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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)

CONTINUING CONNECTED TRANSACTIONS

**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 34 of this circular. A letter from the Independent Board Committee is set out on page 35 to 36 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 37 to 99 of this circular.

The Company will convene the EGM to consider and approve the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements. The notice convening the EGM will be despatched to the Shareholders shortly.

17 February 2017

CONTENTS

	<i>Page</i>
DEFINITIONS	ii
LETTER FROM THE BOARD	1
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	35
LETTER FROM GRAM CAPITAL	37
APPENDIX – GENERAL INFORMATION	100

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Datang Fuel Company”	Beijing Datang Fuel Company Limited, a controlling subsidiary of the Company, details of which are set out in the section titled “Information on the Parties to the Agreements”
“Board”	the board of Directors
“BSPI”	Bohai-rim Steam-Coal Price Index
“CDC”	China Datang Corporation, a state-owned enterprise established under the laws of the PRC and is a controlling shareholder of the Company which, together with its subsidiaries, own approximately 34.77% of the issued share capital of the Company as at the Latest Practicable Date
“Chaozhou Fuel Company”	Chaozhou Datang Fuel Company Limited, a wholly-owned subsidiary of Beijing Datang Fuel Company, details of which are set out in the section titled “Information on the Parties to the Agreements”
“Chaozhou Power Generation Company”	Guangdong Datang International Chaozhou Power Generation Company Limited, a subsidiary of the Company, details of which are set out in the section titled “Information on the Parties to the Agreements”
“Coal Purchase and Sale Framework Agreement”	the Coal Purchase and Sale Framework Agreement (Beijing), the Coal Purchase and Sale Framework Agreement (Inner Mongolia), the Coal Purchase and Sale Framework Agreement (Chaozhou), the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing), the Coal Purchase and Sale Framework Agreement (Hong Kong – Company), the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou), the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing), the Coal Purchase and Sale Framework Agreement (Xilinhaote), the Coal Purchase and Sale Framework Agreement (Anhui – Beijing), the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing), the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) and the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel)
“Coal Purchase and Sale Framework Agreement (Beijing)”	the Coal Purchase and Sale Framework Agreement dated 28 December 2016 entered into between the Company and Beijing Datang Fuel Company

DEFINITIONS

“Coal Purchase and Sale Framework Agreement (Inner Mongolia)”	the Coal Purchase and Sale Framework Agreement dated 28 December 2016 entered into between the Company and Inner Mongolia Fuel Company
“Coal Purchase and Sale Framework Agreement (Chaozhou)”	the Coal Purchase and Sale Framework Agreement dated 28 December 2016 entered into between the Company and Chaozhou Fuel Company
“Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing)”	the Coal Purchase and Sale Framework Agreement dated 28 December 2016 entered into between Datang Fuel Company and Beijing Datang Fuel Company
“Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing)”	the Coal Purchase and Sale Framework Agreement dated 28 December 2016 entered into between Hong Kong Company and Beijing Datang Fuel Company
“Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou)”	the Coal Purchase and Sale Framework Agreement dated 28 December 2016 entered into between Hong Kong Company and Chaozhou Fuel Company
“Coal Purchase and Sale Framework Agreement” (Hong Kong – Company)	the Coal Purchase and Sale Framework Agreement dated 28 December 2016 entered into between Hong Kong Company and the Company
“Coal Purchase and Sale Framework Agreement (Xilinhaote)”	the Coal Purchase and Sale Framework Agreement dated 28 December 2016 entered into between the Company and Xilinhaote Mining Company
“Coal Purchase and Sale Framework Agreement (Anhui – Beijing)”	the Coal Purchase and Sale Framework Agreement dated 28 December 2016 entered into between Datang Anhui Power Generation Company and Beijing Datang Fuel Company
“Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing)”	the Coal Purchase and Sale Framework Agreement dated 28 December 2016 entered into between Datang Xiangtan Power Generation Company and Beijing Datang Fuel Company
“Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel)”	the Coal Purchase and Sale Framework Agreement dated 28 December 2016 entered into between Shentou Power Generation Company and Datang Shanxi Fuel Company

DEFINITIONS

“Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel)”	the Coal Purchase and Sale Framework Agreement dated 28 December 2016 entered into between Linfen Thermal Power Company and Datang Shanxi Fuel Company
“Coal Transportation Framework Agreements”	the Coal Transportation Framework Agreement (Chaozhou) and the Coal Transportation Framework Agreement (Lvsi gang)
“Coal Transportation Framework Agreement (Chaozhou)”	the Annual Coal Transportation Service Framework Agreement date 28 December 2016 entered into between Shipping Company and Chaozhou Power Generation Company
“Coal Transportation Framework Agreement (Lvsi gang)”	the Annual Coal Transportation Service Framework Agreement dated 28 December 2016 entered into between Shipping Company and Lvsi gang Power Generation Company
“Company”	Datang International Power Generation Co., Ltd., a sino-foreign joint stock limited company incorporated in the PRC on 13 December 1994, whose H Shares are listed on the Stock Exchange and the London Stock Exchange and whose A Shares are listed on the Shanghai Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected subsidiary”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Datang Anhui Power Generation Company”	Datang Anhui Power Generation Co., Ltd., a subsidiary of CDC, details of which are set out in the section titled “Information on the Parties to the Agreements”
“Datang Fuel Company”	Datang Electric Power Fuel Company Limited, a wholly-owned subsidiary of CDC, details of such are listed in the section titled “Information on the Parties to the Agreements”
“Datang Shanxi Fuel Company”	Datang Shanxi Electric Power Fuel Company Limited, a subsidiary of CDC, details of which are set out in the section titled “Information on the Parties to the Agreements”
“Datang Xiangtan Power Generation Company”	Datang Xiangtan Power Generation Co., Ltd, a subsidiary of CDC, details of which are set out in the section titled “Information on the Parties to the Agreements”

DEFINITIONS

“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements
“Gram Capital”	Gram Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements
“Group”	the Company and its subsidiaries
“Hong Kong Company”	Datang International (Hong Kong) Limited, a subsidiary of the Company, details of which are set out in the section titled “Information on the Parties to the Agreements”
“Independent Board Committee”	the independent board committee of the Company, comprising five independent non-executive Directors, and each of them does not have any material interest in the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules
“Inner Mongolia Fuel Company”	Inner Mongolia Datang Fuel Company Ltd., a wholly-owned subsidiary of Beijing Datang Fuel Company, details of which are set out in the section titled “Information on the Parties to the Agreements”
“Latest Practicable Date”	16 February 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Linfen Thermal Power Company”	Shanxi Datang International Linfen Thermal Power Company Limited, a subsidiary of the Company, details of which are set out in the section titled “Information on the Parties to the Agreements”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Lvsigang Power Generation Company”	Jiangsu Datang International Lvsigang Power Generation Company Limited, a controlling subsidiary of the Company, details of which are set out in the section titled “Information on the Parties to the Agreements”
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Shentou Power Generation Company”	Shanxi Datang International Shentou Power Generation Company Limited, a subsidiary of the Company, details of which are set out in the section titled “Information on the Parties to the Agreements”
“Shipping Company”	Jiangsu Datang Shipping Company Limited, a subsidiary of the Company, details of which are set out in the section titled “Information on the Parties to the Agreements”
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xilinhaote Mining Company”	Inner Mongolia Datang International Xilinhaote Mining Company Limited, a wholly-owned subsidiary of CDC, details of which are set out in the section titled “Information on the Parties to the Agreements”
“%”	percent

LETTER FROM THE BOARD



大唐国际发电股份有限公司

DATANG INTERNATIONAL POWER GENERATION CO., LTD.

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

(Stock Code: 00991)

Executive Directors:

Mr. Wang Xin
Mr. Ying Xuejun

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

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Independent non-executive Directors:

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

17 February 2017

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

COAL PURCHASE AND SALE FRAMEWORK AGREEMENTS

On 28 December 2016, the Company and certain of its subsidiaries entered into the Coal Purchase and Sale Framework Agreements with certain connected persons to carry out the following continuing connected transactions:

LETTER FROM THE BOARD

I. Purchase of coal by the Company and its subsidiaries from Beijing Datang Fuel Company and its subsidiaries

- (1) The Company entered into the Coal Purchase and Sale Framework Agreement (Beijing) with Beijing Datang Fuel Company, pursuant to which the Company and certain of its subsidiaries will purchase coal from Beijing Datang Fuel Company with a maximum aggregate annual transaction amount of approximately RMB24.36 billion for a term commencing from the effective date of the agreement to 31 December 2017.
- (2) The Company entered into the Coal Purchase and Sale Framework Agreement (Inner Mongolia) with Inner Mongolia Fuel Company, pursuant to which the Company and certain of its subsidiaries will purchase coal from Inner Mongolia Fuel Company and the subsidiaries of the Company will sell coal to Inner Mongolia Fuel Company with a maximum aggregate annual transaction amount of approximately RMB7.753 billion for a term commencing from the effective date of the agreement to 31 December 2017.
- (3) The Company entered into the Coal Purchase and Sale Framework Agreement (Chaozhou) with Chaozhou Fuel Company, pursuant to which the Company and certain of its subsidiaries will purchase coal from Chaozhou Fuel Company with a maximum aggregate annual transaction amount of approximately RMB360 million for a term commencing from the effective date of the agreement to 31 December 2017.

II. Sale of coal by Hong Kong Company to certain subsidiaries of the Company

- (1) Hong Kong Company entered into the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing) with Beijing Datang Fuel Company, pursuant to which Hong Kong Company will sell coal to Beijing Datang Fuel Company with a maximum aggregate annual transaction amount of approximately RMB2.21 billion for a term commencing from the effective date of the agreement to 31 December 2017.
- (2) Hong Kong Company entered into the Coal Purchase and Sale Framework Agreement (Hong Kong – Company) with the Company, pursuant to which Hong Kong Company will sell coal to Lvsigang Power Generation Company and Chaozhou Power Generation Company with a maximum aggregate annual transaction amount of approximately RMB210 million and RMB630 million, respectively, for a term commencing from the effective date of the agreement to 31 December 2017.
- (3) Hong Kong Company entered into the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou) with Chaozhou Fuel Company, pursuant to which Hong Kong Company will sell coal to Chaozhou Fuel Company with a maximum aggregate annual transaction amount of approximately RMB290 million for a term commencing from the effective date of the agreement to 31 December 2017.

LETTER FROM THE BOARD

III. Sale of coal by Datang Fuel Company to Beijing Datang Fuel Company

Datang Fuel Company entered into the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing) with Beijing Datang Fuel Company, pursuant to which Datang Fuel Company will sell coal to Beijing Datang Fuel Company with a maximum aggregate annual transaction amount of approximately RMB1.12 billion for a term commencing from the effective date of the agreement to 31 December 2017.

IV. Purchase of coal by the Company and certain of its subsidiaries from Xilinhaote Mining Company

The Company entered into the Coal Purchase and Sale Framework Agreement (Xilinhaote) with Xilinhaote Mining Company, pursuant to which the Company and certain of its subsidiaries will purchase coal from Xilinhaote Mining Company with a maximum aggregate annual transaction amount of approximately RMB41 million for a term commencing from the effective date of the agreement to 31 December 2017.

V. Purchase of coal by certain power generation enterprises of CDC from Beijing Datang Fuel Company

- (1) Datang Anhui Power Generation Company entered into the Coal Purchase and Sale Framework Agreement (Anhui – Beijing) with Beijing Datang Fuel Company, pursuant to which Datang Anhui Power Generation Company will purchase coal from Beijing Datang Fuel Company with a maximum aggregate annual transaction amount of approximately RMB975 million for a term commencing from the effective date of the agreement to 31 December 2017.
- (2) Datang Xiangtan Power Generation Company entered into the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing) with Beijing Datang Fuel Company, pursuant to which Datang Xiangtan Power Generation Company will purchase coal from Beijing Datang Fuel Company with a maximum aggregate annual transaction amount of approximately RMB975 million for a term commencing from the effective date of the agreement to 31 December 2017.

LETTER FROM THE BOARD

VI. Purchase of coal by enterprises of the Company from enterprises of CDC

- (1) Shentou Power Generation Company entered into the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) with Datang Shanxi Fuel Company, pursuant to which Shentou Power Generation Company will purchase coal from Datang Shanxi Fuel Company with a maximum aggregate annual transaction amount of approximately RMB50 million for a term commencing from the effective date of the agreement to 31 December 2017.
- (2) Linfen Thermal Power Company entered into the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) with Datang Shanxi Fuel Company, pursuant to which Linfen Thermal Power Company will purchase coal from Datang Shanxi Fuel Company with a maximum aggregate annual transaction amount of approximately RMB50 million for a term commencing from the effective date of the agreement to 31 December 2017.

COAL TRANSPORTATION FRAMEWORK AGREEMENTS

On 28 December 2016, certain subsidiaries of the Company entered into the Coal Transportation Framework Agreements with Shipping Company to carry out the following continuing connected transactions:

- I. Shipping Company, a subsidiary of the Company, entered into the Coal Transportation Framework Agreement (Lvsi gang) with Lvsi gang Power Generation Company, pursuant to which Shipping Company will provide coal transportation services to Lvsi gang Power Generation Company with a maximum aggregate annual transaction amount of approximately RMB122.9 million for a term commencing from the effective date of the agreement to 31 December 2017.
- II. Shipping Company, a subsidiary of the Company, entered into the Coal Transportation Framework Agreement (Chaozhou) with Chaozhou Power Generation Company, pursuant to which Shipping Company will provide coal transportation services to Chaozhou Power Generation Company with a maximum aggregate annual transaction amount of approximately RMB114.1 million for a term commencing from the effective date of the agreement to 31 December 2017.

LETTER FROM THE BOARD

The purpose of this circular is:

- (i) to provide you with further details of the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements;
- (ii) to set out the recommendation of the Independent Board Committee in respect of the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements; and
- (iii) to set out the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements.

COAL PURCHASE AND SALE FRAMEWORK AGREEMENTS

I. Purchase or sale of coal by the Company and its subsidiaries from or to Beijing Datang Fuel Company and its subsidiaries

1. Coal Purchase and Sale Framework Agreement (Beijing)

Date

28 December 2016

Parties

The Company and Beijing Datang Fuel Company

Major terms

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

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

LETTER FROM THE BOARD

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Purchase and Sale Framework Agreement (Beijing) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

Annual cap

The maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Beijing) for the year ended 31 December 2017 is expected to be RMB24.36 billion, which is determined with reference to (i) the anticipated quantity of coal to be purchased by the Company and the power generation enterprises of its subsidiaries from Beijing Datang Fuel Company for the year ended 31 December 2017; and (ii) the estimated market price of coal.

The anticipated quantity of coal to be purchased by the Company and the power generation enterprises of its subsidiaries from Beijing Datang Fuel Company is expected to increase for the year ended 31 December 2017 due to (i) the increasing utilisation rate of the historical transaction amounts from approximately 41% to approximately 89% for the three years ended 31 December 2016 and the high utilisation rate of the historical transaction amount for the year ended 31 December 2016; (ii) the Group's business operation strategy; (iii) that the proposed annual cap is just a maximum possible amount under the transactions considering that the Group does not only purchase coal from Beijing Datang Fuel Company; and (iv) that the indicated total volume of coal to be purchased by the subsidiaries of the Company for the financial year ended 31 December 2017 represented an increase of approximately 12.4% as compared with the same for the financial year ended 31 December 2016.

The estimated increase in market price for coal is determined with reference to certain coal price index, including but not limited to BSPI, which has recorded a year-on-year increase of approximately 61%.

LETTER FROM THE BOARD

Historical transaction amounts

The transaction amount of the purchase of coal by the Company and its subsidiaries from Beijing Datang Fuel Company for the year ended 31 December 2016 was approximately RMB12.207 billion.

The transaction amount of the purchase of coal by the Company and its subsidiaries from Beijing Datang Fuel Company for the year ended 31 December 2015 was approximately RMB11.784 billion.

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

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

Date

28 December 2016

Parties

The Company and Inner Mongolia Fuel Company

Major terms

- (1) Subject matter: Purchase of coal by the Company and certain of its subsidiaries from Inner Mongolia Fuel Company and sale of coal by subsidiaries of the Company to Inner Mongolia Fuel Company.

