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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**

FRANCHISING CONTRACTS

On 18 January 2018, Such Companies, being subsidiaries of the Company, have entered into various Franchising Contracts with Datang Environment Industry Company, pursuant to which Datang Environment Industry Company agreed to carry out the franchising of the Desulfurisation Assets or Denitrification Assets of the corresponding coal-fired power generating units of Such Companies and to invest in, design, construct, operate, maintain and manage the desulfurisation or denitrification facilities during the franchise period. During the franchise period, Datang Environment Industry Company shall be entitled to the revenue from the desulfurisation or denitrification tariffs and shall reimburse and compensate Such Companies for the costs incurred, including those for water and electricity, for desulfurisation or denitrification.

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 Industry Company is a controlled subsidiary of CDC. Datang Environment Industry Company is therefore a connected person of the Company and the transactions under the Franchising Contracts constitute continuing connected transactions of the Company.

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

The Company will disclose the relevant details of the Franchising Contracts in the next annual report and accounts of the Company in accordance with the relevant requirements as set out in Chapter 14A of the Listing Rules. A circular containing the details of the Franchising Contracts and the opinions on the terms of the Franchising Contracts as set out in the letter from the independent board committee and the letter from the independent financial adviser of the Company will be despatched to the Shareholders on or before 8 February 2018.

FRANCHISING CONTRACTS

Date

18 January 2018

Contracting Parties

Leizhou Power Generation Company, Tangshan Beijiao Thermal Power Company, Shendong Thermal Power Company, Huludao Thermal Power Company and Datang Environment Industry Company.

Material Terms of the Franchising Contracts

Such Companies entered into six desulfurisation or denitrification Franchising Contracts with Datang Environment Industry Company in aggregate with substantially the same terms, the material terms of which are summarised as follows:

1. Such Companies authorised Datang Environment Industry Company to carry out the franchising of the Desulfurisation Assets or Denitrification Assets of the corresponding coal-fired power generating units and to invest in, design, construct, operate, maintain and manage the desulfurisation or denitrification facilities during the franchise period. During the franchise period, Datang Environment Industry Company shall be entitled to the revenue from the desulfurisation or denitrification tariffs and shall reimburse and compensate Such Companies for the costs incurred, including those for water and electricity, for desulfurisation or denitrification.
2. Desulfurisation or denitrification tariffs: Desulfurisation or denitrification tariffs are determined in accordance with the national tariff policy and implemented in accordance with relevant requirements of the PRC when there are changes in the national tariff policy. As at the date of the signing of Franchising Contracts, the desulfurisation tariff is RMB0.015/kWh and the denitrification tariff is RMB0.01/kWh.

The revenue to be received by Datang Environment Industry Company from the desulfurisation or denitrification tariffs is calculated as follows:

Desulfurisation or denitrification electricity fee = volume of on-grid power generation × desulfurisation or denitrification tariffs (*Note*)

Note: The revenue from the desulfurisation or denitrification tariff shall be based on the actual settlement amount of power grid enterprises.

3. Settlement of desulfurisation or denitrification electricity fee: The power grid company shall pay on-grid electricity fee to Such Companies, which shall accrue from the date when (i) the competent environmental protection authorities have granted acceptance documents for the facilities of the projects after inspection; (ii) the desulfurisation or denitrification tariffs have been approved by the relevant government authorities; and (iii) confirmation from the power grid companies has been obtained.

After receiving such on-grid electricity fee, Such Companies shall transfer revenue from the desulfurisation or denitrification tariffs to Datang Environment Industry Company according to the pricing principle of desulfurisation or denitrification electricity fee as set out in paragraph 2 of this section.

It is estimated that the total desulfurisation and denitrification electricity fees (tax exclusive) charged by Datang Environment Industry Company for the provision of desulfurisation or denitrification services to Such Companies for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 will not exceed RMB92.25 million, RMB314.74 million and RMB370.14 million per year, respectively.

The above-mentioned desulfurisation or denitrification electricity fees shall be calculated with reference to the corresponding volume of power generation with annual utilisation hours between 530 and 5,000 hours in the coming three years upon the commencement of operation of each of the power generating units estimated by Such Companies in accordance with their operation plans (in which, Shendong Thermal Power Company, Huludao Thermal Power Company and Tangshan Beijiao Thermal Power Company planned to commence operations in 2018, while Leizhou Power Generation Company planned to commence operations in 2019) and the current desulfurisation electricity tariff (RMB0.015/kWh) and current denitrification electricity tariff (RMB0.01/kWh).

