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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **DATANG INTERNATIONAL POWER GENERATION CO., LTD.**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**大唐国际发电股份有限公司**

DATANG INTERNATIONAL POWER GENERATION CO., LTD.

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

**(Stock Code: 00991)**

**CONTINUING CONNECTED TRANSACTIONS  
COMPREHENSIVE PRODUCT AND SERVICE FRAMEWORK AGREEMENT**

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

**TRINITY**

**Trinity Corporate Finance Limited**

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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 14 of this circular. A letter from the Independent Board Committee is set out on pages 15 to 16 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 17 to 35 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

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

“Alternative Power Generation”	purchase or transfer of planned contracted generation indicator by trading of generation rights between two or more power generation enterprises on the principle of equality and free will and given that such trading will not prejudice the interests of power consumers. Pursuant to the trading, the purchaser (the replacer) completes the power generation indicator plan on behalf of the transferor (the replaced party), and the capacity traded shall be regarded as the alternative capacity. Trading of alternative capacity encourages and facilitates the disposal of all or part of its planned contracted capacity of generating units with high generation costs to those who are able to generate electricity with lower costs, thus optimizing the structure of power source as well as reducing consumption and emission
“associate(s)”	has the meaning ascribed to it under the listing rules of the places where the Company is listed
“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 the 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. Please refer to the section headed “Information in relation to Relevant Parties to the Agreement” of this circular for details
“CDC Group”	CDC, its controlled subsidiaries, subsidiaries and/or their respective associates (but excluding the Group) and including the connected subsidiaries of the Group
“Coal Supply”	operating activities in respect of the supply of coal from one party of the agreement to another party
“Coal Transportation”	transportation of coal to designated locations through single or joint methods such as railway, highway and waterways

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## DEFINITIONS

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“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. Please refer to the section headed “Information in relation to Relevant Parties to the Agreement” of this circular for details
“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
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“connected subsidiaries”	has the same meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	<p>(a) in respect of the Non-Exempt CCT only, the date on which the Comprehensive Product and Service Framework Agreement is signed by the respective authorised party of CDC and the Company, their respective company chops are affixed thereto and the Non-Exempt CCT have been approved by the Independent Shareholders; or</p> <p>(b) in respect of the remaining categories of transactions (other than the Non-Exempt CCT) under the Comprehensive Product and Service Framework Agreement only, the date on which the Comprehensive Product and Service Framework Agreement is signed by the respective authorised party of CDC and the Company and their respective company chops be affixed thereto</p>
“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 Non-Exempt CCT under the Comprehensive Product and Service Framework Agreement

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## DEFINITIONS

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“Electricity Entrustment Agency”	the participation of electricity sales enterprises in large users and cross-provincial and regional market electricity transactions as agents of power generation enterprises with professional advantages, in which certain commission fees will be charged in accordance with the agreement between both parties
“Group”	collectively, the Company, its controlled subsidiaries and its subsidiaries
“Hohhot Company”	Inner Mongolia Datang International Hohhot Thermal Power Generation Company Limited (內蒙古大唐國際呼浩特熱電有限責任公司), a subsidiary of the Company
“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 Non-Exempt CCT under the Comprehensive Product and Service Framework Agreement
“Independent Financial Adviser” or “Trinity Corporate Finance Limited”	Trinity Corporate Finance Limited, a licensed corporation under the SFO permitted to conduct type 6 (advising on corporate finance) regulated activities for the purposes of the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Comprehensive Product and Service Framework Agreement
“Independent Shareholders”	shareholders other than CDC and its associates, and who are not involved in or interested in the Non-Exempt CCT contemplated under the Comprehensive Product and Service Framework Agreement
“Independent Third Party”	economic entity (i.e. company, enterprise and business unit) or natural person which, together with the ultimate beneficial owner of such economic entity, is independent of and not connected with CDC and its connected persons, as well as the Company and its connected persons
“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

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## DEFINITIONS

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“Insurance Underwriting Business”	property insurance underwriting business of the insurer in relation to certain power generating units owned by the enterprises of the Group
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Exempt CCT”	collectively, the transactions under the categories of (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, (ii) Coal Supply, (iii) Infrastructure EPC Contracting, (iv) Sale of Electricity and Electricity Entrustment Agency and (v) Technological Transformation, Operations Management and Repair and Maintenance in respect of products and services to be provided by CDC to the Company, as well as the transactions under the category of Coal Supply and Coal Transportation in respect of products and services to be provided by the Company to CDC, of which one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) is more than 5%, and which are subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules
“Operations Management”	operations on equipment such as monitoring, inspection, starting and stopping, and reconfiguration
“PRC”	the People’s Republic of China
“Previous Transactions”	the previous transactions of a similar nature entered into by the Group and CDC Group in the last 12 months preceding the date of the announcement of the Company dated 30 January 2018 in relation to the Comprehensive Product and Service Framework Agreement
“Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services”	the centralized procurement of certain general-purpose equipment and materials for construction, technological transformation projects, repair and maintenance of production, and provision of related centralized procurement services; complete services management including procurement services, contract execution and performance services (equipment supervision and inspection, delivery and shipment) related to major equipment and materials for large infrastructure projects, on-site material management for infrastructure projects

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## DEFINITIONS

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“Property Lease”	lease of related buildings held by the Group to the member companies of CDC Group
“Property Management and Other Logistical Services”	the entrustment of property service enterprises for facilities related to buildings held by the Group to conduct various services such as logistic management on such facilities
“Repair and Maintenance”	routine maintenance and repair on equipment
“RMB”	Renminbi, the lawful currency of the PRC
“Sale of Electricity”	the sale of electricity (including water, gas and other resources) generated (or processed) by power generation enterprises to energy sale enterprises or other users
“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
“Technical Supervision and Technical Services”	the provision of regular technical proposals and guidance on measures upon discovery of issues on the operation and technical management of power generation equipment through supervision and analysis on relevant operation information and performance indicators of such power generation equipment, and the provision of various services for addressing a particular technical issue, such as unconventional calculation, design, surveying, analysis, installation, commissioning, provision of technical information, improvement on technical process, implementation of special experiment and technical diagnosis, etc
“Technological Transformation”	technological transformation projects that transform obsolete technologies into advanced technologies and replace outdated technology and equipment with advanced ones by upholding the principle of technological advancement, thereby achieving the goal to expand production capacities through organic growth, diversify product portfolio and enhance product quality, at the same time saving energy, reducing raw materials consumption, enhancing labour productivity and increasing economic benefits
“%”	per cent

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Wang Xin  
Mr. Ying Xuejun

*Office address:*

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

*Non-executive Directors:*

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

*Principal place of business in Hong Kong:*

c/o Eversheds 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,

### **CONTINUING CONNECTED TRANSACTIONS COMPREHENSIVE PRODUCT AND SERVICE FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 30 January 2018 in relation to the Comprehensive Product and Service Framework Agreement. As stated in that announcement, the Company will issue a circular to the Shareholders to provide details of the Comprehensive Product and Service Framework Agreement.

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## LETTER FROM THE BOARD

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The purpose of this circular is to, among others, (i) provide you with further details of the Comprehensive Product and Service Framework Agreement; (ii) set out the recommendation of the Independent Board Committee in respect of the Non-Exempt CCT under the Comprehensive Product and Service Framework Agreement; 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 Non-Exempt CCT under the Comprehensive Product and Service Framework Agreement.

### **I. COMPREHENSIVE PRODUCT AND SERVICE FRAMEWORK AGREEMENT**

On 30 January 2018, the Company entered into the Comprehensive Product and Service Framework Agreement with CDC. The term of the agreement shall commence from the Effective Date and shall continue up to and including 31 December 2018. Upon the agreement of both parties, and subject to the compliance of the relevant laws and regulations and the listing rules of the places where Company is listed, the term of the Comprehensive Product and Service Framework Agreement will be automatically extended or renewed for one year.

