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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

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 7 to 22 of this circular. A letter from the Independent Board Committee is set out on pages 23 to 24 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 25 to 51 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 28 March 2019 (Thursday) at 9:30 a.m. The notice convening the EGM has been despatched to the Shareholders on 11 February 2019. 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.

11 March 2019

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DEFINITIONS

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
“Board”	the board of Directors
“CDC”	China Datang Corporation Limited (previously known as China Datang Corporation), a wholly state-owned company established under the laws of the PRC and is a controlling shareholder of the Company. CDC and its subsidiaries own approximately 53.09% 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 (excluding the Group, its controlled subsidiaries and/or its subordinate enterprises but 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

DEFINITIONS

“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 the 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 23 January 2019 in relation to the mutual supply of products and services between CDC Group and the Group
“connected person”	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”	(a) in respect of the Non-Exempt CCT, 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 (b) in respect of the 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
“EGM”	the 2019 first extraordinary general meeting of the Company to be held on 28 March 2019 (Thursday) at 9:30 a.m. for the Independent Shareholders to consider and, if thought fit, to approve, among others, the transactions under the Comprehensive Product and Service Framework Agreement
“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

DEFINITIONS

“Exempt CCT”	collectively, the transactions other than the Non-Exempt CCT under the Comprehensive Product and Service Framework Agreement, of which the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) is less than 5%, and which are not subject to the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules
“Flue Gas Environmental Protection Facilities Franchising”	collectively, (i) the investment and construction by the CDC Group of the flue gas environmental protection facilities, including desulfurisation, denitrification and dust removal, etc., of the Group, and the franchising provided by the CDC Group to the Group for the flue gas environmental protection facilities, including desulfurisation, denitrification and dust removal, etc., of the Group, as well as (ii) the franchising fee charged by the CDC Group to the Group in view of the electricity price subsidy policy as prescribed by the PRC during the franchising period, and the water, electricity and gas costs incurred for the operation of flue gas environmental protection facilities charged by the Group to the CDC Group
“Group”	collectively, the Company, its controlled subsidiaries and/or its subsidiaries
“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 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”	Shareholder(s), other than CDC and its associates, and who are not involved in or interested in the transactions 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 owners 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

DEFINITIONS

“Information System Development”	the implementation and construction of information systems, the operation and maintenance of information systems, the information technology consultations and the information technology services, etc.
“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
“Latest Practicable Date”	8 March 2019, 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 and (iii) Flue Gas Environmental Protection Facilities Franchising in respect of products and services to be provided by CDC Group to the Group, 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 Group to CDC Group, of which the highest 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, etc.
“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 the announcement dated 23 January 2019

DEFINITIONS

“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
“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 of such facilities
“Property Rights Brokerage Services”	brokerage services provided to enterprises in relation to activities conducted at property rights exchange institutions, such as transfer of equity interest, assets transactions and capital increase, etc.
“Repair and Maintenance”	routine maintenance and repair on equipment
“Research and Development in Technological Projects”	research by power generation enterprises such as theoretical research, key technologies research, experimental research in relation to electricity generation, which result in technological output such as the production of key technologies, scientific results, patents and theses
“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

DEFINITIONS

“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 analysis, 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

LETTER FROM THE BOARD



大唐国际发电股份有限公司
DATANG INTERNATIONAL POWER GENERATION CO., LTD.

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

(Stock Code: 00991)

Executive Directors:

Mr. Wang Xin
Mr. Ying Xuejun

Non-executive Directors:

Mr. Chen Jinhang (*Chairman*)
Mr. Liu Chuandong
Mr. Liang Yongpan
Mr. Cao Xin
Mr. Zhao Xianguo
Mr. Zhu Shaowen
Mr. Zhang Ping
Mr. Jin Shengxiang

Independent non-executive Directors:

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

Office address:

No.9 Guangningbo Street
Xicheng District
Beijing, 100140
the PRC

Principal place of business in

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

11 March 2019

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 23 January 2019 in relation to the Comprehensive Product and Service Framework Agreement.

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

LETTER FROM THE BOARD

COMPREHENSIVE PRODUCT AND SERVICE FRAMEWORK AGREEMENT

Date

23 January 2019

Parties

The Company and CDC

Principal Terms

(1) Subject Matter:

CDC Group agreed to provide products and services (including (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, (ii) Coal Supply, (iii) Technological Transformation, Operations Management and Repair and Maintenance, (iv) Technical Supervision and Technical Services, (v) Infrastructure EPC Contracting, (vi) Sale of Electricity (including sale of water, gas and other resources) and Electricity Entrustment Agency, (vii) Alternative Power Generation, (viii) Flue Gas Environmental Protection Facilities Franchising, (ix) Research and Development in Technological Projects, (x) Information System Development, (xi) Property Rights Brokerage Services and (xii) 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 (i) Coal Supply and Coal Transportation, (ii) Alternative Power Generation, (iii) Sale of Electricity, (iv) Operations management and Repair and Maintenance and (v) the supply of water, electricity and gas in respect of Flue Gas Environmental Protection Facilities Franchising 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 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 2021.

LETTER FROM THE BOARD

(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 (i) Technological Transformation, (ii) Operations Management, Repair and Maintenance, (iii) Infrastructure EPC Contracting, (iv) Research and Development in Technological Projects, (v) Information System Development, (vi) Property Rights Brokerage Services and (vii) Property Management and Other Logistical Services, the service provider is to be determined through tender in accordance with relevant PRC laws through competitive negotiations or price quotation as prescribed by the procurement management policies of the Company. The tender would only be awarded to the relevant connected enterprise if it has been rated as first in the aspects of technical experience, professional qualifications, business reputation, project management techniques, total costs of all bidders and other relevant factors. The transaction price shall be the final tender price.
- (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 Group will charge a certain management service fee in respect of its services which shall not exceed 6% of the purchase amount. The price for the entire package of service and equipment shall be calculated on the basis of the scope of actual services provided and the pricing standard of the entire package of relevant services and materials. Such service fee shall be determined through arm's length negotiations between both parties taking into account the amount of management service fees charged by other independent cooperative service providers when providing similar services. The relevant management service fee to be charged by CDC Group shall not be higher than the fee which have been charged in providing the same type of services to Independent Third Parties or other companies of the 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.

- (c) On the prerequisite that the market price of coal has been taken into account, the price of Coal Supply and Coal Transportation is to be determined on the basis of arm's length negotiations and such transactions shall be based on normal commercial terms and prevailing market conditions. Relevant factors such as purchase costs of coal, transportation costs of coal, trend of market change, changes in policies, historical transaction price, potential price fluctuations, etc. shall also be taken into account.

LETTER FROM THE BOARD

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 sale prices of coal are to be determined according to the purchase costs of coal incurred by the subordinate fuel companies of each of the Company and CDC responsible for the procurement of fuel, the demands for coal consumption from the subordinate power generation companies of each of the Company and CDC, the trend of price change in the Bohai Rim and the trend of international price change, upon negotiation with the subordinate power generation enterprises of each of the Company and CDC, taking into account factors such as the transportation costs of coal of the subordinate shipping companies of the Company, the transportation demands of coal of relevant enterprises of the Company, historical transaction price and potential price fluctuations. The price of market coal is to be formed upon determination of the price of electricity purchase and coal sale in mid-to-long term agreements and coal transportation prices through negotiation with the subordinate power generation enterprises, the subordinate coal mining enterprises, the subordinate fuel companies of each of the Company and CDC, as well as the shipping companies of the Company, respectively, or through the bidding platform for coal procurement in the market.

