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大唐国际发电股份有限公司

DATANG INTERNATIONAL POWER GENERATION CO., LTD.

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

(Stock Code: 00991)

**CONNECTED TRANSACTION
EPC PROJECT CONTRACTS**

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



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 1 to 10 of this circular. A letter from the Independent Board Committee is set out on pages 11 to 12 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 21 of this circular.

The Company will convene the EGM at 1608 Conference Room of Datang International Power Generation Co., Ltd., 9 Guangningbo Street, Xicheng District, Beijing, the People's Republic of China on 16 March 2018 (Friday) at 9:30 a.m.. The notice convening the EGM has been dispatched to the Shareholders on 30 January 2018.

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

28 February 2018

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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
“Board”	the board of Directors
“CDC”	China Datang Corporation Limited (formerly known as China Datang Corporation), a wholly state-owned enterprise established under the laws of the PRC and is a controlling shareholder of the Company. CDC and its subsidiaries own approximately 34.77% of the issued share capital of the Company in aggregate as at the Latest Practicable Date
“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
“Comprehensive Product and Service Framework Agreement”	the agreement entered into between CDC and the Company on 30 January 2018 in relation to the mutual supply of products and services between CDC Group and the Group, details of which were disclosed in the Framework Announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Datang Environment Industry Company”	Datang Environment Industry Group Co., Ltd., a controlled subsidiary of CDC, details of which are set out in the section headed “Information on the Parties to the EPC Project Contracts”
“Director(s)”	the director(s) of the Company
“EGM”	the 2018 first extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, to approve, among others, the transaction under the EPC Project Contracts

DEFINITIONS

“EPC Project”	EPC contracting, where the contractor, entrusted by the owner, contracts the whole or certain parts of the design, purchasing, construction and trial operation of the engineering construction project, i.e., the engineering construction project of the coal transportation system of Leizhou Power Generation Company, which is located in Wushi Town, Leizhou City, Zhanjiang, Guangdong Province of the PRC. The said coal transmission system is an ancillary system of Leizhou Power Generation Company which consists of two newly-built coal-fired generating units and is used for transporting coal from the coal storage area to boilers and coal bunkers
“EPC Project Contracts”	“EPC General Contracting on Coal Transportation System of the ‘Replacing Small Capacity Units with Large Capacity Ones’ Newly-built Project of Guangdong Datang International Leizhou Power Plant Contract” entered into between Leizhou Power Generation Company and Datang Environment Industry Company on 18 January 2018, as amended by a supplemental agreement entered into between Leizhou Power Generation Company and Datang Environment Industry Company on the same date in relation to the adjustment of the total contract price of the EPC Project
“Framework Announcement”	the announcement of the Company dated 30 January 2018 in relation to the continuing connected transactions in respect of the Comprehensive Product and Service Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising the independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the transactions under the EPC Project Contracts
“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance Limited, a licensed corporation licensed under SFO to conduct type 6 regulated activity (advising on corporate finance), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the EPC Project Contracts
“Independent Shareholders”	shareholders other than Shareholders who have material interest in the transaction under the EPC Project Contracts

DEFINITIONS

“Infrastructure EPC Contracting”	the general contracting of the entire process or certain phases in the design, procurement, construction and trial operation of construction projects by the general contractor who is appointed by the owner as stipulated in the agreements between the parties
“Infrastructure EPC Contracting Annual Cap”	the proposed annual cap of the Infrastructure EPC Contracting under the Comprehensive Product and Service Framework Agreement
“Latest Practicable Date”	26 February 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Leizhou Power Generation Company”	Guangzhou Datang International Leizhou Power Generation Co., Ltd., a controlled subsidiary of the Company, details of which are set out in the section headed “Information on the Parties to the EPC Project Contracts”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New EPC Agreements”	new EPC agreements to be entered into between the Group and the CDC Group from time to time in the future
“PRC”	the People’s Republic of China
“Previous Transactions”	the transactions contemplated under certain EPC project contracts entered into by Huludao Thermal Power Company, Leizhou Power Generation Company, Tangshan Beijiao Thermal Power Generation Company and Qingtongxia Wind Power Company Limited, being subsidiaries of the Company, Datang Environment Industry Company, a controlled subsidiary of CDC, and its subsidiary, Datang Technologies and Engineering Company. For details, please refer to the announcements of the Company dated 30 October 2017 and 22 December 2017
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Office address:

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

Principal place of business in Hong Kong:

c/o Eversheds Sutherland
21/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Independent non-executive Directors:

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

28 February 2018

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
EPC PROJECT CONTRACTS**

Reference is made to the announcement of the Company dated 18 January 2018 in relation to the EPC Project Contracts. As stated in that announcement, the Company will issue a circular to the Shareholders to provide details of the transaction under the EPC Project Contracts.

