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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)**

## **ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS**

### **FRANCHISING CONTRACTS**

Reference is made to the Previous Announcements. As disclosed in the Previous Announcements, on 31 October 2012, 22 January 2015, 30 June 2015 and 30 October 2015, Certain Power Generation Enterprises of the Company entered into the Franchising Contracts with Datang Environment Company (previously known as Datang Technology Industry Company and China Datang Environmental Technology Company) and its project-based branches and subsidiaries, respectively.

Since the relevant desulfurisation assets and denitrification assets are the supporting and ancillary facilities of the coal-fired power generating units, the franchise period of the desulfurisation assets and denitrification assets is the same as the operating period of the power generation facilities at which the franchise project is located (exceeding three years). The Company had previously engaged independent financial advisors to give independent advice on the franchise period of the Franchising Contracts in accordance with the requirements under Rule 14A.52 of the Listing Rules. The independent financial advisors considered that it was reasonable for the franchise period to be the same as the operating period of the power generation facilities at which the franchise project was located. Please refer to the announcements published by the Company on 22 November 2012, 29 January 2015, 9 July 2015 and 10 November 2015 for details.

The existing annual caps of the Franchising Contracts will expire on 31 December 2017. On 30 October 2017, the continued implementation of desulfurisation and denitrification franchising by Certain Power Generation Enterprises of the Company was considered and approved by the eighteenth meeting of the ninth session of the Board.

## **ANNUAL CAPS**

Pursuant to the resolution of the Board, the annual caps under the Franchising Contracts for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020, (i) in respect of the desulfurisation and denitrification electricity fees payable by Certain Power Generation Enterprises of the Company to Datang Environment Company will be approximately RMB1,357.83 million, RMB1,360.07 million and RMB1,354.40 million, respectively; and (ii) in respect of the amount to be reimbursed by Datang Environment Company to Certain Power Generation Enterprises of the Company for settlement of costs to be incurred for desulfurisation and denitrification, including water, electricity and gas costs will be approximately RMB242.47 million, RMB245.46 million, and RMB241.41 million, respectively.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, 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 Company is a controlled subsidiary of CDC. Datang Environment Company and its project-based branches and subsidiaries are therefore connected persons of the Company and the transactions under the Franchising Contracts constitute continuing connected transactions of the Company.

Since the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the revised annual caps under the Franchising Contracts is above 0.1% but under 5%, the respective transactions under the Franchising Contracts are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **FRANCHISING CONTRACTS**

Reference is made to the Previous Announcements. As disclosed in the Previous Announcements, on 31 October 2012, 22 January 2015, 30 June 2015 and 30 October 2015, Certain Power Generation Enterprises of the Company entered into the Franchising Contracts with Datang Environment Company (previously known as Datang Technology Industry Company and China Datang Environmental Technology Company) and its project-based branches and subsidiaries, respectively.

Since the relevant desulfurisation assets and denitrification assets are the supporting and ancillary facilities of the coal-fired power generating units, the franchise period of the desulfurisation assets and denitrification assets is the same as the operating period of the power generation facilities at which the franchise project is located (exceeding three years). The Company had previously engaged independent financial advisors to give independent advice on the franchise period of the Franchising Contracts in accordance with the requirements under Rule 14A.52 of the Listing Rules. The independent financial advisors considered that it was reasonable for the franchise period to be the same as the operating period of the power generation facilities at which the franchise project was located. Please refer to the announcements published by the Company on 22 November 2012, 29 January 2015, 9 July 2015 and 10 November 2015 for details.

The existing annual caps of the Franchising Contracts will expire on 31 December 2017. On 30 October 2017, the continued implementation of desulfurisation and denitrification franchising by Certain Power Generation Enterprises of the Company was considered and approved by the eighteenth meeting of the ninth session of the Board.

The details of the Franchising Contracts are set out below:

### **Dates and Contracting Parties**

#### **1. *First Franchising Contracts***

- (a) Date: 31 October 2012
- (b) Contracting parties: Zhangjiakou Power Plant, Chaozhou Power Generation Company, Lvsigang Power Generation Company and China Datang Environmental Technology Company

#### **2. *Second Franchising Contract***

- (a) Date: 22 January 2015
- (b) Contracting parties: Lvsigang Power Generation Company and Datang Technology Industry Company

#### **3. *Third Franchising Contracts***

- (a) Date: 30 June 2015
- (b) Contracting parties: Zhangjiakou Thermal Power Company, Wangtan Power Generation Company, Tuoketuo Power Generation Company, Tuoketuo No. 2 Power Generation Company, Chaozhou Power Generation Company and the Project-based Branches and Subsidiaries for the Third Franchising Contracts