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

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

LETTER FROM THE BOARD

- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Purchase and Sale Framework Agreement (Inner Mongolia) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

Annual cap

The maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Inner Mongolia) for the year ended 31 December 2017 is expected to be RMB7.753 billion, which is determined with reference to (i) the anticipated quantity of purchase and sale of coal by the Company and certain of its subsidiaries from Inner Mongolia Fuel Company for the year ended 31 December 2017; and (ii) the estimated market price of coal.

The anticipated quantity of purchase and sale of coal by the Company and certain of its subsidiaries from Inner Mongolia Fuel Company is expected to increase for the year ended 31 December 2017 due to (i) the increasing utilisation rate of the historical transaction amounts from approximately 52% to approximately 80% for the three years ended 31 December 2016 and the high utilisation rate of the historical transaction amount for the year ended 31 December 2016; (ii) the Group's business operation strategy; (iii) that the proposed annual cap is just a maximum possible amount under the transactions considering that the Group does not only purchase coal from Inner Mongolia Fuel Company; and (iv) the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Inner Mongolia), being part of the indicated total volume of coal to be purchased by the subsidiaries of the Company for the financial year ended 31 December 2017.

The estimated increase in market price for coal is determined with reference to certain coal price index, including but not limited to BSPI, which has recorded a year-on-year increase of approximately 61%.

Historical transaction amounts

The transaction amount of the purchase of coal by certain subsidiaries of the Company from Inner Mongolia Fuel Company for the year ended 31 December 2016 was approximately RMB2.607 billion.

LETTER FROM THE BOARD

The transaction amount of the purchase of coal by certain subsidiaries of the Company from Inner Mongolia Fuel Company for the year ended 31 December 2015 was approximately RMB2.343 billion.

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

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

Date

28 December 2016

Parties

The Company and Chaozhou Fuel Company

Major terms

- (1) Subject matter: Purchase of coal by the Company and its subsidiaries from Chaozhou Fuel Company during the term of the agreement.

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

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Purchase and Sale Framework Agreement (Chaozhou) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

LETTER FROM THE BOARD

Annual cap

The maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Chaozhou) for the year ended 31 December 2017 is expected to be RMB360 million, which is determined with reference to (i) the anticipated quantity of coal to be purchased by the Company and its subsidiaries from Chaozhou Fuel Company for the year ended 31 December 2017; and (ii) the estimated market price of coal.

The anticipated quantity of coal to be purchased by the Company and its subsidiaries from Chaozhou Fuel Company is expected to decrease for the year ended 31 December 2017 as (i) the relevant utilisation rate of the previous annual cap is approximately 27% for the year ended 31 December 2016; and (ii) the estimated decrease of demand of coal.

The estimated increase in market price for coal is determined with reference to certain coal price index, including but not limited to BSPI, which has recorded a year-on-year increase of approximately 61%.

Historical transaction amounts

From 1 January 2016 to 31 December 2016, the transaction amount of the purchase of coal by the Company and its subsidiaries from Chaozhou Fuel Company was approximately RMB163 million.

No relevant transaction was conducted between the Company and Chaozhou Fuel Company for the years 2014 and 2015.

II. Sale of coal by Hong Kong Company to subsidiaries of the Company

1. Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing)

Date

28 December 2016

Parties

Hong Kong Company and Beijing Datang Fuel Company

LETTER FROM THE BOARD

Major terms

- (1) Subject matter: Sale of coal by Hong Kong Company to Beijing Datang Fuel Company during the term of the agreement.

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

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

Annual cap

The maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing) for the year ended 31 December 2017 is expected to be RMB2.21 billion, which is determined with reference to (i) the anticipated quantity of coal to be sold by Hong Kong Company to Beijing Datang Fuel Company for the year ended 31 December 2017; and (ii) the estimated market price of coal.

The anticipated quantity of coal to be sold by Hong Kong Company to Beijing Datang Fuel Company is expected to increase for the year ended 31 December 2017 due to (i) the Group's business operation strategy; and (ii) the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing), being part of the indicated total volume of coal to be purchased by the subsidiaries of the Company for the financial year ended 31 December 2017; and (iii) that the proposed annual cap is just a maximum possible amount under the transaction.

LETTER FROM THE BOARD

The estimated market price for coal is determined with reference to certain coal price index, including but not limited to BSPI, which has recorded a year-on-year increase of approximately 61%.

Historical transaction amounts

No relevant transaction was conducted between Hong Kong Company and Beijing Datang Fuel Company from 1 January 2016 to 31 December 2016.

The transaction amount of the sale of coal by Hong Kong Company to Beijing Datang Fuel Company for the year ended 31 December 2015 was approximately RMB194 million.

The transaction amount of the sale of coal by Hong Kong Company to Beijing Datang Fuel Company for the year ended 31 December 2014 was approximately RMB860 million.

2. Coal Purchase and Sale Framework Agreement (Hong Kong – Company)

Date

28 December 2016

Parties

Hong Kong Company and the Company

Major terms

- (1) Subject matter: Sale of coal by Hong Kong Company to Lvsigang Power Generation Company and Chaozhou Power Generation Company respectively during the term of the agreement with the transaction amount of approximately RMB210 million and RMB630 million respectively, totalling approximately RMB840 million.

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

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

LETTER FROM THE BOARD

- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Purchase and Sale Framework Agreement (Hong Kong – Company) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

Annual cap

The maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Hong Kong – Company) for the year ended 31 December 2017 is expected to be RMB840 million, which is determined with reference to (i) the anticipated quantity of coal to be sold by Hong Kong Company to Lvsigang Power Generation Company and Chaozhou Power Generation Company for the year ended 31 December 2017; and (ii) the estimated market price of coal.

The anticipated quantity of coal to be sold by Hong Kong Company to Lvsigang Power Generation Company and Chaozhou Power Generation Company is expected to increase for the year ended 31 December 2017 due to (i) the fact that the utilisation rate of the historical transaction amount for the year ended 31 December 2016 reached approximately 94.5%; (ii) the estimated increase of demand of coal; (iii) the Group's business operation strategy; (iv) the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Hong Kong – Company), being part of the indicated total volume of coal to be purchased by the subsidiaries of the Company for the financial year ended 31 December 2017.

The estimated market price for coal is determined with reference to certain coal price index, including but not limited to BSPI, which has recorded a year-on-year increase of approximately 61%.

Historical transaction amounts

The transaction amount of the sale of coal by Hong Kong Company to Chaozhou Power Generation Company for the year ended 31 December 2016 was approximately RMB189 million.

The transaction amount of the sale of coal by Hong Kong Company to Chaozhou Power Generation Company for the year ended 31 December 2015 was approximately RMB442 million.

LETTER FROM THE BOARD

The transaction amount of the sale of coal by Hong Kong Company to Chaozhou Power Generation Company for the year ended 31 December 2014 was approximately RMB693 million.

No relevant transaction was conducted between Hong Kong Company and Lvsigang Power Generation Company for the past three years.

3. *Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou)*

Date

28 December 2016

Parties

Hong Kong Company and Chaozhou Fuel Company

Major terms

- (1) Subject matter: Sale of coal by Hong Kong Company to Chaozhou Fuel Company during the term of the agreement.

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

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

LETTER FROM THE BOARD

Annual cap

The maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou) for the year ended 31 December 2017 is expected to be RMB290 million, which is determined with reference to (i) the anticipated quantity of coal to be sold by Hong Kong Company to Chaozhou Fuel Company for the year ended 31 December 2017; and (ii) the estimated market price of coal.

The anticipated quantity of coal to be sold by Hong Kong Company to Chaozhou Fuel Company is expected to increase for the year ended 31 December 2017 due to (i) the estimated increase of demand of coal; (ii) the Group's business operation strategy; and (iii) that the proposed annual cap is just a maximum possible amount under the transactions.

The estimated market price for coal is determined with reference to certain coal price index, including but not limited to BSPI, which has recorded a year-on-year increase of approximately 61%.

The relevant utilization rate of the previous annual cap is approximately 4.41% for the year ended 31 December 2016. The differences between the previous annual cap and the actual transaction amounts were mainly attributable to the actual operations of the Company in 2016 and market changes, which were unexpected when the Company determined the annual cap at the material time.

Historical transaction amounts

From 1 January 2016 to 31 December 2016, the transaction amount of the sale of coal by Hong Kong Company to Chaozhou Fuel Company was approximately RMB26 million.

No relevant transaction was conducted between Hong Kong Company and Chaozhou Fuel Company for the years 2014 and 2015.

III. Sale of coal by Datang Fuel Company to Beijing Datang Fuel Company

Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing)

Date

28 December 2016

Parties

Datang Fuel Company and Beijing Datang Fuel Company

LETTER FROM THE BOARD

Major terms

- (1) Subject matter: Sale of coal by Datang Fuel Company to Beijing Datang Fuel Company during the term of the agreement.

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

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

Annual cap

The maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing) for the year ended 31 December 2017 is expected to be RMB1.12 billion, which is determined with reference to (i) the anticipated quantity of coal to be sold by Datang Fuel Company to Beijing Datang Fuel Company for the year ended 31 December 2017; and (ii) the estimated market price of coal.

The anticipated quantity of coal to be sold by Datang Fuel Company to Beijing Datang Fuel Company is expected to increase for the year ended 31 December 2017 due to (i) the estimated increase of demand of coal; (ii) the Group's business operation strategy; (iii) that the proposed annual cap is just a maximum possible amount under the transactions; and (iv) the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing), being part of the indicated total volume of coal to be purchased by the subsidiaries of the Company for the financial year ended 31 December 2017.

The estimated market price for coal was determined with reference to certain coal price index, including but not limited to BSPI, which has recorded a year-on-year increase of approximately 61%.

LETTER FROM THE BOARD

There was no historical transaction for the year ended 31 December 2014 and 31 December 2016 because Beijing Datang Fuel Company also purchases coal from other connected persons or independent third parties.

Historical transaction amounts

No relevant transaction was conducted between Datang Fuel Company and Beijing Datang Fuel Company from 1 January 2016 to 31 December 2016.

The transaction amount of the sale of coal by Datang Fuel Company to Beijing Datang Fuel Company for the year ended 31 December 2015 was approximately RMB160 million.

No relevant transaction was conducted between the Datang Fuel Company and Beijing Datang Fuel Company for the year ended 31 December 2014.

IV. Purchase of coal by the Company and its subsidiaries from Xilinhaote Mining Company

Coal Purchase and Sale Framework Agreement (Xilinhaote)

Date

28 December 2016

Parties

The Company and Xilinhaote Mining Company

Major terms

- (1) Subject matter: Purchase of coal by the Company and its subsidiaries from Xilinhaote Mining Company during the term of the agreement.

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

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

LETTER FROM THE BOARD

- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Purchase and Sale Framework Agreement (Xilinhaote) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

Annual cap

The maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Xilinhaote) for the year ended 31 December 2017 is expected to be RMB41 million, which is determined with reference to (i) the anticipated quantity of coal to be purchased by the Company and its subsidiaries from Xilinhaote Mining Company for the year ended 31 December 2017; and (ii) the estimated market price of coal.

The anticipated quantity of coal to be purchased by the Company and its subsidiaries from Xilinhaote Mining Company is expected to decrease for the year ended 31 December 2017 mainly due to (i) the fact that the utilisation rate of the historical transaction amount for the two years ended 31 December 2015 and 31 December 2016 were only approximately 31.04% and 33.77%, respectively, and the estimated decrease of demand of coal; and (ii) the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Xilinhaote), being part of the indicated total volume of coal to be purchased by the subsidiaries of the Company for the financial year ended 31 December 2017.

Historical transaction amounts

The transaction amount of the purchase of coal by the Company and its subsidiaries from Xilinhaote Mining Company for the year ended 31 December 2016 was approximately RMB104 million.

The transaction amount of the purchase of coal by the Company and its subsidiaries from Xilinhaote Mining Company for the year ended 31 December 2015 was approximately RMB275 million.

The transaction amount of the purchase of coal by the Company and its subsidiaries from Xilinhaote Mining Company for the year ended 31 December 2014 was approximately RMB543 million.

LETTER FROM THE BOARD

V. Purchase of coal by Power Generation Enterprises of CDC from Beijing Datang Fuel Company

1. Coal Purchase and Sale Framework Agreement (Anhui – Beijing)

Date

28 December 2016

Parties

Datang Anhui Power Generation Company and Beijing Datang Fuel Company

Major terms

- (1) Subject matter: Purchase of coal by Datang Anhui Power Generation Company from Beijing Datang Fuel Company during the term of the agreement.

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

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Purchase and Sale Framework Agreement (Anhui – Beijing) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

LETTER FROM THE BOARD

Annual cap

The maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Anhui – Beijing) for the year ended 31 December 2017 is expected to be RMB975 million, which is determined with reference to (i) the anticipated quantity of coal to be purchased by Datang Anhui Power Generation Company from Beijing Datang Fuel Company for the year ended 31 December 2017; and (ii) the estimated market price of coal.

The anticipated quantity of coal to be sold by Datang Anhui Power Generation Company to Beijing Datang Fuel Company for the year ended 31 December 2017 is expected to increase for the year ended 31 December 2017 due to (i) the estimated increase of demand of coal; and (ii) the Group's business operation strategy.

No relevant transaction was conducted between Datang Anhui Power Generation Company and Beijing Datang Fuel Company for the past three years ended 31 December 2016 as Datang Anhui Power Generation Company also purchases coal from other connected persons or independent third parties.

Historical transaction amounts

No relevant transaction was conducted between Datang Anhui Power Generation Company and Beijing Datang Fuel Company for the past three years.

2. Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing)

Date

28 December 2016

Parties

Datang Xiangtan Power Generation Company and Beijing Datang Fuel Company

Major terms

- (1) Subject matter: Purchase of coal by Datang Xiangtan Power Generation Company from Beijing Datang Fuel Company during the term of the agreement.

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

LETTER FROM THE BOARD

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

Annual cap

The maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing) for the year ended 31 December 2017 is expected to be RMB975 million, which is determined with reference to (i) the anticipated quantity of coal to be purchased by Datang Xiangtan Power Generation Company from Beijing Datang Fuel Company for the year ended 31 December 2017; and (ii) the estimated market price of coal.

The anticipated quantity of coal to be purchased by Datang Xiangtan Power Generation Company from Beijing Datang Fuel Company for the year ended 31 December 2017 is expected to increase for the year ended 31 December 2017 due to (i) the estimated increase of demand of coal; and (ii) the Group's business operation strategy.

The estimated market price for coal was determined with reference to certain coal price index, including but not limited to BSPI, which has recorded a year-on-year increase of approximately 61%.

No relevant transaction was conducted between Datang Xiangtan Power Generation Company and Beijing Datang Fuel Company for the past three years ended 31 December 2016 as Datang Xiangtan Power Generation Company also purchases coal from other connected persons or independent third parties.

Historical transaction amounts

No relevant transaction was conducted between Datang Xiangtan Power Generation Company and Beijing Datang Fuel Company for the past three years.

LETTER FROM THE BOARD

VI. Purchase of coal by enterprises of the Company from enterprises of CDC

I. Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel)

Date

28 December 2016

Parties

Shentou Power Generation Company and Datang Shanxi Fuel Company

Major terms

- (1) Subject matter: Purchase of coal by Shentou Power Generation Company from Datang Shanxi Fuel Company during the term of the agreement.

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

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

LETTER FROM THE BOARD

Annual cap

The maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) for the year ended 31 December 2017 is expected to be RMB50 million, which is determined with reference to (i) the anticipated quantity of coal to be purchased by Shentou Power Generation Company from Datang Shanxi Fuel Company for the year ended 31 December 2017; and (ii) the estimated market price of coal.

The anticipated quantity of coal to be purchased by Shentou Power Generation Company from Datang Shanxi Fuel Company is expected to decrease for the year ended 31 December 2017 mainly due to the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel), being part of the indicated total volume of coal to be purchased by the subsidiaries of the Company for the financial year ended 31 December 2017.

Historical transaction amounts

As of 31 December 2016, no business in respect of the purchase and sale of coal was conducted between Shentou Power Generation Company and Datang Shanxi Fuel Company.