- (d) In respect of Technical Supervision and Technical Services, the price is to be determined through negotiation by both parties with reference to the market price having taken into account factors such as variance between service projects of thermal power, hydropower and wind power units, and the installed capacity and regional differences of power generation enterprises, ensuring that the transaction price shall not be higher than the price which would have been charged if similar services were to be provided to Independent Third Parties.
- (e) In respect of Alternative Power Generation, having considered market price of alternative power generation and the fact that marginal benefit shall be generated, the price is to be determined through negotiations in accordance with the principle of fairness and impartiality. Marginal benefit means the additional benefit that arise from a unit increase in receiving or transferring a product. For the transferee, the benefit from the alternative generation of each unit of electricity should be higher than the costs incurred for each unit of change in electricity generation. Such costs incurred for each unit of change in electricity generation would at least include fuel expenses, water expenses and fees related to environmental protection, etc, taking into consideration the tax expenses, the compensation for ancillary services relating to electricity generation, and deviation assessment, etc. For the transferor, the total benefits arising from the contract should be higher than the total benefits that may be obtained from generating electricity by the transferor on its own. The price is to be determined through negotiation by both parties on the above basis and in accordance with the principle of maximising benefits for the shareholders. Such transaction price must also be based on ordinary commercial terms and prevailing market conditions.
- (f) In respect of the Sale of Electricity and the Electricity Entrustment Agency, the price for sale and purchase of electricity (including water, gas and other resources) is to be determined through negotiations conducted with the objectives of achieving “complementary advantages, mutual benefit and win-win collaboration”, and with reference to the market price or service fees to be determined in accordance with the principle of equality, impartiality and fairness.

LETTER FROM THE BOARD

- (g) The franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising shall be determined on the basis of the price imposed by the government or government prescribed price; and the water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising shall be determined based on the costs of the water, electricity and gas provided by the power generation enterprises through the parties, negotiation in accordance with the principle of fairness, impartiality and fairness.

(4) *Principles of transactions:*

- (a) Both parties agreed that, in respect of products and services to be provided by the other party, if the conditions for services or products offered by an Independent Third Party is less favourable than or same as the conditions imposed by the other party, preference shall be given to products and services offered by the other party.
- (b) Both parties agreed that, in respect of products and services to be provided by the other party, if the price for same products and services offered by an Independent Third Party is higher than or same as the price offered by the other party, preference shall be given to products and services offered by the other party.
- (c) Both parties agreed that, saved as agreed in paragraphs (4)(a) and (b) above, the entering into of the Comprehensive Product and Service Framework Agreement shall not affect the selection of their respective trading partners or their conduct of transactions with third parties. If a third party can provide products and services at more favourable terms and/or prices, each party is entitled to entrust that third party to provide those products and services.
- (d) If a party is unable to satisfy the other party's requirements on products and services, or if the terms provided by an Independent Third Party are more favourable than those of the other party, then that party shall be entitled to receive products and services from the Independent Third Party.
- (e) Before fulfilling the demands for products and services of the other party, neither party shall provide such products and services to an Independent Third Party unless that Independent Third Party offers more favourable prices and terms than those of the other party. However, if the other party is willing to pay prices not less than and/or provide services on terms not less favourable than those provided by the Independent Third Party, the other party shall prioritise the other party in fulfilling its demands for products and services.
- (f) For each year, each party will provide the other party with an estimate of the demand for products and services required for the following year in advance.
- (g) It is anticipated 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 may be required. The Company reserves the right to make changes to the Comprehensive Product and Service Framework Agreement pursuant to listing rules of places where the Company is listed.

LETTER FROM THE BOARD

Annual Caps

The annual caps for the transaction amounts of the Comprehensive Product and Service Framework Agreement for the term ending 31 December 2019 and for the years ending 31 December 2020 and 31 December 2021 are set out as follows:

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

No.	Transactions	For the term ending 31 December 2019 <i>(RMB'000)</i>	For the year ending 31 December 2020 <i>(RMB'000)</i>	For the year ending 31 December 2021 <i>(RMB'000)</i>
1.	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	3,500,000 <i>(Note 1)</i>	3,100,000	2,800,000
2.	Coal Supply	40,000,000 <i>(Note 1)</i>	45,000,000	45,000,000
3.	Technological Transformation, Operations Management and Repair and Maintenance	1,200,000 <i>(Note 2)</i>	1,400,000	1,500,000
4.	Technical Supervision and Technical Services	350,000 <i>(Note 2)</i>	380,000	400,000
5.	Infrastructure EPC Contracting	1,800,000 <i>(Note 2)</i>	1,800,000	1,800,000
6.	Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency	1,500,000 <i>(Note 2)</i>	1,600,000	1,700,000
7.	Alternative Power Generation	100,000 <i>(Note 2)</i>	100,000	100,000
8.	Franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising	2,560,000 <i>(Note 3)</i>	2,580,000	2,700,000
9.	Research and Development in Technological Projects	80,000 <i>(Note 2)</i>	80,000	80,000
10.	Information System Development	100,000 <i>(Note 2)</i>	100,000	100,000

LETTER FROM THE BOARD

No.	Transactions	For the term ending 31 December 2019 <i>(RMB'000)</i>	For the year ending 31 December 2020 <i>(RMB'000)</i>	For the year ending 31 December 2021 <i>(RMB'000)</i>
11.	Property Rights Brokerage Services	30,000 <i>(Note 2)</i>	30,000	30,000
12.	Property Management and Other Logistical Services	45,000 <i>(Note 2)</i>	50,000	55,000

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

No.	Transactions	For the term ending 31 December 2019 <i>(RMB'000)</i>	For the year ending 31 December 2020 <i>(RMB'000)</i>	For the year ending 31 December 2021 <i>(RMB'000)</i>
1.	Coal Supply and Coal Transportation	10,000,000 <i>(Note 1)</i>	13,000,000	15,000,000
2.	Sale of Electricity	500,000 <i>(Note 2)</i>	600,000	700,000
3.	Alternative Power Generation	600,000 <i>(Note 2)</i>	800,000	900,000
4.	Operations Management and Repair and Maintenance	160,000 <i>(Note 2)</i>	180,000	190,000
5.	Water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising	640,000 <i>(Note 3)</i>	650,000	680,000

Notes:

- (1) In respect of transactions under each category of (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, (ii) Coal Supply, and (iii) Coal Supply and Coal Transportation, their respective annual caps for the term ending 31 December 2019 cover the transactions to be conducted by the Company under the respective category from 1 April 2019 to 31 December 2019 only. For the caps which cover the transactions conducted by the Group and the CDC Group in respect of each of these three categories from 1 January 2019 to 31 March 2019, please refer to the continuing connected transactions announcement of the Company dated 18 January 2019 in respect of the Coal and Materials Purchase and Sale Framework Agreement (as defined in that announcement).

LETTER FROM THE BOARD

- (2) In respect of the other transactions under the Comprehensive Product and Service Framework Agreement (other than (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, (ii) Coal Supply, (iii) Coal Supply and Coal Transportation, and (iv) Flue Gas Environmental Protection Facilities Franchising), their respective annual caps for the term ending 31 December 2019 cover the transactions to be conducted by the Group and the CDC Group under the respective categories from 1 January 2019 to 31 December 2019
- (3) The annual caps of the franchising fee and the water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising have taken into account the previous annual caps (the “**Previous Annual Caps**”) as disclosed in (i) the announcement of the Company dated 30 October 2017, (ii) the circular of the Company dated 28 February 2018; and (iii) the announcement of the Company dated 29 March 2018 (as supplemented by the announcement of the Company dated 21 December 2018 in relation to revision of annual caps) in respect of the continuing connected transactions relating to the Franchising Contracts (as defined in the above-mentioned announcements and circular of the Company). Following the Independent Shareholders’ approval of the transactions relating to Flue Gas Environmental Protection Facilities Franchising, the Previous Annual Caps will be cancelled and the transactions contemplated thereunder will be governed by the annual caps under this Comprehensive Product and Service Framework Agreement. In this connection, the respective annual caps of the franchising fee and the water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising for the term ending 31 December 2019 cover the transactions conducted by the Group and the CDC Group under these respective categories during the period from 1 January 2019 to 31 December 2019.

