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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)

**REVISION OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS**

**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 17 of this circular. A letter from the Independent Board Committee is set out on pages 18 to 19 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 20 to 30 of this circular.

30 October 2020

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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, whose ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council 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

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“Company”	Datang International Power Generation Co., Ltd., a sino-foreign joint stock limited company incorporated in the PRC on 13 December 1994, whose H Shares are listed on the Stock Exchange and the London Stock Exchange and whose A Shares are listed on the Shanghai Stock Exchange. Please refer to the section headed “Information in relation to 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 (i.e. 28 March 2019); 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 (i.e. 23 January 2019)
“EGM”	the 2020 second extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, to approve, among others, the Revised Annual Caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services 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

“Original Annual Caps”	the original annual caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services under the Comprehensive Product and Service Framework Agreement for the two years ending 31 December 2020 and 2021, i.e. RMB3,100 million and RMB2,800 million respectively
“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 Revised Annual Caps
“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 Revised Annual Caps
“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

DEFINITIONS

“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
“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”	29 October 2020, 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

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
“Revised Annual Caps”	the revised annual caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services contemplated under the Comprehensive Product and Service Framework Agreement for the two years ending 31 December 2020 and 2021, i.e. RMB6,500 million and RMB7,800 million respectively
“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. Liang Yongpan

Non-executive Directors:

Mr. Chen Feihu (*Chairman*)

Mr. Qu Bo

Mr. Ying Xuejun

Mr. Zhu Shaowen

Mr. Cao Xin

Mr. Zhao Xianguo

Mr. Zhang Ping

Mr. Jin Shengxiang

Office address:

No.9 Guangningbo Street

Xicheng District

Beijing, 100033

the PRC

Principal place of business in

Hong Kong:

40/F, Sunlight Tower

248 Queen's Road East

Wanchai

Hong Kong

Independent non-executive Directors:

Mr. Liu Jizhen

Mr. Luo Zhongwei

Mr. Liu Huangsong

Mr. Jiang Fuxiu

Mr. Niu Dongxiao

30 October 2020

To the Shareholders

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 28 August 2020 in relation to the revision of annual caps of continuing connected transactions.

Due to the substantial increase in the demand for material procurement and auxiliary services of new gas turbines and new energy projects of the Company, the Original Annual Caps cannot meet the business requirements of the Company. Therefore, the Board proposed to revise the Original Annual Caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services. In addition to the revision of the Original Annual Caps, all terms and conditions of the Comprehensive Product and Service

LETTER FROM THE BOARD

Framework Agreement and the annual caps of other transactions, except the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, contemplated under the Comprehensive Product and Service Framework Agreement will remain unchanged.

The purposes of this circular are to, among others, (i) provide you with further details of the Revised Annual Caps; (ii) set out the recommendation of the Independent Board Committee in respect of the Revised Annual Caps; 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 Revised Annual Caps.

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.

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(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 (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.

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- (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.

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

LETTER FROM THE BOARD

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.
- (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.

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- (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.

REVISION OF ORIGINAL ANNUAL CAPS

Historical Transaction Amounts

The historical transaction amounts for the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services under the Comprehensive Product and Service Framework Agreement are set out as follows:

Unit: RMB million

Transaction	For the year ended 31 December 2019	For the nine months ended 30 September 2020 (Unaudited)
Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	2,302	1,928

The actual transaction amounts of the the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services under the Comprehensive Product and Service Framework Agreement for the year ended 31 December 2019, the nine months ended 30 September 2020 and the period from 1 January 2020 and up to the Latest Practicable Date didn't exceed the Original Annual Caps.

Proposed Revised Annual Caps

Due to the substantial increase in the demand for material procurement and auxiliary services of new gas turbines and new energy projects of the Company, the Original Annual Caps cannot meet the business requirements of the Company. Therefore, the Board proposed to revise the Original Annual Caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services.

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Unit: RMB million

Transaction	Original Annual Cap for the year ending 31 December 2020	Revised Annual Cap for the year ending 31 December 2020	Original Annual Cap for the year ending 31 December 2021	Revised Annual Cap for the year ending 31 December 2021
Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	3,100	6,500	2,800	7,800

The above Revised Annual Caps for the years ending 31 December 2020 and 31 December 2021 were determined after considering the demand for material procurement and auxiliary services of new gas turbines and new energy projects of the Company in the coming years.