LETTER FROM THE BOARD

The purpose of this circular is to, among others, (i) provide you with further details of the EPC Project Contracts; (ii) set out the recommendation of the Independent Board Committee in respect of the EPC Project Contracts; and (iii) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the EPC Project Contracts.

I. EPC PROJECT CONTRACTS

On 18 January 2018, Leizhou Power Generation Company (a subsidiary of the Company) entered into the EPC Project Contracts with Datang Environment Industry Company (a controlled subsidiary of CDC), pursuant to which, Leizhou Power Generation Company engaged Datang Environment Industry Company to undertake EPC general contracting on the coal transportation system with transaction amount of RMB385.98329 million.

Date:

18 January 2018

Parties:

- (1) Owner: Leizhou Power Generation Company
- (2) General contractor: Datang Environment Industry Company

Principal terms:

- (1) Subject matter: Leizhou Power Generation Company agreed to appoint Datang Environment Industry Company to undertake the EPC general contracting on the coal transportation system for Leizhou Power Generation Company.
- (2) Total contract price and breakdown:

Currency: RMB Unit: 0'000

Total contract price	Facilities fee	Installation fee	Construction fee	Total technical service fee	Other fees
38,598.329	26,392.276	1,012.7858	10,740.7672	390 ^(Note)	62.5

Note: The total technical service fee comprises design fee of RMB3.35 million and commissioning fee of RMB0.55 million.

LETTER FROM THE BOARD

(3) Settlement and payment:

1. *Payment of facilities fee*

- 1.1 Within one month from the effective date of the contract and upon the general contractor submitting an irrevocable performance guarantee in favour of the owner in the amount equivalent to 10% of the contract price and a financial receipt with an amount equivalent to 10% of the facilities fee, the owner shall pay 10% of the facilities fee to the general contractor as prepayment within one month upon its verification.
- 1.2 The general contractor shall deliver the facilities (and components thereof) to the construction site according to the arrival order within a specified period and upon on-site inspection by the owner. It shall provide a value-added tax invoice with an amount equivalent to 100% of the facilities fee and the list of inspection and acceptance, bill of lading, certificate for passing quality inspection, declaration of imported facilities and other documents to the owner, who shall subsequently pay 70% of the facilities fee within 45 days upon its verification.
- 1.3 The general contractor shall conduct on-site facilities installation and commissioning according to the requirements of the owner. Upon completion of trial run for 168 hours of the generating units, the contractor shall submit the acceptance certificate countersigned by the commissioning unit, installation unit, supervision unit and the manufacturer and a financial receipt with an amount equivalent to 10% of the facilities fee to the owner, who shall pay 10% of the facilities fee within 1 month upon its verification.
- 1.4 The remaining 10% of the facilities fee shall be reserved as quality assurance fee for the facilities. Upon the expiration of the warranty period of the facilities with no further issues, the general contractor shall submit a financial receipt amounting to 10% of the facilities fee and the final certificate of acceptance of facilities to the owner. The owner shall pay 10% of the facilities fee to the contractor within 1 month upon its verification (and the corresponding portion of such fee shall be deducted if any issue arises).

LETTER FROM THE BOARD

2. *Payment of the total technical service fee*

Total technical service fees include design fee and commissioning fee.

2.1 *Payment of design fee*

- 2.1.1 Within one month from the effective date of the contract, the general contractor shall provide the owner with a financial receipt with an amount equivalent to 10% of the design fee, and the owner shall pay 10% of the total design fee to the general contractor within one month upon its verification.
- 2.1.2 Within one month upon completion of the construction drawing, the general contractor shall provide a value-added tax invoice with an amount equivalent to 70% of the total design fee, and the owner shall pay 60% of the total design fee to the general contractor within one month upon its verification.
- 2.1.3 Within one month upon completion of the completion drawing, the general contractor shall provide a value-added tax invoice with an amount equivalent to 30% of the total design fee, and the owner shall pay 20% of the total design fee to the general contractor within one month upon its verification.
- 2.1.4 The remaining 10% of the design fee shall be reserved as quality assurance fee for the design fee. One year after completion of trial run for 168 hours of the generating units and when the trial results satisfy the contractual design requirements, the contractor shall provide a financial receipt with an amount equivalent to 10% of the design fee, and the owner shall pay 10% of the total design fee to the general contractor within one month upon its verification.