The transaction amount of the purchase of coal by Shentou Power Generation Company from Datang Shanxi Fuel Company for the year ended 31 December 2015 was approximately RMB3.24 million.

For the year ended 31 December 2014, no business in respect of the purchase and sale of coal was conducted between Shentou Power Generation Company and Datang Shanxi Fuel Company.

2. Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel)

Date

28 December 2016

Parties

Linfen Thermal Power Company and Datang Shanxi Fuel Company

LETTER FROM THE BOARD

Major terms

- (1) Subject matter: Purchase of coal by Linfen Thermal Power Company from Datang Shanxi Fuel Company during the term of the agreement.

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

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

Annual cap

The maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) for the year ended 31 December 2017 is expected to be RMB50 million, which is determined with reference to (i) the anticipated quantity of coal to be purchased by Linfen Thermal Power Company from Datang Shanxi Fuel Company for the year ended 31 December 2017; and (ii) the estimated market price of coal.

The anticipated quantity of coal to be purchased by Linfen Thermal Power Company from Datang Shanxi Fuel Company is expected to increase for the year ended 31 December 2017 due to (i) the estimated increase in demand for coal; and (ii) the Group's business operation strategy.

LETTER FROM THE BOARD

Historical transaction amounts

The transaction amount of the purchase of coal by Linfen Thermal Power Company from Datang Shanxi Fuel Company for the year ended 31 December 2016 was approximately RMB1.5778 million.

The transaction amount of the purchase of coal by Linfen Thermal Power Company from Datang Shanxi Fuel Company for the year ended 31 December 2015 was approximately RMB1.59 million.

For the year ended 31 December 2014, no business in respect of the purchase and sale of coal was conducted between Linfen Thermal Power Company and Datang Shanxi Fuel Company.

PROCEDURES FOR DETERMINATION OF COAL PRICING POLICY

The consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreements is to be determined with reference to the market price of coal on the basis of (a) price trends in the Bohai Sea, i.e. BSPI and (b) GlobalCOAL Newcastle Index and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the following factors in determination of the consideration:

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

In case the Group comes across opportunities for the sale and purchase of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole.

LETTER FROM THE BOARD

COAL TRANSPORTATION FRAMEWORK AGREEMENTS

I. Coal Transportation Framework Agreement (Lvsigang)

Date

28 December 2016

Parties

Shipping Company and Lvsigang Power Generation Company

Major terms

- (1) Subject matter: Provision of coal transportation services by Shipping Company to Lvsigang Power Generation Company during the term of the agreement.

The parties may, from time to time during the term of the agreement, enter into specific transportation contracts in respect of coal transportation, provided that such specific transportation contracts shall be subject to the terms of the Coal Transportation Framework Agreement (Lvsigang).

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Transportation Framework Agreement (Lvsigang) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

Annual cap

The maximum annual transaction amount in respect of the Coal Transportation Framework Agreement (Lvsigang) for the year ended 31 December 2017 is expected to be RMB122.9 million, which is determined with reference to (i) the anticipated quantity of coal to be transported by Shipping Company for Lvsigang Power Generation Company for the year ended 31 December 2017; and (ii) the estimated market fee of coal transportation.

LETTER FROM THE BOARD

The anticipated quantity of coal to be transported by Shipping Company for Lvsigang Power Generation Company is expected to increase for the year ended 31 December 2017 due to (i) the reason that apart from the Shipping Company, Lvsigang Power Generation Company also engages other independent third party service providers depending on the transportation costs and the proposed annual cap is a maximum possible amount under the transactions; (ii) the anticipated increase in coal purchase volume; and (iii) the Group's business operation strategy.

Historical transaction amounts

The transaction amount of transportation services provided by Shipping Company to Lvsigang Power Generation Company for the year ended 31 December 2016 was approximately RMB50 million.

The transaction amount of transportation services provided by Shipping Company to Lvsigang Power Generation Company for the year ended 31 December 2015 was approximately RMB62 million.

The transaction amount of transportation services provided by Shipping Company to Lvsigang Power Generation Company for the year ended 31 December 2014 was approximately RMB72 million.

II. Coal Transportation Framework Agreement (Chaozhou)

Date

28 December 2016

Parties

Shipping Company and Chaozhou Power Generation Company

Major terms

- (1) Subject matter: Provision of coal transportation services by Shipping Company to Chaozhou Power Generation Company during the term of the agreement.

The parties may, from time to time during the term of the agreement, enter into specific transportation contracts in respect of coal transportation, provided that such specific transportation contracts shall be subject to the terms of the Coal Transportation Framework Agreement (Chaozhou).

LETTER FROM THE BOARD

- (2) Consideration: To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
- (3) Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
- (4) Term: Commencing from the effective date of the agreement to 31 December 2017.
- (5) The Coal Transportation Framework Agreement (Chaozhou) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

Annual cap

The maximum annual transaction amount in respect of the Coal Transportation Framework Agreement (Chaozhou) for the year ended 31 December 2017 is expected to be RMB114.1 million, which is determined with reference to (i) the anticipated quantity of coal to be transported by Shipping Company for Chaozhou Power Generation Company for the year ended 31 December 2017; and (ii) the estimated market fee of coal transportation.

The anticipated quantity of coal to be transported by Shipping Company for Chaozhou Power Generation Company is expected to increase for the year ended 31 December 2017 due to (i) the reason that apart from the Shipping Company, Chaozhou Power Generation Company also engages other independent third party service providers depending on the transportation costs and the proposed annual cap is a maximum possible amount under the transactions; (ii) the anticipated increase in coal purchase volume; and (iii) the Group's business operation strategy.

Historical transaction amounts

The transaction amount of transportation services provided by Shipping Company to Chaozhou Power Generation Company for the year ended 31 December 2016 was approximately RMB81 million.

The transaction amount of transportation services provided by Shipping Company to Chaozhou Power Generation Company for the year ended 31 December 2015 was approximately RMB87 million.

The transaction amount of transportation services provided by Shipping Company to Chaozhou Power Generation Company for the year ended 31 December 2014 was approximately RMB99 million.

LETTER FROM THE BOARD

PROCEDURES FOR DETERMINATION OF TRANSPORTATION PRICING POLICY

The consideration for the coal transportation services under the Coal Transportation Framework Agreements is to be determined on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the following factors in determination of the consideration:

- (1) coal transportation cost of Shipping Company, including fuel expenses, vessel depreciation, financial costs, crew wages, port charges, administration expenses, lubricant material expenses, maintenance expenses, insurance expenses, vessel administration cost, business tax and other expenses.
- (2) professional departments of the Company are responsible for collecting market prices of coal transportation for the basis of pricing.
- (3) the coal transportation price for 2016 is determined upon monthly work meetings of the Company and the fuel management team meetings with reference to the coal transportation costs of Shipping Company, the demand of Beijing Datang Fuel Company, Lvsigang Power Generation Company and Chaozhou Power Generation Company for coal transportation, historical price of coal transportation of Shipping Company, potential price fluctuation and opinion from the professional departments.

In case the Group comes across opportunities for coal transportation services with terms more favourable than those under the Coal Transportation Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE COAL PURCHASE AND SALE FRAMEWORK AGREEMENTS AND THE COAL TRANSPORTATION FRAMEWORK AGREEMENTS

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

The sale of coal by Hong Kong Company to the subsidiaries of the Company is primarily for leveraging on the advantage of the Hong Kong Company in imported coal purchasing, in order to guarantee the coal supply of the subsidiaries of the Company as well as to lower the purchasing cost of coal, and to increase the business revenue of the Hong Kong Company at the same time.

LETTER FROM THE BOARD

The purchase of coal by Datang Fuel Company from Beijing Datang Fuel Company is primarily for fully leveraging the advantages of Beijing Datang Fuel Company in terms of coal purchase, securing coal supply to the Company and the power generation enterprises of its subsidiaries, which is conducive to the coal combination adjustment of the Company and the power generation enterprises of its subsidiaries, thereby exercising control over the operating costs and increasing the profitability.

The purchase of coal by the Company and certain of its subsidiaries from Xilinhaote Mining Company can fully leverage the advantage of securing coal supply from a specialised coal company, thereby effectively securing the production coal of certain power generation enterprises of the Company, and exhibit the advantage of economy-of-scale of procurement of the Company and its subsidiaries, so as to exercise control over the costs of the relevant enterprises.

The purchase of coal by the power generation enterprises of CDC from Beijing Datang Fuel Company is primarily for fully leveraging the advantages in terms of coal purchase of Beijing Datang Fuel Company, and increasing the business revenue of Beijing Datang Fuel Company at the same time.

The purchase of coal by the enterprises of the Company from the enterprises of CDC is primarily for fully leveraging the advantages of Datang Shanxi Fuel Company in terms of coal purchase in the regional area, and securing coal supply to the power generation enterprises of the Company.

The provision of fuel transportation service by Shipping Company to Lvsigang Power Generation Company and Chaozhou Power Generation Company ensures the fuel supply to the coastal power generation enterprises of the Company since Shipping Company can arrange transportation in a more timely and rapid manner according to the fuel demand from the power generation enterprises of the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

BOARD'S APPROVAL

None of the Directors has material interest in the transactions under the Coal Purchase and Sale Framework Agreements or the Coal Transportation Framework Agreements. In accordance with the requirements of the listing rules of the Shanghai Stock Exchange, 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 meeting for approval of the relevant transactions.

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES TO THE AGREEMENTS

1. The Company is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the repair and commission of power equipment and power related technical services. The Company's main service areas are in the PRC.
2. CDC was established on 9 March 2003 with registered capital of RMB18.009 billion. It is principally engaged in the development, investment, construction, operation and management of power energy, organisation of power (thermal) production and sales; manufacture, repair and maintenance of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering; development of new energy as well as development and production of power related coal resources.
3. Chaozhou Power Generation Company is a connected subsidiary of the Company. It is currently operating two 600MW and two 1,000MW coal-fired generating units. The equity holding structure of the company is as follows: 52.5% of its equity interest is held by the Company, 22.5% of its equity interest is held by CDC, 12% of its equity interest is held by Beijing China Power Huaze Investment Company Limited, 8% of its equity interest is held by Wenshan Guoneng Investment Company Limited and 5% of its equity interest is held by Chaozhou Xinghua Energy Investment Company Limited.
4. Lvsigang Power Generation Company is a connected subsidiary of the Company. It is currently operating four 660MW coal-fired generating units. The equity holding structure of the company is as follows: 55% of its equity interest is held by the Company, 35% of its equity interest held by CDC and 10% of its equity interest is held by Nantong State-owned Assets Investment Holdings Co., Ltd..
5. Beijing Datang Fuel Company is a connected subsidiary of the Company. It is principally engaged in sale of coal, investment management and technical services. The equity holding structure of the company is as follows: 51% of its equity interest is held by the Company and 49% of its equity interest is held by Datang Electric Power Fuel Company Limited, a wholly-owned subsidiary of CDC.
6. Hong Kong Company is a wholly-owned subsidiary of the Company. It is principally engaged in information consulting in relation to domestic and international power and capital markets; investment and financing, and stock repurchases; and agency for the import of proprietary equipment (parts) and other businesses.
7. Inner Mongolia Fuel Company is a wholly-owned subsidiary of Beijing Datang Fuel Company Limited, a subsidiary of the Company. It is principally engaged in the business of electric fuel.

LETTER FROM THE BOARD

8. Shipping Company is a subsidiary of the Company. It is principally engaged in ordinary freight shipping along domestic coast, mid to down-stream of the Yangtze River and in the Pearl River Delta; international freight shipping; vessel leasing, freight agency, freight storage, etc. The equity holding structure of the company is as follows: 98.11% of its equity interest is held by the Company, 1.13% of its equity interest is held by Nantong Zhaofeng Kailai Investment Company Limited, 0.76% of its equity interest is held by Nantong Ocean Investment Management Company Limited.
9. Chaozhou Fuel Company is a subsidiary of Beijing Datang Fuel Company, a connected subsidiary of the Company. It is principally engaged in sale of coal.
10. Datang Fuel Company is a wholly-owned subsidiary of CDC. It is principally engaged in sale of power fuel.
11. Xilinhaote Mining Company is a wholly-owned subsidiary of CDC. It is primarily responsible for the development, construction and operation of Shengli Open-cut Coal Mine East Unit 2 project.
12. Datang Anhui Power Generation Company is a wholly-owned subsidiary of CDC with installed capacity of 6,944MW. It is principally engaged in the development, investment, construction, operation and management of power energy, organisation of power (thermal) production and sales and other businesses.
13. Datang Xiangtan Power Generation Company is a wholly-owned subsidiary of Datang Huayin Electric Power Co., Ltd., a controlled subsidiary of CDC, with installed capacity of 1,800MW. It is principally engaged in the operation of Xiangtan Coal-fired Power Plant and subsequent expansion project as well as sale of on-grid electricity and other businesses.
14. Shentou Power Generation Company is a subsidiary of the Company with installed capacity of 1,000MW. The equity holding structure of the company is as follows: 60% of its equity interest is held by the Company and 40% of its equity interest is held by Tianjin Jinneng Investment Company.
15. Linfen Thermal Power Company is a controlled subsidiary of the Company with installed capacity of 600MW. The equity holding structure of the company is as follows: 80% of its equity interest is held by the Company and 20% of its equity interest is held by Linfenhexi Thermal Power Company Limited.
16. Datang Shanxi Fuel Company is a wholly-owned subsidiary of CDC. It is principally engaged in coal business and other businesses.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at Latest Practicable Date, CDC is the controlling shareholder of the Company, which together with its subsidiaries hold 34.77% of the issued share capital of the Company. Since CDC or its subsidiaries directly or indirectly hold certain equity interests in Beijing Datang Fuel Company, Chaozhou Fuel Company, Inner Mongolia Fuel Company, Lvsigang Power Generation Company and Chaozhou Power Generation Company, all of which are subsidiaries of the Company, while Datang Fuel Company, Xilinhaote Mining Company, Datang Anhui Power Generation Company, Datang Xiangtan Power Generation Company and Datang Shanxi Fuel Company are subsidiaries of CDC, these companies are connected persons of the Company. The transactions contemplated under the Coal Purchase and Sale Framework Agreements and Coal Transportation Framework Agreements constitute continuing connected transactions of the Company.

After consultation with the Stock Exchange, the transactions contemplated under the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements should be aggregated when calculating the percentage ratios (as defined under Rule 14.07 of the Listing Rules).

Since all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the aggregate transaction amount of the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements exceed 5%, the above framework agreements and the transactions thereunder are subject to the reporting and announcement requirements, as well as the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The Company will convene the EGM to, among other things, consider and approve the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements. The notice convening the EGM will be despatched to the Shareholders shortly.

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

As at the Latest Practicable Date, CDC together with its subsidiaries holds approximately 34.77% of the issued share capital of the Company. CDC and its associates shall abstain from voting at the EGM to approve the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements.

To the best of the Directors' knowledge, apart from CDC and its associates, no other Shareholders have material interest in the transactions under the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements and shall abstain from voting at the relevant resolutions at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 35 to 36 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements. 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 37 to 99 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 Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements, the casting of votes for or against the resolutions approving the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements by poll at the EGM as well as the principal factors and reasons considered by it in concluding its advice.

The Directors consider that the terms of the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements are fair and reasonable and in the interest of the Shareholders and the Company as a whole and they recommend the Shareholders to vote in favour of the resolutions at the EGM.

Yours faithfully,

By Order of the Board of

Datang International Power Generation Co., Ltd.

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

17 February 2017

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to the Shareholders dated 17 February 2017 (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 Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements constitute continuing connected transactions of the Company, and are subject to the approval of the Independent Shareholders at the EGM.

We have been appointed as the Independent Board Committee to consider the terms of the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements to advise the Independent Shareholders as to whether, in our opinion, their terms are fair and reasonable and in the ordinary and usual course of business of the Group and whether the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements 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 Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group and that the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements are in the interests of the Company and the Shareholders as a whole.