The historical transaction amounts were incurred depending on a number of variable factors, including the different duration, scale and investment amount of each project as well as the actual progress of development of each project, rather than solely relating to the number of ongoing projects at a specific point in time as the transaction amounts were not incurred evenly on a regular basis but upon specific needs of each project due to its nature and procurement requirements. Accordingly, even though the actual transaction amount of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services for the nine months ended 30 September 2020 was RMB1,928 million and has not yet reached the Original Annual Cap for the year ending 31 December 2020, the Company expects the utilisation rate to be higher in the remaining months for the year ending 31 December 2020 due to the progress of current projects which is expected to return to normal with less impact from COVID-19.

The above expectation that the demand for material procurement and auxiliary services of new gas turbines and new energy projects of the Company will significantly increase in the coming years, has taken into consideration that the Company intensified resource development in the field of new energy for in-depth implementation of new development concepts, seizing strategic opportunities for new energy development and achieving high-quality development. In the coming years, the Company will continue to put more efforts to strive for greater breakthroughs in the development of wind power and photovoltaic projects. The Company is also steadily advancing the development of traditional large-capacity thermal power and gas power generation projects. Furthermore, the Company is vigorously expanding overseas projects.

In determining the specific amounts of the Revised Annual Caps, the Company has taken into account the list of a total of 28 new gas turbines and new energy projects that were not foreseen by the Company in 2019 when the Original Annual Caps were set, which constitute an aggregated investment amount of approximately RMB19.87 billion, resulting in the corresponding total amount of material procurement and auxiliary services during 2020 to 2021 of approximately RMB9,935 million. Such list of new projects consists of 20 projects in the PRC, which have been successfully obtained by the Company, and 8 projects in overseas, which are still subject to bidding and may or may not be obtained by the Company. The above mentioned PRC projects comprise of 10 photovoltaic projects which are included in the 2020 list of

LETTER FROM THE BOARD

photovoltaic power national bidding subsidized projects (2020年光伏發電國家競價補貼範圍項目名單) with a total capacity of 1050MW, and three projects namely Foshan 800MW gas turbine, Baochang 800MW gas turbine expansion and Shantou Nanao 320MW offshore wind power which will gradually enter the construction phase in 2020 and 2021. In order to sufficiently cover the confirmed PRC projects and overseas projects which may be obtained upon successful bidding, based on the best estimates of the management of the Company, the Company decides to revise the Original Annual Caps to the Revised Annual Caps.

Saved as the revision of the Original Annual Caps, all terms and conditions of the Comprehensive Product and Service Framework Agreement and the annual caps of other transactions, except the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services under the Comprehensive Product and Service Framework Agreement will remain unchanged.

Reasons for Revision of Annual Caps of the Comprehensive Product and Service Framework Agreement

Taking into account that the number of new gas turbine and new energy projects of the Company will increase in the coming years, it is expected that the demand for the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services will increase significantly, resulting in an increase in the caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services.

The Directors (including independent non-executive Directors) are of the opinion that the Revised Annual Caps of the transactions of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services under the Comprehensive Product and Service Framework Agreement are fair and reasonable and are 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.

LETTER FROM THE BOARD

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.

Annual Review of Continuing Connected Transactions by External Auditors

The external auditors of the Company will issue a letter to the Board of Directors regarding the continuing connected transactions of the Company annually pursuant to the Listing Rules, reporting the Company's pricing policies and annual caps of continuing connected transactions conducted during the previous financial year (including the transactions contemplated under the Comprehensive Product and Service Framework Agreement).

Annual Review of Continuing Connected Transactions by Independent Non-executive Directors

The independent non-executive Directors of the Company will conduct an annual review on the continuing connected transactions conducted by the Company during the entire previous financial year in accordance with the requirements of the Listing Rules, and confirm the transaction amount and terms of the continuing connected transactions in the Company's annual report, and make sure that these transactions are entered into on normal commercial terms, are fair and reasonable, and are conducted in accordance with the relevant terms of the agreement governing continuing connected transactions.

INFORMATION IN RELATION TO RELEVANT PARTIES TO THE AGREEMENT

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

LETTER FROM THE BOARD

APPROVAL OF THE BOARD

The thirteenth meeting of the tenth session of the Board of the Company has considered and approved the Resolution on Increasing Annual Caps of Certain Connected Transactions under the Comprehensive Product and Service Framework Agreement (2019-2021) (please refer to the overseas regulatory announcement of the Company dated 28 August 2020 for details).

