMENT

By entering into the Financial Services Agreement with Datang Finance Company, the Company is able to secure loans and other financing services at interest rates lower than those in the market, which assists in improving the overall standard of fund operation of the Company and enhancing the Group's bargaining power of external financing. The entering into of the Financial Services Agreement can also enable the Company to secure higher interest rates for deposits than those in the market and enjoy payment and settlement services at zero rate, thereby increasing interest income on deposits and saving e-settlement costs. Meanwhile, pursuant to the Financial Services Agreement, the Group can strengthen its funds control and accounts management through the funds management platform of Datang Finance Company, thereby further improving the efficiency of fund applications, and mitigating and avoiding financial risks.

In view of the above, the Directors (including the independent non-executive Directors) believe that the credit risk control measures under the Financial Services Agreement are adequate enough to cover the risks involved in depositing funds of the Group with Datang Finance Company and the provision of financial services under the Financial Services Agreement are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

INFORMATION ON RELEVANT PARTIES

1. The Company was established on 13 December 1994 with registered capital of RMB13.310 billion and is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the repair, maintenance and commissioning of power equipment and power-related technical services. The Company mainly provides services in the PRC.
2. CDC was established on 9 March 2003 with registered capital of RMB18.009 billion. Its operation scope includes the development, investment, construction, operation and management of power energy, organisation of power (thermal) production and sales; manufacturing, repair and commissioning of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering; development of new energy as well as development and production of power-related coal resources.
3. Datang Finance Company is a non-banking financial institution duly incorporated in the PRC on 10 May 2005. Its registered capital is RMB4,869,871,590.23. Its principal business includes, among others, the provision of deposit services, loan services, entrusted loan services and entrusted investment services.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CDC together with its subsidiaries held 34.77% of the issued share capital of the Company. Since Datang Finance Company is a subsidiary of CDC, Datang Finance Company is a connected person of the Company and the Financial Services Agreement and the transactions thereunder constitute continuing connected transactions of the Company.

Since one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the provision of deposit services under the Financial Services Agreement is more than 5%, the provision of deposit services under the Financial Services Agreement is subject to the requirements of reporting, announcement and approval by Independent Shareholders of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in relation to the provision of deposit services under the Financial Services Agreement is more than 25% but less than 75%, such transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 of the Listing Rules. The loan services to be provided by Datang Finance Company to the Group will constitute financial assistance to be provided by a connected person for the benefit of the Group. As such loan services are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for similar services in the PRC, and no security over the assets of the Group will be granted in respect of the loan services, the relevant loan services are exempt from all reporting, announcement and the Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the total fees payable by the Company to Datang Finance Company in respect of the provision of other financial services under the Financial Services Agreement will fall within the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules if the transaction amount of other financial services to be provided by Datang Finance Company to the Group under the Financial Services Agreement exceed the relevant threshold.

LETTER FROM THE BOARD

BOARD'S APPROVAL

None of the Directors has any material interest in the Financial Services Agreement. Those connected Directors, including Chen Jinhang, Liu Chuandong and Liang Yongpan, who are, or have been, the principal management staff of CDC, have abstained from voting at the Board's meeting for approval of the relevant transactions in accordance with the requirements of the listing rules of the Shanghai Stock Exchange.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 28 November 2016 in relation to the proposed amendments to the Articles of Association.

The Company proposed to make amendments to the relevant articles of the Articles of Association in relation to the policy on distribution of profits in accordance with the requirements of the "Regulatory Guidance No. 3 of Listed Companies – Cash Dividend Distribution of Listed Companies (《上市公司監管指引第3號 – 上市公司現金分紅》)" issued by the China Securities Regulatory Commission (the "CSRC"); the "Working Memorandum No. 7 for the Regular Report of Listed Companies – Matters to be Noticed in Relation to Annual Report and Cash Dividend (《上市公司定期報告工作備忘錄第七號 – 關於年報工作中與現金分紅相關的注意事項》)" issued by the Shanghai Stock Exchange and in view of the actual condition of the Company.

For details of the Proposed Amendments, please refer to the Appendix III to this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

EGM

The Company will convene the EGM to, among other things, consider and approve the Financial Services Agreement and proposed amendments to the Articles of Association.

Any Shareholder with a material interest in the transactions and its associates shall abstain from voting at the relevant resolution to approve the Financial Services Agreement and its annual caps at the EGM. Therefore, CDC and its associates, which hold approximately 34.77% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting at the EGM in approving the Financial Services Agreement and its annual caps.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 11 to 12 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Financial Services Agreement. Your attention is also drawn to the letter of advice received from Gram Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 13 to 25 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 Financial Services Agreement, the casting of votes for or against the resolution approving the Financial Services Agreement by poll at the EGM as well as the principal factors and reasons considered by it in concluding its advice.

The Directors (including the independent non-executive Directors) consider that the terms of the Financial Services Agreement are entered into in the ordinary and usual course of business of the Company, and 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 relevant resolutions at the EGM.

Yours faithfully,

By Order of the Board of

Datang International Power Generation Co., Ltd.

Ying Xuejun

Company Secretary



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

9 December 2016

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS
FINANCIAL SERVICES AGREEMENT**

We refer to the circular issued by the Company to the shareholders dated 9 December 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 transaction contemplated under the Financial Services Agreement constitutes continuing connected transactions of the Company, and the provision of the Deposit Services under the Financial Services Agreement is subject to the approval of the Independent Shareholders at the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

We also consider that the terms of the Financial Services Agreement (including its annual caps contemplated thereunder) are entered into in the ordinary and usual course of business of the Company, and are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the provision of the Deposit Services under the Financial Services Agreement (including its annual caps contemplated thereunder) at the EGM.