Each of the above-mentioned annual caps and their respective substantial increase have been determined with reference to: (1) the acquisition by the Company of the power generation enterprises in Heilongjiang, Hebei and Anhui provinces from CDC in 2018, which results in an increase of transaction entities and therefore an expected substantial increase of transaction amounts; (2) 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; (3) the expected newly-added procurement of wind power generation main units of the Group; (4) 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 Group; (5) the expected increase in tariffs and the fees of water, high-pressure steam and low-pressure steam of the Group; (6) based on the actual general scope of business and operation arrangement of the Group, more business in relation to the Sale of Electricity is expected to be carried out; (7) 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 (8) the historical transaction amounts in respect of the above-mentioned products and services provided by CDC Group to the Group (and vice versa) for the three years ended 31 December 2018.

Historical Transaction Amounts

A. Historical transaction amounts for the preceding three years ended 31 December 2018

The historical transaction amounts from 1 January 2016 to 31 December 2018 are set out as follows:

LETTER FROM THE BOARD

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

No.	Transactions	For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the year ended 31 December 2018 (Unaudited) (RMB'000)
1.	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	1,360,000	986,000	2,158,000
2.	Coal Supply	15,244,000	24,423,000	24,233,000
3.	Technological Transformation, Operations Management and Repair and Maintenance	355,000	481,000	505,000
4.	Technical Supervision and Technical Services	100,000	134,000	28,000
5.	Infrastructure EPC Contracting	0	986,000	1,129,000
6.	Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency	0	14,000	883,000
7.	Alternative Power Generation	121,000	4,000	1,000
8.	Franchising fee in relation to Flue Gas Environmental Protection Facilities Franchising	1,498,000	1,491,000	2,167,000
9.	Research and Development in Technological Projects	0	0	47,000
10.	Information System Development	0	0	42,000
11.	Property Rights Brokerage Services	0	0	0
12.	Property Management and Other Logistical Services	8,000	14,000	30,000

LETTER FROM THE BOARD

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

No.	Transactions	For the year ended	For the year ended	For the year ended
		31 December 2016 (RMB'000)	31 December 2017 (RMB'000)	31 December 2018 (Unaudited) (RMB'000)
1.	Coal Supply and Coal Transportation	346,000	2,957,000	4,514,000
2.	Sale of Electricity	0	0	143,000
3.	Alternative Power Generation	201,000	159,000	29,000
4.	Operations Management and Repair and Maintenance	163,000	20,000	50,000
5.	Water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising	275,000	349,000	538,000

B. *Historical transaction amounts from 1 January 2019 up to the Latest Practicable Date*

Provision of products and services under the Coal and Materials Purchase and Sale Framework Agreement

Reference is made to the announcement of the Company dated 18 January 2019 (the “**18 January Announcement**”) in respect of the Coal and Materials Purchase and Sale Framework Agreement, pursuant to which the CDC Group and the Group will engage in transactions relating to (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, (ii) Coal Supply; and (iii) Coal Supply and Coal Transportation from 18 January 2019 up to and including 31 March 2019.

In respect of the above three categories of transactions which were covered by the Coal and Materials Purchase and Sale Framework Agreement, the Company confirms that:

- (a) from 1 January 2019 up to and including 18 January 2019, as all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of such transactions carried out by CDC Group and the Group did not exceed 0.1%, such transactions, if any, were therefore fully exempt from reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules; and

LETTER FROM THE BOARD

- (b) from 18 January 2019 up to and including the Latest Practicable Date, the actual transactions amount under these three categories of transactions did not exceed their respective caps as set out in the 18 January Announcement.

Products and services provided by CDC Group to the Group

In respect of other categories of transactions relating to the products and services to be provided by CDC Group to the Group under the Comprehensive Product and Service Framework Agreement (other than (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services and (ii) Coal Supply), the Company confirms that from 1 January 2019 up to 23 January 2019, all of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of:

- a) the actual transaction amounts under each of the transactions for products and services provided by CDC Group to the Group (apart from the franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising) under the Comprehensive Product and Service Framework Agreement were either nil or did not exceed 0.1%; and
- b) the franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising did not exceed the Previous Annual Caps.

In respect of other categories of transactions relating to the products and services to be provided by CDC Group to the Group under the Comprehensive Product and Service Framework Agreement (other than (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services and (ii) Coal Supply), the Company confirms that from 23 January 2019 up to and including the Latest Practicable Date, all of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of:

- a) the actual transaction amount under Infrastructure EPC Contracting did not exceed 5%;
- b) the aggregated actual transaction amount under Technological Transformation, Operations Management and Repair and Maintenance did not exceed 5%;
- c) the aggregated actual transaction amounts under (i) Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency; and (ii) Alternative Power Generation did not exceed 5%;
- d) the franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising did not exceed the Previous Annual Caps; and
- e) the aggregated actual transaction amounts under (i) Technical Supervision and Technical Services, (ii) Research and Development in Technological Projects; (iii) Information System Development; (iv) Property Rights Brokerage Services; and (v) Property Management and Other Logistical Services did not exceed 5%.

LETTER FROM THE BOARD

Products and services provided by the Group to CDC Group

In respect of other categories of transactions relating to the products and services to be provided by the Group to CDC Group under the Comprehensive Product and Service Framework Agreement (other than Coal Supply and Coal Transportation), the Company confirms that from 1 January 2019 up to 23 January 2019, all of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of:

- a) the actual transaction amounts under each of the transactions for products and services to be provided by the Group to CDC Group (apart from the water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising) under the Comprehensive Product and Service Framework Agreement were either nil or did not exceed 0.1%; and
- b) the water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising did not exceed the Previous Annual Caps.

In respect of other categories of transactions relating to the products and services to be provided by the Group to the CDC Group under the Comprehensive Product and Service Framework Agreement (other than Coal Supply and Coal Transportation), the Company confirms that from 23 January 2019 up to and including the Latest Practicable Date, all of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of:

- a) the aggregated actual transaction amounts under (i) Sale of Electricity; and (ii) Alternative Power Generation did not exceed 5%;
- b) the actual transactions amount under Operations Management and Repair and Maintenance did not exceed 5%; and
- c) the water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising did not exceed the Previous Annual Caps.

C. Transaction amounts from the date of the Comprehensive Product and Service Framework Agreement up to and including the date of the EGM

The Company expects that the applicable percentage ratios in respect of the actual transaction amount under all categories of transactions (as aggregated in paragraph numbered (b) in this section, as the case maybe) from the date of the Comprehensive Product and Service Framework Agreement, i.e., 23 January 2019, up to and including the date of the EGM will not exceed 5%.

LETTER FROM THE BOARD

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

The Company is of the view that the entering into of the Comprehensive Product and Service Framework Agreement with CDC can ensure that the Company is able to obtain reliable and guaranteed comprehensive products and services, such as coal, materials and services, thereby reducing its operation risks and costs and enhancing work efficiency, these are all beneficial to the normal development of the Company's operations.

In respect of the transactions contemplated under the Comprehensive Product and Service Framework Agreement only, the Directors (including the independent non-executive Directors) are of the view that 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.

INTERNAL CONTROLS

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.

Re-complying with the Listing Rules in respect of revision of annual caps

If it is anticipated that any of the annual caps in respect of the Comprehensive Product and Service Framework Agreement will be exceeded during the term of the Comprehensive Product and Service Framework Agreement, the Company will re-comply with the applicable compliance obligations under Chapter 14A of the Listing Rules based on the threshold of the applicable percentage ratios in respect of the revised annual caps on each of the respective seventeen categories of provision of goods and services under the Comprehensive Product and Service Framework Agreement, as the case may be.

APPROVAL OF THE BOARD

The thirty first meeting of the ninth session of the Board of the Company has considered and approved the "Resolution in relation to the entering into of the Comprehensive Product and Service Framework Agreement from 2019 to 2021 with China Datang Corporation Limited." (Please refer to the overseas regulatory announcement of the Company dated 21 December 2018 for details).

LETTER FROM THE BOARD

As at the Latest Practicable Date, 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.

INFORMATION IN RELATION TO THE 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.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CDC, the controlling shareholder of the Company, and its subsidiaries hold a total of 53.09% of the issued share capital of the Company. CDC is therefore a connected person of the Company. As such, transactions under the Comprehensive Product and Service Framework Agreement constitute continuing connected transactions of the Company.