2.2 *Payment of commissioning fee*

- 2.2.1 Within 30 days upon entering the site by the commissioning professionals, the owner shall make a prepayment in an amount equivalent to 20% of the commissioning fee to the contractor, while the general contractor shall provide a financial receipt for such prepayment.

LETTER FROM THE BOARD

2.2.2 Within one month upon completion of trial run for 168 hours of the generating units, the contractor shall provide a value-added tax invoice with an amount equivalent to 100% of the total commissioning fee, and the owner shall pay 70% of the total commissioning fee to the general contractor within one month upon its verification.

2.2.3 The remaining 10% of the commissioning fee shall be reserved as quality assurance fee for the commissioning fee. One year after completion of trial run for 168 hours of the generating units and upon the expiration of commissioning warranty period with no further issues, the contractor shall provide a value-added tax invoice with an amount equivalent to 10% of the commissioning fee, and the owner shall pay 10% of the commissioning fee to the general contractor within one month upon its verification.

3. *Payment of construction and installation fees*

3.1 Within 30 days after the construction and installation team enters into the site, the owner shall make a prepayment amounting to 10% of the construction and installation fees to the general contractor, and the general contractor shall provide a financial receipt of such prepayment. When the amount of the progress payment reaches 50% of the construction and installation fees, the amount of prepayment shall be deducted by 4 installments in equal amount.

3.2 Upon the commencement of the construction and fulfillment of certain conditions under the contract, the owner shall make progress payment to the general contractor on monthly basis. When the amount of the progress payment (including the prepayment) reaches 90% of the total amount of the construction and installation fees, no further payment may be made until the construction is completed and the audit department has audited the amount and, after auditing, the progress payment shall be made up to 95% of the audited construction cost and the remaining 5% shall be reserved as construction quality assurance fee.

3.3 5% of the construction and installation fees shall be reserved as quality assurance fee, which shall be paid by the owner to the general contractor within 1 month upon the expiration of the warranty period of the coal transportation system and the owner being satisfied that no abnormal situation or residual problem arises upon the owner's review and verification (and the corresponding portion of such fees shall be deducted if any issue arises).

LETTER FROM THE BOARD

4. *Other fees will be paid simultaneously according to the payment arrangement of the construction and installation fee.*

- (4) Warranty period: The warranty period in respect of certain services as referred to in paragraph (3) headed “Settlement and payment” in the above shall be (i) one year from the date when the preliminary acceptance certificate is issued for the EPC Project (until the issuance of final acceptance certificate); or (ii) 36 months from the date when the last batch of equipment to be despatched by Datang Environment Industry Company is delivered (until the issuance of the final acceptance certificate), whichever is the earlier.
- (5) Liability for delays of and the underestimation of costs of the EPC Project: If there is any delay of the EPC Project due to the fault of Datang Environment Industry Company, except in cases of force majeure, Datang Environment Industry Company shall be liable for the breach of contract and the payment of the liquidated damages to Leizhou Power Generation Company in accordance with the terms of the EPC Project Contracts. If additional costs are incurred in excess of the total contract price of the EPC Project Contracts due to underestimation of costs, the additional costs shall be borne by Datang Environment Industry Company.
- (6) Effective date of the contract: The contract will become effective upon duly signed by the representatives of the parties to the contract with their respective company chops affixed thereto and upon the owner’s receipt of the performance guarantee in the amount equivalent to 10% of the total contract price submitted by the general contractor.

II. SUPPLEMENTARY INFORMATION

Reference is made to the Framework Announcement.

The Company considers that the transactions contemplated under the EPC Project Contracts are not the same as Infrastructure EPC Contracting under the Comprehensive Product and Service Framework Agreement as set out in the Framework Announcement. While the Infrastructure EPC Contracting under the Comprehensive Product and Service Framework Agreement are general EPC contracting services to be provided by the CDC Group to the Group during the term of the Comprehensive Product and Service Framework Agreement in respect of the construction projects of the Group, the transactions contemplated under the EPC Project Contracts are specifically for the EPC contracting for the EPC Project, i.e. the project of the coal transportation system of Guangdong Datang International Leizhou Power Plant.

LETTER FROM THE BOARD

Given that (i) the EPC Project Contracts were entered into prior to the date of the Comprehensive Product and Service Framework Agreement; (ii) the Comprehensive Product and Service Framework Agreement is intended to cover future potential continuing connected transactions (the specific terms of which have not been agreed at as at the Latest Practicable Date) of the Group in relation to, amongst others, Infrastructure EPC Contracting during the term of the Comprehensive Product and Service Framework Agreement; and (iii) both the EPC Project Contracts and the Comprehensive Product and Service Framework Agreement are submitted to the EGM for Independent Shareholders' approval by separate resolutions, therefore the Company considers that the transaction amount of the EPC Project Contracts shall not be covered under the annual cap for Infrastructure EPC Contracting under the Comprehensive Product and Service Framework Agreement.