Yours faithfully,
For and on behalf of the Independent Board Committee
Feng Genfu, Luo Zhongwei,
Liu Huangsong and Jiang Fuxiu
Independent non-executive Directors
Datang International Power Generation Co., Ltd.

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services and the transactions contemplated thereunder for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

9 December 2016

*To: The independent board committee and the independent shareholders
of Datang International Power Generation Co., Ltd.*

Dear Sirs,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services under the Financial Services Agreement (the “**Deposit Services**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 9 December 2016 issued by the Company to the Shareholders (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 requires otherwise.

On 11 November 2016, the Company and Datang Finance Company entered into the Financial Services Agreement, pursuant to which Datang Finance Company shall continue to provide the Group with deposit services, loan services and other financial services for a term of three years commencing from 1 January 2017 and ending on 31 December 2019.

With reference to the Board Letter, the Deposit Services constitute major transaction and continuing connected transactions of the Company and are subject to the reporting and announcement, annual review and the independent shareholders’ approval requirement under the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Feng Genfu, Mr. Luo Zhongwei, Mr. Liu Huangsong, Mr. Jiang Fuxiu (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Deposit Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Deposit Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the proposed Deposit Services under the Financial Services Agreement at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

As at the Latest Practicable Date, save as the engagement of independence financial adviser regarding (i) the subscription agreements and transactions contemplated thereunder; and (ii) application for whitewash waiver (details of which are set out under the announcements of the Company dated 28 November 2016 and 6 December 2016) (the “**Another IFA Engagement**”), we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as hindrance to Gram Capital’s independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides that, apart from the advisory fee payable to us in connection with (i) the Another IFA Engagement; and (ii) our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company and/or the Directors, which have been provided to us. Our opinion is based on the Directors’ representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Financial Services Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

The 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 the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Datang Finance Company, and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Deposit Services. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Deposit Services, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Company was established on 13 December 1994 with registered capital of RMB13.310 billion and is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the repair, maintenance and commissioning of power equipment and power-related technical services. The Company mainly provides services in the PRC.

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Set out below are the consolidated financial information of the Group for the two years ended 31 December 2015 and the six months ended 30 June 2016 as extracted from the annual report of the Company for the year ended 31 December 2015 (the “**2015 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2016, respectively:

	For the six months ended 30 June 2016	For the year ended 31 December 2015	For the year ended 31 December 2014	Change from 2014 to 2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)	(audited)	(audited)	
Operating Revenue	29,198,539	61,890,285	70,194,327	(11.83)
Net profit for the period/year	2,051,679	3,260,372	1,888,494	72.64

As illustrated in the above table, the operating revenue of the Group decreased to approximately RMB61,890.29 million for the year ended 31 December 2015 (“**FY2015**”), representing a decrease of approximately 11.83% as compared to that for the year ended 31 December 2014 (“**FY2014**”). With reference to the 2015 Annual Report, the aforesaid decrease in operating revenue was mainly due to the decrease in operating revenue derived from electricity sales. Despite the decrease in operating revenue, the net profit of the Group for FY2015 substantially increased to approximately RMB3,260.37 million, representing an increase of approximately 72.64% as compared to FY2014. With reference to the 2015 Annual Report, the aforesaid increase in net profit was due to the decrease in fuel costs and financial costs.

Information on Datang Finance Company

With reference to the Board Letter, Datang Finance Company is a non-banking financial institution duly incorporated in the PRC on 10 May 2005. Its registered capital is RMB4,869,871,590.23. Its principal business includes, among others, the provision of deposit services, loan services, entrusted loan services and entrusted investment services.

As further advised by the Directors, Datang Finance Company is required to operate in compliance with the Administration of the Finance Companies of Enterprise Groups Procedures (the “**Procedures**”) issued by CBRC to regulate the operation of group financing companies and reduce the possible financial risk. We noted that the Procedures set out certain compliance and risk control requirements/measures in relation to the operation of group financing companies, including but not limited to maintaining certain financial ratios at all times, reporting to CBRC, etc.

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The table below sets out the key financial ratio requirements of the Procedures and the respective financial ratios of Datang Finance Company as at 30 June 2016 and 31 December 2015 respectively as provided by the Company.

Financial ratio	Requirements	Financial ratios of Datang Finance Company	
		As at 30 June 2016 (approximate %)	As at 31 December 2015 (approximate %)
Capital adequacy ratio	Not less than 10%	15.22	13.38
Inter-financial institution borrowing balances to total capital ratio	Not more than 100%	Nil	Nil
Total amount of outstanding guarantees to total capital ratio	Not more than 100%	57.63	43.76
Long-term and short-term investment to total capital ratio	Not more than 70%	43.92	62.18
Self-owned fixed assets to total capital ratio	Not more than 20%	1.89	1.99

As shown in the table above, Datang Finance Company complied with the relevant financial ratio requirements as set out in the Procedures as at 30 June 2016 and 31 December 2015. As advised by the Directors, non-performing loan ratio of Datang Finance Company was nil as at 30 June 2016 and 31 December 2015 respectively. As also confirmed by the Directors, they are not aware of any record of non-compliance with relevant laws and regulations of the PRC on Datang Finance Company.

