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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
2021 COMPREHENSIVE PRODUCT AND
SERVICE FRAMEWORK AGREEMENT**

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

TRINITY
Trinity Corporate Finance Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 6 to 23 of this circular. A letter from the Independent Board Committee is set out on pages 24 to 25 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 26 to 52 of this circular.

3 December 2021

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DEFINITIONS

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

“2019 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
“2021 Comprehensive Product and Service Framework Agreement”	the agreement renewed between CDC and the Company on 15 November 2021 in relation to the mutual supply of products and services between CDC Group and the Group
“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 same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CDC”	China Datang Corporation Ltd., 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. Please refer to the section headed “INFORMATION IN RELATION TO THE 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

DEFINITIONS

“Coal Transportation”	transportation of coal to designated locations through single or joint methods such as railway, highway and waterways
“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 PARTIES TO THE AGREEMENT” of this circular for details
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“connected subsidiary(ies)”	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
“EGM”	the 2021 fourth extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, to approve, among others, the 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder
“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
“Exempt CCTs”	collectively, the transactions other than the Non-Exempt CCTs under the 2021 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 requirement under Chapter 14A of the Listing Rules

DEFINITIONS

“Flue Gas Environmental Protection Facilities Franchising”	collectively, (i) the investment and construction by CDC Group of the flue gas environmental protection facilities, including desulfurisation, denitrification and dust removal, etc., of the Group, and the franchising provided by 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 CDC Group to the Group in view of the electricity price subsidy policy as prescribed in 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 CDC Group
“Group”	collectively, the Company, its controlled subsidiaries and/or its subsidiaries
“Independent Board Committee”	the independent board committee of the Company, comprising all independent non-executive Directors, namely Mr. Liu Jizhen, Mr. Niu Dongxiao, Mr. Kou Baoquan, Mr. Zong Wenlong and Mr. Si Fengqi, which has been formed to advise the Independent Shareholders on the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement
“Independent Financial Adviser” or “Trinity Corporate Finance Limited”	Trinity Corporate Finance Limited, a licensed corporation under the SFO permitted to conduct type 6 (advising on corporate finance) regulated activities for the purposes of the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement
“Independent Shareholder(s)”	Shareholder(s) other than CDC and its associates, and who are not involved in or interested in the transactions contemplated under the 2021 Comprehensive Product and Service Framework Agreement
“Independent Third Party(ies)”	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.

DEFINITIONS

“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”	1 December 2021, 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 CCTs”	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 the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules
“Operations Management”	operations on equipment such as monitoring, inspection, starting and stopping, and reconfiguration
“PRC”	the People’s Republic of China
“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 and repair and maintenance of production, and provision of centralized procurement services relating to such as tendering agency, technology and business negotiation, complete sets of goods, supervision and expediting, storage and transportation of goods, arrival inspection, and quality assurance; complete services management including procurement services, contract execution and performance services (equipment supervision and inspection, expediting delivery and shipment) related to major equipment and materials for large infrastructure projects, and 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

DEFINITIONS

“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 (including water, gas and other resources) and Services”	the sale of electricity (including water, gas and other resources) owned by the Group by power generation enterprises and provision of related services
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technical Supervision and Technical Services”	the provision of regular technical proposals and guidance on measures upon discovery of issues on the operation and technical management of power generation equipment primarily 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 Director:

Mr. Liang Yongpan (*Chairman, general manager*)

Non-executive Directors:

Mr. Qu Bo

Mr. Ying Xuejun

Mr. Liu Jianlong

Mr. Su Min

Mr. Zhu Shaowen

Mr. Cao Xin

Mr. Zhao Xianguo

Mr. Jin Shengxiang

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248 Queen's Road East

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Hong Kong

Independent non-executive Directors:

Mr. Liu Jizhen

Mr. Niu Dongxiao

Mr. Kou Baoquan

Mr. Zong Wenlong

Mr. Si Fengqi

3 December 2021

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
2021 COMPREHENSIVE PRODUCT AND
SERVICE FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 15 November 2021 in relation to the 2021 Comprehensive Product and Service Framework Agreement.

LETTER FROM THE BOARD

The purposes of this circular are to, among others, (i) provide you with details of the 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder; (ii) set out the recommendation of the Independent Board Committee in respect of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement; and (iii) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement.

2021 COMPREHENSIVE PRODUCT AND SERVICE FRAMEWORK AGREEMENT

Date

15 November 2021

Parties

1. The Company; and
2. CDC

LETTER FROM THE BOARD

Principal Terms

(1) Subject matters:

CDC Group agreed to provide products and services (including (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, (ii) Coal Supply¹, (iii) Technological Transformation, Operations Management and Repair and Maintenance, (iv) Technical Supervision and Technical Services, (v) Infrastructure EPC Contracting, (vi) Sale of Electricity (including water, gas and other resources) and Services, (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 2021 Comprehensive Product and Service Framework Agreement.

The Group agreed to provide products and services (including (i) Coal Supply¹ and Coal Transportation, (ii) Sale of Electricity (including water, gas and other resources) and Services, (iii) Alternative Power Generation, (iv) Operations Management and Repair and Maintenance and (v) supply of water, electricity and gas for Flue Gas Environmental Protection Facilities Franchising) to CDC Group during the term of the 2021 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 2021 Comprehensive Product and Service Framework Agreement, and such specific contracts shall be subject to the terms of the 2021 Comprehensive Product and Service Framework Agreement.