#### **4. Fourth Franchising Contracts**

- (a) Date: 30 October 2015
- (b) Contracting parties: Shentou Power Company, Panshan Power Company, Wushashan Power Company and the Project-based Branches and Subsidiaries for the Fourth Franchising Contracts

#### **Material Terms of the Franchising Contracts**

The major terms for the Franchising Contracts are substantially the same, the material terms of which are summarised as follows:

1. The settlement of electricity fee for desulfurisation or denitrification: The power grid company shall pay on-grid electricity fee to Certain Power Generation Enterprises of the Company. After receiving such on-grid electricity fee, Certain Power Generation Enterprises of the Company shall transfer the revenue from desulfurisation or denitrification tariffs to Datang Environment Company according to the pricing principle set out in the Previous Announcements.
2. Settlement of water, electricity and gas costs incurred for desulfurisation or denitrification: During the franchise period, Datang Environment Company shall reimburse and compensate Certain Power Generation Enterprises of the Company for the costs incurred for desulfurisation or denitrification, including water, electricity and gas.
3. The franchise period: The franchise period is the same as the operating period of the power generation facilities at which the franchise project is located (exceeding three years).

For other major terms of the Franchising Contracts, please refer to the Previous Announcements.

#### **Annual Caps**

It is estimated that the annual caps for the desulfurisation and denitrification electricity fees (tax exclusive) to be charged by Datang Environment Company for the provision of desulfurisation and denitrification services to Certain Power Generation Enterprises of the Company for each of the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 will be approximately RMB1,357.83 million, RMB1,360.07 million and RMB1,354.40 million in aggregate, respectively.

The above-mentioned desulfurisation and denitrification electricity fees are calculated with reference to the annual utilisation hours of the power generation units of Certain Power Generation Enterprises of the Company in previous years together with the actual situation of the areas where such enterprises are located, the expected corresponding on-grid power generation of the power generation units with annual utilisation hours between 3,400 to 5,300 hours and the current desulfurisation electricity tariff (RMB0.015/kWh) and denitrification electricity tariff (RMB 0.01/kWh).

It is estimated that the annual caps for the total costs incurred for desulfurisation and denitrification, including water, electricity and gas costs (tax exclusive) under the Franchising Contracts to be charged on Datang Environment Company by Certain Power Generation Enterprises of the Company for each of the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 will be approximately RMB242.47 million, RMB245.46 million, and RMB241.41 million in aggregate, respectively.

The above-mentioned compensation fees are calculated with reference to the annual utilisation hours of the power generation units of Certain Power Generation Enterprises of the Company in previous years, together with the actual situation of the areas where such enterprises are located, and the expected corresponding on-grid power generation of the power generation units with annual utilisation hours between 3,400 to 5,300 hours.

## **HISTORICAL TRANSACTION AMOUNTS**

The total desulfurisation and denitrification electricity fee (tax exclusive) of Certain Power Generation Enterprises of the Company for the three years ended 31 December 2014, 31 December 2015, 31 December 2016 and the six months ended 30 June 2017 amounted to approximately RMB504.14 million, RMB1,032.80 million, RMB1,229.55 million and RMB636.81 million in aggregate, respectively.

The total revenue (tax exclusive) from the total costs incurred for desulfurisation and denitrification, including water, electricity and gas costs received by Certain Power Generation Enterprises of the Company for the three years ended 31 December 2014, 31 December 2015, 31 December 2016 and the six months ended 30 June 2017 amounted to approximately RMB136.83 million, RMB180.57 million, RMB255.56 million and RMB136.61 million in aggregate, respectively.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRANCHISING CONTRACTS**

The implementation of franchising for desulfurisation and denitrification projects by Certain Power Generation Enterprises of the Company can bring the professional management advantage of Datang Environment Company into full play, while the operational efficiency of the desulfurisation and denitrification facilities can be enhanced, the risks concerning environmental protection can be reduced, and the operational costs of the Company can be saved. These could in turn enhance the profitability of the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Franchising Contracts (including the terms relating to the franchise period) have been entered into on normal commercial terms and in the ordinary and usual course of business, and such transactions and the annual caps for the three years ending 31 December 2020 are fair, reasonable and in the interests of the Company and its Shareholders as a whole.

### **Information on the Parties to the Franchising Contracts**

1. The Company is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the repair and maintenance of power equipment and power-related technical services, with its main service areas located in the PRC.
2. Zhangjiakou Power Plant, a power plant in Zhangjiakou owned by the Company with an installed capacity of 2,400MW.
3. Chaozhou Power Generation Company, a controlled subsidiary of the Company with an installed capacity of 3,200MW. 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 and 25% of its equity interest is held by other shareholders.
4. Lvsigang Power Generation Company, a controlled subsidiary of the Company with an installed capacity of 2,400MW. 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 is held by CDC and 10% of its equity interest is held by other shareholders.