**Date:**

30 January 2018

**Parties:**

The Company and CDC

**Principal terms:**

- (1) Subject matter: CDC Group agreed to provide products and services (including Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, Coal Supply, Infrastructure EPC Contracting, Technological Transformation, Operations Management and Repair and Maintenance, Technical Supervision and Technical Services, Alternative Power Generation, Sale of Electricity (including sale of water, gas and other resources) and Electricity Entrustment Agency, Insurance Underwriting Business, and Property Management and other Logistical Services) to the Group during the term of the Comprehensive Product and Service Framework Agreement.

The Group agreed to provide products and services (including Coal Supply and Transportation, Alternative Power Generation, Sale of Electricity, Operations Management and Repair and Maintenance and Property Lease) to CDC Group during the term of the Comprehensive Product and Service Framework Agreement.

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## LETTER FROM THE BOARD

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CDC and its controlled subsidiaries and subordinate enterprises may enter into specific contracts in respect of the above matters with the Company and its controlled subsidiaries and subordinate enterprises as required from time to time during the term of the Comprehensive Product and Service Framework Agreement, and such specific contracts shall be subject to the terms of the Comprehensive Product and Service Framework Agreement.

- (2) Term: The Comprehensive Product and Service Framework Agreement shall commence from the Effective Date and shall continue up to and including 31 December 2018. Upon the agreement of both parties, and subject to the compliance of the relevant laws and regulations and the listing rules of the places where the Company is listed, the term of the Comprehensive Product and Service Framework Agreement will be automatically extended or renewed for one year.

- (3) Consideration:

The specific pricing principles of various types of transactions under the Comprehensive Product and Service Framework Agreement are set out as follows:

- (a) In respect of the businesses such as Technological Transformation, Operations Management, Repair and Maintenance, Infrastructure EPC Contracting, Insurance Underwriting Business and Property Management and Other Logistical Services, the service provider is to be determined through public tender, upon fulfillment of the relevant assessment procedures and with reference to multiple factors, including the technical experience, professional qualifications, business reputation, project management techniques, total costs of all bidders and other relevant factors; and the consideration of specific transactions is also to be determined according to the results of public tender (*Note 1*).
- (b) In respect of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, the Group agreed to entrust CDC Group to carry out centralized purchase of production and infrastructure materials, the prices of which are to be determined through public tender. CDC will charge a certain management service fee in respect of relevant services it undertook in the course of its centralized purchase. The amount of such management service fee shall not exceed 6% of the purchase amount. The service fee for the whole package of service for equipment is calculated in accordance with the scope of actual services provided and the fee standard of the relevant package of service for materials. The afore-mentioned management service fee for centralized purchase and the service fee for the whole package of service for equipment shall be determined on the basis of arm's length negotiation by both parties with reference to the management service fees charged by other independent cooperative service providers for the provision of similar services. The relevant

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## LETTER FROM THE BOARD

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management service fee to be charged by CDC Group shall not be higher than the fee to be charged for the provision of the same type of services to the Independent Third Party or the other companies of CDC Group. The said management service fee of not more than 6% of the purchase amount is arrived at after considering the management service fee charged by Independent Third Parties providing similar services and it is ascertained that the service management fee charged by Independent Third Party is not more than 6% of the purchase amount of the production and infrastructure materials. Upon entering into specific procurement contract, the material management department of the Company will approve the management service fee to ensure that the rate of the management service fee is not higher than that stipulated by the Comprehensive Product and Service Framework Agreement.

In view of the above pricing arrangement, the Company considers that the management service fee charged by CDC is fair and reasonable.

- (c) In respect of the Coal Supply and the Coal Transportation, the price is to be determined on the basis of arm's length negotiations and on normal commercial terms according to prevailing market conditions provided that the market price of coal has been considered, and taking into account the following relevant factors: purchase costs of coal, transportation costs of coal, trend of market change, changes in policies, historical transaction price, potential price fluctuations, etc. The fuel management department of the Company is responsible for collecting the market prices of coal and coal transportation with reference to the trend of market change in the last three years as the basis of determining the consideration. The sales prices of fuel companies are to be determined according to the purchase costs of fuel companies, the coal consumption demands of subordinate power generation companies and the trend of price change in the Bohai Rim and the trend of international price change, upon negotiation with subordinate power generation companies, taking into account factors such as the transportation costs of coal of shipping companies, the transportation demands of coal of relevant enterprises, historical transaction price and potential price fluctuations. The price of market coal is to be determined upon determination of the price of electricity and coal in mid-to-long term agreements at the meeting of the fuel management group of the Company or through the bidding platform for coal procurement in the market.

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## LETTER FROM THE BOARD

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- (d) In respect of the Technical Supervision and Technical Services, the price is to be determined upon negotiation by both parties with reference to the market price, taking into account the following relevant factors: differences in the service projects of thermal power, hydropower and wind power units and the differences in the installed capacity of the power generation enterprises and the regions where they are located, etc.; the market price of the Technical Supervision and Technical Services collected by the professional department of the Company ensures that the price is not higher than that charged by the Independent Third Party for the same or similar type of products or services.
- (e) In respect of the Alternative Power Generation, the price is to be determined upon negotiation by both parties based on the principles of fairness and objectiveness and benefit sharing, provided that the market transaction price of alternative electricity and marginal revenue have been taken into account, and on normal commercial terms according to prevailing market conditions.
- (f) In respect of the Sale of Electricity and the Electricity Entrustment Agency, the market transaction price of electricity or agency service fee is to be determined upon negotiation by both parties with reference to the market price based on the principles of equality, impartiality and fairness. The government-prescribed price shall be adopted for the prices of water, gas and other resources.
- (g) In respect of the Property Lease, the price is to be determined on the basis of arm's length negotiations by both parties upon consideration of the actual conditions of the leased property and the market rent of comparable properties in surrounding areas, while the price shall not be lower than that charged for leasing to the Independent Third Party.

*Note 1:* 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 relevant transactions, 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. After carrying out relevant evaluation procedures and considering the aforementioned factors, the Company will select the winner for the tender.

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## LETTER FROM THE BOARD

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In view of the above comprehensive tender assessment based on relevant PRC laws and regulations, the Company considers that the service providers and prices to be determined through public tender are fair and reasonable.

- (4) Principles of transactions:
- (a) Both parties agreed that, in terms of products and services to be provided by the other party, if the terms of provision of products and services and/or price payable to the Independent Third Party are less favorable than the terms provided by the other party and/or higher than the price payable to the other party, or the same as those of the other party, priority shall be given to purchasing or using products and services provided by the other party.
  - (b) Both parties agreed that, saved as agreed in paragraph (4)(a) above, the entering into of the Comprehensive Product and Service Framework Agreement will not affect the selection of their respective trading partners and conduct of transactions with the Independent Third Party. If the Independent Third Party can provide products and services at more favourable terms and/or prices pursuant to the Agreement, each party is entitled to entrust the Independent Third Party to provide the products and services.
  - (c) Each party is entitled to provide products and services to the Independent Third Party on the pre-condition that the provision of products and services to the other party will not be affected.
  - (d) If a party is unable to satisfy the requirements on products and services of the other party, or if the terms provided by the Independent Third Party are more favorable than those of the other party, the party is entitled to receive products and services from the Independent Third Party.
  - (e) Before fulfilling the requirements on products and services of the other party, any party shall not provide such products and services to the Independent Third Party unless the Independent Third Party provide more favourable prices and terms than those of the other party. However, if the other party is willing to pay and provide prices not less than and/or terms more favourable than those provided by the Independent Third Party, the other party shall prioritize to fulfill the requirements on products and services of the other party.
  - (f) For each year, each party will provide the other party with an estimate of the demand for products and services required in the following year in advance.