Among the twelve types of products or services to be provided by CDC Group to the Group under the Comprehensive Product and Service Framework Agreement, given that the highest 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; and (iii) the franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising 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 Independent Shareholders under Chapter 14A of the Listing Rules.

For each of the remaining eight types of products or services to be provided by CDC Group to the Group under the Comprehensive Product and Service Framework Agreement (except Property Rights Brokerage Services), as the highest 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%, 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.

LETTER FROM THE BOARD

As the highest of the applicable percentage ratios in respect of the amount of transactions under the category of the Property Rights Brokerage Services under the Comprehensive Product and Service Framework Agreement is less than 0.1%, it is fully exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Among the five types of products or services to be provided by the Group to CDC Group under the Comprehensive Product and Service Framework Agreement, as the highest of the applicable percentage ratios of the amount of transactions 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 Group to CDC Group under the Comprehensive Product and Service Framework Agreement, as the highest 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%, 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.

Under Chapter 14A of the Listing Rules, only the Non-Exempt CCT (including their proposed caps) require Independent Shareholders' approval. However, in the consideration of good corporate governance, all the transactions under the Comprehensive Product and Service Framework Agreement will be submitted to the Independent Shareholders of the Company for approval at the EGM. As such, the Independent Board Committee and the Independent Financial Adviser will also, in addition to the Non-Exempt CCT, opine on the Exempt CCT contemplated under the Comprehensive Product and Service Framework Agreement to provide the Independent Shareholders with sufficient information so as to make an informed decision on the voting of the relevant proposed resolution at the EGM.

EGM

The Company will convene the EGM to consider and approve, among others, transactions under the Comprehensive Product and Service Framework Agreement. The notice convening the EGM has been despatched to the Shareholders on 11 February 2019.

Any Shareholder with a material interest in the transactions 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 53.09% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting at the EGM in approving the transactions 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 transactions under the Comprehensive Product and Service Framework Agreement and shall abstain from voting at the resolution(s) in relation to the approval of the transactions under the Comprehensive Product and Service Framework Agreement at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 23 to 24 of this circular which contains its recommendation to the Independent Shareholders on the terms of the transactions under 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 25 to 51 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 transactions under the Comprehensive Product and Service Framework Agreement, the casting of votes for or against the resolution(s) approving the transactions under 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) are of the view that the terms of the transactions under the Comprehensive Product and Service Framework Agreement are fair and reasonable, have been entered into after arm's-length negotiation between all parties thereto and determined on normal commercial terms and in the ordinary course of business and are in the interests of the Company and its Shareholders as a whole and they recommend the Shareholders to vote in favour of the resolution(s) at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and additional information set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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, 100140
The PRC

11 March 2019

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to the Shareholders dated 11 March 2019 (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.

We have been appointed as the Independent Board Committee to consider the terms of the transactions under the Comprehensive Product and Service Framework Agreement and to advise the Independent Shareholders in connection with transactions under the Comprehensive Product and Service Framework Agreement as to whether, in our opinion, the terms of the transactions under the Comprehensive Product and Service Framework Agreement are fair and reasonable and whether the entering into of the transactions 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.

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 of the transactions under the Comprehensive Product and Service Framework Agreement is on normal commercial terms. We also consider that the terms of the transactions under the Comprehensive Product and Service Framework Agreement are fair and reasonable so far as the Shareholders are concerned and that the entering into of the transactions under the Comprehensive Product and Service Framework Agreement is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the transactions 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.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

The following is the full text of letter from Trinity Corporate Finance Limited, the independent financial adviser, to the Independent Board Committee and Independent Shareholders in respect of the transactions under the Comprehensive Product and Service Framework Agreement, which has been prepared for the purpose of inclusion in this circular.

TRINITY

Trinity Corporate Finance Limited

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

11 March 2019

*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), and the Exempt CCT as a whole (as explained below), 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 11 March 2019 (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 23 January 2019, 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 2021.

As at the Latest Practicable Date, CDC is the controlling shareholder of the Company, which together with its subsidiaries, holds a total of 53.09% 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.

Among the twelve types of products or services to be provided by CDC Group to the Group under the Comprehensive Product and Service Framework Agreement, given that the highest 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; and (iii) the franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising under the Comprehensive Product and Service Framework Agreement,

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

when aggregated with their respective Previous Transactions, is more than 5%, such transactions are subject to reporting and announcement requirements and approval of Independent Shareholders under Chapter 14A of the Listing Rules.

For each of the remaining eight types of products or services to be provided by CDC Group to the Group under the Comprehensive Product and Service Framework Agreement (except Property Rights Brokerage Services), as the highest 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%, 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.

As the highest of the applicable percentage ratios in respect of the amount of transactions under the category of the Property Rights Brokerage Services under the Comprehensive Product and Service Framework Agreement is less than 0.1%, it is fully exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Among the five types of products or services to be provided by the Group to CDC Group under the Comprehensive Product and Service Framework Agreement, as the highest of the applicable percentage ratios of the amount of transactions 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 Group to CDC Group under the Comprehensive Product and Service Framework Agreement, as the highest 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%, 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.

In short, the Non-Exempt CCT are collectively the transactions under the categories of (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, (ii) Coal Supply and (iii) Flue Gas Environmental Protection Facilities Franchising in respect of products and services to be provided by CDC Group to the Group, 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 Group to CDC Group, of which the highest 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. Likewise, the Exempt CCT are collectively the transactions other than the Non-Exempt CCT under the Comprehensive Product and Service Framework Agreement, of which the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) is less than 5%, and which are not subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Although under Chapter 14A of the Listing Rules, only the Non-Exempt CCT (including their proposed caps) require Independent Shareholders' approval, in consideration of good corporate governance, the Company proposes that all the transactions under the Comprehensive Product and Service Framework

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

Agreement will be submitted to the Independent Shareholders of the Company for approval at the EGM. As such, we and the Independent Board Committee will also, in addition to the Non-Exempt CCT, opine on the Exempt CCT contemplated under the Comprehensive Product and Service Framework Agreement to provide Independent Shareholders with sufficient information so as to make an informed decision on the voting of the relevant proposed resolution at the EGM.

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, and the Exempt CCT as a whole, are fair and reasonable and whether entering into the Non-Exempt CCT and the Exempt CCT under the Comprehensive Product and Service Framework Agreement is in the interests 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.

As at the Latest Practicable Date, Trinity Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Trinity Corporate Finance Limited. In the last two years, Trinity Corporate Finance Limited has acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to continuing connected transactions of the Franchising Contracts and Comprehensive Product and Service Framework Agreement of the Company in 2018 (details of which were set out in the two circulars of the Company both dated 28 February 2018) and the Leasing and Factoring Business Cooperation Agreement (details of which were set out in the circular of the Company dated 31 July 2018). Apart from normal professional fees paid to us in connection with such appointments, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

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.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

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 transactions contemplated under 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 transactions contemplated under the Comprehensive Product and Service Framework Agreement 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 transactions contemplated under the Comprehensive Product and Service Framework Agreement, 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.

B. Financial Performance of the Company

During the financial year ended 31 December 2017, the Company completed the power generation of 198,693.6 million kWh, representing an increase of 15.20% over the year ended 31 December 2016. During the same period, newly installed capacity of the Company was 3,695.5MW and projects of the Company with a total capacity of 1,102MW were approved.

As of 31 December 2017, total consolidated assets of the Company and its subsidiaries amounted to approximately RMB235,932 million, representing a year-on-year increase of RMB2,467 million; total consolidated liabilities of the Group amounted to approximately RMB175,747 million, representing a year-on-year increase of RMB1,111 million.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

In the first half of 2018, encountering complicated 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 concentrated its efforts on improving its development quality, enhancing corporate governance and team building, and scored positive achievements in various aspects such as production safety, profitability and efficiency improvement, and development optimisation.

The following table is a summary of the consolidated income statement of the Group for the three years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2017 and 2018, as extracted from the respective annual reports and interim reports of the Company.