In respect of the New EPC Agreements during the term of the Comprehensive Product and Service Framework Agreement, the Company intends to treat any New EPC Agreements as specific operational agreements under the Comprehensive Product and Service Framework Agreement and the transaction amounts of the New EPC Agreements are intended to be included in the Infrastructure EPC Contracting Cap if the Comprehensive Product and Service Framework Agreement is approved by the Independent Shareholders at the EGM. The Company does not intend to make separate disclosure of the New EPC Agreements. The Company will re-comply with the applicable requirements under Chapter 14A of the Listing Rules in case it anticipates that the Infrastructure EPC Contracting Annual Cap may be exceeded.

III. REASONS FOR AND BENEFITS OF ENTERING INTO THE EPC PROJECT CONTRACTS

The Company invited public tenders for the EPC Project of Leizhou Power Generation Company. In accordance with the Law of the PRC on Bid Invitation and Bidding (《中華人民共和國招標投標法》) and the Regulation on the Implementation of the Law of the PRC on Bid Invitation and Bidding (《中華人民共和國招標投標法實施條例》), the public tender procedures comprise four stages. First, an invitation of tender was posted on the websites of China Procurement and Bidding (<http://www.chinabidding.com.cn>) and the China Datang e-commerce platform (<http://www.cdt-ec.com>). Second, a tendering agent was appointed to conduct the public tender process and at least three qualified tenderers were required to participate in the public tender process. Third, the tendering agent would select at least five experts who are not in conflict of interests with the transaction contemplated under the EPC Project Contracts, and such experts would form a tender evaluation committee to assess the tenderers. Lastly, the tender evaluation committee assesses the tenderers based on various factors, including the tenderers' technical experience, professional qualification, project management abilities, business reputation and tendered prices, etc.

LETTER FROM THE BOARD

After carrying out relevant evaluation procedures and considering the aforementioned factors, the Company selected Datang Environment Industry Company as the tender winner. Datang Environment Industry Company was selected as the tender winner as it possesses adequate professional qualification and extensive experience in undertaking the EPC Project. The Company considers that Datang Environment Industry Company is capable of ensuring smooth implementation of the EPC Project.

Leizhou Power Generation Company agreed to engage Datang Environment Industry Company to undertake contracting services of the EPC Project mainly to make the most of its professional advantage in ensuring the on-schedule completion of relevant construction.

The Directors (including the independent non-executive Directors) are of the view that, the EPC Project Contracts and the transaction thereunder are determined through open bidding, and the relevant terms are fair and reasonable, and have been entered into on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

IV. INFORMATION ON THE PARTIES TO THE EPC PROJECT CONTRACTS

1. Datang Environment Industry Company, a controlled subsidiary of CDC, has a registered capital of RMB2.97 billion. Its business scope principally covers development of environmental protection projects, investment and operational management of environmental protection facilities.
2. Leizhou Power Generation Company, a controlled subsidiary of the Company, with a registered capital of RMB441.14 million, planning construction of $6 \times 1,000\text{MW}$ generating units, planning ancillary construction of one 100,000 tonnes coal unloading dock and one 3,000 tonnes heavy cargo dock. Phase I project adopted the “Replacing Small Capacity Units with Large Capacity Ones” model to construct two 1,000MW ultra-supercritical secondary reheating coal-fired generating units.

V. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CDC is the controlling shareholder of the Company, which together with its subsidiaries, holds a total of 34.77% of the issued share capital of the Company. Datang Environment Industry Company is a controlled subsidiary of CDC. Datang Environment Industry Company is therefore a connected person of the Company and the transaction under the EPC Project Contracts constitutes a connected transaction of the Company.

LETTER FROM THE BOARD

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transaction amount under the EPC Project Contracts, when aggregated with the Previous Transactions exceeds 5%, the transaction under the EPC Project Contracts is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VI. BOARD'S APPROVAL AND EGM

The sixteenth meeting of the ninth session of the Board considered and approved the "Resolution on the Entrustment of Datang Environment Company to Undertake the EPC Project and the Concession Project of Desulfurization and Denitrification of Certain Enterprises of the Company" (for details, please refer to the overseas regulatory announcement of the Company dated 15 August 2017).

None of the Directors has material interest in the transaction under the EPC Project Contracts. Connected Directors, namely Chen Jinhang, Liu Chuandong and Liang Yongpan, have abstained from voting for the resolution at the relevant Board meeting pursuant to the listing rules of the Shanghai Stock Exchange.

