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

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

(a sino-foreign joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 00991)

**MAJOR TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS
2019 FINANCIAL SERVICES AGREEMENT**

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



富強金融資本
FORTUNE FINANCIAL CAPITAL

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 3 to 12 of this circular. A letter from the Independent Board Committee is set out on page 13 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 15 to 25 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 20 December 2019 (Friday) at 9:30 a.m..

The notice convening the EGM has been despatched to the Shareholders on 7 November 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.

20 November 2019

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	3
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	13
LETTER FROM FORTUNE FINANCIAL CAPITAL LIMITED	15
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	26
APPENDIX II – GENERAL INFORMATION	29

DEFINITIONS

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

“2016 Financial Services Agreement”	the financial services agreement entered into between the Company and Datang Finance Company on 11 November 2016
“2019 Financial Services Agreement”	the financial services agreement entered into between the Company and Datang Finance Company on 16 October 2019
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CDC”	China Datang Corporation Ltd., a wholly state-owned company established under the laws of the PRC and the controlling shareholder of the Company. For details, please refer to the section headed “Information of the Relevant Parties” of this circular
“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. For details, please refer to the section headed “Information of the Relevant Parties” of this circular
“connected person”	has the same meaning ascribed to it under the Listing Rules
“connected transaction”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Datang Finance Company”	China Datang Group Finance Co., Ltd.* (中國大唐集團財務有限公司), a company established under the laws of the PRC and a subsidiary of CDC. For details, please refer to the section headed “Information of the Relevant Parties” of this circular
“Director(s)”	the director(s) of the Company
“EGM”	the 2019 second extraordinary general meeting of the Company to be held on 20 December 2019 (Friday) at 9:30 a.m. for the Independent Shareholders to consider and, if thought fit, to approve, among others, the 2019 Financial Services Agreement
“Group”	the Company and its subsidiaries

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Liu Jizhen, Mr. Feng Genfu, Mr. Luo Zhongwei, Mr. Liu Huangsong and Mr. Jiang Fuxiu, established to advise the Independent Shareholders in relation to among others, the provision of deposit services under the 2019 Financial Services Agreement, and each of them does not have any material interest in the 2019 Financial Services Agreement
“Independent Financial Adviser” or “Fortune Financial Capital”	Fortune Financial Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the 2019 Financial Services Agreement and its annual caps
“Independent Shareholders”	Shareholder(s) other than CDC, its associates and any other Shareholder who has a material interest in the provision of deposit services under the 2019 Financial Services Agreement
“Latest Practicable Date”	15 November 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
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“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
“%”	per cent

* *For identification purposes only*

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. Liang Yongpan

Non-executive Directors:

Mr. Chen Feihu (*Chairman*)
Mr. Wang Sen (*Vice Chairman*)
Mr. Ying Xuejun
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, 100033
the PRC

Principal place of business in

Hong Kong:

c/o Eversheds Sutherland
37/F, One Taikoo Place
Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

20 November 2019

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS
2019 FINANCIAL SERVICES AGREEMENT**

Reference is made to the announcement dated 11 November 2016, the circular dated 9 December 2016 and the announcement dated 29 December 2016 published by the Company in respect of, among other things, the 2016 Financial Services Agreement.

The 2016 Financial Services Agreement will expire on 31 December 2019. To enhance the efficiency of the scale of capital, accelerate capital turnover and ensure the security of capital, the parties intend to continue to enter into transactions of a similar nature from time to time after 31 December 2019.

LETTER FROM THE BOARD

The purposes of this circular are to, among other things:

- (i) provide you with details of the 2019 Financial Services Agreement;
- (ii) set out the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the transactions under the 2019 Financial Services 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 contemplated under the 2019 Financial Services Agreement.

2019 FINANCIAL SERVICES AGREEMENT

Date

16 October 2019

Parties

1. the Company; and
2. Datang Finance Company.

Term

A term of 36 months, from 1 January 2020 to 31 December 2022

Major Terms

1. Datang Finance Company shall mainly provide the Group with deposit services, loan services (excluding entrusted loans), and other financial services including financial leasing, entrusted loans, bill acceptance and discounting, payment and settlement, financing guarantees, financial and financing consultation, and bonds underwriting, pursuant to the following terms and conditions of the 2019 Financial Services Agreement:
 - i. the current deposit interest of the deposit services shall be settled according to the negotiated deposit interest rates of the PBOC (as at the Latest Practicable Date, the prevailing negotiated deposit interest rate is 1.15% per annum, while the prevailing current deposit interest rate is 0.35% per annum), with a daily maximum balance of deposits of not more than RMB18 billion;
 - ii. the comprehensive credit services include but are not limited to loans, discounting, guarantees and other forms of financing, with a comprehensive credit limit of RMB27 billion at an interest rate not higher than those charged by other domestic financial institutions for the same period and on the same terms;

LETTER FROM THE BOARD

- iii. the unified settlement services for funds shall be conducted according to the instructions of the Group, with the relevant settlement expenses being borne by Datang Finance Company;
 - iv. the entrusted loan services, which are to increase the efficiency for use of idle funds and realise the optimum allocation of resources, shall be provided at the handling fee of not exceeding 0.06% of the actual principal amount; and
 - v. consultation and training services shall be provided in relation to, among other matters, monetary policies, financial conditions, financing products and cash management.
2. Deposit caps: the daily maximum balance of deposit of the Group at Datang Finance Company for each of the years ending 31 December 2020, 31 December 2021 and 31 December 2022 is RMB18 billion.
 3. The effective date of the 2019 Financial Services Agreement: upon being signed and sealed by the Company and Datang Finance Company, the agreement shall become effective on the date of approval at the general meeting or 1 January 2020 (whichever is later), and its termination date shall be 31 December 2022.

Capital Risk Control Measures

1. Datang Finance Company will ensure the safe and stable operation of the funds management information system, which in all respects has passed the security test in respect of the interface of online banking of commercial banks and has reached the security standards for domestic commercial banks. The system has adopted the mode awarded with CA safety certificate verification to ensure the security of funds of the Group.
2. Datang Finance Company will ensure that it is operated in strict compliance with the risk monitoring indicators for financial institutions issued by the CBIRC and that its major regulatory indicators such as capital adequacy ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC.
3. Any balance in the Group's funds (after deducting the amount used for making entrusted loans and the loans made to the Group by Datang Finance Company) will be deposited into one or more commercial banks in the PRC as interbank deposits. Datang Finance Company shall settle the interests of the Company's current deposit in accordance with the negotiated deposit interest rate set by the PBOC, which is higher than the existing level of current deposit interest rate offered by the commercial banks in the PRC to the Company.