Reasons for and benefit of the Deposit Services

With reference to the Board Letter, entering into of the Financial Services Agreement can enable the Company to secure higher interest rates for deposits than those in the market^(Note) and enjoy payment and settlement services at zero rate, thereby increasing interest income on deposits and saving e-settlement costs. Meanwhile, pursuant to the Financial Services Agreement, the Group can strengthen its funds control and accounts management through the funds management platform of Datang Finance Company, thereby further improving the efficiency of fund applications, and mitigating and avoiding financial risks.

Note: According to the Financial Services Agreement, the current savings interest of the Deposit Services are settled according to the negotiated savings interest rates (協定存款利率) of the PBOC. As at the date of the Announcement, as published by PBOC, the prevailing negotiated savings interest rate and the prevailing savings interest rate (活期存款利率) are 1.15% per annum and 0.35% per annum respectively.

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Pursuant to the Deposit Services under the Financial Services Agreement, the current savings interest of the Deposit Services are settled according to the negotiated savings interest rates of the PBOC and shall be no less favourable than those available to the Group from independent third parties.

Datang Finance Company is a non-banking financial institution authorised and regulated by the PBOC and CBRC, and provides financial services in compliance with the rules and other operational requirements of these regulatory authorities. As far as the Directors are aware, Datang Finance Company has established stringent internal control measures to ensure effective risk management and compliance with laws and regulations. The purpose for the establishment of Datang Finance Company is to strengthen the central management of funds within Datang group and enhance the efficiency of such funds.

Datang Finance Company will provide financial services only to the members within Datang group and will therefore be exposed to a lower level of potential risk compared to other PRC commercial banks which conduct business with clients of various credit ratings. We also noted from the Procedures and 《商業銀行資本管理辦法(試行)》 (Capital Rules for Commercial Banks (provisional)*), which regulates the PRC commercial banks, that the capital adequacy ratio requirement for Datang Finance Company is stricter than that for PRC commercial banks (i.e. 8%). Furthermore, with reference to the statistics conducted by CBRC on the PRC commercial banks as at 30 June 2016, 31 December 2015 and 31 December 2014 as published on the website of CBRC (<http://www.cbrc.gov.cn>), capital adequacy ratio, non-performing loan ratio, of Datang Finance Company were better than (i) average capital adequacy ratio of the PRC commercial banks of 13.11%, 13.45% and 13.18% as at 30 June 2016, 31 December 2015 and 31 December 2014 respectively; and (ii) average non-performing loan ratio of the PRC commercial banks of 1.75%, 1.67% and 1.25% as at 30 June 2016, 31 December 2015 and 31 December 2014 respectively.

In light of the above reasons, in particular:

- (i) the current savings interest of the Deposit Services are settled according to the negotiated savings interest rates of the PBOC and shall be no less favourable than those available to the Group from independent third parties; and
- (ii) Datang Finance Company has better capital adequacy ratio and non-performing loan ratio than the average of those of the PRC commercial banks,

we consider the entering into of the Deposit Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

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Principal terms of the Deposit Services

Date:

11 November 2016

Parties:

The Company; and

Datang Finance Company

Major terms regarding the Deposit Services:

- (i) The daily maximum deposit balance caps of the Group at Datang Finance Company for each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 is RMB15 billion.
- (ii) The current savings interest of the Deposit Services are settled according to the negotiated savings interest rates of the PBOC^(Note), with a daily maximum balance of deposits of not more than RMB15 billion, the current savings interest rate of the deposit services is floating in accordance with the PBOC interest rate.

We have reviewed the Financial Services Agreement and also the previous financial services agreement entered into by the same parties. We note that the key terms in the Financial Services Agreement relating to deposit services are similar to the corresponding terms in the previous financial services agreements entered into by the parties.

As also advised by the Directors, to safeguard the interests of the shareholders as whole, the Company will adopt internal control and monitoring procedures relating to the Deposit Services, including:

- (i) before entering into any deposit arrangements with Datang Finance Company, the Company will obtain and review quotes (i.e. savings interest rate (活期存款利率)) from at least four other independent financial institutions and the then savings interest rate (活期存款利率) and negotiated savings interest rate (協定存款利率) as published by PBOC. In the event that the Company notes the then negotiated savings interest rate as announced by PBOC is less than the then savings interest rate (活期存款利率) as published by PBOC or the then savings interest rate (活期存款利率) as offered by other independent financial institutions, the Company will enter into of supplemental agreement with Datang Finance Company to ensure the deposit interest rate of the Deposit Services will be no less favourable than the then savings interest rate (活期存款利率) as published by PBOC. In the event that the Company notes that the actual deposit interest rate of the Deposit Services is less than the then negotiated savings interest rate (協定存款利率) as announced by PBOC, the Company will require Datang Finance Company to provide the difference part of interest to the Company;

Note: As at the date of the Announcement, as published by PBOC, the prevailing negotiated deposit interest rate and the prevailing savings interest rate are 1.15% per annum and 0.35% per annum respectively.

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- (ii) finance department of the Company will, on a daily basis, monitor the Deposit Services to ensure the proposed annual caps will not be exceeded;
- (iii) finance department of the Company will report to the management of the Company giving an update of the deposit arrangements with Datang Finance Company on a monthly basis; and
- (iv) the independent non-executive Directors and auditors of the Company will conduct annual review of the Deposit Services and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the agreement, on normal commercial terms and in accordance with the pricing policy.

For our due diligence purpose, we discussed with the Directors regarding the above measures and obtained its draft copy. We noted that the above mentioned measures are in line with the content of draft copy of internal control measures.

Taking into account the aforesaid measures, we consider that the effective implementation of the Measures would help to ensure fair pricing of the transactions contemplated under the Deposit Services according to the pricing policies.