The Company will convene the EGM to consider and approve, among others, the transactions under the EPC Project Contracts. The notice convening the EGM has been dispatched to the Shareholders on 30 January 2018.

Any Shareholder with a material interest in the transactions under the EPC Project Contracts and its associates will abstain from voting at the EGM to be held by the Company. Therefore, CDC and its associates, which hold approximately 34.77% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting at the EGM in approving the transaction contemplated under the EPC Project Contracts.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, apart from CDC and its associates, no other Shareholders have material interest in the transaction contemplated under the EPC Project Contracts and shall abstain from voting at the resolution(s) in relation to the approval of the transaction contemplated under the EPC Project Contracts at the EGM.

LETTER FROM THE BOARD

VII. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 11 to 12 of this circular which contains its recommendation to the Independent Shareholders on the terms of the EPC Project Contracts. Your attention is also drawn to the letter of advice received from Lego Corporate Finance, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 13 to 21 of this circular which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the EPC Project Contracts, the casting of votes for or against the resolution(s) approving the EPC Project Contracts as well as the principal factors and reasons considered by it in concluding its advice.

The Directors (including the independent non-executive Directors) consider that the terms of the EPC Project Contracts are fair and reasonable and in the interest of the Shareholders and the Company as a whole and they recommend the Shareholders to vote in favour of the resolution(s) at the EGM.

Yours faithfully,
By Order of the Board of
Datang International Power Generation Co., Ltd.
Ying Xuejun
Secretary to the Board



大唐国际发电股份有限公司

DATANG INTERNATIONAL POWER GENERATION CO., LTD.

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

(Stock Code: 00991)

Office address

No. 9 Guangningbo Street

Xicheng District

Beijing, 100033

The PRC

28 February 2018

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
EPC PROJECT CONTRACTS**

We refer to the circular issued by the Company to the Shareholders dated 28 February 2018 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

Under the Listing Rules, the transaction under the EPC Project Contracts constitutes a connected transaction of the Company, and is subject to the approval of the Independent Shareholders at the EGM.

We have been appointed as the Independent Board Committee to consider the terms of the EPC Project Contracts and to advise the Independent Shareholders in connection with the EPC Project Contracts as to whether, in our opinion, its terms and the transaction contemplated thereunder are fair and reasonable and whether entering into the EPC Project Contracts is in the interests of the Company and the Shareholders as a whole. Lego Corporate Finance has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders 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 Lego Corporate Finance as set out in this circular. Having considered the principal factors and reasons considered by, and the advice of Lego Corporate Finance as set out in its letter of advice, we consider that the entering into of the EPC Project Contracts is on normal commercial terms. We also consider that the terms of the EPC Project Contracts and the transaction contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and that the entering into of the EPC Project Contracts is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the EPC Project Contracts and the transaction contemplated thereunder at the EGM.

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

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the EPC Project Contracts.



28 February 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONNECTED TRANSACTION EPC PROJECT CONTRACTS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the EPC Project Contracts, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 28 February 2018 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 18 January 2018, Leizhou Power Generation Company (a subsidiary of the Company) entered into the EPC Project Contracts with Datang Environment Industry Company (a controlled subsidiary of CDC), pursuant to which, Leizhou Power Generation Company engaged Datang Environment Industry Company to undertake EPC general contracting on the coal transportation system with transaction amount of RMB385.98329 million.

As at the Latest Practicable Date, CDC is the controlling shareholder of the Company, which together with its subsidiaries holds a total of 34.77% of the issued share capital of the Company. As Datang Environment Industry Company (a controlled subsidiary of CDC) is a connected person of the Company, the transaction under the EPC Project Contracts constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transaction amount under the EPC Project Contracts when aggregated with the Previous Transactions exceeds 5%, the transaction under the EPC Project Contracts is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Any Shareholder with a material interest in the transaction under the EPC Project Contracts and its associates will abstain from voting at the EGM to be held by the Company. Therefore, CDC and its associates, which hold approximately 34.77% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting at the EGM in approving the transaction contemplated under the EPC Project Contracts. Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, apart from CDC and its associates, no other Shareholders have material interest in the transaction contemplated under the EPC Project Contracts and shall abstain from voting at the resolution(s) in relation to the approval of the transaction contemplated under the EPC Project Contracts at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Liu Jizhen, Mr. Feng Genfu, Mr. Luo Zhongwei, Mr. Liu Huangsong and Mr. Jiang Fuxiu, has been established to advise the Independent Shareholders as to whether the terms of the EPC Project Contracts are fair and reasonable so far as the Company and Independent Shareholders are concerned and whether the entering of the EPC Project Contracts are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolution to be proposed at the EGM to approve the EPC Project Contracts. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. In the last two years, Lego Corporate Finance has acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to a major and connected transaction (details of which were set out in the circular of the Company dated 12 August 2016) and a discloseable and continuing connected transaction (details of which were set out in the circular of the Company dated 30 September 2016). Apart from normal professional fees paid or payable to us in connection with such appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true up to the date of this letter and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. The Directors have confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM. In addition, the Company shall inform the Shareholders of any material change of information in the Circular between the Latest Practicable Date and the date of the EGM (if any).