LETTER FROM THE BOARD

Pricing Policy and Annual Caps

Deposit Services:

In view of the Group's business growth and increase in demand for financial services, the annual cap for the daily maximum deposit balance of the Group at Datang Finance Company is RMB18 billion for each of the years ending 31 December 2020, 31 December 2021 and 31 December 2022 after taking into account of the following:

1. Pursuant to the 2016 Financial Services Agreement, the annual cap of the daily maximum deposit balance of the Group at Datang Finance Company was RMB15 billion for the each of the three years ending 31 December 2019. The historical amount of daily maximum deposit balance of the Group with Datang Finance Company amounted to approximately RMB7.239 billion, RMB13.115 billion and RMB14.37 billion for the years ended 31 December 2017 and 31 December 2018 and for the nine months ended 30 September 2019, respectively.
2. Subsequent to the acquisition of Datang Hebei Power Generation Co., Ltd., Datang Heilongjiang Power Generation Co., Ltd., and Datang Anhui Power Generation Co., Ltd. by the Company in 2018, the daily maximum deposit balance of the above three companies at Datang Finance Company amounted to RMB3 billion for the year ended 31 December 2018. Hence, there is an increase of RMB3 billion to the annual cap of RMB15 billion under the 2016 Financial Services Agreement, which brings the annual cap under the 2019 Financial Services Agreement to RMB18 billion for each of the years ending 31 December 2020, 2021 and 2022.
3. In order to strengthen the centralised management of funds and monitor the use of funds, the Group will continuously roll out a "funding pool" platform through Datang Finance Company. Such platform amasses the funds of the Group and enables loans to be granted within the Group by utilizing the position arising from the difference in the time for receipt and payment of funds of the members of the Group in order to support the development of the Group.
4. In respect of the Group's funds settlement business with Datang Finance Company, the settlement expenses will be borne by Datang Finance Company.
5. During the term of the agreement, the issuance of short-term debentures, super short-term debentures and non-public debt financing instruments will also enhance the Company's daily maximum deposit balance at Datang Finance Company.
6. As the number of newly established companies and newly operated companies of the Group continue to increase, the amount of deposits is also anticipated to increase.
7. CDC undertakes to the CBIRC that, in the event that Datang Finance Company is in urgent difficulty in making payment, CDC will increase Datang Finance Company's capital accordingly based on the actual need.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that the above proposed annual caps in respect of the provision of deposit services are fair and reasonable and in the interests of the Shareholders as a whole.

The internal control procedures in respect of the determination of deposit interest rate for the provision of deposit services are as follows:

1. Before entering into any deposit arrangements with Datang Finance Company, the Company will obtain and review quotes (i.e. current deposit interest rate) from at least four other independent financial institutions and the then current deposit interest rate and negotiated deposit interest rate published by the PBOC.
2. In the event that the Company notes that the then negotiated deposit interest rate announced by the PBOC is lower than the then current deposit interest rate published by the PBOC or the then current deposit interest rate offered by other independent financial institutions, the Company will enter into supplemental agreement(s) with Datang Finance Company to ensure that the deposit interest rate of the deposit services under the 2019 Financial Service Agreement will be no less favourable than the then current deposit interest rate published by the PBOC.
3. In the event that, upon receiving deposit certificate which shows the actual deposit interest rate offered by Datang Finance Company, the Company notes that the deposit interest rate offered by Datang Finance Company is lower than the then negotiated deposit interest rate as published by the PBOC, the Company will require Datang Finance Company to make up for the differences in the part of interest to the Company;

The internal control measures in respect of the monitoring of annual caps for the provision of deposit services are as follows:

1. The finance department of the Company will monitor the provision of deposit services on a daily basis to ensure that the proposed annual caps will not be exceeded.
2. The finance department of the Company will report to the management of the Company giving an update of the deposit arrangements with Datang Finance Company on a monthly basis.
3. The independent non-executive Directors and auditors of the Company will conduct an annual review with respect to the continuing connected transactions conducted by the Group throughout the preceding financial year (including the provision of deposit services by Datang Finance Company to the Group) and will provide annual confirmations pursuant to the requirements under the Listing Rules to ensure that the continuing connected transactions are in accordance with the terms of the relevant agreements governing such transactions, on normal commercial terms, fair and reasonable, and in accordance with the pricing policies and annual caps.

LETTER FROM THE BOARD

Loan Services:

In view of the fact that the loan services to be provided by Datang Finance Company to the Group are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for similar services in the PRC, and that no security over the assets of the Group will be granted in respect of the loan services, the loan services are fully exempt from the requirements of reporting, announcement and the Independent Shareholders' approval pursuant to Rule 14A.90 of the Listing Rules. No cap has been set for such services. The loan services do not include entrusted loan services. The Directors (including the independent non-executive Directors) consider that the loan services to be provided under the 2019 Financial Services Agreement are fair and reasonable, on normal commercial terms and in the interests of the Shareholders as a whole.

The internal control procedures adopted by the Company in relation to the loan services include, among other things, that during a certain period of time before the financing, the Company will take the initiative to locate financing institutions, make enquiries about the financing costs, and undergo comprehensive comparison according to the preferential conditions, interest rates and financing procedures offered by each financial institution during the negotiation process to determine the most desirable choice, thereby ensuring that the financing is the most cost-effective to the Company.

Other Financial Services:

Apart from the deposit services and the loan services, the other financial services which may be provided by Datang Finance Company to the Group mainly include entrusted loans services, finance leasing services, bill acceptance and discounting services, and so forth.

The other financial services to be provided under the 2019 Financial Services Agreement will be on normal commercial terms and on terms similar to or even more favourable than those offered by other commercial banks for similar services in the PRC. The Directors (including the independent non-executive Directors) consider that the other financial services to be provided under the 2019 Financial Services Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

The Company expects that the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the total fees payable by the Company to Datang Finance Company is below the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules and, therefore, is fully exempt from the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules. The Company will comply with the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules if the transaction amount of the other financial services to be provided by Datang Finance Company to the Group under the 2019 Financial Services Agreement exceeds the relevant threshold.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2019 FINANCIAL SERVICES AGREEMENT

By entering into the 2019 Financial Services Agreement, the Group is able to strengthen the capital management and control as well as the account management via the capital management platform of Datang Finance Company, which would further increase the utilisation efficiency of capital as well as lower and prevent financial risks.

Furthermore, the entering into of the 2019 Financial Services Agreement effectively supplements the financing needs of the Group. By broadening the Group's financing channels through Datang Finance Company, there would be an increase in the source of funds which would elevate the level and efficiency of overall operations of enterprise capital, and which would strengthen the bargaining power of the Group in respect of external financing.

Meanwhile, the 2019 Financial Services Agreement enables the Company to obtain higher interest rates for deposits than those in the market and to enjoy payment and settlement services at zero rate, thereby increasing the interest income on deposits and saving settlement costs, which would increase the operating profits of the Company.