5. Shentou Power Company, a controlled subsidiary of the Company with an 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 other shareholders.
6. Zhangjiakou Thermal Power Company, a wholly-owned subsidiary of the Company with an installed capacity of 600MW.
7. Wangtan Power Generation Company, a controlled subsidiary of the Company with an installed capacity of 1,200MW. The equity holding structure of the company is as follows: 70% of its equity interest is held by the Company and 30% of its equity interest is held by other shareholders.
8. Panshan Power Company, a controlled subsidiary of the Company with an installed capacity of 1,200MW. The equity holding structure of the company is as follows: 75% of its equity interest is held by the Company and 25% of its equity interest is held by other shareholders.
9. Tuoketuo Power Generation Company, a controlled subsidiary of the Company with an installed capacity of 3,600MW. 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 other shareholders.
10. Tuoketuo No. 2 Power Generation Company, a controlled subsidiary of the Company with an installed capacity of 2,520MW. The equity holding structure of the company is as follows: 40% of its equity interest is held by the Company, 20% of its equity interest is held by CDC and 40% of its equity interest is held by other shareholders.
11. Wushashan Power Company, a controlled subsidiary of the Company with an installed capacity of 2,400MW. 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 other shareholders.
12. Datang Environment Company, a controlled subsidiary of CDC with a registered capital of RMB2,967.542 million. It is principally engaged in businesses such as environmental protection facilities franchising, denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business.
13. Project-based Branches and Subsidiaries for the Third Franchising Contracts and Project-based Branches and Subsidiaries for the Fourth Franchising Contracts are the branches or controlled subsidiaries set up by Datang Environment Company at respective project sites, which are mainly responsible for investments in and operation and management of environmental protection facilities.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, 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 Company is a controlled subsidiary of CDC. Datang Environment Company and its subsidiaries are therefore connected persons of the Company and the transactions under the Franchising Contracts constitute continuing connected transactions of the Company.

Since the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the revised annual caps under the Franchising Contracts is above 0.1% but under 5%, the respective transactions under the Franchising Contracts are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **BOARD'S APPROVAL**

The Board has approved the annual caps in respect of the transaction amounts under the Franchising Contracts for each of the three years ending 31 December 2018, 31 December 2019 and 31 December 2020. None of the Directors has any material interest in the Franchising Contracts. Chen Jinhang, Liu Chuandong and Liang Yongpan, all being connected Directors, who have abstained from voting on such resolution in accordance with the listing rules of the Shanghai Stock Exchange.

## **DEFINITIONS**

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

“Board”	the board of directors of the Company
“CDC”	China Datang Corporation (中國大唐集團公司), a state-owned enterprise established under the laws of the PRC and is the controlling shareholder of the Company under the Listing Rules
“Certain Power Generation Enterprises of the Company”	collectively, Zhangjiakou Power Plant, Chaozhou Power Generation Company, Lvsigang Power Generation Company, Shentou Power Company, Zhangjiakou Thermal Power Company, Wangtan Power Generation Company, Panshan Power Company, Tuoketuo Power Generation Company, Tuoketuo No. 2 Power Generation Company and Wushashan Power Company



“Chaozhou Power Generation Company”	Guangdong Datang International Chaozhou Power Generation Co., Ltd. (廣東大唐國際潮州發電有限責任公司), details of which are set out in the section entitled “Information on the Parties to the Franchising Contracts”
“China Datang Environmental Technology Company”	China Datang Environmental Technology Company Limited (中國大唐集團環境技術有限公司), which changed its name to Datang Technology Industry Company in 2013
“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 transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Datang Environment Company”	Datang Environment Industry Group Co., Ltd. (previously known as Datang Technology Industry Company and China Datang Environmental Technology Company), a controlled subsidiary of CDC, details of which are set out in the section entitled “Information on the Parties to the Franchising Contracts”
“Datang Technology Industry Company”	Datang Technology Industry Company Limited (大唐科技產業集團有限公司), a subsidiary of CDC, which changed its name to Datang Environment Company in 2015
“Director(s)”	the director(s) of the Company
“First Franchising Contracts”	collectively, the three contracts dated 31 October 2012 and entered into between China Datang Environmental Technology Company and each of (i) Zhangjiakou Power Plant; (ii) Chaozhou Power Generation Company; (iii) Lvsigang Power Generation Company in respect of flue gas desulfurisation franchising, details of which please refer to the announcement of the Company dated 2 November 2012