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company and Datang Environment Industry Company or any of their respective subsidiaries or associates.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

1. Information on the Group and Leizhou Power Generation Company

The Company was established in December 1994 and is principally engaged in construction and operation of power plants, the sale of electricity and thermal power, the maintenance and debugging of power equipment as well as the provision of power-related technical services. The Company mainly provides service in the PRC.

The following table is a summary of the audited financial information of the Group for the financial years ended 31 December 2015 and 2016, as extracted from the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”) and the unaudited financial information of the Group for the six months ended 30 June 2016 and 2017, as extracted from the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”).

	For the year ended 31 December		For the six months ended 30 June	
	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Operating revenue	60,050,302	57,291,557	29,198,539	30,047,916
Operating profit	15,694,944	13,167,368	6,821,889	3,793,040
Profit for the year/period	3,260,372	1,885,321	2,051,679	1,334,966

As illustrated in the table above, revenue of the Group amounted to approximately RMB57,291.6 million for the year ended 31 December 2016, representing a decrease of approximately 4.6% as compared to that of approximately RMB60,050.3 million for the year ended 31 December 2015. The profit decreased by approximately 42.2% from approximately RMB3,260.4 million for the year ended 31 December 2015 to approximately RMB1,885.3 million for the year ended 31 December 2016. According to the 2016 Annual Report, such decrease was mainly due to a loss caused by disposal of coal-chemical business segment and related projects, and a decrease in profit from power generation segment of approximately RMB4,205.6 million, from approximately RMB13,147.2 million for the year ended 31 December 2015 to approximately RMB8,941.6 million for the year ended 31 December 2016.

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According to the 2017 Interim Report, revenue of the Group amounted to approximately RMB30,047.9 million for the six months ended 30 June 2017, representing an increase of approximately 2.9% as compared to that of approximately RMB29,198.5 million for the six months ended 30 June 2016. Such increase was mainly due to the increase in electricity sales revenue by approximately 8.3% from approximately RMB25,062.4 million for the six months ended 30 June 2016 to approximately RMB27,130.4 for the six months ended 30 June 2017, resulting from the increase in demand for on-grid electricity. The profit for the six months ended 30 June 2017 decreased by approximately 34.9% from approximately RMB2,051.7 million for the six months ended 30 June 2016 to approximately RMB1,335.0 million for the six months ended 30 June 2017. The decrease of the profit was mainly due to the increase in operating cost of approximately RMB3,878.2 million or approximately 17.3% from approximately RMB22,376.7 million for the six months ended 30 June 2016 to approximately RMB26,254.9 million for the six months ended 30 June 2017, resulted from the increase in cost of fuel for power and heat generation by approximately RMB4,442 million as compared to the six months ended 30 June 2016.

Leizhou Power Generation Company, a controlled subsidiary of the Company, with a registered capital of RMB441.14 million, is planning to construct $6 \times 1,000$ MW generating units, with ancillary construction of one 100,000 tonnes coal unloading dock and one 3,000 tonnes heavy cargo dock. Phase I project will adopt the “Replacing Small Capacity Units with Large Capacity Ones” model to construct two 1,000 MW ultra-supercritical secondary reheating coal-fired generating units.

2. Information of Datang Environment Industry Company

Datang Environment Industry Company, a controlled subsidiary of CDC, has a registered capital of RMB2.97 billion. Its business scope principally covers development of environmental protection projects, investment and operational management of environmental protection facilities.

3. Reasons and benefits of entering into the EPC Project Contracts

The Company primarily engages in power generation business with its main focus on coal-fired power generation. According to the representation of the management, the Company will continue to focus on coal-fired power generation and will strive to build up the capability of equipment maintenance and overhaul of coal-fired power plants, improve the security for safety production, and carry out the construction of the new coal-fired generating units.

According to the representation of the management, by entering into the EPC Project Contracts, it will enable Leizhou Power Generation Company to construct two 1,000 MW ultra-supercritical secondary reheating coal-fired generating units.