Capital risk control measures

In order to control the capital risks relating to the deposits by the Group to Datang Finance Company, Datang Finance Company shall implement the following capital risk control measures:

- (i) Datang Finance Company will ensure the safe and stable operation of the funds management information system, all of which has passed the security test in respect of the interface of online banking of commercial banks and has reached the security standards for domestic commercial banks. The system has adopted the mode awarded with CA safety certificate verification to ensure the security of the funds of the Group.
- (ii) Datang Finance Company will ensure that it is operated in strict compliance with the risk monitoring indicators for financial institutions issued by the 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) any balance in the Group's funds (after deducting the amount used for making entrusted loans and the loans made to the Group by Datang Finance Company) will be deposited into one or more commercial banks in the PRC as interbank deposits.

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We understand from the Directors that Datang Finance Company is in compliance with the requirements of CBRC for financial institutions, including the risk monitoring indicators. Having also considered that (i) Datang Finance Company will provide financial services only to the members within Datang group and will therefore be exposed to a lower level of potential risk compared to other PRC commercial banks which conduct business with clients of various credit ratings; (ii) Datang Finance Company is required to operate in compliance with the Procedures; (iii) the key financial ratio requirements of the Procedures and the respective financial ratios of Datang Finance Company as at 30 June 2016 and 31 December 2015 as set out above; and (iv) CDC undertakes to the CBRC that in the event that Datang Finance Company is in urgent difficulty in making payment, CDC will raise Datang Finance Company's capital accordingly based on actual need, we concur with the Directors that the credit risk control measures under the Financial Services Agreement are adequate to cover the risks involved in depositing funds of the Group with Datang Finance Company.

We note that the above capital risk control measures have been operative since the previous financial services agreement was in place. The Company advised that the capital risk control measures have operated effectively and the Company has not encountered any substantial problems arising from the products and services of Datang Finance Company. The Company further confirmed that the Company has not encountered any losses regarding the deposit services since the previous financial services agreement was entered into by the Company and Datang Finance Company and the Company is generally satisfied with the capital risk control measures in place.

In light of the above as well as that the financial ratio requirements of the Procedures and the respective financial ratios of Datang Finance Company as at 30 June 2016 and 31 December 2015 respectively as set out under the section headed "Information on Datang Finance Company" above, we consider that such measures are appropriate from the risk management perspective of the Company.

In light of the above, we are of the view that the terms of the Deposit Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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The proposed annual caps

Set out below are (i) the historical transaction amounts and the previous annual caps under the previous financial services agreement; and (ii) the proposed annual caps for provision of Deposit Services under the Financial Services Agreement for the three years ending 31 December 2019 (the “**Deposit Cap(s)**”):

Historical transaction amounts	For the year ended	For the year ended	For the year ending
	31 December 2014	31 December 2015	31 December 2016
	<i>(in RMB million)</i>	<i>(in RMB million)</i>	<i>(in RMB million)</i>
Maximum daily deposit balance			
(including any interest accrued thereon)	8,660	9,780	8,850 ^(Note)
Previous annual caps	12,000	12,000	12,000
Utilisation rate	72%	82%	74%

The Deposit Caps	For the year ending	For the year ending	For the year ending
	31 December 2017	31 December 2018	31 December 2019
	<i>(in RMB million)</i>	<i>(in RMB million)</i>	<i>(in RMB million)</i>
Maximum daily deposit balance			
(including any interest accrued thereon)	15,000	15,000	15,000

Note: The figure is for the nine months ended 30 September 2016.

To assess the fairness and reasonableness of the Deposit Caps, we have discussed with the Directors regarding the basis of determination of the Deposit Caps as set out above. With reference to the Board Letter, the Deposit Caps have been determined after taking into account of the following factors:

- (i) As the number of newly-established companies and newly operated companies of the Group continues to increase, the amount of deposits will also increase.
- (ii) In order to strengthen the centralised management of funds and monitor the use of funds, the Group will continuously roll out a “funding pool” platform through Datang Finance Company. Such platform amasses the funds of the Group and enables loans to be granted within the Group by utilising the position arising from the difference in the time for receipt and payment of funds of the members of the Group in order to support the development of the Group.
- (iii) In respect of the Group’s funds settlement business at Datang Finance Company, settlement expenses will be undertaken by Datang Finance Company.

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- (iv) During the term of the agreement, the issuance of short-term debentures, super short-term debentures and non-public debt financing instruments will also enhance the Company's daily maximum deposit balance at Datang Finance Company.

According to the above table, we noted that the relevant utilisation rate of the previous annual caps are (i) approximately 72% and 82% for the year ended 31 December 2014 and 31 December 2015 respectively; and (ii) approximately 74% for the year ending 31 December 2016, based on the historical maximum amount for the nine months ended 30 September 2016.

We noted that the Deposit Cap for the year ending 31 December 2017 represented an increase of 25% as compared to the previous annual caps for the three years ending 31 December 2016 (the “**Increase**”). We understood that the cash balance for short-term and longer term deposit by the Group is expected to increase substantially, considering the business and financing plans of the Group. In this regard, we noted from an announcement of the Company dated 28 November 2016 that on the same date, (i) the Company entered into the A-Share Subscription Agreement with CDC to raise approximately RMB9,950 million; (ii) the Company also entered into the H-Share Subscription Agreement with China Datang Overseas (Hong Kong) Co., Limited to raise approximately HK\$5,925 million (collectively, the “**Subscriptions**”); and (iii) the use of proceeds for the Subscriptions includes the investment of several projects (the “**Projects**”) and general working capital. We also noted from a feasibility report regarding the Subscriptions as published by the Company on 28 November 2016 that the total investment for the Projects are estimated to be approximately RMB14.9 billion, but only RMB4.4 billion of the net proceeds from the Subscriptions will be utilized to the Projects while the remaining amount of the total investment is intended to be funded by the Company's self-owned funds or through other financing methods. In addition, we understand from the Company that other forms of financing exercises shall be conducted by the Group from time to time, in order to raise funds for the business needs of the Group.