In view of the reasons above, the Directors (including the independent non-executive Directors) consider that the capital risk control measures under the 2019 Financial Services Agreement are adequate to prevent the risks involved in depositing the funds of the Group at Datang Finance Company and that the 2019 Financial Services Agreement and the transactions contemplated thereunder are fair and reasonable, have been entered into on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

APPROVAL OF THE BOARD

The third meeting of the tenth session of the Board (including the independent non-executive Directors) has considered and approved the "Resolution on Entering into Financial Services Agreement with China Datang Group Finance Co., Ltd", details of which were set out in the overseas regulatory announcement of the Company dated 30 August 2019 in relation to the resolutions of the Board.

None of the Directors has any material interest in the 2019 Financial Services Agreement. Those connected Directors, including Mr. Chen Feihu and Mr. Wang Sen, have abstained from voting on the relevant resolution in accordance with the requirements of the listing rules of the Shanghai Stock Exchange.

INFORMATION OF THE RELEVANT PARTIES

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 mainly provides services in the PRC.

LETTER FROM THE BOARD

2. CDC was established on 9 March 2003 with registered capital of RMB37 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 the export and import of various commodities and technologies for itself or as an agent.
3. Datang Finance Company is a non-banking financial institution established on 10 May 2005 in the PRC with registered capital of approximately RMB4.87 billion. Its principal businesses include the provision of deposit services, loan services, entrusted loan services and entrusted investment services. Datang Finance Company is owned by CDC as to 73.51% and by the Company as to 16.95%. The remaining equity interest of Datang Finance Company is held by the other subsidiaries of CDC.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CDC, the controlling shareholder of the Company, together with its subsidiaries hold approximately 53.09% of the issued share capital of the Company. Since Datang Finance Company is a subsidiary of CDC, Datang Finance Company is a connected person of the Company and the 2019 Financial Services Agreement and the transactions thereunder constitute continuing connected transactions of the Company.

Since the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the provision of deposit services under the 2019 Financial Services Agreement is more than 5%, the provision of deposit services under the 2019 Financial Services Agreement is subject to the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the provision of deposit services under the 2019 Financial Services Agreement is more than 25%, such transaction constitutes a major transaction of the Company and is subject to the requirements of reporting, announcement and Shareholders' approval under Chapter 14 of the Listing Rules.

The loan services to be provided by Datang Finance Company to the Group under the 2019 Financial Services Agreement constitute financial assistance to be provided by a connected person for the benefit of the Group. As such loan services are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for similar services in the PRC, and no security over the assets of the Group will be granted in respect of the loan services, the loan services are fully exempt from the requirements of reporting, announcement and the Independent Shareholders' approval pursuant to Rule 14A.90 of the Listing Rules.

The Company expects that the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the total fees payable by the Company to Datang Finance Company in respect of the provision of other financial services under the 2019 Financial Services Agreement is below the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules and, therefore, is fully exempt from the

LETTER FROM THE BOARD

requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules. The Company will comply with the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules if the transaction amount of other financial services to be provided by Datang Finance Company to the Group under the 2019 Financial Services Agreement exceeds the relevant threshold.

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

The Company will convene the EGM to consider and approve, among other things, the 2019 Financial Services Agreement. The notice convening the EGM has been despatched to the Shareholders on 7 November 2019.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transaction and its associates will abstain from voting at the general meeting to be held by the Company to, including but not limited to, consider and approve the 2019 Financial Services Agreement. Therefore, CDC and its associates shall abstain from voting at the general meeting to consider and approve the 2019 Financial Services 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 2019 Financial Services Agreement and shall abstain from voting at the resolution(s) in relation to the approval of the 2019 Financial Services Agreement at the EGM.

RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee as set out on page 13 of this circular which contains its recommendation to the Independent Shareholders on the terms of the 2019 Financial Services Agreement. Your attention is also drawn to the letter of advice received from the Independent Financial Adviser as set out on pages 15 to 25 of this circular which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the 2019 Financial Services Agreement, the casting of votes for or against the resolution(s) approving the 2019 Financial Services 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 2019 Financial Services 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 and usual course of business of the Company, 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.

LETTER FROM THE BOARD

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 appendices 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

20 November 2019

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS
2019 FINANCIAL SERVICES AGREEMENT**

We refer to the circular issued by the Company to the Shareholders dated 20 November 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 contemplated under the 2019 Financial Services Agreement constitute continuing connected transactions of the Company, and the provision of the deposit services under the 2019 Financial Services Agreement is subject to the approval of the Independent Shareholders at the EGM.

We have been appointed as the Independent Board Committee to consider the terms of the transactions under the 2019 Financial Services Agreement and to advise the Independent Shareholders in connection with the 2019 Financial Services Agreement as to whether, in our opinion, their terms are fair and reasonable and whether the 2019 Financial Services Agreement is in the interests of the Company and the Shareholders as a whole. Fortune Financial Capital has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from Fortune Financial Capital as set out in this circular. Having considered the principal factors and reasons considered by, and the advice of Fortune Financial Capital as set out in its letter of advice, we consider that the 2019 Financial Services Agreement is on normal commercial terms, and that the 2019 Financial Services Agreement is in the best interests of the Company and the shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also consider that the terms of the 2019 Financial Services Agreement (including its annual caps contemplated thereunder) are entered into in the ordinary and usual course of business of the Company, and are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the provision of the deposit services under the 2019 Financial Services Agreement (including its annual caps contemplated thereunder) at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Liu Jizhen, Feng Genfu, Luo Zhongwei,

Liu Huangsong and Jiang Fuxiu

Independent non-executive Directors

Datang International Power Generation Co., Ltd.

LETTER FROM FORTUNE FINANCIAL CAPITAL LIMITED

The following is the full text of the letter of advice from Fortune Financial Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the deposit services under the 2019 Financial Services Agreement in this circular.

Fortune Financial Capital Limited
43/F, COSCO Tower
183 Queen's Road Central
Hong Kong
20 November 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the term of the deposit services under the 2019 Financial Services Agreement, the transactions and the proposed annual cap, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 20 November 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

According to the Board Letter, the Company entered into the 2019 Financial Services Agreement with Datang Finance Company, a financial services provider, on 16 October 2019. Such agreement will become effective on the date of approval at the general meeting or 1 January 2020 (whichever is later), and its termination date shall be 31 December 2022. According to the 2019 Financial Services Agreement, Datang Finance Company agreed to provide the Group with deposit services, loan services and other financial services.