	For the year ended 31 December 2015 (audited) RMB'000	For the year ended 31 December 2016 (audited) RMB'000	For the year ended 31 December 2017 (audited) RMB'000	For the six months ended 30 June 2017 (unaudited and restated) RMB'000	For the six months ended 30 June 2018 (unaudited) RMB'000
Operating Revenue	60,050,302	57,291,557	64,607,755	39,314,192	45,543,434
Profit before tax for the financial year/period	9,938,994	8,441,267	3,324,272	1,550,271	2,869,421
Profit for the financial year/ period	3,260,372	1,885,321	2,445,853	1,000,359	2,098,246
Profit (Loss) for the financial year/period attributable to equity holders of the Company	2,787,739	(2,753,881)	1,708,075	898,612	1,216,838

During the financial year ended 31 December 2017, the Group realised an operating revenue of approximately RMB64,608 million, representing an increase of approximately 12.77% over the previous year. During the same year, the Group reported a total profit before tax from continuing operations amounting to approximately RMB3,324 million, representing a decrease of approximately 60.62% over the previous year. Net profit attributable to equity holders of the Company amounted to approximately RMB1,708 million. The decrease in the Group's total profit before tax from continuing operations was mainly due to a significant year-on-year increase in unit price of standard coal for the financial year ended 31 December 2017.

During the six months ended 30 June 2018, the Group realised an operating revenue of approximately RMB45,543 million, representing an increase of approximately 15.84% over the corresponding period in the previous year. The total profit before tax of the Group amounted to approximately RMB2,869 million, representing an increase of approximately 85.09% over the corresponding period in the previous year. The main reasons for the change were: firstly, power generation in the first half of 2018 increased by 13.199 billion kWh year-on-year, resulting in an

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

increase in profits of RMB2,037 million; secondly, the average on-grid price (tax inclusive) recorded a year-on-year increase of RMB9.19/MWh, resulting in an increase in profits of RMB1,106 million; thirdly, the unit cost of fuel for thermal power achieved RMB204.69/MWh, a year-on-year increase of RMB7.40/MWh, resulting in a corresponding decrease in profits of RMB790 million; fourthly, the finance costs increased year-on-year, resulting in a corresponding decrease in profits of RMB435 million, mainly due to the year-on-year increase in finance scale and the interest expenses of the new power generating units were included in profit or loss. The net profit attributable to equity holders of the Company amounted to approximately RMB1,217 million, representing an increase of approximately 35.41% over the corresponding period in the previous year.

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

As mentioned in the Letter from the Board, on 23 January 2019, 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 (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, (ii) Coal Supply, (iii) Technological Transformation, Operations Management and Repair and Maintenance, (iv) Technical Supervision and Technical Services, (v) Infrastructure EPC Contracting, (vi) Sale of Electricity (including sale of water, gas and other resources) and Electricity Entrustment Agency, (vii) Alternative Power Generation, (viii) Flue Gas Environmental Protection Facilities Franchising, (ix) Research and Development in Technological Projects, (x) Information System Development, (xi) Property Rights Brokerage Services and (xii) 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 (i) Coal Supply and Coal Transportation, (ii) Alternative Power Generation, (iii) Sale of Electricity, (iv) Operations Management and Repair and Maintenance and (v) the supply of water, electricity and gas in respect of Flue Gas Environmental Protection Facilities Franchising) 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.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

(2) *Term:*

The Comprehensive Product and Service Framework Agreement shall commence from the Effective Date and shall continue up to and including 31 December 2021.

(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, Research and Development in Technological Projects, Information System Development, Property Rights Brokerage Services and Property Management and Other Logistical Services, the service provider is to be determined through tender in accordance with relevant PRC laws through competitive negotiations or price quotation as prescribed by the procurement management policies of the Company. The tender would only be awarded to the relevant connected enterprise if it has been rated as first in the aspects of 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 final tender price.

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.

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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.

- (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 price for the entire package of service and equipment is calculated in accordance with the scope of actual services provided and the pricing standard of the relevant package of service and materials. Such service fee shall be determined on the basis of arm's length negotiations between 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. 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 pricing standard of the relevant package of service and 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.

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On the basis that 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 a Independent Third Party or other companies of CDC Group, we consider that the above pricing principle for the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services is fair and reasonable and on normal commercial terms or better.

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.

- (c) In respect of the Coal Supply and 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 coal are to be determined according to the purchase costs of coal incurred by the subordinate fuel companies of each of the Company and CDC responsible for the procurement of fuel, the demands for coal consumption from the subordinate power generation companies of each of the Company and CDC, the trend of price change in the Bohai Rim and the trend of international price change, upon negotiation with the subordinate power generation enterprises of each of the Company and CDC, taking into account factors such as the transportation costs of coal of the subordinate shipping companies of the Company, the transportation demands of coal of relevant enterprises of the Company, historical transaction price and potential price fluctuations. The price of market coal is to be formed upon determination of the price of electricity purchase and coal sale in mid-to-long term agreements and coal transportation prices through negotiation with the subordinate power generation enterprises, the subordinate coal mining enterprises, the subordinate fuel companies of each of the Company and CDC, as well as the shipping companies of the Company, respectively, or through the bidding platform for coal procurement in the market. On the basis that the price for Coal Supply and Coal Transportation is determined after arm's length negotiations taking into account of the above factors, including the market price of coal and transportation costs and demands, we consider that the pricing policy for Coal Supply and Coal Transportation is fair and reasonable and on normal commercial

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terms or better. We have also reviewed two sample meeting notes, which have been selected by the Company for our review, regarding discussions of coal price determination and transportation costs, and there is no reason for us to believe that the Company has not carefully monitored and discussed the matters relating to Coal Supply and Coal Transportation.

- (d) In respect of the Technical Supervision and Technical Services, the price is to be determined through negotiation by both parties with reference to the market price, taking into account the following relevant factors: variance between service projects of thermal power, hydropower and wind power units and the installed capacity and regional differences of the power generation enterprises to ensure that the price shall not be higher than that charged for similar services provided to an Independent Third Party. On the basis that the price for such services will be made with reference to market price and will not be higher than that charged for similar services provided to an Independent Third Party, we consider that the pricing policy for Technical Supervision and Technical Services to be fair and reasonable and on normal commercial terms or better.
- (e) In respect of the Alternative Power Generation, the price is to be determined having considered the market price of alternative power generation and the fact that marginal benefit shall be generated. Marginal benefit means the additional benefit that arise from a unit increase in receiving or transferring a product. For the transferee, the benefit from the alternative generation of each unit of electricity should be higher than the costs incurred for each unit of change in electricity generation. Such costs incurred for each unit of change in electricity generation would at least include fuel expenses, water expenses and fees related to environmental protection, etc., taking into consideration the tax expenses, the compensation for ancillary services relating to electricity generation, and deviation assessment, etc. For the transferor, the total benefits arising from the contract should be higher than the total benefits that may be obtained from generating electricity by the transferor on its own. The price is to be determined through negotiation by both parties on the above basis and in accordance with the principle of maximising benefits for the shareholders. Such transaction price must also be based on ordinary commercial terms and prevailing market conditions. On the basis that the price for such services will be made with reference to market price and prevailing market conditions, we consider that the pricing policy for Alternative Power Generation to be fair and reasonable and on normal commercial terms.
- (f) In respect of the Sale of Electricity and the Electricity Entrustment Agency, the price for sale and purchase of electricity (including water, gas and other resources) is to be determined through negotiations by both parties conducted with the objectives of achieving “complementary advantages, mutual benefit and win-win collaboration” and with reference to the market price or service fees to be determined based on the principles of equality, impartiality and fairness. On the basis that the price for such services will be made with reference to market

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price, we consider that the pricing policy for the Sale of Electricity and the Electricity Entrustment Agency to be fair and reasonable and on normal commercial terms.

- (g) The franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising, shall be determined on the basis of the price imposed by the government or government prescribed price; and the water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising shall be determined based on the costs of the water, electricity and gas provided by the power generation enterprises through the parties, negotiation in accordance with the principles of fairness and impartiality. On the basis that the price for such services is determined by government prescribed or imposed prices and costs provided by power generation enterprises, we consider that the pricing policy for Flue Gas Environmental Protection Facilities Franchising is fair and reasonable and on normal commercial terms.