Despite that the net proceeds from the Subscriptions will not be placed as deposit with Datang Finance Company, the Directors advised us that possible fund to be raised for financing the remaining amount of the total investment of the Projects and the business needs of the Group may be placed as deposit with Datang Finance Company, before utilisation and subject to the then deposit interest offered by Datang Finance Company and other restrictions. Having considered the above, we are of the view that the rationale for the Increase is reasonable.

Furthermore, with reference to the Board Letter, the total number of newly-established and newly-operated companies of the Group is expected to be approximately 40 in the three years of 2017–2019. We noted from the 2015 Annual Report that there were 141 subsidiaries of the Company being consolidated into the Group (the “**Subsidiaries**”). The number possible newly-established and newly-operated companies during the three years ending 31 December 2019 represented approximately 28.4% to the existing Subsidiaries.

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In light of (i) the historical maximum daily deposit balance and the utilisation rate of the previous annual caps for the two years ended 31 December 2015 and the nine months ended 30 September 2016; (ii) the rationale for the Increase being reasonable; and (iii) the number of new and newly operating companies is expected to be about 40 in the three years of 2017–2019, we consider that the Deposit Caps for the year ending 31 December 2017 is fair and reasonable.

As advised by the Directors, it is difficult to forecast the total cash level for the three years ending 31 December 2019. Nevertheless, should there be any substantial increase in total cash of the Group, the Group may opt to deposit larger portion of cash in commercial banks or re-comply with the applicable provisions of the Listing Rules governing continuing connected transaction to revise the Deposit Caps for the three years ending 31 December 2019. Accordingly, we consider that the Deposit Caps for the two years ending 31 December 2019, which are the same as the Deposit Cap for the year ending 31 December 2017, are fair and reasonable.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Deposit Services must be restricted by the Deposit Caps for the period concerned under the Financial Services Agreement; (ii) the terms of the Deposit Services under the Financial Services Agreement must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Financial Services Agreement must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Deposit Services (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps. In the event that the maximum amounts of the Deposit Services are anticipated to exceed the Deposit Caps, or that there is any proposed material amendment to the terms of the Financial Services Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Deposit Services and thus the interest of the Independent Shareholders would be safeguarded.

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RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Deposit Services under the Financial Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Deposit Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Deposit Services under the Financial Services Agreement and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the year ended 31 December 2013 has been disclosed on pages 85 to 201 of the annual report of the Company for the year ended 31 December 2013 published on 24 April 2014 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0424/LTN201404241613.pdf>); (ii) for the year ended 31 December 2014 has been disclosed on pages 88 to 217 of the annual report of the Company for the year ended 31 December 2014 published on 24 April 2015 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0424/LTN201504241508.pdf>); (iii) for the year ended 31 December 2015 has been disclosed on pages 107 to 245 of the annual report of the Company for the year ended 31 December 2015 published on 29 April 2016 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0429/LTN201604292267.pdf>). All the above annual reports of the Company have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.dtpower.com).

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In 2016, in the face of opportunities and challenges brought along by the new norms, by continuously upholding its value and efficiency-oriented philosophy, adhering to the basis of safety and stability and insisting on the basis of quality and effectiveness enhancement, and driven by reformation and innovation, the Company will strive to push forward the upgrade of power generation business. Specific works are as follows:

- (1) Continue to step up safety management and control. By strengthening the foundation of safety production and solidifying the development concept of safety development, the Company will adequately deploy the long-term effective mechanism of safety management with in-depth implementation of responsibility for safety production and establishment of comprehensive responsibility system for safety risk management and control. The Company will constantly upgrade the standard of production management and endeavor to obtain the title of national grade A reliability generating unit. The Company will establish a comprehensive technological management system and enhance the innovation of technology in order to promote the upgrade of inventory and increment of development and to push forward the establishment of innovative corporations.
- (2) Proactively upgrade the market competitiveness. The Company will proactively study and carry out relevant documents of reformation of power system. The Company will adopt the new state of power reformation as soon as possible and closely keep up with the new movement of power reformation in order to accelerate the establishment of power sale system with the orientation of market and users' needs while striving to achieve the greatest effectiveness of power generation. The Company will continue to enhance the effort to achieve the planned power volume and proactively grasp the initiative of direct supply to

large users. The Company will also enhance the effort on all kinds of markets for power generation and strive to achieve a breakthrough on power generation of 170.0 billion kWh.

The Company will continue to optimise the structure of electricity and coal and grasp the control on fuel cost; deepen the cost management standard, adopt effective measures and strive to achieve the gearing ratio of not more than 78.7%. The Group monitors capital on the basis of the gearing ratio. The calculation of this ratio is total liabilities divided by total assets.

- (3) Promote the upgrade of power generation business with full effort. The Company will facilitate the preliminary works for key projects with high quality and high efficiency in order to endure the completion of work commencement and production commencement plan of key projects. The Company will place full effort to accomplish approved power generation projects of 6,331 thousand kW and strive to realise the construction commencement of 6,475 thousand kW power generation projects and the production commencement and power generation of 2,029.7 thousand MW power generation project.