As at the Latest Practicable Date, CDC, the controlling shareholder of the Company, together with its subsidiaries hold approximately 53.09% of the issued share capital of the Company. Since Datang Finance Company is a subsidiary of CDC, Datang Finance Company is a connected person of the Company and the 2019 Financial Services Agreement and the transactions thereunder constitute continuing connected transactions of the Company under the Listing Rules.

Given that the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the provision of deposit services under the 2019 Financial Services Agreement is more than 5%, the provision of deposit services under the 2019 Financial Services Agreement is subject to the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

LETTER FROM FORTUNE FINANCIAL CAPITAL LIMITED

An Independent Board Committee, comprising an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Liu Jizhen, Mr. Feng Genfu, Mr. Luo Zhongwei, Mr. Liu Huangsong and Mr. Jiang Fuxiu, has been appointed by the Board to advise the Independent Shareholders as to whether, in their opinion, the terms of the provision of deposit services under the 2019 Financial Services Agreement, the transactions and the relevant proposed annual cap are fair and reasonable so far as the Independent Shareholders are concerned. We, Fortune Financial Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We, Fortune Financial Capital Limited, are a licensed corporation to carry out regulated activities of advising on corporate finance under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”). Fortune Financial Capital Limited and its affiliates, whose ordinary business involves the trading of, dealing in and the holding of securities, may be involved in the trading of, dealing in, and the holding of the securities of the Company for client accounts. We had no past engagement with the Group or any relationship or interest with the Group or any other parties that could reasonably be regarded as relevant to the independence of us as the Independent Financial Adviser. As at the Latest Practicable Date, we were independent from and not connected with the Group under Rule 13.84 of the Listing Rules, and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the 2019 Financial Services Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the 2016 and 2019 Financial Services Agreements; (ii) the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”); (iii) the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”); (iv) the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”) and (v) the relevant internal documents of the Group prepared by its key personnel. We have relied, without assuming any responsibility for independent verification, on the information, opinions and facts supplied and representations made to us by the Company, who has assumed full responsibility for the accuracy of the information contained in the Circular and that any information and representations made to us are true, accurate and complete in all material respects as at the date hereof and that they may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. We have discussed with the management of the Company (the “**Management**”) regarding their plans and prospects of the Company. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have also assumed that statements and representations made or referred to in the Circular were accurate at the time they were made and continue to be accurate up to the date of the EGM. We consider that we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our advice. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business, affairs of future prospects of the Company. Our advice was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, we have not been involved in the negotiations in respect of the terms of 2019 Financial Services Agreement.

LETTER FROM FORTUNE FINANCIAL CAPITAL LIMITED

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the fairness and reasonableness of the term of the provision of deposit services under the 2019 Financial Services Agreement, the transactions and the proposed annual cap contemplated thereunder in giving our recommendation to the Independent Board Committee and the Independent Shareholders are set out below:

I. Background of the Company, China Datang Corporation, Ltd. and Datang Finance Company

According to the Board Letter, 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 mainly provides services in the PRC.

China Datang Corporation, Ltd. was established on 9 March 2003 with registered capital of RMB37 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 the export and import of various commodities and technologies for itself or as an agent.

Datang Finance Company is a non-banking financial institution established on 10 May 2005 in the PRC with registered capital of approximately RMB4.87 billion. Its principal businesses include the provision of deposit services, loan services, entrusted loan services and entrusted investment services. Datang Finance Company is owned by CDC as to 73.51% and by the Company as to 16.95%. The remaining equity interest of Datang Finance Company is held by the other subsidiaries of CDC.

II. Financial Performance of the Company

Set forth below are the Group's financial information for the two years ended 31 December 2018 and the six months ended 30 June 2019 prepared in accordance with the International Financial Reporting Standards (the "IFRS") extracted from the annual reports of the Company for the year ended 31 December 2018 and 2017, and the interim report of the Company for the six months ended 30 June 2019.

LETTER FROM FORTUNE FINANCIAL CAPITAL LIMITED

	For the six months ended 30 June 2019 RMB'000 (unaudited)	For the year ended 31 December 2018 RMB'000 (audited)	For the year ended 31 December 2017 RMB'000 (audited)
Revenue	45,040,455	93,389,625	84,185,072
Total Profit	1,836,146	2,787,619	2,180,518
	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)	As at 31 December 2017 RMB'000 (audited)
Total Assets	282,154,147	288,250,326	279,122,660
Total Equity	73,640,616	70,489,821	72,078,745

As depicted by the above table, the Group's revenue increased from RMB84,185 million for the year ended 31 December 2017 to RMB93,390 million for the year ended 31 December 2018, representing a representing an increase of approximately 10.93%, which was mainly attributable to the year-on-year increase of 8.61% in revenue from power generation segment with reference to the 2018 Annual Report.

The total profit of the Group for the year ended 31 December 2018 increased approximately RMB607 million as compared to that for the year ended 31 December 2017, which was mainly attributable to the year-on-year increase of the profit from power generation segment with reference to the 2018 Annual Report.

As of 31 December 2018, total assets of the Group amounted to approximately RMB288,250 million, representing an increase of approximately RMB9,128 million over 2018. The increase in total assets was mainly due to an increase in cash balance by 78.00% as at the end of the reporting period compared with the beginning of 2018, which was mainly due to the fact that the proceeds of A Shares raised were not yet used up and financing was secured as at the end of 2018.

The total equity of the Group remained stable as at 31 December 2018, as compared to that as at 31 December 2017.

III. The deposit services under the Financial Services Agreement

As mentioned in the Board Letter, the Company entered into the 2019 Financial Services Agreement with Datang Finance Company on 16 October 2019. Such agreement will become effective on the date of approval at the general meeting or 1 January 2020 (whichever is later), and its termination date shall be 31 December 2022.

LETTER FROM FORTUNE FINANCIAL CAPITAL LIMITED

Principal Terms of the deposit services

Date:

16 October 2019

Parties:

the Company; and

Datang Finance Company

Term:

A term of 36 months, from 1 January 2020 to 31 December 2022

Major terms regarding the deposit services:

- (i) Deposit caps: the daily maximum balance of deposit of the Group at Datang Finance Company for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022 is RMB18 billion.
- (ii) The current deposit interest of the deposit services shall be settled according to the negotiated deposit interest rates of the PBOC (as at the date of this announcement, the prevailing negotiated deposit interest rate is 1.15% per annum, while the prevailing current deposit interest rate is 0.35% per annum), with a daily maximum balance of deposits of not more than RMB18 billion.

For the purpose of our due diligence, we have reviewed the 2019 Financial Services Agreement and also the 2016 Financial Services Agreement entered into by the same parties. It is noted by us that the key terms in the 2019 Financial Services Agreement are similar to the corresponding terms in the 2016 Financial Services Agreement entered into by the same parties.