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## LETTER FROM THE BOARD

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- (g) It is estimated that the Company and its subordinate enterprises will enter into individual supply or service agreements with other subordinate enterprises of CDC from time to time and as required. The Company reserves the right to make changes to the Comprehensive Product and Service Framework Agreement pursuant to the listing rules of the places where the Company is listed.

### Annual Caps

The annual caps for the transaction amounts of the Comprehensive Product and Service Framework Agreement for the term ending 31 December 2018 are set out as follows:

**1. Products and services to be provided by CDC to the Company**

*Unit: RMB'000*

No.	Transactions	For the term ending 31 December 2018
1.	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	3,800,000
2.	Coal Supply	47,000,000
3.	Infrastructure EPC Contracting	1,400,000
4.	Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency	1,400,000
5.	Technological Transformation, Operations Management and Repair and Maintenance	1,000,000
6.	Technical Supervision and Technical Services	180,000
7.	Alternative Power Generation	50,000
8.	Insurance Underwriting Business	40,000
9.	Property Management and Other Logistical Services	20,000

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## LETTER FROM THE BOARD

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### 2. *Products and services to be provided by the Company to CDC*

*Unit: RMB'000*

<b>No.</b>	<b>Transactions</b>	<b>For the term ending 31 December 2018</b>
1.	Coal Supply and Coal Transportation	14,500,000
2.	Sale of Electricity	500,000
3.	Alternative Power Generation	300,000
4.	Operations Management and Repair and Maintenance	150,000
5.	Property Lease	10,000

Each of the above-mentioned annual caps has been determined by reference to: (1) possible changes in the fuel market, the fuel price remaining at a high level and the increase in the number of trading partners as compared with the previous years; (2) the expected newly-added procurement of wind power generation main units of the Company; (3) based on the actual general scope of business and operation arrangement, the expected expansion of business in relation to the Technological Transformation, Operations Management and Repair and Maintenance of the Company; (4) the expected increase in tariffs and the fees of water, high-pressure steam and low-pressure steam of the Company; (5) based on the actual general scope of business and operation arrangement of the Company, more business in relation to the Sale of Electricity is expected to be carried out; (6) due to the implementation of energy saving and emission reduction policies of the PRC, the number of “replacing small with big” power generation right transactions or cross-provincial and regional Alternative Power Generation transactions increased; and (7) the historical transaction amounts in respect of the above-mentioned products and services provided by CDC to the Company (and vice versa) for the three years ended 31 December 2017.

The Company anticipates that there will be significant increase in the annual caps for the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services and Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency provided by CDC to the Company for the year ending 31 December 2018, as compared with the annual caps in the previous year, because of the following reasons:

- (a) The Company expects to carry out around eight new wind power generation projects located in Liaoning, Jiangxi, Inner Mongolia, Guangzhou and other regions in 2018 and the additional procurement of certain equipment and materials for the new projects is expected to be approximately RMB2,800 million; and

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## LETTER FROM THE BOARD

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- (b) As Hohhot Company, a subsidiary of the Company, has become a connected person of the Company after a transaction in 2017 in which CDC further acquired the shares of Hohhot Company from another shareholder of Hohhot Company, the transactions of Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency between Hohhot Company and other subsidiaries of the Company have become part of the Non-Exempt CCT. The Company estimates that such transaction amount is to be approximately RMB920 million in 2018.

Further, the Company expects that there will be a significant increase in the annual caps for the Coal Supply provided by/to the Company to/by CDC for the year ending 31 December 2018, as compared with the annual caps in the previous year as the Company noted that the coal price for thermal power generation in China has continued to rise in the last few months after reaching the highest level in 2016 due to limited coal supply for thermal power production in China under the recent Chinese government reform of the coal industry to limit coal supply in 2016 and encourage gas use last year. Furthermore, the Company expects that the coal prices will remain at a high level in the near term.

Pursuant to the Notice of the General Office of the State Council on Forwarding the Trial Measures of National Development and Reform Commission on Energy Saving and Power Generation Dispatch (Guo Ban Fa [2007] No. 53) (《國務院辦公廳關於轉發發展改革委等部門節能發電調度辦法(試行)的通知》(國辦法[2007]53號)), and in accordance with the principles of replacing low-parameter power generation units of low capacity with high-parameter energy-saving and environmental-friendly units of large capacity, as well as using renewable energy power generation units instead of fossil fuel power generation units, the volume of alternative power generation of the Company for the year ended 31 December 2018 is expected to increase compared to the previous year. Therefore, the relevant transaction amount for the Alternative Power Generation is expected to be higher as compared to the actual figures of the previous year.

After considering the above factors, the Directors are of the opinion that the annual caps of Non-Exempt CCT for the year ending 31 December 2018 are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM THE BOARD

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### Internal control policy to monitor annual caps

According to the requirements of management system of the connected transactions of the Company, relevant specialized departments of the Company, such as material management department, fuel management department, engineering management department, planning and marketing department and safety production department, are responsible for tracing and monitoring the implementation of connected transactions within the scope of business management, developing management accounts for connected transactions and designating specialists for management and maintenance, and regularly consolidating the transaction amounts incurred in the connected transactions on a quarterly basis. The Company will re-comply with the necessary approval procedures in respect of continuing connected transactions that are expected to exceed their annual caps.

### Historical Transaction Amounts

The historical transaction amounts from 1 January 2015 to 31 December 2017 are set out as follows:

#### 1. *Products and services to be provided by CDC to the Company*

*Unit: RMB'000*

No.	Transactions	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017
1.	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	1,142,000	1,360,000	986,000
2.	Coal Supply	14,567,000	15,244,000	24,423,000
3.	Infrastructure EPC Contracting	0	0	1,251,000
4.	Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency	0	0	14,000
5.	Technological Transformation, Operations Management and Repair and Maintenance	1,257,000	355,000	481,000
6.	Technical Supervision and Technical Services	73,000	100,000	134,000
7.	Alternative Power Generation	93,000	121,000	4,000
8.	Insurance Underwriting Business	17,000	7,000	39,000
9.	Property Management and Other Logistical Services	6,000	8,000	14,000

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## LETTER FROM THE BOARD

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### 2. *Products and services to be provided by the Company to CDC*

*Unit: RMB'000*

No.	Transactions	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017
1.	Coal Supply and Coal Transportation	785,000	346,000	2,957,000
2.	Sale of Electricity	0	0	0
3.	Alternative Power Generation	115,000	201,000	159,000
4.	Operations Management and Repair and Maintenance	0	163,000	20,000
5.	Property Lease	3,790	3,790	5,790

## II. REASONS FOR AND BENEFITS OF ENTERING INTO THE COMPREHENSIVE PRODUCT AND SERVICE FRAMEWORK AGREEMENT

The Company is of the view that entering into the Comprehensive Product and Service Framework Agreement with the CDC can ensure the Company in obtaining reliable and guaranteed comprehensive products and services, such as coal, materials and services, reducing its operating risks and costs as well as improving work efficiency, which is conducive to the normal commencement of the production and operation of the Company.

Under the Comprehensive Product and Service Framework Agreement, there is mutual sale of coal from/to CDC Group to/from the Group. The purchase of coal by the Group from CDC Group is primarily for securing coal supply to the Company and the power generation enterprises of its subsidiaries, and fully leveraging the advantages in terms of supply and economy-of-scale of purchase of these specialized coal companies, so as to stabilise the market prices of coal to a certain extent, thereby controlling over the costs of fuel and mitigating the adverse impact of changes in the coal market on the Company. Meanwhile, based on the location of the relevant power plants of the Company, it can save transportation costs and more efficient to purchase coal from CDC Group if the location of the relevant subsidiaries of CDC are in proximity with the relevant power plants of the Company. The purchase of coal by the power generation enterprises of CDC from the Group is primarily for fully leveraging the advantages in terms of coal purchase of the Group in certain regions, and increasing the business revenue of the Group at the same time.