The Company will continue to promote a further optimisation of regional structure, business structure and equity structure and constantly improve the quality of the Company's assets.

- (4) Enhance internal control and improve the capability of corporate governance. The Company will enhance the effectiveness of internal control and strengthen the checking on risk management indicators while insisting on facilitating the development of internal control through risk evaluation and internal control assessment. The Company will also deepen the compliance of corporate governance from governance level in order to ensure every business is operating normally and in compliance with laws and regulations.

3. INDEBTEDNESS

As at the close of business on 31 October 2016, the Group had unaudited outstanding interest bearing debts of approximately RMB150 billion, comprising borrowings from financial institutions of RMB108.9 billion, and bonds outstanding of RMB29.5 billion, and financial leasing outstanding of RMB11.6 billion.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances credits, or any guarantees, or any other contingent liabilities outstanding at the close of business on 31 October 2016.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since the close of business on 31 October 2016.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available banking facilities and the internally generated resources of the Group, the Group has sufficient working capital for its requirements with the next 12 months from the date of this circular.

5. EFFECT ON EARNINGS, ASSETS AND LIABILITIES OF THE COMPANY

The Company entered into the Financial Services Agreement with Datang Finance Company to strengthen management and control of funds and account management through Datang Finance Company's funds management platform, to raise loans at lower interest rates and enjoy higher deposit interest rates and payment and settlement services at zero fee rate, which are conducive to further improving the efficiency in the use of funds and improving the overall level of the operation of the Company's funds, while enhancing the Group's external financing bargaining power. Nevertheless, the Group does not expect to develop reliance on Datang Finance Company from the enjoying such services, and the entering into of the Financial Services Agreement will not interfere the Group while considering entering into similar agreements with other financial institutions where it deems necessary.

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 2015 (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, proposed directors, supervisors or proposed 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 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 2015, 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'S CONSENT AND QUALIFICATIONS

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

Name	Qualifications
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital did not have any shareholding, direct or indirect, in any members of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group as at the Latest Practicable Date.

Gram Capital did 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 2015, the date to which the latest published audited financial statements of the Company were made up as at the Latest Practicable Date.

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included as at the Latest Practicable Date.

8. LITIGATION

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

9. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being contracts entered into the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

- (1) On 26 November 2014, 13 shareholders of Datang Finance Company, including the Company and CDC, entered into the Capital Increase Agreement with Datang Finance Company, pursuant to which the parties agreed to increase the registered capital of Datang Finance Company by RMB1,869,871,590.23 from RMB3,000,000,000 to RMB4,869,871,590.23. The parties agreed to settle the capital increase to Datang Finance Company by way of cash or transfer of undistributed profit. After the completion of the capital increase, the Company's shareholding in Datang Finance Company will decrease from 20% to 15.8931%.
- (2) On 23 December 2014, the Company entered into the Fuel Purchase Framework Agreement (Beijing) with Beijing Datang Fuel Company, pursuant to which the Company and certain of its subsidiaries agreed to purchase coal from Beijing Datang Fuel Company with a maximum aggregate annual transaction amount of approximately RMB21,289 million for a term of one year commencing from 1 January 2015 to 31 December 2015.
- (3) On 23 December 2014, the Company entered into the Fuel Purchase Framework Agreement (Inner Mongolia) with Inner Mongolia Fuel Company, pursuant to which the Company and certain of its subsidiaries agreed to purchase coal from Inner Mongolia Fuel Company with a maximum aggregate annual transaction amount of approximately RMB5,228 million for a term of one year commencing from 1 January 2015 to 31 December 2015.
- (4) On 19 December 2014, Energy and Chemical Marketing Company and Keqi Coal-based Gas Company extended the Framework Agreement of Sale of Natural Gas, pursuant to which Keqi Coal-based Gas Company agreed to sell coal-based natural gas to Energy and Chemical Marketing Company. The annual transaction amount would be approximately RMB4.029 billion. The extended term of the agreement is from 1 January 2015 to 31 December 2015.

- (5) On 19 December 2014, Energy and Chemical Marketing Company and Keqi Coal-based Gas Company extended the Sale and Purchase Contract of Chemical Products (Keqi), pursuant to which Keqi Coal-based Gas Company would sell chemical products to Energy and Chemical Marketing Company. The annual transaction amount would be approximately RMB623 million. The extended term of the agreement is from 1 January 2015 to 31 December 2015.
- (6) On 19 December 2014, Energy and Chemical Marketing Company and Duolun Coal Chemical Company extended the Sale and Purchase Contract of Chemical Products (Duolun), pursuant to which Duolun Coal Chemical Company would sell the chemical products produced by it to Energy and Chemical Marketing Company; the annual sales amount of the chemical products would be approximately RMB4.147 billion. The extended term of the agreement is from 1 January 2015 to 31 December 2015.
- (7) On 12 February 2015, the Company, Duolun Coal Chemical Company and Datang Finance Company entered into the Entrusted Loan Contract. The Company shall entrust Datang Finance Company as the lending agent to provide the entrusted loan of an aggregate amount of RMB1 billion to Duolun Coal Chemical Company during the term of the contract.
- (8) On 21 May 2015, the Company, Duolun Coal Chemical Company and Construction Bank Railway Sub-branch entered into the Entrusted Loan Contract, pursuant to which, the Company shall entrust Construction Bank Railway Sub-branch to act as the lending agent to provide the entrusted loan of an aggregate amount of RMB1 billion to Duolun Coal Chemical Company during the term of the contract.
- (9) On 19 June 2015, the Company and Xilinhaote Mining Company entered into the Entrusted Loan Agreement with Construction Bank Railway Sub-branch, pursuant to which, the Company agreed to entrust Construction Bank Railway Sub-branch to act as the lending agent to provide entrusted loan of an aggregate amount of RMB1.5 billion to Xilinhaote Mining Company during the term of the agreement.
- (10) On 29 June 2015, the Company and ICBC Xuanwu Branch entered into the Entrusted Loan Framework Agreement, pursuant to which, the Company entrusted ICBC Xuanwu Branch to act as the lending agent to provide entrusted loan of an aggregate amount of RMB4.0 billion to Duolun Coal Chemical Company during the term of the agreement.
- (11) On 29 June 2015, the Company and Xilinhaote Mining Company entered into the Entrusted Loan Agreement with Construction Bank Railway Sub-branch, pursuant to which, the Company agreed to entrust Construction Bank Railway Sub-branch to act as the lending agent to provide entrusted loan of an aggregate amount of RMB2.0 billion to Xilinhaote Mining Company during the term of the agreement.