We have discussed with the Management of the Company regarding the transactions under the 2019 Financial Services Agreements. We were given to understand that before entering into any deposit arrangements with Datang Finance Company, the Company will obtain and review quotes (i.e. savings interest rate) from at least four other independent financial institutions and the then savings interest rate and negotiated savings interest rate as published by the PBOC. In the event that the Company notes the then negotiated savings interest rate as announced by the PBOC is less than the then savings interest rate as published by the PBOC or the then savings interest rate as offered by other independent financial institutions, the Company will enter into of supplemental agreement with Datang Finance Company to ensure the deposit interest rate of the Deposit Services will be no less favourable than the then savings interest rate as published by the PBOC. In the event that upon receiving deposit certificate which shows the actual deposit interest rate as offered by Datang Finance

LETTER FROM FORTUNE FINANCIAL CAPITAL LIMITED

Company, the Company notes that the deposit interest rate as offered by Datang Finance Company is less than the then negotiated savings interest rate as offered by the PBOC, the Company will require Datang Finance Company to provide the differences in the part of interest to the Company.

Furthermore, in the course of reviewing the 2019 Financial Services Agreement, we note that there is no lower limit on the aggregate transaction amount of the deposit between the Company and Datang Finance Company under the 2019 Financial Services Agreement and we are not aware of any clause therein which might bound the Company from conducting businesses with other financial institutions, if the interest rates or the terms offered by other financial institutions are more favorable than the conditions offered by Datang Finance Company. In this regard, we concur with the Directors' view that the Company has the flexibility to choose the most favorable terms to receive the deposit services, and therefore maximize the overall interest of the Group.

Having considered that (i) the Group is able to obtain deposit services from Datang Finance Company at an interest rate equivalent to or more favorable than those offered by other financial institutions in the market; (ii) such interest rate is arrived at after arm's length negotiations between the Group and Datang Finance Company; and (iii) the Group is not restricted from obtaining deposit services from other financial institutions, we concur with the Directors' view that the terms of the 2019 Financial Services Agreement and the transactions contemplated thereunder are entered into based on arm's length negotiations, in the ordinary and usual course of business of the Group and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A. Historical Transaction Amount

Set out below are the historical transaction amounts and the previous annual caps of the deposit services under the 2016 Financial Services Agreement.

	Historical transaction amounts for		
	the year ended 31	the year ended 31	the nine months
	December 2017	December 2018	ended 30
			September 2019
		(RMB in million)	
Maximum daily deposit balance (including any interest accrued thereon)	7,239	13,115	14,370
Previous annual caps	15,000	15,000	15,000
Utilization rate	48%	87%	96%

LETTER FROM FORTUNE FINANCIAL CAPITAL LIMITED

B. Proposed annual caps

The proposed annual caps of the Deposit Services under the 2019 Financial Services Agreement for each of the year ending 31 December 2020, 31 December 2021 and 31 December 2022 are as follows:

	Proposed annual deposit caps for the year ending 31 December		
	2020	2021	2022
	<i>(RMB in million)</i>		
Maximum daily balances of deposit (including any interest accrued thereon)	18,000	18,000	18,000

With reference to the Board Letter, to determine the proposed annual caps for the daily maximum deposit balance of the Group with Datang Finance Company, the Directors have considered the following factors:

1. The historical amount of daily maximum deposit balance of the Group with Datang Finance Company amounted to approximately RMB7.239 billion, RMB13.115 billion and RMB14.37 billion for the two years ended 31 December 2017 and 31 December 2018 and for the nine months ended 30 September 2019, respectively.
2. Subsequent to the acquisition of Datang Hebei Power Generation Co., Ltd., Datang Heilongjiang Power Generation Co., Ltd., and Datang Anhui Power Generation Co., Ltd. (the “**Acquired Companies**”) by the Company in 2018, the maximum daily deposit balance of the above three companies with Datang Finance Company amounted to RMB3 billion and 2.1 billion for the year ended 31 December 2018 and the nine months ended 30 September 2019, respectively.
3. In order to strengthen the centralised management of funds and monitor the use of funds, the Group will continuously roll out a “funding pool” platform through Datang Finance Company. Such platform amasses the funds of the Group and enables loans to be granted within the Group by utilizing the position arising from the difference in the time for receipt and payment of funds of the members of the Group in order to support the development of the Group.
4. In respect of the Group’s funds settlement business with Datang Finance Company, the settlement expenses will be borne by Datang Finance Company.
5. During the term of the agreement, the issuance of short-term debentures, super short-term debentures and non-public debt financing instruments will also enhance the Company’s daily maximum deposit balance at Datang Finance Company.

LETTER FROM FORTUNE FINANCIAL CAPITAL LIMITED

6. As the number of newly established companies and newly operated companies of the Group continues to increase, the amount of deposits is also anticipated to increase.
7. CDC undertakes to the CBRC that, in the event that Datang Finance Company is in urgent difficulty in making payment, CDC will increase Datang Finance Company's capital accordingly based on the actual need.

We noted the relevant utilization rate of the previous annual cap are approximately 48% and 87% for the year ended 31 December 2017 and for the year ended 31 December 2018 respectively and approximately 96% for the year ending 31 December 2019, based on the historical maximum amount for the nine months ended 30 September 2019. The utilization rate is growing and almost reached 100% in 2019. It is also noted by us that the annual cap of daily maximum deposit balance for each three years ending 31 December 2022 is proposed to increase by RMB3 billion as compared to the previous annual caps three years ending 31 December 2019, from RMB15 billion to 18 billion, representing an increase of 20%.

As advised by the Management, it is difficult to forecast the total cash level for the three years ending 31 December 2022. Nevertheless, it is very likely to be a substantial increase in total cash of the Group, because (i) we have reviewed the 2017 Annual Report and 2018 Annual report. As disclosed in the annual reports, the cash and cash equivalents of the Group increased from approximately RMB4.5 billion as at 31 December 2016 to RMB6.1 billion as at 31 December 2017, and further increased to RMB11.4 billion as at 31 December 2018. It is noted by us the Group maintains positive net cash flow for the years; (ii) as disclosed in the 2018 Annual Report, the Company completed the non-public issuance of H-Shares on 19 March 2018, issuing 2,794,943,820 H-Shares with gross proceeds of approximately HK\$6,222 million raised; and completed the non-public issuance of A-Shares on 23 March 2018, issuing 2,401,729,106 A-Shares with gross proceeds of approximately RMB8,334 million raised. The Group may opt to raise fund by public issuance in the future three years. The Group may also issue short-term debentures, super short-term debentures and non-public debt financing instruments during the years. The potential equity or debt financing will also enhance the Company's daily maximum deposit balance at Datang Finance Company; (iii) as a number of newly acquired, newly established companies and newly operated companies of the Group continues to increase, the amount of deposits is also anticipated to increase.