Furthermore, there is mutual sale and purchase of electricity from/to CDC Group to/from the Group under the Comprehensive Product and Service Framework Agreement. At present, the power generation enterprises of the Group and the CDC Group mainly carry out direct sale and purchase of electricity with two types of power users: large power users whose annual consumption of electricity reaches a certain scale, and electricity sales companies which target the small and medium-sized power users. Large power users conduct market transactions directly with power generation enterprises, whereas small and medium-sized power users can only enter into transactions in the electricity market via electricity sales companies acting as agents. In light of the distribution of assets of the Group and CDC Group, i.e. in some regions such as Guangdong province, the electricity sales companies are controlled by the Group and the power generation enterprises are controlled by CDC Group, while in some other regions such as Shanxi province, the reverse applies, the Group and CDC Group carry on the business of mutual sale and purchase of electricity.

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## LETTER FROM THE BOARD

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In respect of the transactions (including the Non-Exempt CCT) under the Comprehensive Product and Service Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that the such transactions were entered into on normal commercial terms and in the ordinary course of business of the Company and such transactions are fair, just and reasonable and in the interests of the Company and its Shareholders as a whole.

### III. APPROVAL OF THE BOARD

The twentieth meeting of the ninth session of the Board of the Company has considered and approved the “Resolution on Execution of Comprehensive Product and Service Framework Agreement for the Year 2018 with China Datang Corporation Limited” (Please refer to the overseas regulatory announcement of the Company dated 21 December 2017 for details).

None of the Directors has any material interest in the Comprehensive Product and Service Framework Agreement. Those connected Directors, including Chen Jinhang, Liu Chuandong and Liang Yongpan, have abstained from voting on the relevant resolution in accordance with the requirements of the listing rules of the Shanghai Stock Exchange.

### IV. INFORMATION IN RELATION TO RELEVANT PARTIES TO THE AGREEMENT

1. The Company was established in December 1994 and 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. The Company’s major service area is in the PRC.
2. CDC was established on 9 April 2003 with a registered capital of RMB37.0 billion. It is principally engaged in the development, investment, construction, operation and management of power energy, organisation of power (thermal) production and sales; manufacturing, repair and maintenance of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering; development of new energy as well as development and production of power related coal resources.

### V. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CDC, the controlling shareholder of the Company, and its subsidiaries hold a total of 34.77% of the issued share capital of the Company. CDC is therefore a connected person of the Company. As such, the transactions under the Comprehensive Product and Service Framework Agreement constitute continuing connected transactions of the Company.

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## LETTER FROM THE BOARD

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Among the nine types of products or services to be provided by CDC to the Company under the Comprehensive Product and Service Framework Agreement, as one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the respective amount of transactions under each of the categories of (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services; (ii) Coal Supply; (iii) Infrastructure EPC Contracting; (iv) Sale of Electricity and Electricity Entrustment Agency; and (v) Technological Transformation, Operations Management and Repair and Maintenance under the Comprehensive Product and Service Framework Agreement, when aggregated with their respective Previous Transactions, is more than 5%, such transactions are subject to reporting and announcement requirements and approval of the Independent Shareholders under Chapter 14A of the Listing Rules.

For each of the remaining four types of products or services to be provided by CDC to the Company under the Comprehensive Product and Service Framework Agreement, as one or more of the applicable percentage ratios of the respective amount of the transactions thereunder, when aggregated with their respective Previous Transactions, is more than 0.1% and less than 5% and all of the applicable percentage ratios are less than 5%, such transactions are only subject to reporting and announcement requirements but are exempt from approval of the Independent Shareholders under Chapter 14A of the Listing Rules.

Among the five types of products or services to be provided by the Company to CDC under the Comprehensive Product and Service Framework Agreement, as one or more of the applicable percentage ratios of the amount under the category of Coal Supply and Coal Transportation, when aggregated with the Previous Transactions, is more than 5%, such transactions are subject to reporting and announcement requirements and approval of the Independent Shareholders under Chapter 14A of the Listing Rules.

For each of the remaining four types of products or services to be provided by the Company to CDC under the Comprehensive Product and Service Framework Agreement (save for Property Lease which falls under the de minimis threshold under Chapter 14A of the Listing Rules and are exempt from the reporting, announcement and Independent Shareholders' approval requirements), as one or more of the applicable percentage ratios of the respective amount of the transactions thereunder, when aggregated with their respective Previous Transactions, is more than 0.1% and less than 5% and all of the applicable percentage ratios are less than 5%, such transactions are only subject to reporting and announcement requirements, but are exempt from approval of the Independent Shareholders under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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### VI. EGM

The Company will convene the EGM to consider and approve, among others, the Non-Exempt CCTs under the Comprehensive Product and Service Framework Agreement. The notice convening the EGM has been dispatched to the Shareholders on 30 January 2018.

Any Shareholder with a material interest in the Non-Exempt CCT under the Comprehensive Product and Service Framework Agreement 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 Non-Exempt CCT contemplated under the Comprehensive Product and Service Framework Agreement.

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 Non-Exempt CCT contemplated under the Comprehensive Product and Service Framework Agreement and shall abstain from voting at the resolution(s) in relation to the approval of the Non-Exempt CCT contemplated under the Comprehensive Product and Service Framework Agreement at the EGM.

### VII. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 15 to 16 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Comprehensive Product and Service Framework Agreement. Your attention is also drawn to the letter of advice received from Trinity Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 17 to 35 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 Comprehensive Product and Service Framework Agreement, the casting of votes for or against the resolution(s) approving the Comprehensive Product and Service Framework Agreement 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 Comprehensive Product and Service Framework Agreement 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,

**CONTINUING CONNECTED TRANSACTIONS  
COMPREHENSIVE PRODUCT AND SERVICE FRAMEWORK AGREEMENT**

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 transactions under the Comprehensive Product and Service Framework Agreement constitute continuing connected transactions of the Company, and the Non-Exempt CCT are subject to the approval of the Independent Shareholders at the EGM.

We have been appointed as the Independent Board Committee to consider the terms of the Comprehensive Product and Service Framework Agreement and to advise the Independent Shareholders in connection with the Comprehensive Product and Service Framework Agreement as to whether, in our opinion, the terms of the Non-Exempt CCT contemplated thereunder are fair and reasonable and whether entering into the Non-Exempt CCT under the Comprehensive Product and Service Framework Agreement is in the interests of the Company and the Shareholders as a whole. Trinity Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to the letter from the Board and the letter from Trinity Corporate Finance Limited as set out in this circular. Having considered the principal factors and reasons considered by, and the advice of Trinity Corporate Finance Limited as set out in its letter of advice, we consider that the entering into the Non-Exempt CCT under the Comprehensive Product and Service Framework Agreement is on normal commercial terms. We also consider that the terms of the Non-Exempt CCT under the Comprehensive Product and Service Framework Agreement are fair and reasonable so far as the Shareholders are concerned and that the entering into the Non-Exempt CCT under the Comprehensive Product and Service Framework Agreement 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 Non-Exempt CCT contemplated under the Comprehensive Product and Service Framework Agreement 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.**

**TRINITY**

**Trinity Corporate Finance Limited**

Suite 7B, 7th Floor,  
Two Chinachem Plaza,  
68 Connaught Road Central,  
Hong Kong.