- (12) On 3 June 2015, 23 July 2015, 30 July 2015 and 5 August 2015, Duolun Coal Chemical Company entered into four Financial Leasing Contracts with Cornerstone Financial Leasing Company, pursuant to which Duolun Coal Chemical Company engages in financial leasing transaction with Cornerstone Financial Leasing Company by way of sale and leaseback of leased assets, total principal of financial leasing amounted to approximately RMB8 billion.
- (13) On 11 September 2015, the Company and Shanghai Datang Financial Lease Co., Ltd. entered into the Leasing and Factoring Business Cooperation Agreement, pursuant to which Shanghai Datang Financial Lease Co., Ltd. shall provide support on financial leasing and factoring business to the Company and its subsidiaries with a principal of not exceeding RMB10.0 billion for every 12 months for a term of 36 months from the date of entering into the agreement.
- (14) On 22 December 2015, Energy and Chemical Marketing Company and Keqi Coal-based Gas Company extended the Framework Agreement of Sale of Natural Gas, pursuant to which Energy and Chemical Marketing Company agreed to purchase natural gas from Keqi Coal-based Gas Company. The maximum transaction amount under the agreement would be approximately RMB3.075 billion in aggregate per year. The agreement is effective from 1 January 2016 to 31 December 2016.
- (15) On 22 December 2015, Energy and Chemical Marketing Company and Keqi Coal-based Gas Company extended the Sale and Purchase Contract of Chemical Products (Keqi), pursuant to which Energy and Chemical Marketing Company agreed to purchase chemical products from Keqi Coal-based Gas Company. The maximum transaction amount under the agreement would be approximately RMB296 million in aggregate per year. The agreement is effective from 1 January 2016 to 31 December 2016.
- (16) On 22 December 2015, Energy and Chemical Marketing Company and Duolun Coal Chemical Company extended the Sale and Purchase Contract of Chemical Products (Duolun), pursuant to which Energy and Chemical Marketing Company agreed to purchase chemical products from Duolun Coal Chemical Company. The maximum transaction amount under the agreement would be approximately RMB3.7 billion in aggregate per year. The agreement is effective from 1 January 2016 to 31 December 2016.
- (17) On 25 December 2015, the Company, Energy and Chemical Company, China Construction Bank Railway Sub-branch and Duolun Coal Chemical Company entered into the Entrusted Loan Framework Agreement (Duolun), pursuant to which the Company shall entrust China Construction Bank Railway Sub-branch to act as the lending agent to provide entrusted loan of an aggregate amount of RMB6 billion to Duolun Coal Chemical Company during the term of the agreement.

- (18) On 25 December 2015, the Company, Renewable Resource Company and China Construction Bank Railway Sub-branch entered into the Entrusted Loan Framework Agreement (Renewable Resource), pursuant to which the Company shall entrust China Construction Bank Railway Sub-branch to act as the lending agent to provide entrusted loan of an aggregate amount of RMB4 billion to Renewable Resource Company during the term of the agreement.
- (19) On 25 December 2015, the Company, Energy and Chemical Company, China Construction Bank Railway Sub-branch and Xilinhaote Mining Company entered into the Entrusted Loan Framework Agreement (Xilinhaote), pursuant to which the Company shall entrust China Construction Bank Railway Sub-branch to act as the lending agent to provide entrusted loan of an aggregate amount of RMB1 billion to Xilinhaote Mining Company during the term of the agreement.
- (20) On 29 December 2015, the Company entered into the Framework Agreement for Engineering Materials Procuring with China Water Resources and Power, pursuant to which the Company agreed to centralise the procuring of machinery, equipment and materials required for project construction through China Water Resources and Power. The maximum transaction amount of the continuing connected transaction under the Framework Agreement for Engineering Materials Procuring for the year ended 31 December 2016 was RMB1.9 billion.
- (21) On 31 December 2015, the Company entered into the Fuel Purchase Framework Agreement (Beijing) with Beijing Datang Fuel Company, pursuant to which the Company and certain of its subsidiaries agreed to purchase coal from Beijing Datang Fuel Company. The maximum transaction amount under the agreement would be approximately RMB13,712 million in aggregate per year for a term of one year commencing from 1 January 2016 to 31 December 2016.
- (22) On 31 December 2015, the Company entered into the Fuel Purchase Framework Agreement (Inner Mongolia) with Inner Mongolia Fuel Company, pursuant to which the Company and certain of its subsidiaries agreed to purchase coal from Inner Mongolia Fuel Company. The maximum transaction amount under the agreement would be approximately RMB3,239 million in aggregate per year for a term of one year commencing from 1 January 2016 to 31 December 2016.
- (23) On 31 December 2015, the Company entered into the Fuel Purchase Framework Agreement (Chaozhou) with Chaozhou Fuel Company, pursuant to which the Company and certain of its subsidiaries agreed to purchase coal from Chaozhou Fuel Company. The maximum transaction amount under the agreement would be approximately RMB598 million in aggregate per year for a term of one year commencing from 1 January 2016 to 31 December 2016.