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The Company invited open bidding for the EPC Project of Leizhou Power Generation Company and received six tender documents, five of which were submitted by independent third parties. After carrying out relevant evaluation procedures and considering various factors, including the technical experience, professional qualification, business reputation, project management abilities, tendered prices and other relevant factors of all the tenders, the Company selected Datang Environment Industry Company as the tender winner.

Datang Environment Industry Company possesses adequate professional qualification and extensive experience in undertaking the EPC Project. The Company considers that Datang Environment Industry Company is capable of ensuring smooth implementation of the EPC Project. Leizhou Power Generation Company agreed to engage Datang Environment Industry Company to undertake contracting services of the EPC Project mainly to make the most of its professional advantage in ensuring the on-schedule completion of relevant construction.

We have discussed with the management of the Group and understand that the Group generally invite public tender for the construction projects. The Group selects the tender winner for the EPC Project by conducting a comparison of technical experience, professional qualification, business reputation, project management abilities, total expenses and other relevant factors of all the tenderers so as to grant the EPC Project to the most suitable tenderer pursuant to the tender evaluation methods publicly published on the website of CDC. We also understand that the Group's public tender procedures, which follows the Law of the PRC on Bid Invitation and Bidding (《中華人民共和國招標投標法》) and the Regulation on the Implementation of the Law of the PRC on Bid Invitation and Bidding (《中華人民共和國招標投標法實施條例》), requiring a minimum of three qualified tenderers for a valid public tender and noted that there were at least three tenderers participated in the public tender and the prices tendered by Datang Environment Industry Company are comparable to those tendered by other independent tenderers. The Directors considered that the public tender procedures as mentioned above will ensure that the price and service terms under the EPC Project Contracts are fair and reasonable, and no less favorable than those provided by any independent third parties.

We have obtained and reviewed the tender evaluation report prepared by the tender evaluation committee of the Company for the EPC Project Contracts and two sample tender evaluation reports for another two EPC Projects in which independent bidders have been selected. We noted that (i) the information required and systematic tender submission procedure maintained by the Group is applicable to tender obtained from both connected persons and independent third parties; and (ii) the Group ranked the tenderers by price, professional qualification, business reputation and the tenderer with highest ranking will be selected as the successful contractor for the EPC Project. We also understand that the tender evaluation committee of the Company may approve or reject an invitation to tenderer based on the analysis result of the tender review process. After our review of the tender evaluation reports, we are of the view that the evaluation process is fair and reasonable.

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Having considered (i) the EPC Project Contracts are in line with the existing business activities of the Group; (ii) the tender documents submitted to the Group have been reviewed and evaluated by the tender evaluation committee of the Company based on the same standard and systematic tender submission procedures applicable to tenderer of both connected persons and independent third parties; and (iii) the results of our independent review on the tender evaluation reports, we are of the view that the EPC Project Contracts are in the ordinary and usual course of business of the Group, and have been entered into on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

4. Major terms of the EPC Project Contracts

The Group and Datang Environment Industry Company agreed that the transaction to be contemplated under the EPC Project Contracts shall be conducted on normal commercial terms, in particular on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and in the ordinary and usual course of business of the Group and conducted after arm's length negotiations.

In order to assess the fairness and reasonableness of the prices and service terms of the EPC Project Contracts supplied by the Group to Datang Environment Industry Company, we have obtained and reviewed one set of sample EPC Project contract entered into between Leizhou Power Generation Company and Datang Environment Industry Company, and two sets of sample EPC Project contracts entered into between Leizhou Power Generation Company and the independent third parties. We have discussed with the management of the Group and understand that the Group generally adopts the same standard terms for all the EPC Project contract and therefore we have obtained the abovementioned random sample EPC Project contracts per year for each of the three years ended 31 December 2015, 2016 and 2017, in which we noted that the terms of the EPC Project contracts has no material changes throughout the years, as such we are satisfied that the sample size is fair and representative for the purpose of our review.

According to the EPC Project contracts entered into between Leizhou Power Generation Company and Datang Environment Industry Company, Datang Environment Industry Company will be responsible for design, construction, on-site facilities installation, and also provide training to the relevant technical staffs of Leizhou Power Generation Company to make sure that they have thorough understandings of on-going maintenance for the generating units. Upon completion of the installation of generating units, Datang Environment Industry Company need to conduct a trial run and solve any technical problem within one month together with a warranty period of (i) one year from the date when the preliminary acceptance certificate is issued for the EPC Project (until the issuance of final acceptance certificate); or (ii) 36 months from the date when the last batch of equipment to be despatched by Datang Environment Industry Company is delivered (until the issuance of the final acceptance certificate), whichever is earlier.