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

LISTING RULES IMPLICATIONS

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

The Company shall re-comply applicable requirements under Chapter 14A of the Listing Rules prior to exceeding the proposed annual caps pursuant to the Rule 14A.54 of the Listing Rules. As the highest of the applicable percentage ratios (defined under the Rule 14.07 of the Listing Rules) in respect of the Revised Annual Caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services provided under the Comprehensive Product and Service Framework Agreement is more than 5%, the transactions contemplated under the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services provided according to the Comprehensive Product and Service Framework Agreement are subject to reporting, announcement, annual review and approval of the Independent Shareholders under Chapter 14A of the Listing Rules.

EGM AND CONNECTED PERSONS WHO ARE REQUIRED TO ABSTAIN FROM VOTING ON THE RESOLUTION

The Company will convene the EGM to consider and approve, among others, the Revised Annual Caps.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transactions and its associates shall abstain from voting at the EGM to be held by the Company to, including but not limited to, consider and approve the Revised Annual Caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services under the Comprehensive Product and Service Framework Agreement. Therefore, CDC and its associates, which hold 9,825,068,940 Shares of the Company in aggregate, representing 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 relation to the approval of the Revised Annual Caps.

LETTER FROM THE BOARD

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 Revised Annual Caps at the EGM.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 18 to 19 of this circular which contains its recommendation to the Independent Shareholders on the Revised Annual Caps. 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 20 to 30 of this circular which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Revised Annual Caps, the casting of votes for or against the resolution(s) approving the Revised Annual Caps 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 Revised Annual Caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services under the Comprehensive Product and Service Framework Agreement are fair and reasonable, 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.
Jiang Jinming
Company Secretary

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, 100033
the PRC

30 October 2020

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular published by the Company to the Shareholders dated 30 October 2020 (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 Revised Annual Caps and to advise the Independent Shareholders in connection with the Revised Annual Caps as to whether, in our opinion, the Revised Annual Caps are fair and reasonable and whether the Revised Annual Caps are 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 Revised Annual Caps are fair and reasonable so far as the Shareholders are concerned and that the Revised Annual Caps are 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 Revised Annual Caps at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Liu Jizhen, Luo Zhongwei, Liu Huangsong,

Jiang Fuxiu and Niu Dongxiao

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 Revised Annual Caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services under the Comprehensive Product and Service Framework Agreement for the years ending 31 December 2020 and 31 December 2021, which has been prepared for the purpose of inclusion in this circular.

TRINITY

Trinity Corporate Finance Limited

Unit 05, 29th Floor,
50 Wong Chuk Hang Road,
Hong Kong.

30 October 2020

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

Dear Sirs,

REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS THE 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 revised annual caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services 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 30 October 2020 (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.

References are made to the announcement of the Company dated 23 January 2019 and the circular of the Company dated 11 March 2019, in relation to the continuing connected transactions under the Comprehensive Product and Service Framework Agreement. Under the Comprehensive Product and Service Framework Agreement, the Group and CDC Group agreed to mutually provide products and services, including but not limited to the provision of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services to the Group by CDC Group.

Due to the substantial increase in the demand for material procurement and auxiliary services of new gas turbines and new energy projects of the Company, the Original Annual Caps cannot meet the business requirements of the Company. Therefore, the Board proposed to revise the Original Annual Caps of the

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services. In addition to the revision of the Original Annual Caps, all terms and conditions under the Comprehensive Product and Service Framework Agreement and other proposed transactions other than the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services will remain unchanged.

As at the Latest Practicable Date, CDC, the controlling shareholder of the Company, and its subsidiaries hold a total of approximately 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.

The Company shall re-comply applicable requirements under Chapter 14A of the Listing Rules prior to exceeding the proposed annual caps pursuant to Rule 14A.54 of the Listing Rules. As the highest of the applicable percentage ratios (defined under Rule 14.07 of the Listing Rules) in respect of the revised annual caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services provided under the Comprehensive Product and Service Framework Agreement is more than 5%, the transactions contemplated under the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services according to the Comprehensive Product and Service Framework Agreement are subject to reporting, announcement, annual review and approval of the Independent Shareholders under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors (namely, Mr. Liu Jizhen, Mr. Luo Zhongwei, Mr. Liu Huangsong, Mr. Jiang Fuxiu and Mr. Niu Dongxiao) has been formed to advise the Independent Shareholders on the revised annual caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services under the Comprehensive Product and Service Framework Agreement. 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 Comprehensive Product and Service Framework Agreement (details of which were set out in the circular of the Company dated 11 March 2019), the 2019 Financial Business Cooperation Agreement (details of which were set out in the circular of the Company dated 18 October 2019) and the 2020 Factoring Business Cooperation Agreement (details of which were set out in the circular of the Company dated 5 June 2020). 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

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

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.