We also consider that the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements (including their respective annual caps contemplated thereunder) are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements (including their respective annual caps contemplated thereunder) at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Feng Gengfu, Luo Zhongwei, Liu Huangsong, Jiang Fuxiu, Liu Jizhen

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 Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements 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

17 February 2017

*To: The Independent Board Committee and the Independent Shareholders
of Datang International Power Generation Co., Ltd.*

Dear Sir/Madam,

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 purchase and sale of coal under the Coal Purchase and Sale Framework Agreements (the “**Coal Transactions**”) and the coal transportation services under the Coal Transportation Framework Agreements (the “**Transportation Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 17 February 2017 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 28 December 2016, the Company and certain of its subsidiaries entered into the Coal Purchase and Sale Framework Agreements with certain connected persons to carry out the following continuing connected transaction: (i) purchase or sale of coal by the Company and its subsidiaries from or to Beijing Datang Fuel Company and its subsidiaries; (ii) sale of coal by Hong Kong Company to certain subsidiaries of the Company; (iii) sale of coal by Datang Fuel Company to Beijing Datang Fuel Company; (iv) purchase of coal by the Company and certain of its subsidiaries from Xilinhaote Mining Company; (v) purchase of coal by certain power generation enterprises of CDC from Beijing Datang Fuel Company; and (vi) purchase of coal by enterprises of the Company from enterprises of CDC.

On the even date, Shipping Company entered into the Coal Transportation Framework Agreements with Lvsigang Power Generation Company and Chaozhou Power Generation Company respectively pursuant to which Shipping Company will provide coal transportation services to Lvsigang Power Generation Company and Chaozhou Power Generation Company.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Coal Transactions and Transportation Transactions (collectively, the “CCTs”) constitute continuing connected transactions and are subject to the reporting and announcement requirements, as well as the requirement of approval from the Independent Shareholders of the Company under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Feng Genfu, Mr. Luo Zhongwei, Mr. Liu Huangsong, Mr. Jiang Fuxiu and Mr. Liu Jizhen (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the CCTs 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 Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements and transactions contemplated thereunder 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

During the past two years immediately preceding the Latest Practicable Date, Mr. Graham Lam was the person signing off the opinion letter from the independent financial adviser contained in the circular (i) dated 9 December 2016 in respect of the major transaction and continuing connected transactions for the Company; and (ii) dated 9 February 2017 in respect of (a) the subscription agreements and transactions contemplated thereunder; and (b) application for whitewash waiver. Notwithstanding the aforesaid past engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, CDC or any other parties that could be reasonably regarded as a hindrance to Gram Capital’s independence to act as the IFA to the Independent Board Committee and the Independent Shareholders.

Besides that, apart from the advisory fee payable to us in connection with 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,

LETTER FROM GRAM CAPITAL

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 CCTs. 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.

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, Beijing Datang Fuel Company, Chaozhou Fuel Company, Inner Mongolia Fuel Company, Lvsigang Power Generation Company, Chaozhou Power Generation Company, Datang Fuel Company, Xilinhaote Mining Company, Datang Anhui Power Generation Company, Datang Xiangtan Power Generation Company, Datang Shanxi Fuel Company, Hong Kong Company, Shipping Company, Shentou Power Generation Company, Linfen Thermal Power 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 CCTs. 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.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. Background of the Purchase Transactions and Sale Transactions

Information on the Group

With reference to the Board Letter, the Company is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the repair and commission of power equipment and power related technical services. The Company's main service areas are in the PRC. With reference to the annual report of the Company for the year ended 31 December 2015 (the "2015 Annual Report"), the Company is one of the largest independent power generation companies in the PRC and primarily engages in power generation business with its main focus on coal-fired power generation.

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 2015 Annual Report and the interim report of the Company for the six months ended 30 June 2016 (the "2016 Interim Report") 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 Group recorded operating revenue and net profit of approximately RMB61,890.29 million and RMB3,260.37 million respectively for the year ended 31 December 2015 ("FY2015"), representing a decrease of approximately 11.83% and an increase of approximately 72.64% as compared to that for the year ended 31 December 2014 ("FY2014").

LETTER FROM GRAM CAPITAL

With reference to the 2016 Interim Report and 2015 Annual Report, fuel cost accounted for approximately 40.18% and 45.85% of the operating costs for the six months ended 30 June 2016 and FY2015 respectively. With reference to the 2015 Annual Report, total installed capacity amounted to approximately 42,337.225MW, among which installed capacity of coal-fired generating units amounted to approximately 31,280MW (representing approximately 73.88% of total installed capacity). The power generation segment of the Company realised a total segment profit of approximately RMB13,147 million for FY2015, representing a year-on-year increase of RMB725 million.

With reference to the announcement of the Company dated 13 January 2017 (the “**Profit Warning Announcement**”), based on a preliminary assessment by the management of the Company based on the unaudited management accounts of the Group for the year ended 31 December 2016, the Group expects to record a loss in operating results and a net loss attributable to the equity holders of the Company for the year ended 31 December 2016 (“**FY2016**”). The change in the results of the Group was mainly attributable to (i) the loss incurred from the disposal of the coal-to-chemical and related projects, which was completed on 31 August 2016; (ii) average on-grid tariffs decreased during 2016 as compared to that during 2015; (iii) the increase in coal price in 2016 as compared to that in 2015, resulting in a decrease in the results of the coal-fired generator enterprise of the Company in 2016. Details of the aforesaid information were set out in the Profit Warning Announcement.

Information on parties to the Coal Purchase and Sale Framework Agreements and Coal Transportation Framework Agreements

Set out below is the information regarding parties to the Coal Purchase and Sale Framework Agreements and Coal Transportation Framework Agreements as extracted from the Board Letter:

CDC was established on 9 March 2003 with registered capital of RMB18.009 billion. It is principally engaged in the development, investment, construction, operation and management of power energy, organisation of power (thermal) production and sales; manufacture, repair and maintenance of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering; development of new energy as well as development and production of power related coal resources. As at the Latest Practicable Date, CDC is the controlling shareholder of the Company, which together with its subsidiaries hold 34.77% of the issued share capital of the Company.

Chaozhou Power Generation Company is a connected subsidiary of the Company. It is currently operating two 600MW and two 1,000MW coal-fired generating units. The equity holding structure of the company is as follows: 52.5% of its equity interest is held by the Company, 22.5% of its equity interest is held by CDC, 12% of its equity interest is held by Beijing China Power Huaze Investment Company Limited, 8% of its equity interest is held by Wenshan Guoneng Investment Company Limited and 5% of its equity interest is held by Chaozhou Xinghua Energy Investment Company Limited.

LETTER FROM GRAM CAPITAL

Lvsigang Power Generation Company is a connected subsidiary of the Company. It is currently operating four 660MW coal-fired generating units. The equity holding structure of the company is as follows: 55% of its equity interest is held by the Company, 35% of its equity interest held by CDC and 10% of its equity interest is held by Nantong State-owned Assets Investment Holdings Co., Ltd..

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

Hong Kong Company is a wholly-owned subsidiary of the Company. It is principally engaged in information consulting in relation to domestic and international power and capital markets; investment and financing, and stock repurchases; and agency for the import of proprietary equipment (parts) and other businesses.

Inner Mongolia Fuel Company is a wholly-owned subsidiary of Beijing Datang Fuel Company Limited, a subsidiary of the Company. It is principally engaged in the business of electric fuel.

Shipping Company is a subsidiary of the Company. It is principally engaged in ordinary freight shipping along domestic coast, mid to down-stream of the Yangtze River and in the Pearl River Delta; international freight shipping; vessel leasing, freight agency, freight storage, etc. The equity holding structure of the company is as follows: 98.11% of its equity interest is held by the Company, 1.13% of its equity interest is held by Nantong Zhaofeng Kailai Investment Company Limited, 0.76% of its equity interest is held by Nantong Ocean Investment Management Company Limited.

Chaozhou Fuel Company is a subsidiary of Beijing Datang Fuel Company, a subsidiary of the Company. It is principally engaged in sale of coal.

Datang Fuel Company is a wholly-owned subsidiary of CDC. It is principally engaged in sale of power fuel.

Xilinhaote Mining Company is a wholly-owned subsidiary of CDC. It is primarily responsible for the development, construction and operation of Shengli Open-cut Coal Mine East Unit 2 project.

Datang Anhui Power Generation Company is a wholly-owned subsidiary of CDC with installed capacity of 6,944MW. It is principally engaged in the development, investment, construction, operation and management of power energy, organisation of power (thermal) production and sales and other businesses.

LETTER FROM GRAM CAPITAL

Datang Xiangtan Power Generation Company is a wholly-owned subsidiary of Datang Huayin Electric Power Co., Ltd., a controlled subsidiary of CDC, with installed capacity of 1,800MW. It is principally engaged in the operation of Xiangtan Coal-fired Power Plant and subsequent expansion project as well as sale of on-grid electricity and other businesses.

Shentou Power Generation Company is a subsidiary of the Company with installed capacity of 1,000MW. The equity holding structure of the company is as follows: 60% of its equity interest is held by the Company and 40% of its equity interest is held by Tianjin Jinneng Investment Company.

Linfen Thermal Power Company is a controlled subsidiary of the Company with installed capacity of 600MW. The equity holding structure of the company is as follows: 80% of its equity interest is held by the Company and 20% of its equity interest is held by Linfenhexi Thermal Power Company Limited.

Datang Shanxi Fuel Company is a wholly-owned subsidiary of CDC. It is principally engaged in coal business and other businesses.

Reasons for and benefit of the CCTs

With reference to the Board Letter, the purchase of coal by the Company and its subsidiaries from Beijing Datang Fuel Company and its subsidiaries is primarily for securing coal supply to the Company and the power generation enterprises of its subsidiaries, and fully leveraging the advantages in terms of supply and economy-of-scale of purchase of these specialized coal companies, so as to stabilise the market prices of coal to a certain extent, thereby exercising control over the costs of fuel and mitigating the adverse impact of changes in the coal market on the Company. As confirmed by the Directors, (i) CDC and its subsidiaries (a) supplied coal to the Group when required by the Group; and (b) delivered coal to the Group on time; and (ii) the amount of coal supplied by CDC and its subsidiaries was the same as the amount of coal required by the Group.

The sale of coal by Hong Kong Company to the subsidiaries of the Company is primarily for leveraging on the advantage of the Hong Kong Company in imported coal purchasing, in order to guarantee the coal supply of the subsidiaries of the Company as well as to lower the purchasing cost of coal, and to increase the business revenue of the Hong Kong Company at the same time.

The purchase of coal by Datang Fuel Company from Beijing Datang Fuel Company is primarily for fully leveraging the advantages of Beijing Datang Fuel Company in terms of coal purchase, securing coal supply to the Company and the power generation enterprises of its subsidiaries, which is conducive to the coal combination adjustment of the Company and the power generation enterprises of its subsidiaries, thereby exercising control over the operating costs and increasing the profitability.

LETTER FROM GRAM CAPITAL

The purchase of coal by the Company and certain of its subsidiaries from Xilinhaote Mining Company can fully leverage the advantage of securing coal supply from a specialised coal company, thereby effectively securing the production coal of certain power generation enterprises of the Company, and exhibit the advantage of economy-of-scale of procurement of the Company and its subsidiaries, so as to exercise control over the costs of the relevant enterprises.

The purchase of coal by the power generation enterprises of CDC from Beijing Datang Fuel Company is primarily for fully leveraging the advantages in terms of coal purchase of Beijing Datang Fuel Company, and increasing the business revenue of Beijing Datang Fuel Company at the same time.

The purchase of coal by the enterprises of the Company from the enterprises of CDC is primarily for fully leveraging the advantages of Datang Shanxi Fuel Company in terms of coal purchase in the regional area, and securing coal supply to the power generation enterprises of the Company.

The provision of fuel transportation service by Shipping Company to Lvsigang Power Generation Company and Chaozhou Power Generation Company ensures the fuel supply to the coastal power generation enterprises of the Company since Shipping Company can arrange transportation in a more timely and rapid manner according to the fuel demand from the power generation enterprises of the Company. As confirmed by the Directors, the Shipping Company (a) provided transportation services to the Group when required by the Group; and (b) delivered coal to the Group on time.

As aforementioned, with reference to the 2016 Interim Report and 2015 Annual Report, fuel cost accounted for approximately 40.18% and 45.85% of the operating costs for the six months ended 30 June 2016 and FY2015 respectively. As also mentioned above, the Company is one of the largest independent power generation companies in the PRC and primarily engages in power generation business with its main focus on coal-fired power generation. Accordingly, we concur with the Directors that it is important for the Group to ensure stable coal supply and control fuel cost and quality at a reasonable level.

As also confirmed by the Directors, as the CCTs are entered into in the ordinary and usual course of business of the Group and on a frequent and regular basis, it would be (i) impracticable to negotiate for numerous agreements with CDC and its subsidiaries/associates; and (ii) costly and impracticable to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules, if necessary. Accordingly, the Directors are of the view that the CCTs will be beneficial to the Company and the Shareholders as a whole. We concur with the Directors in this regard.

Having considered the above reasons and benefits of the CCTs, in particular, (i) that the Company primarily engages in power generation business with its main focus on coal-fired power generation; (ii) that fuel cost represented a major part of operating costs for the six months ended 30 June 2016 and FY2015 respectively; and (iii) that in terms of installed capacity, majority of generating units of the Company are coal-fired, we consider the CCTs are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

II. Principal terms of the Coal Purchase and Sale Framework Agreements and Coal Transportation Framework Agreements

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

Date

28 December 2016

Parties

The Company and Beijing Datang Fuel Company

Major terms

Subject matter: Purchase of coal by the Company and its subsidiaries from Beijing Datang Fuel Company during the term of the agreement.

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

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

Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

Term: Commencing from the effective date of the agreement to 31 December 2017.

The Coal Purchase and Sale Framework Agreement (Beijing) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

LETTER FROM GRAM CAPITAL

With reference to the announcement of the Company dated 31 December 2015, we noted that the Company has entered into similar transaction with Beijing Datang Fuel Company. For our due diligence purpose, we have obtained a copy of the coal purchase and sale framework agreement (Beijing) dated 31 December 2015. We noted that save for the period and annual cap, the major terms of the previous agreement are similar to the corresponding terms in the Coal Purchase and Sale Framework Agreement (Beijing).

For our due diligence purpose, we have also obtained, on a random basis, nine individual contracts regarding the purchase and sale of coal entered into (i) between the Group and connected persons of the Company (i.e. subsidiaries of the Company, and CDC and its subsidiaries) and (ii) between the Group and independent third parties during 2016 (the “**Previous Coal Price Documents**”). Having considered that the transactions under the Previous Coal Price Documents (i) were within the period under the previous coal purchase and sale framework agreement regarding the purchase of coal by the Group for the year ended 31 December 2016 (the “**Previous Coal Framework Agreements**”) and covered most of the months during 2016; and (ii) covered the type of transaction under the Previous Coal Framework Agreement, we consider that there are sufficient contracts for comparison purposes. We noted from the Previous Coal Price Documents that the purchase price of coal offered to the Company by Beijing Datang Fuel Company is no less favourable than those available from independent third party suppliers.

*Procedures for determination of coal pricing policy (the “**Coal Pricing Policy**”)*

The consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreements will be determined with reference to the market price of coal on the basis of (a) price trends in the Bohai Sea (i.e. 環渤海動力煤價格指數 (BSPI)); and (b) international price (i.e. GlobalCoal Newcastle Index) trends and on normal commercial terms on the basis of arm’s length negotiation according to prevailing market conditions. The Company has also taken into account the following factors in determination of the consideration:

- (1) purchase costs of coal of the Company, including purchase costs of coal determined with reference to the market price of coal, vessel leasing costs, port construction fee, financial costs, insurance expenses, laboratory fee, business tax and other expenses;
- (2) professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years as the basis of pricing; and

LETTER FROM GRAM CAPITAL

- (3) in case the Group comes across opportunities for the sale and purchase of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole.

With reference to the 2015 Annual Report and as confirmed by the Directors, the independent non-executive Directors reviewed relevant continuing connected transactions of the Company and were of the opinion that such continuing connected transactions have been (i) carried out in the usual and ordinary course of business of the Group; (ii) conducted on normal commercial terms; and (iii) entered into in accordance with the terms of the respective agreements which are fair and reasonable and in the interests of the Company's Shareholders as a whole (the "**INED's Confirmation**").