28 February 2018

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS  
COMPREHENSIVE PRODUCT AND SERVICE FRAMEWORK AGREEMENT**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Non-Exempt CCT (including the proposed annual caps) under the Comprehensive Product and Service Framework Agreement, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) in the Company’s circular dated 28 February 2018 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 30 January 2018, the Company entered into the Comprehensive Product and Service Framework Agreement with CDC. The term of the agreement shall commence from the Effective Date and shall continue up to and including 31 December 2018. Upon the agreement of both parties, and subject to the compliance of the relevant laws and regulations and the listing rules of the places where the Company is listed, the term of the Comprehensive Product and Service Framework Agreement will be automatically extended or renewed for one year.

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. CDC is therefore a connected person of the Company and the transactions under the Comprehensive Product and Service Framework Agreement constitute continuing connected transactions of the Company.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Among the nine types of products or services to be provided by CDC to the Company under the Comprehensive Product and Service Framework Agreement, as one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the respective amount of transactions under each of the categories of (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services; (ii) Coal Supply; (iii) Infrastructure EPC Contracting; (iv) Sale of Electricity and Electricity Entrustment Agency and (v) Technological Transformation, Operations Management and Repair and Maintenance under the Comprehensive Product and Service Framework Agreement, when aggregated with their respective Previous Transactions, is more than 5%, such transactions are subject to reporting and announcement requirements and approval of the Independent Shareholders under Chapter 14A of the Listing Rules; which form part of the Non-Exempt CCT.

Among the five types of products or services to be provided by the Company to CDC under the Comprehensive Product and Service Framework Agreement, as one or more of the applicable percentage ratios of the amount under the category of Coal Supply and Coal Transportation, when aggregated with the Previous Transactions, is more than 5%, such transactions are subject to reporting and announcement requirements and approval of the Independent Shareholders under Chapter 14A of the Listing Rules; which also form part of the Non-Exempt CCT.

An Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Liu Jizhen, Mr. Feng Genfu, Mr. Luo Zhongwei, Mr. Liu Huangsong and Mr. Jiang Fuxiu) has been appointed to consider the terms of the Comprehensive Product and Service Framework Agreement and to advise the Independent Shareholders in connection with the Comprehensive Product and Service Framework Agreement as to whether the terms of the Non-Exempt CCT contemplated thereunder are fair and reasonable and whether entering into the Non-Exempt CCT under the Comprehensive Product and Service Framework Agreement is in the interest of the Company and the Shareholders as a whole. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the Latest Practicable Date and should there be any material changes to our opinion after the despatch of the Circular and up to the date of the EGM, Shareholders would be notified as soon as practicable.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have not conducted any independent in-depth investigation into the business and affairs of the Group or any parties involved in the Non-Exempt CCT or the Comprehensive Product and Service Framework Agreement.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Non-Exempt CCT and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes other than our role as the Independent Financial Adviser, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion regarding the Non-Exempt CCT, we have taken into account the following principal factors and reasons:

#### **A. Background of the Company**

The Company is one of the largest independent power generation companies in the PRC and is primarily 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.

Power generation businesses of the Company and its subsidiaries in operation or under construction are mainly distributed across 18 provinces, municipalities and autonomous regions throughout the country, whereby coal-fired power generators of the Company are centralised in Beijing-Tianjin-Hebei and southeast coastal areas, while most of the hydropower projects are located in the southwest region. Wind power and photovoltaic power are distributed across the country in areas with abundant resources.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### **B. Financial Performance of the Company**

During the financial year ended 31 December 2016, the Company completed the power generation of 172,474.7 million kWh, realizing positive growth in electricity for the first time in the recent five years. The total coal consumption of the Company for power supply was 300.68g/kWh, representing a year-on-year decrease of 5.05g/kWh. The Company put effort on energy conservation and emission reduction, deepened equipment treatment and upgrading, completed power supply and coal consumption of 300.68g/kWh, representing a year-on-year decrease of 5.05g/kWh, creating the best historical level.

As of 31 December 2016, the installed capacity of generating units managed by the Company amounted to approximately 44,338.015MW, among which coal-fired power accounted for 32,940MW or approximately 74.29%, thermal power gas turbine power accounted for 2,890.8MW or approximately 6.52%, hydropower accounted for 6,143.615MW or approximately 13.86%, wind power accounted for 2,063.6MW or approximately 4.65%, and photovoltaic power accounted for 300MW or approximately 0.68%.

In the first half of 2017, in the face of complex situations such as the in-depth advancing of the reform in power system and the severe condition regarding coal power maintenance, supply and price control, the Company focused on the target of being “an industry leader of world-class standard”, adhered to the main line of “comprehensive quality improvement”, actively adapted to the changes of national policies and market situation, proactively pushed forward production and operation management, comprehensively implemented the forging ahead strategy, strived for efficient power generation, controlled and maintained the coal price at a favourable level and adopted advanced benchmark in fees reduction.

The following table is a summary of the consolidated income statement of the Group for the three years ended 31 December 2014, 2015 and 2016 respectively and six months ended 30 June 2016 and 2017 respectively, as extracted from the annual reports and interim reports of the Company.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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	For the year ended 31 December 2014 (audited) <i>RMB'000</i>	For the year ended 31 December 2015 (audited) <i>RMB'000</i>	For the year ended 31 December 2016 (audited) <i>RMB'000</i>	For the six months ended 30 June 2016 (unaudited) <i>RMB'000</i>	For the six months ended 30 June 2017 (unaudited) <i>RMB'000</i>
Operating Revenue	70,194,327	60,050,302	57,291,557	29,198,539	30,047,916
Profit before tax for the financial year/period	5,172,316	9,938,994	8,441,267	3,488,090	1,795,097
Profit for the financial year/ period	1,888,494	3,260,372	1,885,321	2,051,679	1,334,996
Profit (Loss) for the financial year/period attributable to equity holders of the Company	1,767,417	2,787,739	(2,753,881)	1,709,340	1,092,019

During the financial year ended 31 December 2016, the Group realized a consolidated operating revenue from continuing operations of approximately RMB57,292 million, representing a decrease of approximately 4.59% over the previous year, among which, revenue from electricity sales decreased by approximately RMB3,690 million over the previous year. The Group reported a total profit before tax from continuing operations of approximately RMB8,441 million, representing a decrease of approximately 15.07% over the previous year. Net loss attributable to equity holders of the Company amounted to approximately RMB2,754 million, with the decrease in the Group's profit before tax resulted from the loss caused by disposal of coal-to-chemical business segment and related projects.

During the financial year ended 31 December 2016, total operating costs of the Group relating to continuing operations amounted to approximately RMB44,124 million, representing a decrease of approximately RMB231 million or 0.52% over the previous year. Among which, fuel cost accounted for approximately 50.45% of the operating costs.

During the six months ended 30 June 2017, the Group realised an operating revenue of approximately RMB30,048 million, representing an increase of approximately 2.91% over the corresponding period in the previous year, among which revenue from electricity sales was approximately RMB27,130 million, representing an increase of approximately RMB2,068 million or approximately 8.25% over the corresponding period in the previous year. The increase in electricity sales revenue was mainly due to the increase in demand for on-grid electricity. The total profit before tax of the Group amounted to approximately RMB1,795 million, representing a decrease

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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of approximately 48.54% over the corresponding period in the previous year. Among which, the power generation segment recorded an accumulated profit of approximately RMB1,409 million, representing a decrease of approximately 77.01% over the corresponding period in the previous year. The net profit attributable to equity holders of the Company amounted to approximately RMB1,092 million, representing a decrease of approximately 36.11% over the corresponding period in the previous year.

During the six months ended 30 June 2017, total operating costs of the Group amounted to approximately RMB26,255 million, representing an increase of approximately RMB3,878 million or approximately 17.33% over the six months ended 30 June 2016. Among which, fuel cost accounted for approximately 58.58% of the operating costs. Since the unit price of standard coal for power generation increased by approximately RMB224.71/tonne over the six months ended 30 June 2016, the fuel costs increased by approximately RMB4,442 million.