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 revised annual caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services provided 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 revised annual caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services provided 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 revised annual caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services provided under the Comprehensive Product and Service Framework Agreement, we have taken into account the following principal factors and reasons:

A. Background of the Company and CDC

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, with its major service area located in the PRC.

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.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

B. Financial Performance of the Company

During the year ended 31 December 2019, the power generation of the Company accumulated to approximately 265.290 billion kWh, representing a year-on-year decrease of approximately 1.64%; the on-grid power generation of the Company accumulated to approximately 250.537 billion kWh, representing a year-on-year decrease of approximately 1.60%.

As of 31 December 2019, the total consolidated assets of the Company amounted to approximately RMB282,415 million, representing a year-on-year decrease of RMB5,835 million; the total consolidated liabilities of the Company amounted to approximately RMB200,386 million, representing a year-on-year decrease of RMB17,374 million.

During the year ended 31 December 2019, finance costs of the Company amounted to approximately RMB7,215 million, representing a decrease of approximately RMB432 million or approximately 5.65% over the Previous Year. The decrease was primarily due to the narrowing of the scale of financing resulting in the reduced interest expense. During the same year, the Company reported a total profit before tax from continuing operations amounting to approximately RMB4,619 million, representing a year-on-year increase of approximately 10.87% compared with the Previous Year. Net profit attributable to holders of equity instruments of the Company amounted to approximately RMB986 million, while net profit attributable to holders of equity instruments of the Company for the year of 2018 amounted to approximately RMB1,232 million. The power generation segment of the Company realized a total profit before tax from continuing operations of approximately RMB5,262 million, representing a year-on-year increase of approximately RMB803 million.

As at 31 December 2019, the assets-to-liabilities ratio of the Company was approximately 70.95%. The net debt-to-equity ratio (i.e. (loans + short-term bonds + long-term bonds – cash and cash equivalents)/total equity) was approximately 182.83%.

As at 31 December 2019, cash and cash equivalents of the Company amounted to approximately RMB8,136 million, among which deposits that were equivalent to approximately RMB94 million were foreign currency deposits. The Company had no entrusted deposits and overdue fixed deposits during the Year.

As at 31 December 2019, short-term loans of the Company amounted to approximately RMB34,855 million, bearing annual interest rates ranging from 3.05% to 7%. Long-term loans (excluding those repayable within one year) amounted to approximately RMB99,491 million and long-term loans repayable within one year amounted to approximately RMB14,331 million. Long-term loans (including those repayable within one year) were at annual interest rates ranging from 1.20% to 6.8%. The Company paid close attention to foreign exchange market fluctuations and cautiously assessed risks.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

The following table is a summary of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the Group for the three years ended 31 December 2017, 2018 and 2019 respectively, as extracted from the annual reports of the Company.

(In millions of RMB)	For the year	For the year	For the year
	ended/as at	ended/as at	ended/as at
	31 December 2017	31 December 2018	31 December 2019
	(audited)	(audited)	(audited)
Operating Revenue	84,185	93,390	95,453
Profit before tax	2,858	4,166	4,619
Profit for the year	2,181	2,788	2,897
Profit for the year attributable to owners of the Company	1,495	1,232	391
Total assets	279,123	288,250	282,415
Total liabilities	207,044	217,760	200,386
Equity attributable to owners of the Company	52,247	45,475	42,191

According to the Annual Report for the year ended 31 December 2019, in 2020, the Company will thoroughly implement its new development concept with determination. Focusing on its goal to promote high-quality development, the Company will accelerate the development of new energy, speed up the process of “Going Global” and expedite quality upgrade of existing assets, with an aim to achieve major breakthrough in exploration of new energy and new breakthrough in overseas business, so as to ensure the fulfillment of the “13th Five-Year Plan” and develop itself into an outstanding listed company.