4. Settlement of water and electricity costs incurred for desulfurisation or denitrification: During the franchise period, Datang Environment Industry Company shall reimburse and compensate Such Companies for the costs incurred, including those for water and electricity, for desulfurisation or denitrification.

Based on the calculation by making reference with the volume of power generation with utilisation hours between 530 and 5,000 hours in the coming three years upon the commencement of operation of each of the power generating units estimated by Such Companies in accordance with their operation plans, various costs (tax exclusive) including those for water and electricity required for the desulfurisation or denitrification that will be reimbursed and compensated to Such Companies by Datang Environment Industry Company for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 are estimated to be not more than RMB14.71 million, RMB50.45 million and RMB60.02 million in aggregate per year, respectively.

5. Franchise period: The franchise period is the same as the operating period of the power generation facilities at which the franchise projects are located. During the term of the franchise period, the ownership of the facilities of the franchise projects (excluding the land at which such facilities are located) is vested in Datang Environment Industry Company or in the project company (if any) established by Datang Environment Industry Company to operate the desulfurisation or denitrification project. Further, without the prior consent of Such Companies, Datang Environment Industry Company shall not transfer, lease, charge, pledge, entrust or dispose of the franchise rights, assets and facilities related to the franchising and equity interests in the project companies in any other manner before the expiry of the franchise period.

Upon the expiry of the franchise period, Datang Environment Industry Company shall transfer the facilities of entire projects to Such Companies at nil consideration or, if applicable, demolish the facilities of the franchise projects in accordance with request from Such Companies. In any event, Datang Environment Industry Company shall discharge all encumbrances in relation to the desulfurisation or denitrification facilities, including lease, charge or pledge, etc., before the receipt of such facilities by Such Companies.

6. Effective date of the Franchising Contracts: The Franchising Contracts shall become effective upon signing with the respective company seals affixed thereto by the legal representatives, or the authorized persons of Such Companies and Datang Environment Industry Company and subject to obtaining the approval from the Independent Shareholders.

Since the Desulfurisation Assets or Denitrification Assets are the supporting and ancillary facilities of the coal-fired power generating units, the franchise period of the Desulfurisation Assets or Denitrification Assets are the same as the operating periods of their corresponding power generating facilities. The term of the Franchising Contracts is expected to exceed three years. The Company will re-set the annual caps of the transactions under the Franchising Contracts after the expiration of the term for the year ending 31 December 2020 and re-comply with the relevant reporting, announcement and Independent Shareholders' approval (if applicable) requirements in accordance with the relevant requirements of the Listing Rules.

The Company will engage an independent financial adviser to provide independent advice in respect of the term of the Franchising Contracts in accordance with the requirements as stipulated in Rule 14A.52 of the Listing Rules, to explain why a longer period is required and to confirm that it is normal business practice for contracts of this type to be of such duration. The advice to be given by the independent financial adviser in relation to the term of the Franchising Contracts will be included in the circular to be despatched to the Shareholders.

HISTORICAL TRANSACTION AMOUNT

Such Companies did not engage in similar transactions with Datang Environment Industry Company in the past, therefore no historical transaction amount is available.

INFORMATION ON THE PARTIES TO THE FRANCHISING CONTRACTS

1. Datang Environment Industry Company is a controlled subsidiary of CDC with a registered capital of RMB2,967.542 million. Its scope of business mainly includes the franchising of environmental protection facilities, denitrification catalysts, environmental protection facilities engineering, water treatment business, the energy conservation business and the renewable energy engineering business.
2. Huludao Thermal Power Company, a wholly-owned subsidiary of the Company, with a registered capital of RMB10 million, is responsible for the construction of 2 × 350MW ultra-critical heat supply and coal-fired power generation units of Huludao thermal power project.
3. Leizhou Power Generation Company is a controlled subsidiary of the Company with a registered capital of RMB441.14 million. The shareholding structure of Leizhou Power Generation Company is as follows: the Company holds 34%, Datang Huayin Electric Power Co., Ltd., holds 33%, CDC holds 30%, and Leizhou City Peicai Infrastructure Construction Co., Ltd. holds 3%. Leizhou Power Generation Company is responsible for construction of two sets of 1,000MW ultra-supercritical coal-fired power generation units.