In addition, the Company's external auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of Rule 14A.56 of the Listing Rules, the auditor of the Company, has provided a letter to the Board confirming that: (i) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provisions of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the agreements governing the transactions; and (iv) nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the maximum aggregate annual value as disclosed in the relevant announcements (the "**Auditor's Confirmation**").

Having considered the Coal Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years as the basis of pricing; and (ii) in case the Group comes across opportunities for the purchase of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole, we consider that the determination of the purchase price of coal is with reference to, among other things, the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

LETTER FROM GRAM CAPITAL

Furthermore, having also considered (i) the INED's Confirmation and the Auditor's Confirmation; and (ii) our findings on coal prices as mentioned above, we do not doubt the effectiveness of implementation of the Coal Pricing Policy during 2016.

In light of the above, we are of the view that the terms of the Coal Purchase and Sale Framework Agreement (Beijing) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Annual cap

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2016; and (ii) the proposed annual caps for the year ending 31 December 2017, regarding transactions contemplated under the Coal Purchase and Sale Framework Agreement (Beijing):

	For the year ended 31 December 2014 <i>RMB' billion</i>	For the year ended 31 December 2015 <i>RMB' billion</i>	For the year ended 31 December 2016 <i>RMB' billion</i>
Historical annual caps	40.5	21.289	13.712
Actual transaction amount	16.697	11.784	12.207
Utilization	41.23%	55.35%	89.02%
			For the year ending 31 December 2017 <i>RMB' billion</i>
Proposed annual cap			24.36

With reference to the Board Letter, the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Beijing) for the year ending 31 December 2017 (“**FY2017**”) is determined with reference to (i) the anticipated quantity of coal to be purchased by the Company and the power generation enterprises of its subsidiaries from Beijing Datang Fuel Company for FY2017; and (ii) the estimated market price of coal.

LETTER FROM GRAM CAPITAL

As depicted from the table above, we note that the relevant utilization rate of the previous annual caps are approximately 41.23%, 55.35% and 89.02% for FY2014, FY2015 and FY2016 respectively. We also noted that the proposed annual cap for FY2017 representing an increase of approximately 78% as compared to historical annual cap for FY2016 (the “**Cap I Increase**”).

For our due diligence purpose, we discussed with the Directors regarding reasons for the Cap I Increase and understood that the Cap I Increase was mainly due to the estimated increase in market price of coal. As also advised by the Directors, the coal price shall be determined with reference to certain coal price index, including but not limited to the BSPI. According to “Notice on the Commissioning Operation of the Bohai Bay Thermal Coal Price Index” (《關於開展環渤海動力煤價格指數試運行工作的通知》), BSPI is authorized and guided by National Development and Reform Committee. It is periodically published by Qinhuangdao Seaborne Coal Market Co., Ltd. and is an index system which reflects the Free on Board price and price volatility of Bohai Bay thermal coal.

In this regard, we have reviewed the BSPI as published by 秦皇島煤炭網 (Qinhuangdao Coal Website*) (<http://www.cqcoal.com>) on 4 January 2017 and noted that the BSPI has an average year-on-year increase of approximately 61.18% (the “**Increase in Coal Price**”).

In addition, with reference to the 2015 Annual Report, the total installed capacity of the Company amounted to 42,337MW as at 31 December 2015, representing an increase of approximately 2.41% (“**Capacity Growth Rate**”) as compared to 31 December 2014.

Accordingly, we consider that the Cap I Increase to be acceptable.

We noted that among the Coal Purchase and Sale Framework Agreements, the sum of proposed annual caps involving purchase of coal by subsidiaries of the Company (the “**Total Purchase Caps**”) amounted to approximately RMB37.074 billion for FY2017, representing an increase of approximately 94% as compared to the Total Purchase Caps for FY2016 (the “**Overall Increase**”). The sum of actual transactions amounts involving purchase of coal by subsidiaries of the Company (the “**Total Purchase Amounts**”) for FY2016 amounted to approximately RMB15.298 billion. The utilisation rate of the Total Purchase Caps for FY2016, as calculated by the Total Purchase Amounts for FY2016 over the Total Purchase Caps for FY2016, was approximately 80%. In addition, we also noted that the indicated total volume of coal to be purchased by subsidiaries of the Company (the “**Total Purchase Volume**”) for FY2017 represented an increase of approximately 19% as compared to the Total Purchase Volume for FY2016. With reference to the 2015 Annual Report and 2016 Interim Report, the installed capacity of coal-fired power generating units managed by the Company amounted to approximately 35,171 MW as at 30 June 2016, representing an increase of approximately 12.4% as compared to 31,280 MW as at 31 December 2015.

LETTER FROM GRAM CAPITAL

In light of that (i) the BSPI has an average year-on-year increase of approximately 61.18%; (ii) the Total Purchase Volume for FY2017 represented an increase of approximately 19% as compared to the Total Purchase Volume for FY2016; and (iii) installed capacity of coal-fired power generating units managed by the Company as at 30 June 2016 represented an increase of approximately 12.4% as compared to that as at 31 December 2015, we consider that the Overall Increase to be acceptable. Accordingly, we consider that the Total Purchase Volume for FY2017 is acceptable.

Furthermore, we have discussed with relevant personnel of the Company from the fuel management department (the “**Relevant Personnel**”) regarding estimation of demand of coal under the Coal Purchase and Sale Framework Agreement (Beijing) for FY2017. We understood from the Relevant Personnel (i) that the estimated demand for FY2017 and the bases and assumptions for determining the demand of coal by the Group; and (ii) apart from Beijing Datang Fuel Company, the Group also purchases coal from other connected persons or independent third parties depending on the purchase price available (i.e. when the purchase price available from Beijing Datang Fuel Company is less favourable than those available from other connected persons or independent third parties, the Group will not purchase from Beijing Datang Fuel Company). During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the demand of coal under the Coal Purchase and Sale Framework Agreement (Beijing) for FY2017.

Having considered (i) the increasing utilization rate for the previous transactions and the high utilization rate for FY2016; (ii) the Cap I Increase being acceptable; (iii) that the Group will not only purchase coal from Beijing Datang Fuel Company but will also purchase coal from other connected persons (including both connected subsidiaries and associates/subsidiaries of the connected person) and/or independent third parties, subject to the purchase price, the urgency of the needs of coal, the location of the supplier; (iv) our discussion with the Relevant Personnel as mentioned above; and (v) the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Beijing), being part of the Total Purchase Volume for FY2017 which is acceptable as mentioned above, we consider the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Beijing) for FY2017 to be fair and reasonable.

Shareholders should note that as the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Beijing) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Beijing). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Beijing) will correspond with the proposed annual cap.

LETTER FROM GRAM CAPITAL

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

Date

28 December 2016

Parties

The Company and Inner Mongolia Fuel Company

Major terms

Subject matter: Purchase of coal by the Company and certain of its subsidiaries from Inner Mongolia Fuel Company and sale of coal by subsidiaries of the Company to Inner Mongolia Fuel Company.

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

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

Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

Term: Commencing from the effective date of the agreement to 31 December 2017.

The Coal Purchase and Sale Framework Agreement (Inner Mongolia) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

LETTER FROM GRAM CAPITAL

With reference to the announcement of the Company dated 31 December 2015, we noted that the Company has entered into similar transaction with Inner Mongolia Fuel Company. For our due diligence purpose, we have obtained a copy of the coal purchase and sale framework agreement (Inner Mongolia) dated 31 December 2015. We noted that save for the period, annual cap and that the sale of coal is included in the Coal Purchase and Sale Framework Agreement (Inner Mongolia), the major terms of the previous agreement are similar to the corresponding terms in the Coal Purchase and Sale Framework Agreement (Inner Mongolia).

As mentioned above, for our due diligence purpose, we have obtained the Previous Coal Price Documents. We noted from the Previous Coal Price Documents that the purchase price of coal offered to the Company by Inner Mongolia Fuel Company is no less favourable than those available from independent third party suppliers.

Procedures for determination of coal pricing policy

As mentioned above, the consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreements is to be determined with reference to the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the factors as set out in the Coal Pricing Policy in determination of the consideration.

Having considered the Coal Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years as the basis of pricing; and (ii) in case the Group comes across opportunities for the purchase of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest the Company and the Shareholders' as a whole, we consider that the determination of the purchase price of coal is with reference to, among other things, the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

Furthermore, having also considered (i) the INED's Confirmation and the Auditor's Confirmation; and (ii) our findings on coal prices as mentioned above, we do not doubt the effectiveness of implementation of the Coal Pricing Policy during 2016.

In light of the above factors, we are of the view that the terms of the Coal Purchase and Sale Framework Agreement (Inner Mongolia) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Annual cap

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2016; and (ii) the proposed annual caps for the year ending 31 December 2017, regarding transactions contemplated under the Coal Purchase and Sale Framework Agreement (Inner Mongolia):

	For the year ended 31 December 2014 <i>RMB' billion</i>	For the year ended 31 December 2015 <i>RMB' billion</i>	For the year ended 31 December 2016 <i>RMB' billion</i>
Historical annual caps	6.081	5.228	3.239
Actual transaction amount	3.141	2.343	2.607
Utilization	51.65%	44.82%	80.49%
			For the year ending 31 December 2017 <i>RMB' billion</i>
Proposed annual cap			7.753

With reference to the Board Letter, the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Inner Mongolia) for FY2017 is determined with reference to (i) the anticipated quantity of purchase and sale of coal by the Company and certain of its subsidiaries from Inner Mongolia Fuel Company for FY2017; and (ii) the estimated market price of coal.

As depicted from the table above, we note that the relevant utilization rate of the previous annual caps are approximately 51.65%, 44.82% and 80.49% for FY2014, FY2015 and FY2016 respectively. We also noted that the proposed annual cap for FY2017 represented an increase of approximately 139% as compared to the historical annual cap for FY2016 (the “**Cap II Increase**”).

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we discussed with the Directors regarding reasons for the Cap II Increase and understood that the Cap II Increase was mainly due to the estimated increase in market price of coal and estimated increase in demand of coal.

For our due diligence purpose, we have discussed with the Relevant Personnel, and understood that (i) the bases and assumptions for determining the demand of coal by the Group; and (ii) apart from Inner Mongolia Fuel Company, the Group also purchases coal from other connected persons or independent third parties depending on the purchase price available (i.e. when the purchase price available from Inner Mongolia Fuel Company is less favourable than those available from other connected persons or independent third parties, the Group will not purchase from Inner Mongolia Fuel Company). During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the demand of coal under the Coal Purchase and Sale Framework Agreement (Inner Mongolia) for FY2017. Having also considered the Increase in Coal Price and the Capacity Growth Rate as mentioned above, we consider that the Cap II Increase to be acceptable.

Having considered (i) the high utilization rate for FY2016; (ii) the Cap II Increase being acceptable; (iii) our discussion with the Relevant Personnel as mentioned above; and (iv) the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Inner Mongolia), being part of the Total Purchase Volume for FY2017 which is acceptable as mentioned above, we consider the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Inner Mongolia) for FY2017 to be fair and reasonable.

Shareholders should note that as the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Inner Mongolia) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Inner Mongolia). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Inner Mongolia) will correspond with the proposed annual cap.

LETTER FROM GRAM CAPITAL

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

Date

28 December 2016

Parties

The Company and Chaozhou Fuel Company

Major terms

Subject matter: Purchase of coal by the Company and its subsidiaries from Chaozhou Fuel Company during the term of the agreement.

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

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

Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

Term: Commencing from the effective date of the agreement to 31 December 2017.

The Coal Purchase and Sale Framework Agreement (Chaozhou) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

LETTER FROM GRAM CAPITAL

With reference to the announcement of the Company dated 31 December 2015, we noted that the Company has entered into similar transaction with Chaozhou Fuel Company. For our due diligence purpose, we have obtained a copy of the coal purchase and sale framework agreement (Chaozhou) dated 31 December 2015. We noted that save for the period and annual cap, the major terms of the previous agreement are similar to the corresponding terms in the Coal Purchase and Sale Framework Agreement (Chaozhou).

As mentioned above, for our due diligence purpose, we have obtained the Previous Coal Price Documents. We noted from the Previous Coal Price Documents that the purchase price of coal offered to the Company by Chaozhou Fuel Company is no less favourable than those available from independent third party suppliers.

Procedures for determination of coal pricing policy

The consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreements will be determined with reference to the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the factors as set out in the Coal Pricing Policy in determination of the consideration.

Having considered the Coal Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years as the basis of pricing; and (ii) in case the Group comes across opportunities for the purchase of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole, we consider that the determination of the purchase price of coal is with reference to, among other things, the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

Furthermore, having also considered (i) the INED's Confirmation and the Auditor's Confirmation; and (ii) our findings on coal prices as mentioned above, we do not doubt the effectiveness of implementation of the Coal Pricing Policy during 2016.

In light of the above factors, we are of the view that the terms of the Coal Purchase and Sale Framework Agreement (Chaozhou) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Annual cap

Set out below are (i) the historical amounts of the actual transactions for year ended 31 December 2016; and (ii) the proposed annual cap for FY2017, regarding transactions contemplated under the Coal Purchase and Sale Framework Agreement (Chaozhou):

	For the year ended 31 December 2016 <i>RMB' billion</i>
Historical annual caps	0.598
Actual transaction amount	0.163
Utilization	27.26%
	For the year ending 31 December 2017 <i>RMB' billion</i>
Proposed annual cap	0.36

With reference to the Board Letter, the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Chaozhou) for FY2017 is determined with reference to (i) the anticipated quantity of coal to be purchased by the Company and its subsidiaries from Chaozhou Fuel Company for FY2017; and (ii) the estimated market price of coal.

As depicted from the table above, we note that the relevant utilization rate of the previous annual cap is approximately 27.26% for FY2016. We also noted that the proposed annual cap for FY2017 represented a decrease of approximately 39.80% as compared to the historical annual cap for FY2016.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we also obtained relevant supporting document showing that the estimated demand on coal for FY2017 represented a decrease of approximately 62% as compared to the estimated demand on coal for the year ended 31 December 2016. In addition, as mentioned above, the BSPI has an average year-on-year increase of approximately 61.18%. Having considered the transaction amount, after taken into account of the estimated increase in market price of coal (i.e. the Increase in Coal Price, calculated by RMB0.163 billion x (1 + 61.18%) = approximately RMB0.263 billion), represented approximately 73% to the proposed annual cap for FY2017, we consider that the proposed annual cap for FY2016 is fair and reasonable.

Shareholders should note that as the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Chaozhou) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Chaozhou). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Chaozhou) will correspond with the proposed annual cap.

4) *Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing)*

Date

28 December 2016

Parties

Hong Kong Company and Beijing Datang Fuel Company

Major terms

Subject matter: Sale of coal by Hong Kong Company to Beijing Datang Fuel Company during the term of the agreement.

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

LETTER FROM GRAM CAPITAL

Consideration:	To be determined in the ordinary course of business on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions.
Settlement and payment:	Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.
Term:	Commencing from the effective date of the agreement to 31 December 2017.

The Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

With reference to the announcement of the Company dated 31 December 2015, we noted that the Hong Kong Company has entered into similar transaction with Beijing Datang Fuel Company. For our due diligence purpose, we have obtained a copy of the coal purchase and sale framework agreement (Hong Kong – Beijing) dated 31 December 2015. We noted that save for the period and annual cap, the major terms of the previous agreement are similar to the corresponding terms in the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing).

Procedures for determination of coal pricing policy

The consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreements is to be determined with reference to the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the factors as set out in the Coal Pricing Policy in determination of the consideration.

Having considered the Coal Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years as the basis of pricing; and (ii) in case the Group comes across opportunities for the sale of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole, we consider that the determination of the selling price of coal is with reference to, among other things, the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

LETTER FROM GRAM CAPITAL

Furthermore, having also considered (i) the INED's Confirmation and the Auditor's Confirmation; and (ii) our findings on coal prices as mentioned above, we do not doubt the effectiveness of implementation of the Coal Pricing Policy during 2016.