Among other things, it was also mentioned in the Annual Report for the year ended 31 December 2019, that, in 2020, the Company will coordinate and plan overall production and operation, and strengthen and optimise its power marketing system so as to improve its comprehensive competitiveness in the electricity market. The Company will also step up efforts in the development of fuel supply chain and market research and judgement work, so as to timely adjust inventory procurement and fully improve fuel management. The Company will carry out benchmarking for key indicators, explore new equity financing approaches and conduct in-depth study on preferential policies, with an aim to enhance cost control and strive for policy support.

According to the interim results announcement of the Company for the 6 months ended 30 June 2020, operating revenue of the Group was approximately RMB44,478 million, representing a decrease of approximately 1.25% as compared to that of the corresponding period in the preceding year. Total profit before tax amounted to approximately RMB3,622 million, representing an increase of approximately 36.58% as compared to that of the corresponding period in the preceding year. Net profit attributable to equity holders of the Company was approximately RMB1,842 million, representing an increase of approximately 99.57% as compared to that of the corresponding period in the preceding year.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

C. Revision of the Annual Caps of the Comprehensive Product and Service Framework Agreement

As mentioned in the Letter from the Board, under the Comprehensive Product and Service Framework Agreement dated 23 January 2019, the Group and CDC Group agreed to mutually provide products and services, including but not limited to the provision of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services to the Group by CDC Group.

In respect of the specific pricing principles in relation to 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.

The actual transaction amounts of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services contemplated under the Comprehensive Product and Service Framework Agreement for the year ended 31 December 2019, the nine months ended 30 September 2020 and the period from 1 January 2020 and up to the Latest Practicable Date did not exceed the Original Annual Caps.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

Due to the substantial increase in the demand for material procurement and auxiliary services of new gas turbines and new energy projects of the Company, the Original Annual Caps cannot meet the business requirements of the Company. Therefore, the Board proposed to revise the Original Annual Caps for the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services as follows.

(In RMB million)	Original Annual Cap for the year ended 31 December 2019	Original Annual Cap for the year ending 31 December 2020	Revised annual cap for the year ending 31 December 2020	Original Annual Cap for the year ending 31 December 2021	Revised annual cap for the year ending 31 December 2021
Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	3,500	3,100	6,500	2,800	7,800
Historical Transaction Amounts	2,302	1,928			
	(for the year ended 31 December 2019)	(for the nine months ended 30 September 2020)			
Utilisation Rate (%)	65.8%	62.2%			

According to the Letter from the Board, the above revised annual caps for the years ending 31 December 2020 and 31 December 2021 were determined after considering that the demand for material procurement and auxiliary services of new gas turbines and new energy projects of the Company will significantly increase in the coming years.

We note from the above table that the actual historical transaction amount of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services for the nine months ended 30 September 2020 was RMB1,928 million, which represents a utilisation rate of approximately 62.2% of the original annual cap for the year ending 31 December 2020, slightly lower than the utilisation rate of approximately 65.8% for the year ended 31 December 2019. In this connection, we have discussed with the Company and understand that the utilisation rate for the first nine months of 2020 was affected by the impact of COVID-19 causing delays to the progress of certain projects. Also, we are given to understand that the historical transactions amounts were incurred depending on a number of variable factors, including the different duration, scale and investment amount of each project as well as the actual progress of development of each project on a case-by-case basis, rather than solely relating to the number of ongoing projects at a specific point in time as the transaction amounts were not incurred evenly on a regular basis but upon specific needs of each project due to its nature and procurement requirements. Accordingly, the Company expected the utilisation rate to be higher in the remaining months for the year ending 31 December 2020 due to the progress of current projects which is expected to return to normal with less impact from COVID-19. In this connection, we have discussed with the Company regarding its need for revising the annual caps for the years ending 31 December 2020 and 2021 considering the utilisation rate for the nine months ended 30 September 2020, and are given to understand that the Company has further implemented the new development concept to seize strategic opportunities for new energy development and to increase resources to be invested in the field of new energy. In the coming years, the Company will continue to increase its efforts to achieve greater breakthroughs in the development of wind power and photovoltaic projects. At the same time, the Company is also continuing with its steady development in

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

traditional large-capacity thermal power and gas power generation projects. In addition, the Company is also vigorously expanding into overseas projects. Therefore, on the basis of the above, the Company expects that there will be a significant increase in the demand for material procurement and auxiliary services in 2020-2021.