(4) *Principles of transactions:*

- (a) Both parties agreed that, in respect of products and services to be provided by the other party, if the conditions for services or products offered by an Independent Third Party is less favourable than or same as the conditions imposed by the other party, preference shall be given to products and services offered by the other party.
- (b) Both parties agreed that, in respect of products and services to be provided by the other party, if the price for same products and services offered by an Independent Third Party is higher than or same as the price offered by the other party, preference shall be given to products and services offered by the other party.
- (c) Both parties agreed that, saved as agreed in paragraphs (4)(a) and (b) above, the entering into of the Comprehensive Product and Service Framework Agreement shall not affect the selection of their respective trading partners or their conduct of transactions with third parties. If a third party can provide products and services at more favourable terms and/or prices, each party is entitled to entrust that third party to provide those products and services.
- (d) If a party is unable to satisfy the other party's requirements on products and services, or if the terms provided by an Independent Third Party are more favourable than those of the other party, then that party shall be entitled to receive products and services from the Independent Third Party.
- (e) Before fulfilling the demands for products and services of the other party, neither party shall provide such products and services to an Independent Third Party unless that Independent Third Party offers more favourable prices and terms than those of the other party. However, if the other party is willing to pay prices not

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less than and/or provide services on terms not less favourable than those provided by the Independent Third Party, the other party shall prioritise the other party in fulfilling its demands for products and services.

- (f) For each year, each party will provide the other party with an estimate of the demand for products and services required for the following year in advance.
- (g) It is anticipated 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 may be required. The Company reserves the right to make changes to the Comprehensive Product and Service Framework Agreement pursuant to listing rules of places where the Company is listed.

We consider that the above principles are fair and reasonable and will ensure that the Company will be able to achieve terms which are on normal commercial terms or better, as the terms and conditions, including price, for transactions under the Comprehensive Product and Service Framework Agreement must be similar to or more favourable than the terms and conditions for an Independent Third Party.

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 two 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. The sample meeting notes have been selected by the Company for our review and there is no reason for us to believe that the Company has not monitored the transactions according to its internal control policies as set out above. In addition, we have reviewed the monitoring records of specialized departments and detailed checklists used by the Company regarding the monitoring of the Exempt CCT transactions. After reviewing the above

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documents, we consider that the Company has been closely monitoring both the Non-Exempt and Exempt CCT transactions, including price determination and the respective annual caps, and nothing has come to our attention which indicate otherwise.

We have also discussed with the Company about the price control procedures and 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 both the Non-Exempt CCT and 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 both the Non-Exempt CCT and the Exempt CCT under the Comprehensive Product and Service Framework Agreement

The historical transaction amounts for both the Non-Exempt CCT and Exempt CCT under the Comprehensive Product and Service Framework Agreement for the three years ended 31 December 2016, 2017 and 2018 are set out as follows:

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1. Products and services provided by CDC to the Company

No.	Transactions	For the year ended 31 December 2016 <i>RMB million</i>	For the year ended 31 December 2017 <i>RMB million</i>	For the year ended 31 December 2018 <i>RMB million</i>
1	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	1,360	986	2,158
2	Coal Supply	15,244	24,423	24,233
3	Technological Transformation, Operations Management and Repair and Maintenance	355	481	505
4	Technical Supervision and Technical Services	100	134	28
5	Infrastructure EPC Contracting	0	986	1,129
6	Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency	0	14	883
7	Alternative Power Generation	121	4	1
8	Franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising	1,498	1,491	2,167
9	Research and Development in Technological Projects	0	0	47
10	Information System Development	0	0	42
11	Property Rights Brokerage Services	0	0	0
12	Property Management and other Logistical Services	8	14	30

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

No.	Transactions	For the year	For the year	For the year
		ended 31	ended 31	ended 31
		December	December	December
		2016	2017	2018
		RMB million	RMB million	RMB million
1	Coal Supply and Coal Transportation	346	2,957	4,514
2	Sale of Electricity	0	0	143
3	Alternative Power Generation	201	159	29
4	Operations Management and Repair and Maintenance	163	20	50
5	Water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising	275	349	538

The Comprehensive Product and Service Framework Agreement encompasses a broad range of products and services which may be entered into between the Group and the CDC Group. According to the Letter from the Board, the scope of products and services for the following categories are set out in more detail below:

1. Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services includes 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;
2. Coal Supply and Coal Transportation includes operating activities in respect of the supply of coal and transportation of coal to designated locations through single or joint methods such as railway, highway and waterways;
3. Technological Transformation includes technological transformation projects that transform obsolete technologies into advanced technologies and replace out-dated technology and equipment with advanced ones by upholding the principle of technological advancement, thereby achieving the goal to expand production

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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;

4. Technical Supervision and Technical Services includes 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 analysis, improvement on technical process, implementation of special experiment and technical diagnosis;
5. Infrastructure EPC Consulting includes 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;
6. Sale of Electricity includes the sale of electricity (including water, gas and other resources) generated (or processed) by power generation enterprises to energy sale enterprises or other users;
7. Electricity Entrustment Agency includes 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;
8. Alternative Power Generation includes 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;
9. Flue Gas Environmental Protection Facilities Franchising includes collectively, (i) the investment and construction by the CDC Group of the flue gas environmental protection facilities, including desulfurisation, denitrification and dust removal, etc., of the Group, and the franchising provided by the CDC Group to the Group for the flue gas environmental protection facilities, including desulfurisation, denitrification and dust removal, etc., of the Group, as well as (ii) the franchising fee charged by the CDC

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Group to the Group in view of the electricity price subsidy policy as prescribed by the PRC during the franchising period, and the water, electricity and gas costs incurred for the operation of flue gas environmental protection facilities charged by the Group to the CDC Group;

10. Research and Development in Technological Projects includes research by power generation enterprises such as theoretical research, key technologies research, experimental research in relation to electricity generation, which result in technological output such as the production of key technologies, scientific results, patents and theses;
11. Information System Development includes the implementation and construction of information systems, the operation and maintenance of information systems, the information technology consultations and the information technology services;
12. Property Rights Brokerage Services includes brokerage services provided to enterprises in relation to activities conducted at property rights exchange institutions, such as transfer of equity interest, assets transactions and capital increase;
13. Property Management and Other Logistical Services includes the entrustment of property service enterprises for facilities related to buildings held by the Group to conduct various services such as logistic management of such facilities; and
14. Operations Management includes operations on equipment such as monitoring, inspection, starting and stopping, and reconfiguration and Repair and Maintenance includes the routine maintenance and repair of equipment.

E. Proposed Annual Caps and analysis of both the Non-Exempt CCT and the Exempt CCT under the Comprehensive Product and Service Framework Agreement

The proposed annual caps for the transaction amounts of both the Non-Exempt CCT and Exempt CCT under the Comprehensive Product and Service Framework Agreement for the term ending 31 December 2019 and the two years ending 31 December 2020 and 2021 are set out as follows:

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Table 1: Products and services provided by CDC to the Company

No.	Transactions	For the	For the year	For the year
		term ending	ending 31	ending 31
		31	December	December
		December	2020	2021
		2019		
		RMB million	RMB million	RMB million
1	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	3,500 (Note 1)	3,100	2,800
2	Coal Supply	40,000 (Note 1)	45,000	45,000
3	Technological Transformation, Operations Management and Repair and Maintenance	1,200 (Note 2)	1,400	1,500
4	Technical Supervision and Technical Services	350 (Note 2)	380	400
5	Infrastructure EPC Contracting	1,800 (Note 2)	1,800	1,800
6	Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency	1,500 (Note 2)	1,600	1,700
7	Alternative Power Generation	100 (Note 2)	100	100
8	Franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising	2,560 (Note 3)	2,580	2,700
9	Research and Development in Technological Projects	80 (Note 2)	80	80
10	Information System Development	100 (Note 2)	100	100
11	Property Rights Brokerage Services	30 (Note 2)	30	30
12	Property Management and other Logistical Services	45 (Note 2)	50	55
	Total Annual Caps for Non-Exempt CCT*	46,060	50,680	50,500
	Total Annual Caps for Exempt CCT*	5,205	5,540	5,765

* Items 1, 2 and 8 in the above table are Non-Exempt CCT, while the others are Exempt CCT.