The maximum daily deposit of the Group with Datang Finance Company for the nine months ended 30 September 2019, excluding the Acquired Companies, was RMB12,232 million and the corresponding utilization rate was 82%. Provided that the maximum daily deposit of the Acquired Companies reaches RMB3 billion (the historical peak for the year ended 31 December 2018) or more, the previous annual cap is likely to be exceeded. When the proposed annual caps are determined, it is assumed that the annual caps of the Acquired Companies are RMB3 billion (the historical peak for the year ended 31 December 2018) and the annual caps of the Group excluding the Acquired Companies are RMB15 billion. The maximum daily deposit of the Group with Datang Finance Company for the nine months ended 30 September 2019, excluding the Acquired Companies, was RMB12.2 billion, and it is very likely to be a substantial increase in total cash of the Group excluding the Acquired Companies in the future three years as it is illustrated above; therefore, an additional

LETTER FROM FORTUNE FINANCIAL CAPITAL LIMITED

annual cap of RMB2.8 billion is allocated, representing approximately an increase of 20% as compared to the maximum daily deposit of the Group, excluding the Acquired Companies, with Datang Finance Company for the nine months ended 30 September 2019.

Having taken into account (i) the high utilization rate of the previous annual cap for the year ended 31 December 2017 and for the year ended 31 December 2018 respectively, especially the utilization rate of 96% for the six months ended 30 June 2019, which almost reached 100%; (ii) the likelihood of any substantial increase in total cash of the Group for the future three years; and (iii) the relevant terms of deposit service provided by Datang Finance Company, we concur the view of the Directors that the proposed annual caps set by the Directors are made after due and careful consideration and the basis of the determination of the proposed annual caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

C. Reasons for and benefits of the Deposit Services

As stated in the Board Letter, the 2019 Financial Services Agreement enables the Company to obtain higher interest rates for deposits than those in the market and to enjoy payment and settlement services at zero rate, thereby increasing the interest income on deposits and saving settlement costs, which could increase the operating profits of the Company. Meanwhile, the Group is able to strengthen the capital management and control as well as the account management via the capital management platform of Datang Finance Company, which would further increase the utilization efficiency of capital as well as lower and prevent financial risks.

In addition, we understand from the Directors that Datang Finance Company is professional financial service provider and has established a sound management structure with experienced financial professionals who possess expertise in provision of deposit services, loan services, entrusted loan services and entrusted investment services. As a non-banking financial institution, Datang Finance Company is strictly regulated by the PBOC, which is stricter than that for PRC commercial banks. Furthermore, CDC undertakes to the CBIRC that, in the event that Datang Finance Company is in urgent difficulty in making payment, CDC will increase Datang Finance Company's capital accordingly based on the actual need. It is noted that the corporate credit rating of CDC, one of the largest state-owned enterprises in PRC, is AAA, which is the highest possible rating in PRC. Moreover, in view of the fact that both the Company and Datang Finance Company are subsidiaries of CDC which would facilitate communication and cooperation between the two companies, we concur with the Directors' view that Datang Finance Company would be able to develop a deeper understanding in the operation of the Company and relevant units, which in turn would be able to provide more convenient, effective and efficient financial services to the Company as compared to those services provided by other financial institutions.

Having considered that, among others, (i) the relevant major terms of the Deposit Services under the 2019 Financial Services Agreement are fair and reasonable and have been entered into after arm's length negotiation between all parties thereto; (ii) the proposed annual caps for the transactions are reasonably determined after due and careful consideration; and (iii) the foregoing reasons and benefits mentioned in this letter, the Directors consider, and we concur that the Deposit Services under the 2019 Financial Services Agreement are in the interests of the Company and its Shareholders as a whole.

LETTER FROM FORTUNE FINANCIAL CAPITAL LIMITED

IV. Internal Control Measures

The Group implemented the following internal control procedures to closely monitor and manage new and on-going connected transactions with China Datang Group:

- i. before entering into any deposit arrangements with Datang Finance Company, the Company will obtain and review quotes (i.e. savings interest rate) from at least four other independent financial institutions and the then savings interest rate and negotiated savings interest rate as published by the PBOC. In the event that the Company notes the then negotiated savings interest rate as announced by the PBOC is less than the then savings interest rate as published by the PBOC or the then savings interest rate as offered by other independent financial institutions, the Company will enter into of supplemental agreement with Datang Finance Company to ensure the deposit interest rate of the Deposit Services will be no less favourable than the then savings interest rate as published by the PBOC. In the event that upon receiving deposit certificate which shows the actual deposit interest rate as offered by Datang Finance Company, the Company notes that the deposit interest rate as offered by Datang Finance Company is less than the then negotiated savings interest rate as offered by the PBOC, the Company will require Datang Finance Company to provide the differences in the part of interest to the Company;
- ii. finance department of the Company will on a daily basis monitor the Deposit Services to ensure the proposed annual caps will not be exceeded;
- iii. finance department of the Company will report to the management of the Company giving an update of the deposit arrangements with Datang Finance Company on a monthly basis; and
- iv. the independent non-executive Directors and auditors of the Company will conduct annual review of the Deposit Services and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the agreement, on normal commercial terms and in accordance with the pricing policy.

We are advised by the Management that the capital risk control measures have operated effectively during the past years. The Company showed us the online management information system, which can real-time monitor the deposits of the Group with Datang Finance Company and produce monthly information of the Deposit Services to ensure the proposed annual caps will not be exceeded. We reviewed the savings interest rate and negotiated savings interest rate as published by the PBOC recorded by the Company. We also reviewed the relevant annual review and discussion of the independent non-executive Directors and auditors of the Company in the annual reports of the Company confirming that the transactions are conducted in accordance with the terms of the agreement, on normal commercial terms and in accordance with the pricing policy. The Management further confirmed that the Group has not encountered any losses regarding the deposit services. In

LETTER FROM FORTUNE FINANCIAL CAPITAL LIMITED

light of the above, we consider that the procedures and internal control measures to guarantee the transactions between the Company and Datang Finance Company were in place and are fair and reasonable so far as the Company and Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above factors, we consider that the Deposit Services under the 2019 Financial Services Agreement is in the ordinary and usual course of business of the Group. The terms of the Deposit Services under the 2019 Financial Services Agreement are on normal commercial terms and which, altogether with the relevant proposed annual cap are fair and reasonable, and the transactions contemplated under and the Deposit Services under the 2019 Financial Services Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolutions to approve the Deposit Services under the 2019 Financial Services Agreement at the EGM.