To assess the need for the increase in the annual cap of RMB3,400 million from RMB3,100 million to RMB6,500 million for the year ending 31 December 2020 and the increase in the annual cap of RMB5,000 million from RMB2,800 million to RMB7,800 million for the year ending 31 December 2021, which in aggregate constitute an increase of RMB8,400 million, we have obtained and reviewed the list of a total of 28 new gas turbines and new energy projects that were not foreseen by the Company in 2019 when the initial annual caps were set, which constitute an aggregated investment amount of approximately RMB19.87 billion, requiring corresponding total material procurement and auxiliary services during 2020-2021 of approximately RMB9,935 million. Such list of new projects consists of 20 projects in the PRC, which have been confirmed being successfully obtained by the Company, and 8 in overseas, which are still subject to bidding and may or may not be obtained by the Company. We understand from the Company that such PRC projects comprise of 10 photovoltaic projects which are included in the 2020 list of photovoltaic power national bidding subsidized projects (2020年光伏發電國家競價補貼範圍項目名單) with a total capacity of 1050MW, and three projects namely Foshan 800MW gas turbine, Baochang 800MW gas turbine expansion and Shantou Nanao 320MW offshore wind power which will gradually enter the construction phase in 2020 and 2021. The aggregate increase of RMB8,400 million in the revised annual caps for the two years ending 31 December 2020 and 2021 is therefore based on the best estimates of the management of the Company which is sufficient to cover the confirmed PRC projects and overseas projects which may be obtained upon successful bidding. Accordingly, we confirm that the main underlying reasons for the significant increase in the demand for the new gas turbines and new energy projects in the coming two years which is the main driver for the need of increase to the revised annual caps for the years ending 31 December 2020 and 2021 are necessitated by the expected substantial increase in the number of new projects as stated above.

In addition, we have reviewed the interim results announcement of the Company for the 6 months ended 30 June 2020 and note that the Group achieved a total profit before tax of approximately RMB3,622 million, representing an increase of approximately 36.58% as compared to the corresponding period in the preceding year. The Group also achieved a net profit of approximately RMB2,703 million, representing an increase of approximately 47.20% as compared to the corresponding period in the preceding year.

The power generation businesses of the Company and its subsidiaries cover 19 provinces, municipalities and autonomous regions across the country, whereas coal-fired power generators of the Company are centralised in the Beijing-Tianjin-Hebei and southeast coastal regions. Most of the hydropower projects are located in the southwest region. Wind power and photovoltaic power projects are distributed across the country in areas with abundant resources. In the first half of 2020, the Company adhered to implement and promote measures for prevention and control of the pandemic and carried out high quality development works, devoted every effort to prevention and control of the pandemic and gaining fruitful results in the fields of safety, efficiency, development, reforms and governance. During the first half of the year, the generation capacity of new units was 1,233MW, of which the coal-fired power projects being 1,000MW, the wind power projects being 178.5MW and the photovoltaic projects being 54.5MW. During the reporting period, the generation capacity of approved units was 1,992MW, of which the wind power projects being 149MW and the photovoltaic projects being 1,843MW. As consistent with the Group's

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

financial performance recorded for the 6 months ended 30 June 2020 as set out above, we concur with the Company's expectation of a strong demand for material procurement and auxiliary services of new gas turbines and new energy projects in the coming two years.

Given the expected significant increase in demand for material procurement and auxiliary services in the coming two years due to reasons as stated above, we are of the view that the above revised annual caps for the two financial years ending 31 December 2021 are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

D. Reasons for Revision of Annual Caps of the Comprehensive Product and Service Framework Agreement

As stated above, taking into account that the number of new gas turbine and new energy projects of the Company will increase in the coming years, it is expected that the demand for the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services will increase significantly, resulting in an increase in the caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services.

The Directors (including independent non-executive Directors) are of the opinion that the revised annual caps of the transactions of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services under the Comprehensive Product and Service Framework Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

E. 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

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

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.

Annual Review of Continuing Connected Transactions by External Auditors

The external auditors of the Company will issue a letter to the Board of Directors regarding the continuing connected transactions of the Company annually pursuant to the Listing Rules, reporting the Company's pricing policies and annual caps of continuing connected transactions (including the transactions contemplated under the Comprehensive Product and Service Framework Agreement).