As confirmed by the Directors, the Group did not enter into any agreement with independent third parties regarding the sale of coal by the Group to the independent third parties and accordingly, we could not compare the terms of agreements entered into between the Group and (i) connected persons; and (ii) the independent third parties regarding sale of coal. However, in light of the above factors, in particular the Coal Pricing Policy, we are of the view that the terms of the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Annual cap

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2016; and (ii) the proposed annual caps for the years ending 31 December 2017, regarding transactions contemplated under the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing):

	For the year ended 31 December 2014 <i>RMB' billion</i>	For the year ended 31 December 2015 <i>RMB' billion</i>	For the year ended 31 December 2016 <i>RMB' billion</i>
Historical annual caps	2.74	0.682	0.14
Actual transaction amount	0.86	0.194	Nil
Utilization	31.39%	28.45%	Nil
			For the year ending 31 December 2017 <i>RMB' billion</i>
Proposed annual cap			2.21

LETTER FROM GRAM CAPITAL

With reference to the Board Letter and as advised by the Directors, the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing) for FY2017 is determined with reference to (i) the anticipated quantity of coal to be sold by Hong Kong Company to Beijing Datang Fuel Company for FY2017; and (ii) the estimated market price of coal.

As depicted from the table above, we note that the relevant utilization rate of the previous annual caps are (i) approximately 31.39% and 28.45% for FY2014 and FY2015 respectively; and (ii) nil for FY2016.

For our due diligence purpose, we have discussed with the Relevant Personnel regarding estimation of demand of coal under the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing) for FY2017. We understood from the Relevant Personnel (i) the bases and assumptions for determining the demand of coal by Beijing Datang Fuel Company; and (ii) apart from Hong Kong Company, Beijing Datang Fuel Company also purchases coal from other connected persons or independent third parties depending on the purchase price available (i.e. when the purchase price available from Hong Kong Company is less favourable than those available from other connected persons or independent third parties, Beijing Datang Fuel Company will not purchase from Hong Kong Company). During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the demand of coal under the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing) for FY2017.

Despite that the actual transaction amount for FY2016 was nil, the proposed annual cap for FY2017 represented approximately 15 times as compared to the existing annual cap for the year ended 31 December 2016.

Having considered (i) the Increase in Coal Price; (ii) the Capacity Growth Rate; (iii) our discussion with the Relevant Personnel as mentioned above; (iv) the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing), being part of the Total Purchase Volume for FY2017 which is acceptable as mentioned above; and (v) both Beijing Datang Fuel Company and Hong Kong Company are subsidiaries of the Company, the Company is able to choose its coal supplier, whether or not subsidiaries of the Company, at its own decision subject to the then market conditions, coal price, delivery time, etc., we consider that the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing) for FY2017 to be fair and reasonable.

LETTER FROM GRAM CAPITAL

Shareholders should note that as the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Hong Kong – Beijing) will correspond with the proposed annual cap.

5) *Coal Purchase and Sale Framework Agreement (Hong Kong – Company)*

Date

28 December 2016

Parties

Hong Kong Company and the Company

Major terms

Subject matter: Sale of coal by Hong Kong Company to Lvsigang Power Generation Company and Chaozhou Power Generation Company respectively during the term of the agreement with the transaction amount of approximately RMB210 million and RMB630 million respectively, totalling approximately RMB840 million.

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

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

LETTER FROM GRAM CAPITAL

Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

Term: Commencing from the effective date of the agreement to 31 December 2017.

The Coal Purchase and Sale Framework Agreement (Hong Kong – Company) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

With reference to the announcement of the Company dated 31 December 2015, we noted that the Hong Kong Company has entered into similar transaction with the Company. For our due diligence purpose, we have obtained a copy of the coal purchase and sale framework agreement (Hong Kong – Company) dated 31 December 2015. We noted that save for the period and annual cap, the major terms of the previous agreement are similar to the corresponding terms in the Coal Purchase and Sale Framework Agreement (Hong Kong – Company).

Procedures for determination of coal pricing policy

The consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreements is to be determined with reference to the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the factors as set out in the Coal Pricing Policy in determination of the consideration.

Having considered the Coal Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years as the basis of pricing; and (ii) in case the Group comes across opportunities for the sale of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole, we consider that the determination of the selling price of coal is with reference to, among other things, the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

Furthermore, having also considered (i) the INED's Confirmation and the Auditor's Confirmation; and (ii) our findings on coal prices as mentioned above, we do not doubt the effectiveness of implementation of the Coal Pricing Policy during 2016.

LETTER FROM GRAM CAPITAL

As confirmed by the Directors, the Group did not enter into any agreement with independent third parties regarding the sale of coal by the Group to the independent third parties during 2016 and accordingly, we could not compare the terms of agreements entered into between the Group and (i) connected persons; and (ii) the independent third parties during 2016. However, in light of the above factors, in particular the Coal Pricing Policy, we are of the view that the terms of the Coal Purchase and Sale Framework Agreement (Hong Kong – Company) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Annual Cap

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2016; and (ii) the proposed annual caps for the years ending 31 December 2017, regarding transactions contemplated under the Coal Purchase and Sale Framework Agreement (Hong Kong – Company):

	For the year ended 31 December 2014 <i>RMB' billion</i>	For the year ended 31 December 2015 <i>RMB' billion</i>	For the year ended 31 December 2016 <i>RMB' billion</i>
Historical annual caps	3.670	1.8755	0.2
Actual transaction amount	0.693	0.442	0.189
Utilization	18.88%	23.57%	94.50%
			For the year ending 31 December 2017 <i>RMB' billion</i>
Proposed annual cap			0.84

With reference to the Board Letter and as advised by the Directors, the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Hong Kong – Company) for FY2017 is determined with reference to (i) the anticipated quantity of coal to be sold by Hong Kong Company to Lvsigang Power Generation Company and Chaozhou Power Generation Company for FY2017; and (ii) the estimated market price of coal.

LETTER FROM GRAM CAPITAL

As depicted from the table above, we note that the relevant utilization rate of the previous annual caps are approximately 18.88%, 23.57% and 94.50% for FY2014, FY2015 and FY2016 respectively.

For our due diligence purpose, we have discussed with the Relevant Personnel regarding estimation of demand of coal under the Coal Purchase and Sale Framework Agreement (Hong Kong – Company) for FY2017. We understood from the Relevant Personnel the bases and assumptions for determining the demand of coal by Lvsigang Power Generation Company and Chaozhou Power Generation Company. During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the demand of coal under the Coal Purchase and Sale Framework Agreement (Hong Kong – Company) for FY2017.

Having considered (i) our discussion with the Relevant Personnel as mentioned above; (ii) the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Hong Kong – Company), being part of the Total Purchase Volume for FY2017 which is acceptable as mentioned above; and (iii) all Hong Kong Company, Lvsigang Power Generation Company and Chaozhou Power Generation Company are subsidiaries of the Company, the Company is able to choose its coal supplier, whether or not subsidiaries of the Company, at its own decision subject to the then market conditions, coal price, delivery time, etc., we consider the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Hong Kong – Company) for FY2017 to be fair and reasonable.

Shareholders should note that as the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Hong Kong – Company) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Hong Kong – Company). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Hong Kong – Company) will correspond with the proposed annual cap.

LETTER FROM GRAM CAPITAL

6) *Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou)*

Date

28 December 2016

Parties

Hong Kong Company and Chaozhou Fuel Company

Major terms

Subject matter: Sale of coal by Hong Kong Company to Chaozhou Fuel Company during the term of the agreement.

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

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

Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

Term: Commencing from the effective date of the agreement to 31 December 2017.

The Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

LETTER FROM GRAM CAPITAL

With reference to the announcement of the Company dated 31 December 2015, we noted that the Hong Kong Company has entered into similar transaction with the Company. For our due diligence purpose, we have obtained a copy of the coal purchase and sale framework agreement (Hong Kong – Chaozhou) dated 31 December 2015. We noted that save for the period and annual cap, the major terms of the previous agreement are similar to the corresponding terms in the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou).

Procedures for determination of coal pricing policy

Coal Purchase and Sale Framework Agreements is to be determined with reference to the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the factors as set out in the Coal Pricing Policy in determination of the consideration.

Having considered the Coal Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years as the basis of pricing; and (ii) in case the Group comes across opportunities for the sale of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole, we consider that the determination of the selling price of coal is with reference to, among other things, the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

Furthermore, having also considered (i) the INED's Confirmation and the Auditor's Confirmation; and (ii) our findings on coal prices as mentioned above, we do not doubt the effectiveness of implementation of the Coal Pricing Policy during 2016.

As confirmed by the Directors, the Group did not enter into any agreement with independent third parties regarding the sale of coal by the Group to the independent third parties during 2016 and accordingly, we could not compare the terms of agreements entered into between the Group and (i) connected persons; and (ii) the independent third parties during 2016. However, in light of the above factors, in particular the Coal Pricing Policy, we are of the view that the terms of the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Annual cap

Set out below are (i) the historical amounts of the actual transactions for the year ended 31 December 2016; and (ii) the proposed annual caps for the years ending 31 December 2017, regarding transactions contemplated under the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou):

	For the year ended 31 December 2016 <i>RMB' billion</i>
Historical annual caps	0.589
Actual transaction amount	0.026
Utilization	4.41%
	For the year ending 31 December 2017 <i>RMB' billion</i>
Proposed annual cap	0.29

With reference to the Board Letter and as advised by the Directors, the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou) for FY2017 is determined with reference to (i) the anticipated quantity of coal to be sold by Hong Kong Company to Chaozhou Fuel Company for FY2017; and (ii) the estimated market price of coal.

As depicted from the table above, we note that the relevant utilization rate of the previous annual caps is approximately 4.41% for FY2016. As advised by the Directors, the difference between the previous annual caps and the actual transaction amounts was primarily due to the adjustment according to the actual operations of the Company and market changes. As confirmed by the Directors, such factors were unexpected when determining the previous annual caps.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we have discussed with the Relevant Personnel, regarding estimation of demand of coal under the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou) for FY2017. We understood from the Relevant Personnel (i) the bases and assumptions for determining the demand of coal by Chaozhou Fuel Company; (ii) apart from Hong Kong Company, Chaozhou Fuel Company also purchases coal from other connected persons or independent third parties depending on the purchase price available (i.e. when the purchase price available from Hong Kong Company is less favourable than those available from other connected persons or independent third parties, Chaozhou Fuel Company will not purchase from Hong Kong Company). During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the demand of coal under the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou) for FY2017.

Having considered (i) our discussion with the Relevant Personnel as mentioned above; (ii) the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou), being part of the Total Purchase Volume for FY2017 which is acceptable as mentioned above; and (iii) both Hong Kong Company and Chaozhou Fuel Company are subsidiaries of the Company, we consider the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou) for FY2017 to be fair and reasonable.

Shareholders should note that as the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Hong Kong – Chaozhou) will correspond with the proposed annual cap.

LETTER FROM GRAM CAPITAL

7) *Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing)*

Date

28 December 2016

Parties

Datang Fuel Company and Beijing Datang Fuel Company

Major terms

Subject matter: Sale of coal by Datang Fuel Company to Beijing Datang Fuel Company during the term of the agreement.

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

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

Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

Term: Commencing from the effective date of the agreement to 31 December 2017.

The Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

LETTER FROM GRAM CAPITAL

With reference to the announcement of the Company dated 31 December 2015, we noted that Datang Fuel Company has entered into similar transaction with Beijing Datang Fuel Company. For our due diligence purpose, we have obtained a copy of the coal purchase and sale framework agreement (Datang Fuel – Beijing) dated 31 December 2015. We noted that save for the period and annual cap, the major terms of the previous agreement are similar to the corresponding terms in the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing).

As mentioned above, for our due diligence purpose, we have obtained the Previous Coal Price Documents. We noted from the Previous Coal Price Documents that the purchase price of coal offered to Beijing Datang Fuel Company by Datang Fuel Company is no less favourable than those available from independent third party suppliers.

Procedures for determination of coal pricing policy

The consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreements is to be determined with reference to the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the factors as set out in the Coal Pricing Policy in determination of the consideration.

Having considered the Coal Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years as the basis of pricing; and (ii) in case the Group comes across opportunities for the sale and purchase of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole, we consider that the determination of the purchase price of coal is with reference to, among other things, the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

In light of the above factors, we are of the view that the terms of the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Annual cap

Set out below are the historical amounts of the actual transactions for the two years ended 31 December 2016, regarding transactions contemplated under the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing):

	For the year ended 31 December 2015 <i>RMB' billion</i>	For the year ended 31 December 2016 <i>RMB' billion</i>
Historical annual caps	0.460	0.353
Actual transaction amount	0.160	Nil
Utilization	34.78%	Nil
		For the year ending 31 December 2017 <i>RMB' billion</i>
Proposed annual cap		1.12

With reference to the Board Letter and as advised by the Directors, the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing) for FY2017 is determined with reference to (i) the anticipated quantity of coal to be sold by Datang Fuel Company to Beijing Datang Fuel Company for FY2017; and (ii) the estimated market price of coal.

As depicted from the table above, we note that the relevant utilization rate of the previous annual caps are (i) approximately 34.78% for FY2015; and (ii) nil for FY2016. As advised by the Directors, the difference between the previous annual caps and the actual transaction amounts was primarily due to the adjustment according to the actual operations of the Company and market changes. As confirmed by the Directors, such factors were unexpected when determining the previous annual caps.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we have discussed with the Relevant Personnel regarding estimation of demand of coal under the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing) for FY2017. We understood from the Relevant Personnel (i) the bases and assumptions for determining the demand of coal by Beijing Datang Fuel Company; and (ii) apart from Datang Fuel Company, Beijing Datang Fuel Company also purchases coal from other connected persons or independent third parties depending on the purchase price available (i.e. when the purchase price available from Xilinhaote Mining Company is less favourable than those available from other connected persons or independent third parties, the Group will not purchase from Datang Fuel Company). During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the demand of coal under the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing) for FY2017.

Having considered (i) the Increase in Coal Price; (ii) the Capacity Growth Rate; (iii) the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing), being part of the Total Purchase Volume FY2017 which is acceptable as mentioned above; and (vi) our discussion with the Relevant Personnel as mentioned above, we consider the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing) for FY2017 to be fair and reasonable.

Shareholders should note that as the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Datang Fuel – Beijing) will correspond with the proposed annual cap.

LETTER FROM GRAM CAPITAL

8) *Coal Purchase and Sale Framework Agreement (Xilinhaote)*

Date

28 December 2016

Parties

The Company and Xilinhaote Mining Company

Major terms

Subject matter: Purchase of coal by the Company and its subsidiaries from Xilinhaote Mining Company during the term of the agreement.

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

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

Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

Term: Commencing from the effective date of the agreement to 31 December 2017.

The Coal Purchase and Sale Framework Agreement (Xilinhaote) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

LETTER FROM GRAM CAPITAL

With reference to the announcement of the Company dated 31 December 2015, we noted that the Company has entered into similar transaction with Xilinhaote Mining Company. For our due diligence purpose, we have obtained a copy of the coal purchase and sale framework agreement (Xilinhaote) dated 31 December 2015. We noted that save for the period and annual cap, the major terms of the previous agreement are similar to the corresponding terms in the Coal Purchase and Sale Framework Agreement (Xilinhaote).

As mentioned above, for our due diligence purpose, we have obtained the Previous Coal Price Documents. We noted from the Previous Coal Price Documents that the purchase price of coal offered to the Group by Xilinhaote Mining Company is no less favourable than those available from independent third party suppliers.

Procedures for determination of coal pricing policy

The consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreements is to be determined with reference to the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the factors as set out in the Coal Pricing Policy in determination of the consideration.

Having considered the Coal Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years as the basis of pricing; and (ii) in case the Group comes across opportunities for the sale and purchase of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole, we consider that the determination of the purchase price of coal is with reference to, among other things, the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

Furthermore, having also considered (i) the INED's Confirmation and the Auditor's Confirmation; and (ii) our findings on coal prices as mentioned above, we do not doubt the effectiveness of implementation of the Coal Pricing Policy during 2016.