Yours faithfully,
For and on behalf of
Fortune Financial Capital Limited
Jiang Jun
Chief Executive Officer

(1) FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the year ended 31 December 2016 has been disclosed on pages 104 to 245 of the annual report of the Company for the year ended 31 December 2016 published on 13 April 2017 (<http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0413/LTN20170413858.pdf>); (ii) for the year ended 31 December 2017 has been disclosed on pages 105 to 245 of the annual report of the Company for the year ended 31 December 2017 published on 23 April 2018 (<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0423/LTN20180423756.pdf>); (iii) for the year ended 31 December 2018 has been disclosed on pages 89 to 241 of the annual report of the Company for the year ended 31 December 2018 published on 25 April 2019 (<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0425/LTN201904251709.pdf>); and (iv) for the six months ended 30 June 2019 has been disclosed on pages 20 to 50 of the interim report of the Company for the six months ended 30 June 2019 published on 20 September 2019 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0920/ltn20190920083.pdf>).

All the above annual reports and interim report of the Company have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.dtpower.com).

(2) FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking into the second half of 2019, the Company will, on the basis of the results achieved in the first half of 2019, continue to thoroughly implement our new development concept, consolidate good momentum for development, steadily promote successful completion of various goals, and strive to build a first-class listed company with sound governance, excellent performance and good image, and that is accountable to its shareholders, responsible for its employees and favoured by investors.

1. Ensuring safety and stability of production. Adhering to “systematic management and revealing ins and outs by style (制度管總、作風兜底)”, the Company will reinforce accountability towards safe production and seriously abide by production discipline to ensure production safety, infrastructure safety, environmental safety and network safety. The Company will make arrangements to prevent and control floods during the summit of summer precipitation, strengthen the investigation of hidden dangers as well as maintenance management to ensure safety and stable operation of generating units.
2. Making efforts to increase profit and create benefits. The Company will plan overall production and operation and comprehensively improve economic efficiency focusing on key enterprises in key regions. Holding on to key indicators, coordinating key tasks such as power generation, energy saving, coal blending, cost reduction and efficiency improvement and debt reduction, the Company will strive to secure government support on preferential policies such as tax cuts and fee reductions and adopt various measures to spare no effort in the critical task of increasing profits and creating benefits.
3. Striving to improve standard governance. The Company will further improve its management system, comprehensively strengthen its compliance with laws as well as internal control and prevent and defuse legal risks. The Company will strictly abide by laws and regulations in the capital market, standardize connected transactions and ensure compliance operation of listed

companies. Relying on the platform function of capital market, it will better operate resources, assets, capital and funds, maximise the energy of listed companies, enhance market value and improve market image.

4. Dedicated to promoting high-quality development. Adhering to the concept of new development, the Company will scientifically plan its strategic development, industrial positioning and regional positioning as well as accelerate the formation of a new pattern of high-quality development in which “wind, light, gas and service” projects go hand in hand with clean and efficient coal power by focusing on strategic opportunities such as the coordinated development of Beijing-Tianjin-Hebei region, the integration of Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area. We will actively explore land-based centralised and decentralised wind power as well as large-scale photovoltaic project resources, actively participate in the competitive allocation of grid parity and ultra-high voltage base delivery projects, and fully develop various renewable energy project resources. The Company will also actively promote the approval of key coal-fired power projects and the construction of urban clean heating supply and heat network projects, fully implement the annual production plan, and continue to consolidate the Company’s competitiveness in the electricity market.

(3) INDEBTEDNESS

According to the updated statistics as at the close of business on 30 September 2019, being the latest practicable date for the purpose of this statement of indebtedness and contingent liabilities prior to the printing of this circular, the Group had unaudited outstanding interest-bearing debts of approximately RMB171,328,595,219.66, comprising borrowings from financial institutions of approximately RMB150,035,096,325.14, and outstanding bonds of approximately RMB8,943,851,015.49, and outstanding financial lease payables of approximately RMB12,349,647,879.03, among which:

- (i) for borrowings from financial institutions, the guaranteed borrowings amounted to approximately RMB6,154,925,918.31, the secured and pledged borrowings amounted to approximately RMB24,675,918,178.23, and the unsecured and unguaranteed borrowings amounted to approximately RMB119,204,252,228.6;
- (ii) for outstanding bonds, the guaranteed bonds amounted to approximately RMB8,943,851,015.49, there was no secured and pledged bonds, and the unsecured, unpledged and unguaranteed bonds amounted to approximately RMB0; and
- (iii) for outstanding financial lease payables, the guaranteed financial lease payables amounted to approximately RMB1,057,522,814.81, the secured financial lease payables amounted to approximately RMB1,174,945,779.21, and the unsecured and unguaranteed financial lease payables amounted to approximately RMB10,117,179,285.01.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances credits, guarantees or contingent liabilities outstanding at the close of business on 30 September 2019.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since the close of business on 30 September 2019.

(4) WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available banking facilities and the internally generated resources of the Group, the Group has sufficient working capital for its requirements within the next 12 months from the date of this circular.

(5) FINANCIAL EFFECTS OF ENTERING INTO THE 2019 FINANCIAL SERVICES AGREEMENT

The Company entered into the 2019 Financial Services Agreement with Datang Finance Company to strengthen management and control of funds and account management through Datang Finance Company's funds management platform, to raise loans at lower interest rates and enjoy higher deposit interest rates and payment and settlement services at zero fee rate, which are conducive to further improving the efficiency in the use of funds and improving the overall level of the operation of the Company's funds, while enhancing the Group's external financing bargaining power. Nevertheless, the Group does not expect to develop reliance on Datang Finance Company from the enjoying of such services, and the entering into of the 2019 Financial Services Agreement will not interfere the Group from considering to enter into similar agreements with other financial institutions when it deems necessary.

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, to the best knowledge of the Directors, supervisors and chief executive of the Company, none of the Directors, supervisors or chief executive of the Company have any interest or short position 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: (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, supervisor or chief executive is taken or deemed to have under such provisions of the SFO); (ii) to be entered into the register required to be kept by the Company under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

Name of Director	Long position/ short position	Capacity/ nature of interest	Number of A-shares held	Approximate percentage of the issued share capital of the Company⁽¹⁾
Mr. Liu Jizhen	Long position	Beneficial interest	9,100	0.000049%

Note:

- (1) 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	Approximate	Approximate
			Percentage to Total Issued Share Capital of the Company (%)	Percentage to Total Issued A Shares of the Company (%)	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	1,295,792,600	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.	A shares	1,260,988,672	6.81	10.17	/

(L) = Long Position

Notes:

- (1) Mr. Chen Feihu and Mr. Wang Sen, who are currently 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.

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, supervisors or chief executive of the Company was also a director or employee of a company which had an 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 CONTRACTS

- (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 2018 (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

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, 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

The following sets out the qualification of the expert which has given its opinion or advice as contained in this circular:

Name	Qualification
<i>Fortune Financial Capital Limited</i>	a licensed corporation under the SFO permitted to conduct Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above expert:

- (a) 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 member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up); and
- (c) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and its letter in the form and context in which they respectively appear.