On 30 January 2018, the Company made an announcement in relation to the estimated profit for the annual results for the year ended 31 December 2017. Based on the preliminary assessment by the management of the Company based on the unaudited management accounts of the Group for the year ended 31 December 2017, the Group expected to record a turnaround in operating results for the year ended 31 December 2017 and a net profit attributable to the equity holders of the Company of approximately RMB1.28 billion to RMB1.75 billion was expected to be reported in the consolidated financial statements of the Group for the year ended 31 December 2017. Also, a net profit after deducting non-recurring gains and losses attributable to the equity holders of the Company of approximately RMB1.08 billion to RMB1.48 billion was expected to be reported in the consolidated financial statements of the Group for the year ended 31 December 2017. The estimated profit of the results of the Group was mainly attributable to the following factors: (i) in order to optimize assets structure, the Company disposed of its coal-to-chemical and related projects in 2016. The net profit attributable to the equity holders of the Company as reported in the consolidated statements of the Group thereby decreased by approximately RMB5.518 billion, which was the main reason for the losses incurred by the Group for the year 2016. The Group did not have any material loss resulting from equity transfer for the year 2017; and (ii) the year-on-year increase of utilization hours of thermal power in the area where the Group is located and the gradual commencement of commercial operation of the newly-operated generation units by the Group resulted in a significant year-on-year increase of power generation volume of the Group for the year.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### C. Principal Terms of the Comprehensive Product and Service Framework Agreement

As mentioned in the Letter from the Board, on 30 January 2018, the Company entered into the Comprehensive Product and Service Framework Agreement with CDC. CDC was established on 9 April 2003 with a registered capital of RMB37.0 billion. It is principally engaged in the development, investment, construction, operation and management of power energy, organisation of power (thermal) production and sales; manufacturing, repair and maintenance of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering; development of new energy as well as development and production of power related coal resources.

**(1) Subject matter:**

CDC Group agreed to provide products and services (including Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, Coal Supply, Infrastructure EPC Contracting, Technological Transformation, Operations Management and Repair and Maintenance, Technical Supervision and Technical Services, Alternative Power Generation, Sale of Electricity (including sale of water, gas and other resources) and Electricity Entrustment Agency, Insurance Underwriting Business, and Property Management and other Logistical Services) to the Group during the term of the Comprehensive Product and Service Framework Agreement.

The Group agreed to provide products and services (including Coal Supply and Transportation, Alternative Power Generation, Sale of Electricity, Operations Management and Repair and Maintenance and Property Lease) to CDC Group during the term of the Comprehensive Product and Service Framework Agreement.

CDC and its controlled subsidiaries and subordinate enterprises may enter into specific contracts in respect of the above matters with the Company and its controlled subsidiaries and subordinate enterprises as required from time to time during the term of the Comprehensive Product and Service Framework Agreement, and such specific contracts shall be subject to the terms of the Comprehensive Product and Service Framework Agreement.

**(2) Term:**

The Comprehensive Product and Service Framework Agreement shall commence from the Effective Date and shall continue up to and including 31 December 2018. Upon the agreement of both parties, and subject to the compliance of the relevant laws and regulations and the listing rules of the places where the Company is listed, the term of the Comprehensive Product and Service Framework Agreement will be automatically extended or renewed for one year.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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**(3) Consideration:**

The specific pricing principles of various types of transactions under the Comprehensive Product and Service Framework Agreement are set out as follows:

- (a) In respect of the businesses such as Technological Transformation, Operations Management, Repair and Maintenance, Infrastructure EPC Contracting, Insurance Underwriting Business and Property Management and Other Logistical Services, the service provider is to be determined through public tender, upon fulfillment of the relevant assessment procedures and with reference to multiple factors, including the technical experience, professional qualifications, business reputation, project management techniques, total costs of all bidders and other relevant factors; and the consideration of specific transactions is also to be determined according to the results of public tender.

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 relevant transactions, 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. After carrying out relevant evaluation procedures and considering the aforementioned factors, the Company will select the winner for the tender.

In view of the above comprehensive tender assessment based on relevant PRC laws and regulations, we agree with the Company that the service providers and prices to be determined through public tender are fair and reasonable.

We have also reviewed a sample tender document of the public tender in relation to the transactions under the categories of Infrastructure EPC Contracting and Technological Transformation, Operations Management and Repair and Maintenance, as provided by the Company, which contains details of assessment criteria, including but not limited to, the technical experience, professional qualifications and business reputation of the bidder, the bid price and other specific requirement of such project. We consider the public tender arrangement is a fair assessment to all bidders (including CDC Group) which will ensure the terms from the service providers are on normal commercial terms or better.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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- (b) In respect of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, the Group agreed to entrust CDC Group to carry out centralized purchase of production and infrastructure materials, the prices of which are to be determined through public tender. CDC will charge a certain management service fee in respect of relevant services it undertook in the course of its centralized purchase. The amount of such management service fee shall not exceed 6% of the purchase amount.

According to the Letter from the Board, the service fee for the whole package of service for equipment is calculated in accordance with the scope of actual services provided and the fee standard of the relevant package of service for materials. The afore-mentioned management service fee for centralized purchase and the service fee for the whole package of service for equipment shall be determined on the basis of arm's length negotiation by both parties with reference to the management service fees charged by other independent cooperative service providers for the provision of similar services. The relevant management service fee to be charged by CDC Group shall not be higher than the fee to be charged for the provision of the same type of services to the Independent Third Party or the other companies of CDC Group. The said management service fee of not more than 6% of the purchase amount is arrived at after considering the management service fee charged by Independent Third Parties providing similar services and we have reviewed two samples of management service fee charged by Independent Third Parties that are selected by the Company, which show that the fees charged by Independent Third Parties are equal to or more than 6% of the purchase amount of the production and infrastructure materials. In any event, as the final management service fee shall not exceed 6% and, as mentioned above, such final fee will be determined on the basis of arm's length negotiations in accordance with the scope of actual services provided and the appropriate fee standard of the relevant package of service for materials, we consider that the final fee maybe 6% or lower and that such basis for management service fee determination is fair and reasonable and on normal and commercial terms. Since such basis of determination is not only subject to arm's length negotiations but also subject to the abovementioned criteria of 6% or lower, we consider the above sample size is sufficient in concluding our view that the said management service fees charged by Independent Third Party were equal to or more than 6% of the purchase amount.

We have discussed with the Company and the Company has confirmed that, upon entering into specific procurement contract, the material management department of the Company will approve the management service fee to ensure that the rate of the management service fee is not higher than that stipulated by the Comprehensive Product and Service Framework Agreement.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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- (c) In respect of the Coal Supply and the Coal Transportation, we have been informed by the Company that the price is to be determined on the basis of arm's length negotiations and on normal commercial terms according to prevailing market conditions provided that the market price of coal has been considered, and taking into account the following relevant factors: purchase costs of coal, transportation costs of coal, trend of market change, changes in policies, historical transaction price, potential price fluctuations, etc.

We have also discussed with the Company and the Company has confirmed that the fuel management department of the Company is responsible for collecting the market prices of coal and coal transportation with reference to the trend of market change in the last three years as the basis of determining the consideration. The sales prices of fuel companies are to be determined according to the purchase costs of fuel companies, the coal consumption demands of subordinate power generation companies and the trend of price change in the Bohai Rim and the trend of international price change, upon negotiation with subordinate power generation companies, taking into account factors such as the transportation costs of coal of shipping companies, the transportation demands of coal of relevant enterprises, historical transaction price and potential price fluctuations. The price of market coal is to be determined upon determination of the price of electricity and coal in mid-to-long term agreements at the meeting of the fuel management group of the Company or through the bidding platform for coal procurement in the market.