In light of the above factors, we are of the view that the terms of the Coal Purchase and Sale Framework Agreement (Xilinhaote) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Annual cap

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2016; and (ii) the proposed annual caps for the years ending 31 December 2017, regarding transactions contemplated under the Coal Purchase and Sale Framework Agreement (Xilinhaote):

	For the year ended 31 December 2014 <i>RMB' billion</i>	For the year ended 31 December 2015 <i>RMB' billion</i>	For the year ended 31 December 2016 <i>RMB' billion</i>
Historical annual caps	2.318	0.886	0.308
Actual transaction amount	0.543	0.275	0.104
Utilization	23.43%	31.04%	33.77%
			For the year ending 31 December 2017 <i>RMB' billion</i>
Proposed annual cap			0.041

With reference to the Board Letter and as advised by the Directors, the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Xilinhaote) for FY2017 is determined with reference to (i) the anticipated quantity of coal to be purchased by the Company and its subsidiaries from Xilinhaote Mining Company for FY2017; and (ii) the estimated market price of coal.

As depicted from the table above, we note that the relevant utilization rate of the previous annual caps are approximately 23.43%, 34.78% and 33.77% for FY2014, FY2015 and FY2016 respectively. As advised by the Directors, the difference between the previous annual caps and the actual transaction amounts was primarily due to the adjustment according to the actual operations of the Company and market changes. As confirmed by the Directors, such factors were unexpected when determining the previous annual caps.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we have discussed with the Relevant Personnel regarding estimation of demand of coal under the Coal Purchase and Sale Framework Agreement (Xilinhaote) for FY2017. We understood from the Relevant Personnel (i) the bases and assumptions for determining the demand of coal by the Group; and (ii) apart from Xilinhaote Mining Company, the Group also purchases coal from other connected persons or independent third parties depending on the purchase price available (i.e. when the purchase price available from Xilinhaote Mining Company is less favourable than those available from other connected persons or independent third parties, the Group will not purchase from Xilinhaote Mining Company). During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the demand of coal under the Coal Purchase and Sale Framework Agreement (Xilinhaote) for FY2017.

Having considered (i) the low utilization for FY2016; (ii) the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Xilinhaote), being part of the Total Purchase Volume for FY2017 which is acceptable as mentioned above; and (iii) our discussion with the Relevant Personnel as mentioned above, we consider the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Xilinhaote) for FY2017 to be fair and reasonable.

Shareholders should note that as the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Xilinhaote) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Xilinhaote). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Xilinhaote) will correspond with the proposed annual cap.

LETTER FROM GRAM CAPITAL

9) *Coal Purchase and Sale Framework Agreement (Anhui – Beijing)*

Date

28 December 2016

Parties

Datang Anhui Power Generation Company and Beijing Datang Fuel Company

Major terms

Subject matter: Purchase of coal by Datang Anhui Power Generation Company from Beijing Datang Fuel Company during the term of the agreement.

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

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

Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

Term: Commencing from the effective date of the agreement to 31 December 2017.

The Coal Purchase and Sale Framework Agreement (Anhui – Beijing) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

LETTER FROM GRAM CAPITAL

Procedures for determination of coal pricing policy

The consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreements is to be determined with reference to the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the factors as set out in the Coal Pricing Policy in determination of the consideration.

As confirmed by the Directors, the Beijing Datang Fuel Company has not entered into any agreements, which are of similar nature as the Coal Purchase and Sale Framework Agreement (Anhui – Beijing), with Datang Anhui Power Generation Company before entering into the Coal Purchase and Sale Framework Agreement (Anhui – Beijing). For our due diligence purpose, we have obtained agreements, which are of similar nature as the Coal Purchase and Sale Framework Agreement (Anhui – Beijing) entered into between Beijing Datang Fuel Company and other parties (“**Other Beijing Agreements**”). We noted that save for the parties concerned, the period and annual cap, the major terms of Other Beijing Agreements are similar to the corresponding terms in the Coal Purchase and Sale Framework Agreement (Anhui – Beijing). The Directors also advised us that the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Anhui – Beijing) will be subject to the Coal Pricing Policy.

Having considered the Coal Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years as the basis of pricing; and (ii) in case the Group comes across opportunities for the sale of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole, we consider that the determination of the selling price of coal is with reference to, among other things, the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

In light of the above factors, we are of the view that the terms of the Coal Purchase and Sale Framework Agreement (Anhui – Beijing) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Annual cap

With reference to the Board Letter and as advised by the Directors, the maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Anhui – Beijing) for FY2017 is expected to be RMB975 million, which was determined with reference to (i) the anticipated quantity of coal to be purchased by Datang Anhui Power Generation Company from Beijing Datang Fuel Company for FY2017; and (ii) the estimated market price of coal. No relevant transaction was conducted between Datang Anhui Power Generation Company and Beijing Datang Fuel Company for the past three years.

For our due diligence purpose, we have discussed with the Relevant Personnel regarding estimation of demand of coal under the Coal Purchase and Sale Framework Agreement (Anhui – Beijing) for FY2017. We understood from the Relevant Personnel (i) the bases and assumptions for determining the demand of coal by Datang Anhui Power Generation Company; and (ii) apart from Beijing Datang Fuel Company, Datang Anhui Power Generation Company also purchases coal from other connected persons or independent third parties depending on the purchase price available (i.e. when the purchase price available from Beijing Datang Fuel Company is less favourable than those available from other connected persons or independent third parties, Datang Anhui Power Generation Company will not purchase from Beijing Datang Fuel Company). During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the demand of coal under the Coal Purchase and Sale Framework Agreement (Anhui – Beijing) for FY2017.

Having considered (i) that Datang Anhui Power Generation Company does not only purchase coal from Beijing Datang Fuel Company and the proposed annual cap is just a maximum possible amount under the transactions; and (ii) our discussion with the Relevant Personnel as mentioned above, we consider the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Anhui – Beijing) for FY2017 to be fair and reasonable.

Shareholders should note that as the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Anhui – Beijing) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Anhui – Beijing). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Anhui – Beijing) will correspond with the proposed annual cap.

LETTER FROM GRAM CAPITAL

10) *Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing)*

Date

28 December 2016

Parties

Datang Xiangtan Power Generation Company and Beijing Datang Fuel Company

Major terms

Subject matter: Purchase of coal by Datang Xiangtan Power Generation Company from Beijing Datang Fuel Company during the term of the agreement.

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

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

Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

Term: Commencing from the effective date of the agreement to 31 December 2017.

The Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

LETTER FROM GRAM CAPITAL

Procedures for determination of coal pricing policy

The consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreements is to be determined with reference to the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the factors as set out in the Coal Pricing Policy in determination of the consideration.

As confirmed by the Directors, the Beijing Datang Fuel Company has not entered into any agreements, which are of similar nature as the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing) with Datang Xiangtan Power Generation Company before entering into the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing). As mentioned above, for our due diligence purpose, we have obtained Other Beijing Agreements. We noted that save for the parties concerned, the period and annual cap, the major terms of Other Beijing Agreements are similar to the corresponding terms in the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing). The Directors also advised us that the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing) will be subject to the Coal Pricing Policy.

Having considered the Coal Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years as the basis of pricing; and (ii) in case the Group comes across opportunities for the sale of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole, we consider that the determination of the selling price of coal is with reference to, among other things, the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

In light of the above factors, we are of the view that the terms of the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Annual cap

With reference to the Board Letter and as advised by the Directors, the maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing) for FY2017 is expected to be RMB975 million, which is determined with reference to (i) the anticipated quantity of coal to be purchased by Datang Xiangtan Power Generation Company from Beijing Datang Fuel Company for FY2017; and (ii) the estimated market price of coal. No relevant transaction was conducted between Datang Xiangtan Power Generation Company and Beijing Datang Fuel Company for the past three years.

For our due diligence purpose, we have discussed with the Relevant Personnel regarding estimation of demand of coal under the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing) for FY2017. We understood from the Relevant Personnel (i) the bases and assumptions for determining the demand of coal by Datang Xiangtan Power Generation Company; and (ii) apart from Beijing Datang Fuel Company, Datang Xiangtan Power Generation Company also purchases coal from other connected persons or independent third parties depending on the purchase price available (i.e. when the purchase price available from Beijing Datang Fuel Company is less favourable than those available from other connected persons or independent third parties, Datang Xiangtan Power Generation Company will not purchase from Beijing Datang Fuel Company). During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the demand of coal under the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing) for FY2017.

Having considered (i) that Datang Xiangtan Power Generation Company does not only purchase coal from Beijing Datang Fuel Company and the proposed annual cap is just a maximum possible amount under the transactions; and (ii) our discussion with the Relevant Personnel as mentioned above, we consider the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing) for FY2017 to be fair and reasonable.

Shareholders should note that as the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Xiangtan – Beijing) will correspond with the proposed annual cap.

LETTER FROM GRAM CAPITAL

11) Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel)

Date

28 December 2016

Parties

Shentou Power Generation Company and Datang Shanxi Fuel Company

Major terms

Subject matter: Purchase of coal by Shentou Power Generation Company from Datang Shanxi Fuel Company during the term of the agreement.

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

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

Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

Term: Commencing from the effective date of the agreement to 31 December 2017.

The Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

LETTER FROM GRAM CAPITAL

Procedures for determination of coal pricing policy

The consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreements is to be determined with reference to the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the factors as set out in the Coal Pricing Policy in determination of the consideration.

As confirmed by the Directors, the Shentou Power Generation Company has not entered into any agreements, which are of similar nature as the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) before entering into the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel). For our due diligence purpose, we have obtained agreements, which are of similar nature as the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) entered into between the Group and other parties ("**Other Group Agreements**"). We noted that save for the parties concerned, the period and annual cap, the major terms of Other Group Agreements are similar to the corresponding terms in the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel). The Directors also advised us that the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) will be subject to the Coal Pricing Policy.

Having considered the Coal Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years as the basis of pricing; and (ii) in case the Group comes across opportunities for the purchase of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole, we consider that the determination of the purchase price of coal is with reference to, among other things, the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

In light of the above factors, we are of the view that the terms of the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Annual cap

With reference to the Board Letter, maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) for FY2017 is expected to be RMB50 million, which is determined with reference to (i) the anticipated quantity of coal to be purchased by Shentou Power Generation Company from Datang Shanxi Fuel Company for FY2017; and (ii) the estimated market price of coal. The transaction amount of the purchase of coal by Shentou Power Generation Company from Datang Shanxi Fuel Company for the year ended 31 December 2015 was approximately RMB3.24 million. No relevant transaction was conducted between Shentou Power Generation Company and Datang Shanxi Fuel Company for the year ended 31 December 2016 and the year ended 31 December 2014.

For our due diligence purpose, we have discussed with the Relevant Personnel regarding estimation of demand of coal under the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) for FY2017. We understood from the Relevant Personnel (i) the bases and assumptions for determining the demand of coal by Shentou Power Generation Company; and (ii) apart from Datang Shanxi Fuel Company, Shentou Power Generation Company also purchases coal from other connected persons or independent third parties depending on the purchase price available (i.e. when the purchase price available from Datang Shanxi Fuel Company is less favourable than those available from other connected persons or independent third parties, Shentou Power Generation Company will not purchase from Datang Shanxi Fuel Company). During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the demand of coal under the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) for FY2017.

Having considered (i) that Shentou Power Generation Company does not only purchase coal from Datang Shanxi Fuel Company and the proposed annual cap is a maximum possible amount under the transactions; (ii) our discussion with the Relevant Personnel as mentioned above; and (iii) the indicated total volume of coal to be purchased under the Sale Framework Agreement (Shentou – Shanxi Fuel), being part of the Total Purchase Volume for FY2017 which is acceptable as mentioned above, we consider the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) for FY2017 to be fair and reasonable.

LETTER FROM GRAM CAPITAL

Shareholders should note that as the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Shentou – Shanxi Fuel) will correspond with the proposed annual cap.

12) Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel)

Date

28 December 2016

Parties

Linfen Thermal Power Company and Datang Shanxi Fuel Company

Major terms

Subject matter: Purchase of coal by Linfen Thermal Power Company from Datang Shanxi Fuel Company during the term of the agreement.

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

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

Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

LETTER FROM GRAM CAPITAL

Term: Commencing from the effective date of the agreement to 31 December 2017.

The Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

Procedures for determination of coal pricing policy

The consideration for the purchase of coal under the Coal Purchase and Sale Framework Agreements is to be determined with reference to the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the factors as set out in the Coal Pricing Policy in determination of the consideration.

As confirmed by the Directors, the Group has not entered into any individual agreements, which are of similar nature as the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) with both independent third parties and CDC and its subsidiaries. The Directors also advised that transactions contemplated under the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) is also subject to the Coal Transactions Policy.

As confirmed by the Directors, the Linfen Thermal Power Company has not entered into any agreements, which are of similar nature as the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) before entering into the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel). As mentioned above, for our due diligence purpose, we have obtained Other Group Agreements. We noted that save for the parties concerned, the period and annual cap, the major terms of Other Group Agreements are similar to the corresponding terms in the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel). The Directors also advised us that the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) will be subject to the Coal Transactions Policy.

Having considered the Coal Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal and referring to the market trends of the last three years as the basis of pricing; and (ii) in case the Group comes across opportunities for the purchase of coal with terms more favourable than those under the Coal Purchase and Sale Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole, we consider that the determination of the purchase price of coal is with reference to, among other things, the market price of coal and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

LETTER FROM GRAM CAPITAL

In light of the above factors, we are of the view that the terms of the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Annual cap

With reference to the Board Letter, the maximum annual transaction amount in respect of the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) for FY2017 is expected to be RMB50 million, which is determined with reference to (i) the anticipated quantity of coal to be purchased by Linfen Thermal Power Company from Datang Shanxi Fuel Company for FY2017; and (ii) the estimated market price of coal. The transaction amount of the purchase of coal by Linfen Thermal Power Company from Datang Shanxi Fuel Company for FY2016 was approximately RMB1.5778 million. The transaction amount of the purchase of coal by Linfen Thermal Power Company from Datang Shanxi Fuel Company for the year ended 31 December 2015 was approximately RMB1.59 million. No relevant transaction was conducted between Linfen Thermal Power Company and Datang Shanxi Fuel Company for the year ended 31 December 2014.

For our due diligence purpose, we have discussed with the Relevant Personnel regarding estimation of demand of coal under the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) for FY2017. We understood from the Relevant Personnel (i) the bases and assumptions for determining the demand of coal by Linfen Thermal Power Company; and (ii) apart from Datang Shanxi Fuel Company, Linfen Thermal Power Company also purchases coal from other connected persons or independent third parties depending on the purchase price available (i.e. when the purchase price available from Datang Shanxi Fuel Company is less favourable than those available from other connected persons or independent third parties, Linfen Thermal Power Generation Company will not purchase from Datang Shanxi Fuel Company). During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the demand of coal under the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) for FY2017.

Having considered (i) that Linfen Thermal Power Company does not only purchase coal from Datang Shanxi Fuel Company and the proposed annual cap is a maximum possible amount under the transactions; (ii) our discussion with the Relevant Personnel as mentioned above; and (iii) the indicated total volume of coal to be purchased under the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel), being part of the Total Purchase Volume for FY2017 which is acceptable as mentioned above, we consider the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) for FY2017 to be fair and reasonable.

LETTER FROM GRAM CAPITAL

Shareholders should note that as the proposed annual cap under the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Purchase and Sale Framework Agreement (Linfen – Shanxi Fuel) will correspond with the proposed annual cap.

13) Coal Transportation Framework Agreement (Lvsigang)

Date

28 December 2016

Parties

Shipping Company and Lvsigang Power Generation Company

Major terms

Subject matter: Provision of coal transportation services by Shipping Company to Lvsigang Power Generation Company during the term of the agreement.

The parties may, from time to time during the term of the agreement, enter into specific transportation contracts in respect of coal transportation, provided that such specific transportation contracts shall be subject to the terms of the Coal Transportation Framework Agreement (Lvsigang).

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

Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

LETTER FROM GRAM CAPITAL

Term: Commencing from the effective date of the agreement to 31 December 2017.

The Coal Transportation Framework Agreement (Lvsigang) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

With reference to the announcement of the Company dated 31 December 2015, we noted that Shipping Company has entered into similar transaction with Lvsigang Power Generation Company. For our due diligence purpose, we have obtained a copy of the coal shipping framework agreement (Lvsigang) dated 31 December 2015. We noted that save for the period and annual cap, the major terms of the previous agreement are similar to the corresponding terms in the Coal Transportation Framework Agreement (Lvsigang).