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Moreover, if there is any delay of the EPC Project due to the fault of Datang Environment Industry Company, except in cases of force majeure, Datang Environment Industry Company shall be liable for the breach of contract and the payment of the liquidated damages to Leizhou Power Generation Company will be in accordance with the terms of the EPC Project Contracts. If additional costs are incurred in excess of the total contract price of the EPC Project Contracts due to underestimation of costs, the additional costs shall be borne by Datang Environment Industry Company.

We have obtained and reviewed two sets of sample EPC Project contracts entered into between Leizhou Power Generation Company and the independent third parties, and we noted that the terms are comparable and/or justifiable to the projects contemplated under the EPC Project contracts entered into between Leizhou Power Generation Company and Datang Environment Industry Company. Based on our review of those samples of EPC Project contracts, we noted that the terms of the EPC Project contracts offered by Datang Environment Industry Company to Leizhou Power Generation Company are no less favorable than those offered by the independent third parties.

Payment term

According to the representation of the management, the facilities fee, installation fee, total technical service fee and other fees are specially for this EPC Project Contracts, and the Company will adopt such payment method to whoever win the open bidding.

According to the Circular and the representation of the management, we understand that Leizhou Power Generation Company generally settles the construction fee on a stage of completion basis. The Company normally make a prepayment of 10% of the construction fee and make progress payment on monthly basis, and when the amount of progress payment (including the prepayment) reaches 90% of the total amount of the construction fee, no further payment may be made until the construction is completed and the audit department has audited the amount and, after auditing, the progress payment shall be made up to 95% of the audited construction cost and the remaining 5% shall be reserved as construction quality assurance fee.

We have obtained and reviewed one set of sample EPC Project contract entered into between the Group and Datang Environment Industry Company and the two sets of sample EPC Project contracts entered into between the Group and the independent third parties. Among all the contracts being reviewed, we are of the view that the payment terms and credit terms under the EPC Projects Contracts entered into between Leizhou Power Generation Company and Datang Environment Industry Company are no less favourable than those EPC Project contracts entered into between Leizhou Power Generation Company and independent third parties, and thus we are of the view that they are on normal commercial terms.

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Other major terms

According to the representation of the management, we understand that it is market practice for the EPC contractor to be responsible for the quality, schedule and costs of a project. We have reviewed other major terms of the EPC Project Contracts and are not aware of any terms which are exceptional to normal market practice. Based on the above, we are of the opinion that the terms of the EPC Project Contracts are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

RECOMMENDATIONS

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the EPC Project Contracts are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the EPC Project Contracts.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Gary Mui
Chief Executive Officer

Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 19 years of experience in the finance and investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY**Interest of Directors and chief executive of the Company**

- (a) As at the Latest Practicable Date, save as disclosed below, so far as known to the Board, none of the Directors, supervisors and chief executive of the Company have any interests and short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company under section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules:

Name of Director	Long position/ short position	Capacity/nature of interest	Number of A-shares held	Approximate percentage of the issued share capital of the Company ^(Note)
Mr. Liu Jizhen	Long position	Beneficial interest	9,100	0.000068%

Note:

- (1) The percentage is calculated based on the 13,310,037,578 issued shares of the Company as at the Latest Practicable Date.

- (b) 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 2016, 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.

Interest of substantial shareholders of the Company

- (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 or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

4. INTEREST IN ASSETS OR CONTRACT

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any assets, contract or arrangement entered into by any member of the Group, and which was significant in relation to the business of the Group.

5. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up, 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 AND CONSENT

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

Name	Qualifications
Lego Corporate Finance	A licensed corporation to carry out type 6 of the regulated activity under the SFO

As at the Latest Practicable Date, the above expert:

- (b) 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;
- (c) did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any members of the Group, or which are proposed to be acquired or disposed of by or leased to any members of the Group since 31 December 2016, the date to which the latest published audited financial statements of the Company were made up; and
- (d) 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 Group is at present engaged in any litigation or arbitration of material importance to the Group and no litigation or claim of material importance to the Group is known to the Directors or the Company to be pending or threatened by or against any member of the Group.

9. MISCELLANEOUS

- (a) The registered office and office address of the Company is No. 9 Guangningbo Street, Xicheng District, Beijing, the PRC.
- (b) The place of business of the Company in Hong Kong is at c/o Eversheds Sutherland, 21/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.
- (c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The secretary to the Board of the Company is Mr. Ying Xuejun.

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 14 March 2018:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Independent Board Committee;
- (c) the consent letter and the letter of advice from the Independent Financial Adviser;
- (d) the EPC Project Contracts; and
- (e) this circular.