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Table 2: Products and services provided by the Company to CDC

No.	Transactions	For the	For the year	For the year
		term ending	ending 31	ending 31
		31	December	December
		December	2020	2021
		2019	RMB million	RMB million
		RMB million		
1	Coal Supply and Coal Transportation	10,000 (Note 1)	13,000	15,000
2	Sale of Electricity	500 (Note 2)	600	700
3	Alternative Power Generation	600 (Note 2)	800	900
4	Operations Management and Repair and Maintenance	160 (Note 2)	180	190
5	Water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising	640 (Note 3)	650	680
	Total Annual Caps for Non-Exempt CCT**	10,000	13,000	15,000
	Total Annual Caps for Exempt CCT**	1,900	2,230	2,470

** Item 1 in the above table is a Non-Exempt CCT, while the others are Exempt CCT.

Notes:

- (1) In respect of transactions under each category of (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, (ii) Coal Supply, and (iii) Coal Supply and Coal Transportation, their respective annual caps for the term ending 31 December 2019 cover the transactions to be conducted by the Company under the respective category from 1 April 2019 to 31 December 2019 only. For the caps which cover the transactions conducted by the Group and the CDC Group in respect of each of these three categories from 1 January 2019 to 31 March 2019, please refer to the continuing connected transactions announcement of the Company dated 18 January 2019 in respect of the Coal and Materials Purchase and Sale Framework Agreement (as defined in that announcement).
- (2) In respect of the other transactions under the Comprehensive Product and Service Framework Agreement (other than (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, (ii) Coal Supply, (iii) Coal Supply and Coal Transportation, and (iv) Flue Gas Environmental Protection Facilities Franchising), their respective annual caps for the term ending 31 December 2019 cover the transactions to be conducted by the Group and the CDC Group under the respective categories from 1 January 2019 to 31 December 2019.
- (3) The annual caps of the franchising fee and the water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising have taken into account the previous annual caps (the “**Previous Annual Caps**”) as disclosed in (i) the announcement of the Company dated 30 October 2017, (ii) the circular of the Company dated 28 February 2018; and (iii) the announcement of the Company dated 29 March 2018 (as supplemented by the announcement of the Company dated 21 December 2018 in relation to revision of annual caps) in respect of the continuing

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connected transactions relating to the Franchising Contracts (as defined in the above-mentioned announcements and circular of the Company). Following the Independent Shareholders' approval of the transactions relating to Flue Gas Environmental Protection Facilities Franchising, the Previous Annual Caps will be cancelled and the transactions contemplated thereunder will be governed by the annual caps under this Comprehensive Product and Service Framework Agreement. In this connection, the respective annual caps of the franchising fee and the water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising for the term ending 31 December 2019 cover the transactions conducted by the Group and the CDC Group under these respective categories during the period from 1 January 2019 to 31 December 2019.

It is noted from Table 1 above that there is no significant increase in the proposed annual caps for the years ending 31 December 2020 and 31 December 2021 from their respective previous term/year, except for an increase of RMB5,000 million for Coal Supply for the year ending 31 December 2020. We have discussed with the Company and it is confirmed that this is primarily due to the expected increase in the overall scale of business after the acquisition by the Company of the power generation enterprises in Heilongjiang, Hebei and Anhui provinces from CDC in 2018, which results in an increase of transaction entities and therefore an expected substantial increase of transaction amounts.

It is noted from Table 2 above that there is no significant increase in the annual caps for the Exempt CCT whereas the Non-Exempt CCT (i.e. Coal Supply and Coal Transportation) is expected to increase in the coming years and the proposed annual cap increases from RMB10,000 million for the term ending 31 December 2019 to RMB13,000 million for the year ending 31 December 2020 and to RMB15,000 million for the year ending 31 December 2021. Similar to the reason for Coal Supply for the products and services to be provided by CDC to the Company, this is primarily due to the expected increase in the overall scale of business after the acquisition by the Company of the power generation enterprises in Heilongjiang, Hebei and Anhui provinces from CDC in 2018, which results in an increase of transaction entities and therefore an expected substantial increase of transaction amounts.

According to the Letter from the Board, each of the above-mentioned annual caps and their respective increase have been determined with reference to the following reasons:

- (1) the acquisition by the Company of the power generation enterprises in Heilongjiang, Hebei and Anhui provinces from CDC in 2018, which results in an increase of transaction entities and therefore an expected substantial increase of transaction amounts;
- (2) 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;
- (3) the expected newly-added procurement of wind power generation main units of the Group;

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- (4) 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 Group;
- (5) the expected increase in tariffs and the fees of water, high-pressure steam and low-pressure steam of the Group;
- (6) based on the actual general scope of business and operation arrangement of the Group, more business in relation to the Sale of Electricity is expected to be carried out;
- (7) 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
- (8) the historical transaction amounts in respect of the above-mentioned products and services provided by CDC Group to the Group (and vice versa) for the three years ended 31 December 2018.

The following table shows the main underlying reasons for the annual caps of the respective transactions (based on the above numbering) and the historical transaction amounts for the year ended 31 December 2018 compared to the proposed annual caps for the transaction amounts of both the Non-Exempt CCT and the Exempt CCT under the Comprehensive Product and Service Framework Agreement for the term ending 31 December 2019 is set out as follows:

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

No.	Transactions	Historical transaction amounts for the year ended 31 December 2018 <i>RMB million</i>	Annual Caps for the term ending 31 December 2019 ("2019 Annual Caps") <i>RMB million</i>	% of historical transaction amounts for the year ended 31 December 2018 compared to 2019 Annual Caps	Main underlying reasons for the annual caps (according to the numbering of the reasons listed above from (1) to (8))
1	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	2,158	3,500	62%	1, 3, 8
2	Coal Supply	24,233	40,000	61%	1, 2, 8
3	Technological Transformation, Operations Management and Repair and Maintenance	505	1,200	42%	4, 8
4	Technical Supervision and Technical Services	28	350	8%	8
5	Infrastructure EPC Contracting	1,129	1,800	63%	8
6	Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency	883	1,500	59%	1, 6, 8
7	Alternative Power Generation	1	100	1%	7, 8
8	Franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising	2,167	2,560	85%	5, 8
9	Research and Development in Technological Projects	47	80	59%	8
10	Information System Development	42	100	42%	8
11	Property Rights Brokerage Services	0	30	0%	8
12	Property Management and other Logistical Services	30	45	67%	8
	Total for Non-Exempt CCT [#]	28,558	46,060	62%	
	Total for Exempt CCT [#]	2,665	5,205	51%	

[#] *Items 1, 2 and 8 in the above table are Non-Exempt CCT, while the others are Exempt CCT.*

We note that the Non-Exempt CCT above (namely items 1, 2 and 8) has a relatively high historical utilization rate ranging from 61% to 85%, as compared to the respective proposed annual caps for the term ending 31 December 2019. As set out above, the total historical transaction amounts for the year ended 31 December 2018 was RMB28,558 million and RMB2,665 million for the Non-Exempt CCT and the Exempt CCT respectively. The total annual caps for the term ending 31 December 2019 for Non-Exempt CCT is RMB46,060 million and the total annual caps for Exempt CCT is RMB5,205 million. This represents a historical utilization rate of 62% and 51%, based on the expected annual caps for the term ending 31 December 2019, for the Non-Exempt CCT and Exempt CCT respectively. Despite the fact that the individual utilization rates for the Exempt CCT range from 0% to 67%, the total utilization rate of all Exempt CCT is 51%. Also, the total annual cap of the Exempt CCT (RMB5,205 million) is only 11% of the total annual cap of the Non-Exempt CCT (RMB46,060

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million). On this basis, we consider that the proposed annual caps for both the Non-Exempt CCT and Exempt CCT for products and services to be provided by CDC to the Company is fair and reasonable taking into consideration of the historical transaction amounts.