Annual Review of Continuing Connected Transactions by Independent Non-executive Directors

The independent non-executive Directors of the Company will conduct an annual review of the continuing connected transactions conducted by the Company during the entire previous financial year in accordance with the requirements of the Listing Rules, and confirm the transaction amount and terms of the continuing connected transactions in the Company's annual report, and make sure that these transactions are entered into on normal commercial terms, are fair and reasonable, and are conducted in accordance with the relevant terms of the agreement governing continuing connected transactions.

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 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 continuing connected transactions 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 and we consider that the Company has been closely monitoring the continuing connected transactions, including price determination and the respective annual caps, and nothing has come to our attention which indicate otherwise.

RECOMMENDATION

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

- (1) the principal businesses of the Company and CDC; and
- (2) the reasons for setting the revised annual caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services provided under the Comprehensive Product and Service Framework Agreement;

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

we are of the opinion that the revised annual caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services provided under the Comprehensive Product and Service Framework Agreement are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned, and the revised annual caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services provided under the Comprehensive Product and Service Framework Agreement are in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the revised annual caps of the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services provided under the Comprehensive Product and Service Framework Agreement at the EGM.

Yours faithfully,
For and on behalf of
Trinity Corporate Finance Limited
Joanne Pong
Responsible Officer

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Interest of Directors, supervisors and chief executive of the Company

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 (<i>Note</i>)
Mr. Liu Jizhen	Long position	Beneficial interest	9,100	0.000049%

Note:

The percentage is calculated based on the 18,506,710,504 issued shares of the Company as at the Latest Practicable Date.

Interest of substantial shareholders of the Company

As at the Latest Practicable Date, to the best knowledge of the Directors, supervisors and chief executive of the Company, the interest and short positions of the substantial shareholders in the issued share capital of the Company which will be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company are as follows:

Name of Shareholder	Class of Shares	No. of Shares Held	Approximate Percentage to Total Issued Share Capital of the Company (%)	Approximate Percentage to Total Issued A Shares of the Company (%)	Approximate Percentage to Total Issued H Shares of the Company (%)
CDC (Note 1)	A shares	6,540,706,520	35.34	52.76	/
	A shares	8,738,600	0.05	0.07	/
	H shares	3,275,623,820 (L)	17.70 (L)	/	53.61 (L)
Tianjin Jinneng Investment Co., Ltd. (Note 2)	A shares	1,295,092,600	7.00	10.45	/
Hebei Construction & Investment Group Co., Ltd. (Note 3)	A shares	1,281,872,927	6.93	10.34	/
Beijing Energy Investment Holding Co., Ltd. (Note 4)	A shares	1,231,730,854	6.66	9.94	/

(L) = Long Position

Notes:

- (1) Mr. Chen Feihu and Mr. Qu Bo, both non-executive Directors, are employees of CDC.
- (2) Mr. Zhu Shaowen, a non-executive Director, is currently an employee of Tianjin Energy Investment Group Limited, the de facto controller of Tianjin Jinneng Investment Co., Ltd.
- (3) Mr. Cao Xin and Mr. Zhao Xiangguo, both non-executive Directors, are employees of Hebei Construction & Investment Group Co., Ltd.
- (4) Mr. Zhang Ping and Mr. Jin Shengxiang, both non-executive Directors, are employees of Beijing Energy Investment Holding Co., Ltd.

As at the Latest Practicable Date, save as disclosed above and to the best knowledge of the Directors, supervisors and chief executive of the Company, (i) no person had any interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company; and (ii) none of the Directors, proposed Directors, supervisors, proposed supervisors, chief executive or proposed chief executive of the Company, being also a director or employee of a company, had any interest or short position 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

- (a) As at the Latest Practicable Date, none of the Directors, proposed Directors, supervisors or proposed supervisors of the Company had any direct or indirect interest in any assets which had been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contracts or arrangements entered into by any member of the Group, which were subsisting as at the Latest Practicable Date and which were 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 2019, 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, proposed Directors or their respective close associates had any interests in a business which competes or was likely to compete, either directly or indirectly, with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

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 2019, 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 principal place of business of the Company in Hong Kong is at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, 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 joint company secretaries of the Company are Mr. Jiang Jinming and Ms. Ko Mei Ying. Mr. Jiang is a senior accountant and Ms. Ko is an associate of the Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries and Administrators (UK) and a Certified Practising Accountant of CPA Australia.

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 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong during normal business hours for 14 days from the date of this circular:

- (a) the articles of association of the Company;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (d) the Comprehensive Product and Service Framework Agreement; and
- (e) this circular.