For our due diligence purpose, we have also obtain, on a random basis, 3 sets of individual contracts regarding the coal transportation services entered into (i) between the Group and connected persons of the Company (i.e. subsidiaries of the Company, and CDC and its subsidiaries) and (ii) between the Group and independent third parties during 2016 (the “**Previous Transportation Fee Documents**”). Having considered that (i) there were total six sets of individual contracts entered into between the Group and connected persons of the Company during 2016; (ii) the transactions under the Previous Transportation Fee Documents (a) were within the period under the previous transportation service framework agreement regarding the provision of coal transportation services by the Group for the year ended 31 December 2016 (the “**Previous Transportation Framework Agreements**”); (b) covered the type of transaction under the Previous Transportation Framework Agreement, we consider that there are sufficient contracts for comparison purposes. We noted from the Previous Transportation Fee Documents that the cost of transportation service provided by the Shipping Company to Lvsigang Power Generation Company is no less favourable than those provided independent third parties.

*Procedures for determination of transportation pricing policy (the “**Transportation Pricing Policy**”)*

The consideration for the coal transportation services under the Coal Transportation Framework Agreements is to be determined on normal commercial terms on the basis of arm’s length negotiation according to prevailing market conditions. The Company has also taken into account the following factors in determination of the consideration:

- (1) coal transportation cost of Shipping Company, including fuel expenses, vessel depreciation, financial costs, crew wages, port charges, administration expenses, lubricant material expenses, maintenance expenses, insurance expenses, vessel administration cost, business tax and other expenses;

LETTER FROM GRAM CAPITAL

- (2) professional departments of the Company are responsible for collecting market prices of coal transportation for the basis of pricing;
- (3) the coal transportation price for 2016 is determined upon monthly work meetings of the Company and the fuel management team meetings with reference to the coal transportation costs of Shipping Company, the demand of Beijing Datang Fuel Company, Lvsigang Power Generation Company and Chaozhou Power Generation Company for coal transportation, historical price of coal transportation of Shipping Company, potential price fluctuation and opinion from the professional departments; and
- (4) in case the Group comes across opportunities for coal transportation services with terms more favourable than those under the Coal Transportation Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole.

Having considered the Transportation Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal transportation for the basis of pricing; (ii) the coal transportation price for 2016 is determined upon monthly work meetings of the Company and the fuel management team meetings with reference to the coal transportation costs; and (iii) in case the Group comes across opportunities for coal transportation services with terms more favourable than those under the Coal Transportation Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole, we consider that the determination of the coal transportation price is with reference to, among other things, the market price of coal transportation services and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

Furthermore, having also considered (i) the INED's Confirmation and the Auditor's Confirmation; and (ii) Our Findings on Coal Prices, we do not doubt the effectiveness of implementation of the Transportation Pricing Policy during 2016.

In light of the above, we are of the view that the terms of the Coal Transportation Framework Agreement (Lvsigang) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Annual cap

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2016; and (ii) the proposed annual cap for the years ending 31 December 2017, regarding transactions contemplated under the Coal Transportation Framework Agreement (Lvsigang):

	For the year ended 31 December 2014 <i>RMB' billion</i>	For the year ended 31 December 2015 <i>RMB' billion</i>	For the year ended 31 December 2016 <i>RMB' billion</i>
Historical annual caps	0.083	0.083	0.059
Actual transaction amount	0.072	0.062	0.050
Utilization	86.75%	74.70%	84.75%
			For the year ending 31 December 2017 <i>RMB' billion</i>
Proposed annual cap			0.1229

As depicted from the table above, we note that the relevant utilization rate of the previous annual caps are approximately 86.75%, 74.70% and 84.75% for FY2014, FY2015 and FY2016 respectively. As advised by the Directors, the difference between the previous annual caps and the actual transaction amounts was primarily due to the adjustment according to the actual operations of the Company and market changes. As confirmed by the Directors, such factors were unexpected when determining the previous annual caps.

With reference to the Board Letter and as advised by the Directors, the proposed annual cap under the Coal Transportation Framework Agreement (Lvsigang) for FY2017 is determined with reference to (i) the anticipated quantity of coal to be transported by Shipping Company for Lvsigang Power Generation Company for FY2017; and (ii) the estimated market fee of coal transportation.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we have discussed with the Relevant Personnel regarding estimation of demand of coal under the Coal Transportation Framework Agreement (Lvsi gang) for FY2017. We understood from the Relevant Personnel (i) the bases and assumptions for determining the demand of coal by Lvsi gang Power Generation Company; and (ii) apart from Shipping Company, Lvsi gang Power Generation Company also engages other independent third party service providers depending on the transportation cost (i.e. when the transportation cost available from Shipping Company is less favourable than those available from other connected persons or independent third parties, Lvsi gang Power Generation Company will not engage the Shipping Company). During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the demand of coal under the Coal Transportation Framework Agreement (Lvsi gang) for FY2017.

As mentioned above, we have obtained the Previous Transportation Fee Documents. We noted that estimated coal transportation price for FY2017 is in line with those in the Previous Transportation Fee Documents (“**Our Findings on Transportation Costs**”).

Having considered (i) our findings on transportation price as mentioned above; (ii) that Lvsi gang Power Generation Company does not only engage Shipping Company for transportation services and the proposed annual cap is a maximum possible amount under the transactions; (iii) our discussion with the Relevant Personnel as mentioned above; and (iv) the increase in Total Purchase Volume for FY2017, we consider the proposed annual cap under the Coal Transportation Framework Agreement (Lvsi gang) for FY2017 to be fair and reasonable.

Shareholders should note that as the proposed annual cap under the Coal Transportation Framework Agreement (Lvsi gang) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Transportation Framework Agreement (Lvsi gang). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Transportation Framework Agreement (Lvsi gang) will correspond with the proposed annual cap.

LETTER FROM GRAM CAPITAL

14) *Coal Transportation Framework Agreement (Chaozhou)*

Date

28 December 2016

Parties

Shipping Company and Chaozhou Power Generation Company

Major terms

Subject matter: Provision of coal transportation services by Shipping Company to Chaozhou Power Generation Company during the term of the agreement.

The parties may, from time to time during the term of the agreement, enter into specific transportation contracts in respect of coal transportation, provided that such specific transportation contracts shall be subject to the terms of the Coal Transportation Framework Agreement (Chaozhou).

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

Settlement and payment: Settlement shall be made by the relevant parties in accordance with the confirmed settlement invoice.

Term: Commencing from the effective date of the agreement to 31 December 2017.

The Coal Transportation Framework Agreement (Chaozhou) becomes effective when it is duly signed by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

As mentioned above, for our due diligence purpose, we have obtained the Previous Transportation Fee Documents. We noted from the Previous Transportation Fee Documents that the cost of transportation service provided by the Shipping Company to Chaozhou Power Generation Company is no less favourable than those provided to independent third parties.

LETTER FROM GRAM CAPITAL

With reference to the announcement of the Company dated 31 December 2015, we noted that Shipping Company has entered into similar transaction with Chaozhou Power Generation Company. For our due diligence purpose, we have obtained a copy of the coal shipping framework agreement (Chaozhou) dated 31 December 2015. We noted that save for the period and annual cap, the major terms of the previous agreement are similar to the corresponding terms in the Coal Transportation Framework Agreement (Chaozhou).

Procedures for determination of transportation pricing policy

The consideration for the coal transportation services under the Coal Transportation Framework Agreements is to be determined on normal commercial terms on the basis of arm's length negotiation according to prevailing market conditions. The Company has also taken into account the Transportation Pricing Policy in determination of the consideration.

Having considered the Transportation Pricing Policy, in particular, (i) professional departments of the Company are responsible for collecting market prices of coal transportation for the basis of pricing; (ii) the coal transportation price for 2016 is determined upon monthly work meetings of the Company and the fuel management team meetings with reference to the coal transportation costs; and (iii) in case the Group comes across opportunities for coal transportation services with terms more favourable than those under the Coal Transportation Framework Agreements, the relevant entity of the Group will be at liberty to pursue such opportunity in the interest of the Company and the Shareholders' as a whole, we consider that the determination of the coal transportation price is with reference to, among other things, the market price of coal transportation services and on normal commercial terms on the basis of arm's length negotiation according to the prevailing market conditions.

Furthermore, having also considered (i) the INED's Confirmation and the Auditor's Confirmation; and (ii) our findings on transportation price as mentioned above, we do not doubt the effectiveness of implementation of the Transportation Pricing Policy during 2016.

In light of the above factors, we are of the view that the terms of the Coal Transportation Framework Agreement (Chaozhou) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Annual cap

Set out below are (i) the historical amounts of the actual transactions for the three years ended 31 December 2016; and (ii) the proposed annual cap for the year ending 31 December 2017, regarding transactions contemplated under the Coal Transportation Framework Agreement (Chaozhou):

	For the year ended 31 December 2014 <i>RMB' billion</i>	For the year ended 31 December 2015 <i>RMB' billion</i>	For the year ended 31 December 2016 <i>RMB' billion</i>
Historical annual caps	0.189	0.189	0.1125
Actual transaction amount	0.099	0.087	0.081
Utilization	52.38%	46.03%	72.00%
			For the year ending 31 December 2017 <i>RMB' billion</i>
Proposed annual cap			0.1141

As depicted from the table above, we note that the relevant utilization rate of the previous annual caps are approximately 52.38%, 46.03% and 72.00% for FY2014, FY2015 and FY2016 respectively.

With reference to the Board Letter and as advised by the Directors, the proposed annual cap under the Coal Transportation Framework Agreement (Chaozhou) for FY2017 is determined with reference to (i) the anticipated quantity of coal to be transported by Shipping Company for Chaozhou Power Generation Company for FY2017; and (ii) the estimated market fee of coal transportation.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we have discussed with the Relevant Personnel regarding estimation of demand of coal under the Coal Transportation Framework Agreement (Chaozhou) for FY2017. We understood from the Relevant Personnel(i) the bases and assumptions for determining the demand of coal by Chaozhou Power Generation Company; and (ii) apart from Shipping Company, Chaozhou Power Generation Company also engages other independent third party service providers depending on the transportation cost (i.e. when the transportation cost available from Shipping Company is less favourable than those available from other connected persons or independent third parties, Chaozhou Power Generation Company will not engage the Shipping Company). During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the demand of coal under the Coal Transportation Framework Agreement (Chaozhou) for FY2017.

As mentioned above, we have obtained the Previous Transportation Fee Documents. We noted that estimated coal transportation price for FY2017 is in line with those in the Previous Transportation Fee Documents.

Having considered (i) Our Findings on Transportation Costs; (ii) that Chaozhou Power Generation Company does not only engage Shipping Company for transportation services and the proposed annual cap is just a maximum possible amount under the transactions; (iii) our discussion with the Relevant Personnel as mentioned above; and (iv) the actual transaction amount for FY2016 representing approximately 70.99% to the proposed annual cap for FY2017, we consider the proposed annual cap under the Coal Transportation Framework Agreement (Chaozhou) for FY2017 to be fair and reasonable.

Shareholders should note that as the proposed annual cap under the Coal Transportation Framework Agreement (Chaozhou) for FY2017 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2017, and they do not represent forecasts of revenue/income/cost to be incurred from the transactions contemplated under the Coal Transportation Framework Agreement (Chaozhou). Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the transactions contemplated under the Coal Transportation Framework Agreement (Chaozhou) will correspond with the proposed annual cap.

LETTER FROM GRAM CAPITAL

III. 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 CCTs must be restricted by the proposed annual cap for FY2017; (ii) the terms of the CCTs must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of CCTs 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 CCTs (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 transaction amounts of the CCTs are anticipated to exceed the annual caps, or that there is any proposed material amendment to the terms of the Coal Purchase and Sale Framework Agreements and/or the Coal Transportation Framework Agreements, 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 CCTs and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Coal Purchase and Sale Framework Agreements and the Coal Transportation Framework Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the CCTs are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. 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 Coal Purchase and Sale Framework Agreements and/or the Coal Transportation Framework Agreements and transactions contemplated thereunder 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. 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 contained in this circular or this circular misleading.

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

- (a) As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company have any interest and/or 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 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 in 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.
- (b) As at the Latest Practicable Date, each of CDC, Tianjin Jinneng Investment Company, Hebei Construction Investment Group Co., Ltd. and Beijing Energy Investment Group Company Limited (known as Beijing Energy Investment (Group) Company Limited prior to June 2016) is a company with interests which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. As at the Latest Practicable Date, (i) Mr. Chen Jinhang, Mr. Liu Chuandong and Mr. Liang Yongpan, both non-executive Directors, are employees of CDC; (ii) Mr. Zhu Shaowen, a non-executive Director, is an employee of Tianjin Energy Investment Group Limited, which is the de facto controller of Tianjin Jinneng Investment Company; (iii) Mr. Cao Xin and Mr. Zhao Xianguo, both non-executive Directors, are employees of Hebei Construction Investment Group Co., Ltd.; and (iv) Mr. Liu Haixia and Ms. Guan Tiangang, both non-executive Directors, are employees of Beijing Energy Investment Group Company Limited.

- (c) 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 of 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 IN CONTRACT

As at the Latest Practicable Date, save for Chen Jinhang, Liu Chuandong and Liang Yongpan who are deemed by the Shanghai listing rules to be connected directors of the Company by virtue of their employment with CDC, 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 Company entered into the transfer agreement with Zhongxin Energy and Chemical Technology Company Limited, pursuant to which the Company had disposed its coal-to-chemical business segment. For further details, please refer to the announcement of the Company dated 30 June 2016 and the circular of the Company dated 12 August 2016. As disclosed in the profit warning announcement dated 11 October 2016 and the related clarification announcement dated 13 October 2016 as well as the unaudited third quarterly report dated 27 October 2016 of the Company, due to the loss incurred from the disposal of the coal-to-chemical segment and related projects which was completed on 31 August 2016, net profit attributable to the equity holders of the Company as reported in the consolidated statements of the Company for the nine months ended on 30 September 2016 decreased by approximately RMB5.518 billion.

As disclosed in the loss estimate announcement dated 13 January 2017 of the Company, based on a preliminary assessment by the management of the Company based on the unaudited management accounts of the Group and the information currently available, the Group expects to record a loss in operating results for the year ended 31 December 2016 and a net loss attributable to the equity holders of the Company of approximately RMB2.5 billion to approximately RMB2.8 billion is expected to be reported in the consolidated financial statements of the Group for the year ended 31 December 2016, attributable to the following reasons: (i) due to the loss incurred from the disposal of the coal-to-chemical and related projects (completed on 31 August 2016), net profit attributable to the equity holders of the Company as reported in the consolidated statements of the Group decreased by approximately RMB5.518 billion; (ii) under the influence of downward adjustment to on-grid tariff for coal-fired power generation by the state government at the beginning of the year and the power generation structure of the Company, the average on-grid tariffs decreased as compared to the corresponding period of the previous year, resulting in a decrease in the results of the electricity segment of the Company as compared to the corresponding period of the previous year; and (iii) under the impact of significant increase in coal price during the second half of the year, the coal price for the full year increased as compared to the corresponding period of the previous year, resulting in a decrease in the results of the coal-fired generator enterprise of the Company as compared to the corresponding period of the previous year.

Save as disclosed above, 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 to, and including the Latest Practicable Date.

6. COMPETING INTEREST

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

7. EXPERT

- (a) The following are the qualifications of the expert who has given opinion or advice which is contained in this circular:

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

- (b) 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.
- (c) Gram Capital did not have any interest, direct or indirect, in any assets which have been acquired or disposed of 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.
- (d) 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.

8. LITIGATION

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

9. MISCELLANEOUS

- (a) The registered office and office address of the Company is No. 9 Guangningbo Street, Xicheng District, Beijing, the PRC.
- (b) The principal 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.

10. 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 6 March 2017:

- (a) the memorandum and articles of association of the Company;
- (b) the Coal Purchase and Sale Framework Agreements;
- (c) the Coal Transportation Framework Agreements;
- (d) the letter from the Board;
- (e) the letter from the Independent Board Committee;
- (f) the consent letter and the letter of advice from Gram Capital dated 17 February 2017; and
- (g) this circular.