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

No.	Transactions	Historical transaction amounts for the year ended 31 December 2018 <i>RMB million</i>	Annual Caps for the term ending 31 December 2019 ("2019 Annual Caps") <i>RMB million</i>	% of historical transaction amounts for the year ended 31 December 2018 compared to 2019 Annual Caps	Main underlying reasons for the annual caps (according to the numbering of the reasons listed above from (1) to (8))
1	Coal Supply and Coal Transportation	4,514	10,000	45%	1, 2, 8
2	Sale of Electricity	143	500	29%	1, 6, 8
3	Alternative Power Generation	29	600	5%	7, 8
4	Operations Management and Repair and Maintenance	50	160	31%	1, 5, 8
5	Water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising	538	640	84%	1, 5, 8
	Total for Non-Exempt CCT ^{##}	4,514	10,000	45%	
	Total for Exempt CCT ^{##}	760	1,900	40%	

^{##} *Item 1 in the above table is a Non-Exempt CCT, while the others are Exempt CCT*

We note that the Non-Exempt CCT transaction above (i.e. item 1), has a utilization rate of 45% based on the proposed annual cap for the term ending 31 December 2019 and the total Exempt CCT has a utilization rate of 40%. The utilization rate of the Exempt CCT ranges from 5% to 84%. The 5% utilization rate is for Alternative Power Generation with a proposed annual cap of RMB600 million, which is determined based on the reason stated in point 7 above which is 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. On this basis, we consider that the proposed annual caps for both the Non-Exempt CCT and Exempt CCT for products and services to be provided by the Company to CDC is fair and reasonable taking into consideration of the historical transaction amounts.

In addition to the analysis of the historical transaction amounts above, we have discussed with the Company and confirm that the main underlying reasons for the annual caps (for the products and services provided by CDC to the Company and vice versa) as set out above are necessitated by the expected increase in turnover and scale of business as a result of newly acquired operations and also ongoing expansions and approved projects. As mentioned in paragraph "B. Financial Performance of the Company" above, during the financial year

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ended 31 December 2017, the Company completed the power generation of 198,693.6 million kWh, representing an increase of 15.20% over the year ended 31 December 2016. Also, during the same period, newly installed capacity of the Company was 3,695.5MW and projects of the Company with a total capacity of 1,102MW were approved.

Also, we have reviewed the Company's announcement dated 28 January 2019 regarding power generation for 2018 (the "**2018 Power Generation Announcement**"), and note that based on the Company's preliminary statistics as of 31 December 2018, total power generation of the Company and its subsidiaries amounted to approximately 269.7043 billion kWh, and total on-grid power generation amounted to approximately 254.6124 billion kWh. Following the acquisition by the Company of Datang Anhui Power Generation Co., Ltd. ("**Anhui Company**"), Datang Hebei Power Generation Co., Ltd. ("**Hebei Company**") and Datang Heilongjiang Power Generation Co., Ltd. ("**Heilongjiang Company**") from CDC, which was completed at the beginning of April 2018, the results of Anhui Company, Hebei Company and Heilongjiang Company were included in the consolidated statements of the Company through business combination under common control by the Company in accordance with the Accounting Standards for Business Enterprises. As such, the above power generation and on-grid power generation included those of Anhui Company, Hebei Company and Heilongjiang Company for the year of 2018.

It is also mentioned in the 2018 Power Generation Announcement that, as compared to the data in the Company's announcement for the corresponding period in 2017 (which did not include Anhui Company, Hebei Company and Heilongjiang Company), the power generation and on-grid power generation of the Company for the year of 2018 represented an increase of approximately 35.74% and approximately 35.23%, respectively.

As stated in the 2018 Power Generation Announcement, as compared to the data in the Company's announcement for the corresponding period of 2017, the increase in the power generation and on-grid power generation for the year of 2018 was mainly due to the following reasons:

1. The growth of the national overall power consumption, especially the rapid growth of the power consumption by the tertiary industry and the urban and rural residents; and
2. As affected by the acquisition of power generation assets in Anhui Company, Hebei Company and Heilongjiang Company by the Company, the power generation and on-grid power generation represented an increase of approximately 29.86% and approximately 29.41% as compared to the corresponding period of 2017, respectively.

Given that there is substantial increase in the scale of operations of the Company and growth in the level of total power generation as stated above, we consider that it is fair and reasonable for the annual caps to be set at the respective amounts as stated above in order to cater to the increasing turnover and an increase of transaction entities of the Company.

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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 term ending 31 December 2019, as compared with the annual caps in the previous year, we have reviewed a news report from The Business Times which was published on 10 September 2018, namely “China coal imports stay robust despite lower domestic prices, weaker currency”. Such report indicated that, among others, “coal imports by China held near the highest level in four years, underscoring buoyant demand in the world’s largest user” and the daily thermal coal use by China’s major power generators in July to August 2018 were slightly above the levels in the preceding year. After such review, we noted that coal import in the near term will likely to maintain at a relatively strong level. 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 the Comprehensive Product and Service Framework Agreement (for both the Non-Exempt CCT and Exempt CCT) for the term ending 31 December 2019 and the two years ending 31 December 2021 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 the entering into of the Comprehensive Product and Service Framework Agreement with CDC can ensure that the Company is able to obtain reliable and guaranteed comprehensive products and services, such as coal, materials and services, thereby reducing its operation risks and costs and enhancing work efficiency, these are all beneficial to the normal development of the Company’s operations. In respect of the transactions contemplated under the Comprehensive Product and Service Framework Agreement, the Directors are of the view that 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.

We agree that the pricing policy and principles of transactions set out above will ensure that the terms and conditions for transactions under the Comprehensive Product and Service Framework Agreement will be conducted on normal commercial terms or better and hence will be in the interests of the Company and its Shareholders, including Independent Shareholders, as a whole.

RECOMMENDATION

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

- (1) the principal businesses of the Company and CDC;

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- (2) the pricing policy for determination of the consideration and the principles of transactions of both the Non-Exempt CCT and Exempt CCT, which ensures that the price of products and services, and other terms and conditions, shall be on normal commercial terms or better and will be similar to or more favourable than that with an Independent Third Party;
- (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 and Coal Supply and the Coal Transportation;
- (4) the sample meeting notes of the specialized departments of the Company and in relation to Coal Supply and Coal Transportation;
- (5) the historical transaction amounts and underlying reasons for the annual caps of both the Non-Exempt CCT and Exempt CCT;
- (6) the latest operation statistics disclosed in the 2018 Power Generation Announcement;
- (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, and the Exempt CCT as a whole, 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, and the Exempt CCT as a whole, are in the ordinary and usual course of business of the Group, and the entering into of the Non-Exempt CCT (together with the 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(s) to approve the transactions (including the Non-Exempt CCT and 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 Joanne Pong

Responsible Officer Responsible Officer

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Mr. Keith Jacobsen and Ms. Joanne Pong are licensed persons registered with the Securities and Futures Commission and responsible officers of Trinity Corporate Finance Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Keith Jacobsen and Ms. Joanne Pong have over 25 years and 17 years of experience in the corporate finance industry respectively.

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

Interest of Directors, supervisors 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: (i) 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); (ii) entered into the register required to be kept by the Company under section 352 of the SFO; or (iii) 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 total issued share capital of the Company ^(Note)
Mr. Liu Jizhen	Long position	Beneficial interest	9,100	0.00000049%

Note:

The percentage is calculated based on the 18,506,710,504 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 2017, 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, proposed supervisors, chief executive or proposed chief executive 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.

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 2017, 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 qualification of the expert which has given its opinion or advice as contained in this circular:

Name	Qualification
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

The letter and recommendation from the above expert is given as of the date of this circular for incorporation herein.

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 2017, 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 or 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 of the Company in Hong Kong 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 25 March 2019:

- (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.