- (d) In respect of the Technical Supervision and Technical Services, the price is to be determined upon negotiation by both parties with reference to the market price, taking into account the following relevant factors: differences in the service projects of thermal power, hydropower and wind power units and the differences in the installed capacity of the power generation enterprises and the regions where they are located, etc.; the market price of the Technical Supervision and Technical Services collected by the professional department of the Company ensures that the price is not higher than that charged by the Independent Third Party for the same or similar type of products or services.
- (e) In respect of the Alternative Power Generation, the price is to be determined upon negotiation by both parties based on the principles of fairness and objectiveness and benefit sharing, provided that the market transaction price of alternative electricity and marginal revenue have been taken into account, and on normal commercial terms according to prevailing market conditions.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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- (f) In respect of the Sale of Electricity and the Electricity Entrustment Agency, we have discussed with the Company and the Company has confirmed that the market transaction price of electricity or agency service fee is to be determined upon negotiation by both parties with reference to the market price based on the principles of equality, impartiality and fairness. The government-prescribed price shall be adopted for the prices of water, gas and other resources.
- (g) In respect of the Property Lease, the price is to be determined on the basis of arm's length negotiations by both parties upon consideration of the actual conditions of the leased property and the market rent of comparable properties in surrounding areas, while the price shall not be lower than that charged for leasing to the Independent Third Party.

**(4) *Principles of transactions:***

- (a) Both parties agreed that, in terms of products and services to be provided by the other party, if the terms of provision of products and services and/or price payable to the Independent Third Party are less favorable than the terms provided by the other party and/or higher than the price payable to the other party, or the same as those of the other party, priority shall be given to purchasing or using products and services provided by the other party.
- (b) Both parties agreed that, saved as agreed in paragraph (4)(a) above, the entering into of the Comprehensive Product and Service Framework Agreement will not affect the selection of their respective trading partners and conduct of transactions with the Independent Third Party. If the Independent Third Party can provide products and services at more favourable terms and/or prices pursuant to the Comprehensive Product and Service Framework Agreement, each party is entitled to entrust the Independent Third Party to provide the products and services.
- (c) Each party is entitled to provide products and services to the Independent Third Party on the pre-condition that the provision of products and services to the other party will not be affected.
- (d) If a party is unable to satisfy the requirements on products and services of the other party, or if the terms provided by the Independent Third Party are more favorable than those of the other party, the party is entitled to receive products and services from the Independent Third Party.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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- (e) Before fulfilling the requirements on products and services of the other party, any party shall not provide such products and services to the Independent Third Party unless the Independent Third Party provide more favourable prices and terms than those of the other party. However, if the other party is willing to pay and provide prices not less than and/or terms more favourable than those provided by the Independent Third Party, the other party shall prioritize to fulfill the requirements on products and services of the other party.
- (f) For each year, each party will provide the other party with an estimate of the demand for products and services required in the following year in advance.
- (g) It is estimated that the Company and its subordinate enterprises will enter into individual supply or service agreements with other subordinate enterprises of CDC from time to time and as required. The Company reserves the right to make changes to the Comprehensive Product and Service Framework Agreement pursuant to the listing rules of the places where the Company is listed.

In respect of the Company's internal control policies to monitor the annual caps of Comprehensive Product and Service Framework Agreement, according to the requirements of management system of the connected transactions of the Company, relevant specialized departments of the Company, such as material management department, fuel management department, engineering management department, planning and marketing department and safety production department, are responsible for tracing and monitoring the implementation of connected transactions within the scope of business management, developing management accounts for connected transactions and designating specialists for management and maintenance, and regularly consolidating the transaction amounts incurred in the connected transactions on a quarterly basis. The Company will re-comply with the necessary approval procedures in respect of continuing connected transactions that are expected to exceed their annual caps.

We have reviewed the sample meeting notes of the specialized departments of the Company, which recorded, among others, how the representatives of the specialized departments conducted discussions to assess the recent market trends of the relevant transactions, the sales and purchasing strategies (including the transaction amounts) for the year, as well as the basis of the price determination of such transactions. After performing the above review and considering the substance of such documents, we confirm that the specialized departments of the Company have been closely monitoring the annual caps as well as the terms of the Non-exempt CCT in accordance with the Company's internal control policies to ensure they are no less favourable to the Company than terms available to or from an Independent Third Party.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We have also discussed with the Company about the price control procedure of the transactions under the categories of Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, Coal Supply and the Coal Transportation and Sale of Electricity and the Electricity Entrustment Agency. We have also reviewed the sample documents of market information which the Company had collected and conducted from time to time as reference for the price control procedures, including research reports from independent coal market research providers and relevant trading regulations of different trading platforms in relation to Sale of Electricity, which provided up-to-date market trends on the coal market and its historical price analysis. After performing such reviews, we consider that the price control procedures will enable the Company to compare terms from service providers with market prices and trends and effectively ensure the terms from the service providers are on normal commercial terms or better and on the basis of arm's length negotiations according to the prevailing market conditions.

After considering the above factors, we are of the opinion that the Non-Exempt CCT are conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders.

### **D. Historical Transaction Amounts of Non-Exempt CCT**

The aggregated annual caps for the transaction amounts of the Non-Exempt CCT for the three years ended 31 December 2015, 2016 and 2017 are set out as follows:

#### **1. Products and services provided by CDC to the Company**

No.	Transactions	For the	For the	For the
		year ended	year ended	year ended
		31 December	31 December	31 December
		2015	2016	2017
		<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
1	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	1,600	2,700	1,000
2	Coal Supply	27,913	18,910	33,585
3	Infrastructure EPC Contracting	0	0	1,251
4	Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency	0	0	14
5	Technological Transformation, Operations Management and Repair and Maintenance	1,800	1,300	980

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**LETTER FROM INDEPENDENT FINANCIAL ADVISER**

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**2. Products and services provided by the Company to CDC**

No.	Transactions	For the	For the	For the
		year ended	year ended	year ended
		31 December	31 December	31 December
		2015	2016	2017
		<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
1	Coal Supply and Coal Transportation	2,880	1,257	3,997

The historical transaction amounts and respective utilisation rates for the Non-Exempt CCT for the three years ended 31 December 2015, 2016 and 2017 are set out as follows:

**1. Products and services provided by CDC to the Company**

No.	Transactions	For the	For the	For the
		year ended	year ended	year ended
		31 December	31 December	31 December
		2015	2016	2017
		<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
		<i>(utilisation rate)</i>	<i>(utilisation rate)</i>	<i>(utilisation rate)</i>
1	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	1,142 (71.4%)	1,360 (50.4%)	986 (98.6%)
2	Coal Supply	14,567 (52.2%)	15,244 (80.6%)	24,423 (72.7%)
3	Infrastructure EPC Contracting	0 (N/A)	0 (N/A)	1,251 (100%)
4	Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency	0 (N/A)	0 (N/A)	14 (100%)
5	Technological Transformation, Operations Management and Repair and Maintenance	1,257 (69.8%)	355 (27.3%)	481 (49.1%)

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**LETTER FROM INDEPENDENT FINANCIAL ADVISER**

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**2. Products and services provided by the Company to CDC**

No.	Transactions	For the	For the	For the
		year ended	year ended	year ended
		31 December	31 December	31 December
		2015	2016	2017
		<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
		<i>(utilisation rate)</i>	<i>(utilisation rate)</i>	<i>(utilisation rate)</i>
1	Coal Supply and Coal Transportation	785 (27.3%)	346 (27.5%)	2,957 (74.0%)

**E. Proposed Annual Caps of Non-Exempt CCT**

The proposed annual caps for the transaction amounts of the Non-Exempt CCT for the year ending 31 December 2018 are set out as follows:

**1. Products and services to be provided by CDC to the Company**

No.	Transactions	For the	% Increase as
		year ending	compared to
		31 December	the annual caps
		2018	for the
		<i>RMB million</i>	year ended
			31 December
			2017
1	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	3,800	280%
2	Coal Supply	47,000	40%
3	Infrastructure EPC Contracting	1,400	12%
4	Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency	1,400	9,900%
5	Technological Transformation, Operations Management and Repair and Maintenance	1,000	2%

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### 2. *Products and services to be provided by the Company to CDC*

No.	Transactions	For the year ending 31 December 2018 <i>RMB million</i>	% Increase as compared to the annual caps for the year ended 31 December 2017
1	Coal Supply and Coal Transportation	14,500	263%

According to the Letter from the Board, each of the annual caps for the year ending 31 December 2018 as set out above has been determined by reference to the following factors:

- (1) possible changes in the fuel market, the fuel price remaining at a high level and the increase in the number of trading partners as compared with the previous years;
- (2) the expected newly-added procurement of wind power generation main units of the Company;
- (3) based on the actual general scope of business and operation arrangement, the expected expansion of business in relation to the Technological Transformation, Operations Management and Repair and Maintenance of the Company;
- (4) the expected increase in tariffs and the fees of water, high-pressure steam and low-pressure steam of the Company;
- (5) based on the actual general scope of business and operation arrangement of the Company, more business in relation to the Sale of Electricity is expected to be carried out;
- (6) due to the implementation of energy saving and emission reduction policies of the PRC, the number of “replacing small with big” power generation right transactions or cross-provincial and regional Alternative Power Generation transactions increased; and
- (7) the historical transaction amounts in respect of the above-mentioned products and services provided by CDC to the Company (and vice versa) for the three years ended 31 December 2017.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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In respect of the significant increase of the annual caps for the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services and Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency provided by CDC to the Company for the year ending 31 December 2018, as compared with the annual caps in the previous year, we have obtained and reviewed the following additional information (“**Additional Information**”) from the Company:

- (a) The Company expects to carry out around 8 new wind power generation projects located in Liaoning, Jiangxi, Inner Mongolia, Guangzhou and other regions in 2018 and the additional procurement of certain equipment and materials for the new projects is expected to be around RMB2,800 million; and
- (b) As Hohhot Company, a subsidiary of the Company, has become a connected person of the Company after the transaction in 2017 in which CDC further acquired the shares of Hohhot Company from another shareholder of Hohhot Company, the transactions of Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency between the Hohhot Company and other subsidiaries of the Company have become part of the Non-Exempt CCT. The Company estimates that such transaction amount is to be approximately RMB920 million in 2018.

In respect of the significant increase of the annual caps for the Coal Supply provided by the Company to CDC and also provided by CDC to the Company for the year ending 31 December 2018, as compared with the annual caps in the previous year, we have also reviewed a news report from Bloomberg which was published on 29 January 2018, namely “Coal Bites Back in China Amid Supply Worry” (<https://www.bloomberg.com/news/articles/2018-01-29/coal-bites-back-in-china-a-mid-supply-worry-gas-switching-pause>). Such report indicated that, among others, under the recent Chinese government reform of the coal industry, “efforts to limit coal supply in 2016 and encourage gas use last year overshot goals, causing (coal) price spikes and supply squeezes that sent regulators scrambling to restore balance.” After such review, we noted that the coal price for thermal power generation in China has continued to rise in the last few months after reaching the highest level in 2016 due to limited coal supply for thermal power production in China. Furthermore, the coal prices will likely increase in the near term and will remain strong through the first quarter of 2018. After considering the recent coal market conditions based on the above information, we consider that the Company will reduce its operation risk with reliable Coal Supply from CDC and will obtain potential additional financial benefits from the increase in the transactions of Coal Supply and Coal Transportation to CDC. Accordingly, we consider the increase in the annual caps of the coal supply between CDC and the Company is fair and reasonable.

After considering the above factors, we are of the opinion that the annual caps of Non-Exempt CCT for the year ending 31 December 2018 are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

**F. Reasons for and Benefits of entering into the Comprehensive Product and Service Framework Agreement**

As mentioned in the Letter from the Board, the Company is of the view that entering into the Comprehensive Product and Service Framework Agreement with CDC can ensure that the Company obtains reliable and guaranteed comprehensive products and services, such as coal, materials and services, reducing its operating risks and costs as well as improving work efficiency, which is conducive to the normal production and operations of the Company.

Under the Comprehensive Product and Service Framework Agreement, there is mutual sale of coal from/to CDC Group to/from the Group. The purchase of coal by the Group from CDC Group is primarily for securing coal supply to the Company and the power generation enterprises of its subsidiaries, and fully leveraging the advantages in terms of supply and economies-of-scale of purchase of these specialized coal companies, so as to stabilise the market prices of coal to a certain extent, thereby controlling over the costs of fuel and mitigating the adverse impact of changes in the coal market on the Company. Meanwhile, based on the location of the relevant power plants of the Company, it can save the transportation costs and is more efficient to purchase coal from CDC Group if the location of the relevant subsidiaries of CDC are in proximity with the relevant power plants of the Company. The purchase of coal by the power generation enterprises of CDC from the Group is primarily for fully leveraging the advantages in terms of coal purchase of the Group in certain regions, and increasing the business revenue of the Group at the same time.

Furthermore, there is mutual sale and purchase of electricity from/to CDC Group to/from the Group under the Comprehensive Product and Service Framework Agreement. At present, the power generation enterprises of the Group and the CDC Group mainly carry out direct sale and purchase of electricity with two types of power users: large power users whose annual consumption of electricity reaches a certain scale, and electricity sales companies which target the small and medium-sized power users. Large power users conduct market transactions directly with power generation enterprises, whereas small and medium-sized power users can only enter into transactions in the electricity market via electricity sales companies acting as agents. In light of the distribution of assets of the Group and CDC Group (i.e. in some regions such as Guangdong province, the electricity sales companies are controlled by the Group and the power generation enterprises are controlled by CDC Group, while in some other regions such as Shanxi province, the reverse applies), the Group and CDC Group carry on the business of mutual sale and purchase of electricity.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the principal factors and reasons referred to above, in particular:

- (1) the principal businesses of the Company and CDC;
- (2) the public tender in relation to the transactions under the categories of Infrastructure EPC Contracting and Technological Transformation, Operations Management and Repair and Maintenance;
- (3) the sample documents of market information and research reports in relation to the transactions under the categories of Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, Coal Supply and the Coal Transportation and Sale of Electricity and the Electricity Entrustment Agency;
- (4) the sample meeting notes of the specialized departments of the Company;
- (5) the historical transaction amounts of the Non-Exempt CCT;
- (6) the Additional Information;
- (7) the recent coal market conditions;
- (8) the fact that CDC Group will provide reliable and guaranteed comprehensive products and services to the Group; and
- (9) the fact that the Group will benefit from reduction in operating risks and costs and improvement of work efficiency of the Group,

we are of the opinion that the terms and the proposed annual caps of the Non-Exempt CCT are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned, and the Non-Exempt CCT are in the ordinary and usual course of business of the Group, and the entering into of the Non-Exempt CCT under the Comprehensive Product and Service Framework Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Non-Exempt CCT contemplated under the Comprehensive Product and Service Framework Agreement at the EGM.

Yours faithfully,

For and on behalf of

**Trinity Corporate Finance Limited**

**Keith Jacobsen**

*Responsible Officer*

**Joanne Pong**

*Responsible Officer*

**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 <sup>(Note)</sup>
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:

<b>Name</b>	<b>Qualifications</b>
Trinity Corporate Finance Limited	a licensed corporation under the SFO permitted to conduct type 6 (advising on corporate finance) regulated activities for the purposes of 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 Comprehensive Product and Service Framework Agreement; and
- (e) this circular.