- (24) On 30 June 2016, the Company entered into the Transfer Agreement with Zhongxin Energy and Chemical, pursuant to which the Company conditionally agreed to sell and Zhongxin Energy and Chemical conditionally agreed to acquire the equity interests of Energy and Chemical Company, Xilinhaote Brown Coal Integrated Development Company, Xilinhaote Power Generation Company and Xilinhaote Mining Company held by the Company and the assets of Inner Mongolia Keshiketeng Power Source Preliminary Project at a consideration of RMB1; meanwhile, the Company agreed to waive Energy and Chemical Company, Xilinhaote Brown Coal Integrated Development Company, Xilinhaote Power Generation Company and Xilinhaote Mining Company from repayment of certain entrusted loans provided by the Company, and the maximum principal amount of such exempted entrusted loans shall be RMB10 billion.
- (25) On 1 September 2016, the Company entered into the Financial Cooperation Agreement with Datang Financial Lease Co., Ltd., pursuant to which the Company shall conduct financial leasing and other businesses with an aggregate amount of not more than RMB5 billion for every 12 months from 1 September 2016 with Datang Financial Lease Co., Ltd., for a term of 36 months commencing from 1 September 2016 to 31 August 2019.
- (26) On 28 November 2016, the Company entered into a A-Share Subscription Agreement with CDC pursuant to which the Company has conditionally agreed to allot and issue and CDC has conditionally agreed to subscribe in cash for 2,794,943,820 A-Share Subscription Shares at the A-Share Issue Price of RMB3.56 per A-Share Subscription Share (subject to adjustments), raising gross proceeds of approximately RMB9,950 million. Immediately after the entering into of the A-Share Subscription Agreement on 28 November 2016, the Company entered into a H-Share Subscription Agreement with China Datang Overseas (Hong Kong) Co., Limited pursuant to which the Company has conditionally agreed to allot and issue and China Datang Overseas (Hong Kong) Co., Limited has conditionally agreed to subscribe in cash for 2,794,943,820 H-Share Subscription Shares at the H-Share Issue Price of HK\$2.12 per H-Share Subscription Share (subject to adjustments), raising gross proceeds of approximately HK\$5,925 million. The transactions are subject to approval by the independent shareholders at the classing meetings and the general meeting of the Company.

10. MISCELLANEOUS

- (a) The registered office and the 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents 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 26 December 2016:

- (a) the memorandum and articles of association of the Company;
- (b) the annual report of the Company for the three financial years ended 31 December 2013, 2014 and 2015;
- (c) the Financial Services Agreement;
- (d) the letter from the Board;
- (e) the letter from the Independent Board Committee;
- (f) the consent letter and letter of advice from Gram Capital dated 9 December 2016;
- (g) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (h) financial information of the Group, the text of which is set out in Appendix I of this circular; and
- (i) this circular.

The Proposed Amendments to the Articles of Association are set out as follows:

Article No.	Existing Article	Amended Article
	One Paragraph as set out in the column headed “Amended Article” to be added following the first paragraph of the existing Article 209	<p>The board of directors shall comprehensively take account of the features of the industry where the Company operates, its stage of development, its own business model, and profitability and the factors such as whether there is significant capital expenditure arrangement in distinguishing the following situations and form different cash dividend distribution policies in accordance with the procedures stipulated in the Articles of Association:</p> <ol style="list-style-type: none">(1) If the Company is in a mature stage of development and without significant capital expenditure, the minimum percentage of cash dividend in this profit distribution shall be 80%;(2) If the Company is in a mature stage of development and with significant capital expenditure, the minimum percentage of cash dividend in this profit distribution shall be 40%;(3) If the Company is in a growing stage of development and with significant capital expenditure, the minimum percentage of cash dividend in this profit distribution shall be 20%.

Article No.	Existing Article	Amended Article
Replacement of the fifth Paragraph of the existing Article 209	In the event that the Company has profit but has not proposed any distribution plan, or the Company proposes to adjust its profit distribution policy, the board of directors shall have specific discussions in this regard and shall fully discuss the reasons for such adjustment and produce a written discussion report. The discussion report, after being considered and approved by the independent directors, shall be submitted to the shareholders' general meeting for approval by way of special resolutions.	The board of directors of the Company shall determine the Company's stage of development for the purpose of cash dividend distribution with reference to the actual situation. If the stage of the Company cannot be easily distinguished but is with significant capital expenditure, cash dividend shall be distributed according to the requirement mentioned above. In the event that the Company makes changes or adjustments to the cash dividend policy and/or profit distribution policy determined in the Articles of Association pursuant to macroeconomic changes, condition of internal production and operation of the Company, investment plans and long-term development needs or relevant laws, administrative regulations and relevant requirements of the listing of shares, the board of directors shall fully consider the opinions of minority shareholders, pay attention to the protection of the interests of investors, and shall have specific discussions in this regard and shall fully discuss the reasons for such adjustment and produce a written discussion report. The discussion report, after being considered by the independent directors, shall be submitted to the shareholders' general meeting for approval by way of special resolutions.