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

8. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance to the Group, and no litigation, arbitration or claim of material importance to the Group was pending or threatened against any member of the Group.

9. MISCELLANEOUS

- (a) The registered office 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 c/o Eversheds Sutherland, 37/F, One Taikoo Place, Taikoo Place, 979 King's Road, Quarry Bay, 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 Mr. Mok Chung Kwan, Stephen. Mr. Jiang is a senior accountant and Mr. Mok is a practising solicitor in Hong Kong.

10. MATERIAL CONTRACTS

Capitalised terms used in this section headed “Material Contracts” shall, unless the context otherwise requires, have the same meanings as those defined in (i) the circular of the Company dated 22 February 2018 in respect of the acquisition of Datang Anhui Power Generation Co., Ltd (大唐安徽發電有限公司), Datang Hebei Power Generation Co., Ltd (大唐河北發電有限公司) and Datang Heilongjiang Power Generation Co., Ltd. (大唐黑龍江發電有限公司) from CDC, (ii) the respective circulars of the Company dated 28 February 2018 in respect of the Franchising Contracts, the EPC Project Contracts and the Comprehensive Product and Service Framework Agreement, (iii) the circular of the Company dated 31 July 2018 in respect of the Leasing and Factoring Business Cooperation Agreement, (iv) the circular of the Company dated 11 March 2019 in respect of the Comprehensive Product and Service Framework Agreement; and (v) the circular of the Company dated 18 October 2019 in respect of the 2019 Financial Business Cooperation Agreement.

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following material contracts, not being contracts entered into in the ordinary course of business, were entered into by the Group:

- (i) On 6 December 2017, the Company entered into the Transfer Agreement with CDC, pursuant to which the Company (as the purchaser) conditionally agreed to acquire 100% equity interests held by CDC in each of Hebei Company, Anhui Company and Heilongjiang Company from CDC (as the vendor) at an aggregate consideration of RMB 18,127.51 million. The Transfer Agreement became effective on 16 March 2018 upon obtaining the Independent Shareholders’ approval.
- (ii) On 18 January 2018, Leizhou Power Generation Company (a subsidiary of the Company) entered into the EPC Project Contracts with Datang Environment Industry Company (a controlled subsidiary of CDC), pursuant to which, Leizhou Power Generation Company engaged Datang Environment Industry Company to undertake EPC general contracting on the coal transportation system with transaction amount of RMB385.98329 million. The EPC Project Contracts become effective from 16 March 2018 upon obtaining the Independent Shareholders’ approval. The transactions contemplated under the EPC Project Contracts are specifically for the EPC contracting of the EPC Project, i.e. the project of the coal transportation system of Guangdong Datang International Leizhou Power Plant.
- (iii) On 18 January 2018, Leizhou Power Generation Company, Shendong Thermal Power Company, Huludao Thermal Power Company and Tangshan Beijiao Thermal Power Company (being subsidiaries of the Company) (“**Such Companies**”) entered into various Franchising Contracts with Datang Environment Industry Company, pursuant to which Datang Environment Industry Company agreed to carry out the franchising of the Desulfurization Assets or Denitrification Assets of the corresponding coal-fired power generating units of Such Companies and to invest in, design, construct, operate, maintain and manage the desulfurization or denitrification facilities effective from 16 March 2018 for the franchise period. The franchise period is the same as the operating period of the power generation facilities at which the franchise projects are located (i.e. estimated to be approximately 20 years). During the franchise period, Datang Environment Industry Company shall be entitled to

the revenue from the desulfurization or denitrification tariffs and shall reimburse and compensate Such Companies for the costs incurred, including those for water and electricity, for desulfurization or denitrification.

- (iv) On 30 January 2018, the Company entered into the Comprehensive Product and Service Framework Agreement with CDC in relation to the mutual supply of products and services between the Group and the CDC Group for a term commencing from 16 March 2018, i.e. the effective date upon obtaining the Independent Shareholders' approval, to 31 December 2018, pursuant to which:
 - (a) CDC Group agreed to provide products and services, which include (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, (ii) Coal Supply, (iii) Infrastructure EPC Contracting, (iv) Technological Transformation, Operations Management and Repair and Maintenance, (v) Technical Supervision and Technical Services, (vi) Alternative Power Generation, (vii) Sale of Electricity (including sale of water, gas and other resources) and Electricity Entrustment Agency, (viii) Insurance Underwriting Business; and (ix) Property Management and other Logistical Services to the Group; and
 - (b) the Group agreed to provide products and services, which include (i) Coal Supply and Transportation, (ii) Alternative Power Generation, (iii) Sale of Electricity, (iv) Operations Management and Repair and Maintenance; and (v) Property Lease to the CDC Group.
- (v) On 4 July 2018, the Company entered into the Leasing and Factoring Business Cooperation Agreement with Shanghai Datang Financial Lease Company pursuant to which Shanghai Datang Financial Lease Company would provide support on financial leasing and factoring business to the Company and its subsidiaries with a principal of not exceeding RMB10.0 billion for every 12 months for a term of 36 months commencing from the effective date, i.e. 21 December 2018 the date on which the Leasing and Factoring Business Cooperation Agreement was approved by the Independent Shareholders.
- (vi) On 23 January 2019, the Company entered into the Comprehensive Product and Service Framework Agreement with CDC in relation to the mutual supply of products and services between the Group and the CDC Group for a term commencing from 28 March 2019, i.e. the effective date upon obtaining the Independent Shareholders' approval to 31 December 2021, pursuant to which:
 - (a) CDC Group agreed to provide products and services which included (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; and

- (b) the Group agreed to provide products and services of which included (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 the CDC Group during the term of the Comprehensive Product and Service Framework Agreement.

- (vii) On 25 July 2019, the Company entered into the 2019 Financial Business Cooperation Agreement with Datang Financial Lease Co., Ltd., pursuant to which, the provision of financial business support and economic consulting service by Datang Financial Lease Co., Ltd. to the Company for an aggregate value of not exceeding RMB10 billion for every 12 months for an effective period term of 36 months commencing from 1 September 2019.

11. 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 37/F, One Taikoo Place, Taikoo Place, 979 King's Road, Quarry Bay, 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 annual reports of the Company for the years ended 31 December 2017 and 31 December 2018;
- (d) 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;
- (e) the written consent referred to in the section headed "Expert and Consent" in this appendix;
- (f) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (g) the 2019 Financial Services Agreement;
- (h) the circular of the Company dated 18 October 2019 in respect of the 2019 Financial Business Cooperation Agreement; and
- (i) this circular.