4. Shendong Thermal Power Company, a wholly-owned subsidiary of the Company, with a registered capital of RMB99.72 million, is responsible for the construction of two sets of 350MW ultra-critical heat supply and coal-fired power generation units.
5. Tangshan Beijiao Thermal Power Company, a wholly-owned subsidiary of the Company, with a registered capital of RMB37.91 million, is responsible for the construction of two sets of 350MW ultra-critical heat supply and coal-fired power generation units.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRANCHISING CONTRACTS

The implementation of franchising for desulfurisation and denitrification projects of Such Companies can bring the professional management advantage of Datang Environment Industry Company into full play, thus enhancing the operational efficiency of the desulfurisation and denitrification facilities, reducing the risks of environmental protection and minimising the operational costs of the Company. These could in turn enhance the profitability of the Company.

The Directors (excluding the independent non-executive Directors whose view will be included in the circular after considering the advice from the independent financial adviser) 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 the relevant transactions are fair, reasonable and in the interests of the Company and its Shareholders as a whole.

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INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An independent board committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Franchising Contracts.

The Company will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders on the terms of the Franchising Contracts.

BOARD'S APPROVAL

The fourteenth meeting of the ninth session of the Board of the Company considered and approved the “Resolution on the Entrustment of Datang Environment Company to Undertake Certain EPC and BOT Engineering Projects of Liaoning Datang International Huludao Thermal Power Company Limited” (for details, please refer to the overseas regulatory announcement of the Company dated 23 May 2017) and 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 Franchise 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 any material interest in the Franchising Contracts. Chen Jinhang, Liu Chuandong and Liang Yongpan, all being connected Directors, have abstained from voting on such resolutions 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
“CDC”	China Datang Corporation Limited (中國大唐集團有限公司), formerly known as China Datang Corporation, a wholly state-owned company established under the laws of the PRC and is the controlling shareholder of the Company under the Listing Rules

“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
“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 Franchising Contracts”
“Denitrification Assets”	the denitrification installations and related assets, including all the facilities, equipment, spare parts and related information, and ancillary equipment of the coal-fired power generation units of Such Companies
“Desulfurisation Assets”	the desulfurisation installations and related assets, including all the facilities, equipment, spare parts and related information, and ancillary equipment of the coal-fired power generation units of Such Companies
“Director(s)”	the director(s) of the Company
“Franchising Contracts”	collectively, (i) two contracts on flue gas denitrification and desulfurisation franchising both dated 18 January 2018 entered into between Datang Environment Industry Company and each of Huludao Thermal Power Company and Shendong Thermal Power Company; (ii) two contracts on flue gas denitrification franchising both dated 18 January 2018 entered into between Datang Environment Industry Company and each of Leizhou Power Generation Company and Tangshan Beijiao Thermal Power Company; and (iii) two contracts on flue gas desulfurisation franchising both dated 18 January 2018 entered into between Datang Environment Industry Company and each of Leizhou Power Generation Company and Tangshan Beijiao Thermal Power Company

“Huludao Thermal Power Company”	Liaoning Datang International Huludao Thermal Power Company Limited (遼寧大唐國際葫蘆島熱電有限責任公司), a wholly-owned subsidiary of the Company, details of which are set out in the section headed “Information on the Parties to the Franchising Contracts”
“Independent Shareholders”	Shareholders other than those who have a material interest in the transactions under the Franchising Contracts
“Leizhou Power Generation Company”	Guangdong Datang International Leizhou Power Generation Co., Ltd. (廣東大唐國際雷州發電有限責任公司), a controlled subsidiary of the Company, details of which are set out in the section headed “Information on the Parties to the Franchising Contracts”
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Previous Transactions”	the franchising contracts entered into between various subsidiaries, power plants and branch companies of the Company with Datang Environment Industry Company in relation to the franchising of the Desulfurisation or Denitrification Assets on 31 October 2012, 22 January 2015, 30 June 2015 and 30 October 2015, details of which are set out in the announcement of the Company dated 30 October 2017
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Shendong Thermal Power Company”	Liaoning Datang International Shendong Thermal Power Company Limited (遼寧大唐國際沈東熱電有限責任公司), a wholly-owned subsidiary of the Company, details of which are set out in the section headed “Information on the Parties to the Franchising Contracts”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Such Companies”	collectively, Leizhou Power Generation Company, Shendong Thermal Power Company, Huludao Thermal Power Company and Tangshan Beijiao Thermal Power Company
“Tangshan Beijiao Thermal Power Company”	Hebei Datang International Tangshan Beijiao Thermal Power Generation Company Limited (河北大唐國際唐山北郊熱電有限責任公司), a wholly-owned subsidiary of the Company, details of which are set out in the section headed “Information on the Parties to the Franchising Contracts”
“%”	per cent

By Order of the Board
Ying Xuejun
Company Secretary

Beijing, the PRC, 18 January 2018

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*