“Fourth Franchising Contracts”	collectively, the contract in respect of the flue gas desulfurization franchising and the contract in respect of the flue gas denitrification franchising both dated 30 October 2015 and entered between (i) Shentou Power Company, (ii) Panshan Power Company, (iii) Wushashan Power Company and (iv) the Project-based Branches and Subsidiaries for the Fourth Franchising Contracts, details of which please refer to the announcement of the Company dated 2 November 2015
“Franchising Contracts”	collectively, the First Franchising Contracts, the Second Franchising Contract, the Third Franchising Contracts and the Fourth Franchising Contracts
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Lvsigang Power Generation Company”	Jiangsu Datang International Lvsigang Power Generation Company Limited, details of which are set out in the section entitled “Information on the Parties to the Franchising Contracts”
“Panshan Power Company”	Tianjin Datang International Panshan Power Generation Company Limited, details of which are set out in the section entitled “Information on the Parties to the Franchising Contracts”
“PRC”	The People’s Republic of China
“Previous Announcements”	the announcements published by the Company in respect of the Franchising Contracts on 2 November 2012, 22 January 2015, 30 June 2015 and 2 November 2015
“Project-based Branches and Subsidiaries for the Fourth Franchising Contracts”	collectively, the Branch of Shentou Project of Datang Environment Company, Department of Jixian Project of Datang Environment Company and Zhejiang Datang Tiandi Environmental Protection Technology Co., Ltd., details of which are set out in the section entitled “Information on the Parties to the Franchising Contracts”

“Project-based Branches and Subsidiaries for the Third Franchising Contracts”	collectively, the Branch of Tuoketuo Project of Datang Technology Industry Company, Branch of Zhangjiakou Thermal Power Project of Datang Technology Industry Company, Branch of Raoping Project of Datang Technology Industry Company, Branch of Wangtan Project of Datang Technology Industry Company, details of which are set out in the section entitled “Information on the Parties to the Franchising Contracts”
“RMB”	Renminbi, the lawful currency of the PRC
“Second Franchising Contract”	the contract dated 22 January 2015 and entered into between (i) Lvsigang Power Generation Company and (ii) Datang Technology Industry Company in respect of the flue gas denitrification franchising, details of which please refer to the announcement of the Company dated 22 January 2015
“Shareholder(s)”	the shareholder(s) of the Company
“Shentou Power Company”	Shanxi Datang International Shentou Power Generation Company Limited, details of which are set out in the section entitled “Information on the Parties to the Franchising Contracts”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Franchising Contracts”	collectively, the contract in respect of the flue gas desulfurisation franchising and the contract in respect of the flue gas denitrification franchising both dated 30 June 2015 and entered into between (i) Zhangjiakou Thermal Power Company; (ii) Wangtan Power Generation Company; (iii) Tuoketuo Power Generation Company; (iv) Tuoketuo No. 2 Power Generation Company; (v) Chaozhou Power Generation Company and (vi) the Project-based Branches and Subsidiaries for the Third Franchising Contracts, details of which please refer to the announcement of the Company dated 30 June 2015
“Tuoketuo Power Generation Company”	Inner Mongolia Datang International Tuoketuo Power Generation Company Limited, details of which are set out in the section entitled “Information on the Parties to the Franchising Contracts”

“Tuoketuo No. 2 Power Generation Company”	Inner Mongolia Datang International Tuoketuo No. 2 Power Generation Company Limited, details of which are set out in the section entitled “Information on the Parties to the Franchising Contracts”
“Wangtan Power Generation Company”	Hebei Datang International Wangtan Power Generation Company Limited, details of which are set out in the section entitled “Information on the Parties to the Franchising Contracts”
“Wushashan Power Company”	Zhejiang Datang International Wushashan Power Generation Company Limited, details of which are set out in the section entitled “Information on the Parties to the Franchising Contracts”
“Zhangjiakou Power Plant”	Zhangjiakou Power Plant (張家口發電廠), a power plant owned by the Company, details of which are set out in the section entitled “Information on the Parties to the Franchising Contracts”
“Zhangjiakou Thermal Power Company”	Hebei Datang International Zhangjiakou Thermal Power Generation Company Limited, details of which are set out in the section entitled “Information on the Parties to the Franchising Contracts”
“%”	per cent.

By Order of the Board  
**Ying Xuejun**  
*Company Secretary*

Beijing, the PRC, 30 October 2017

*As at the date of this announcement, the directors of the Company are:*

*Chen Jinhang, Liu Chuandong, Wang Xin, Liang Yongpan, Ying Xuejun, Zhu Shaowen, Cao Xin, Zhao Xianguo, Liu Haixia, Guan Tiangang, Liu Jizhen \*, Feng Genfu \*, Luo Zhongwei \*, Liu Huangsong \*, Jiang Fuxiu \**

*\* Independent non-executive directors*