1 Based on the following reasons, the Group and CDC Group mutually provide Coal Supply (specific circumstances may refer to the circular of the Company dated 17 February 2017 in relation to certain coal purchase and sale framework agreements entered into by the Company and certain of its subsidiaries with certain connected persons):

- (a) CDC's subordinate fuel companies (as platform for scale procurement) and coal mining companies may provide Coal Supply for the Group, during which, certain Coal Supply will be allocated to other members of the Group by Beijing Datang Fuel Company Limited ("**Beijing Datang Fuel Company**"), a fuel subsidiary of the Company. Pursuant to which, to guarantee the Coal Supply to the Company and its subordinate power generation enterprises, and fully leverage the scale procurement advantages of fuel companies and the regional Coal Supply advantages of CDC's subordinate coal mining enterprises, so as to stabilise the market prices of coal to a certain extent, thereby exercising control over the costs of fuel, the Group will purchase coal from CDC Group (including Beijing Datang Fuel Company Limited, a fuel subsidiary of the Company, and its subsidiaries); and
- (b) Datang International (Hong Kong) Limited ("**Hong Kong Company**"), a wholly-owned subsidiary of Beijing Datang Fuel Company and as a platform for imported coal procurement, may provide imported coal for the Group and CDC. Pursuant to which, to leverage the advantage of Hong Kong Company in imported coal purchasing, and guarantee the Coal Supply as well as to lower the purchasing cost of coal, the Group and CDC Group will purchase coal from Hong Kong Company.

Note: Beijing Datang Fuel Company is owned by the Company and CDC as to 51% and 49% equity interest respectively, and is thus a connected subsidiary of the Company. Therefore, when Beijing Datang Fuel Company and its subsidiaries provide Coal Supply to the respective power generation subsidiaries of the Company and CDC, those transactions will be considered as provision of Coal Supply by CDC Group to the Group and provision of Coal Supply by the Group to CDC Group, respectively.

LETTER FROM THE BOARD

(2) Term:

The term of the 2021 Comprehensive Product and Service Framework Agreement shall be three years, commencing from 1 January 2022 and continuing up to and including 31 December 2024.

(3) Pricing policy:

The pricing of the transactions under the 2021 Comprehensive Product and Service Framework Agreement shall be determined in accordance with the general principles and in order as follows:

- (a) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be determined within the range of the government-guided price.
- (b) Market price and tender and bidding price: where there is no government-prescribed price and government-guided price, the pricing will be determined on normal commercial terms and based on the following: the price of the same or similar products or services provided by an independent third party during its ordinary course of business on normal commercial terms. At least two comparable deals with independent third parties for the same period shall be considered when determining whether the price for any product or service transaction under the 2021 Comprehensive Product and Service Framework Agreement is the market price. The Company shall conduct market price survey through industrial websites and other independent information providers in the industry. When tender and bidding process¹ are necessary under applicable laws and regulations, the price will be ultimately determined in accordance with the tender and bidding process.
- (c) Agreed price: if the above pricing principles are not or cannot be applied in the actual transaction, the pricing shall be based on the agreed price, that is, the price will be determined after arm's length negotiation by the parties, but in any event not less favourable than the conditions and prices on which the same or similar transactions with independent third parties are based. Before determining the price, the Company shall conduct market price survey through industrial websites and other independent information providers in the industry.

¹ In accordance with the Law of the PRC on Bid Invitation and Bidding (《中華人民共和國招標投標法》) and the Regulation on the Implementation of the Law of the PRC on Bid Invitation and Bidding (《中華人民共和國招標投標法實施條例》), the public tender procedures comprise four stages. First, an invitation of tender was posted on the websites of China Procurement and Bidding (<http://www.chinabidding.com.cn>) and the China Datang e-commerce platform (<http://www.cdtec.com>). Second, a tendering agent was appointed to conduct the public tender process and at least three qualified tenderers were required to participate in the public tender process. Third, the tendering agent would select at least five experts who are not in conflict of interests with the relevant transactions, and such experts would form a tender evaluation committee to assess the tenderers. Lastly, the tender evaluation committee assesses the tenderers based on various factors, including the tenderers' technical experience, professional qualification, project management abilities, business reputation and tendered prices, etc. After carrying out relevant evaluation procedures and considering the aforementioned factors, the Company will select the winner for the tender.

LETTER FROM THE BOARD

On basis of the general principles above, the specific pricing principles of various types of transactions under the 2021 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 the bidding procedures stipulated by relevant laws and regulations of the PRC or competitive negotiation, inquiry and other procurement methods stipulated by the Company's procurement management measures, and relevant related enterprise (connected person) can only win the bid if the comprehensive score of technical ability, price and business ranks first. 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 bidding.

CDC Group will charge a certain management service fee in respect of its relevant services undertaken in centralized procurement which shall not exceed 6% of the purchase amount. The price for the entire package of service of equipment shall be calculated on the basis of the scope of actual services provided and the pricing standard of the entire package of services of relevant 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 has been charged in providing the same type of services to Independent Third Parties or other companies of CDC Group. The said management service fee of not more than 6% of the purchase amount is arrived at after considering the management service fee charged by Independent Third Parties providing similar services and it is ascertained that the service management fee charged by Independent Third Party is not more than 6% of the purchase amount of the production and infrastructure materials. Upon entering into specific procurement contract, the material management department of the Company will verify the management service fee to ensure that the rate of the management service fee is not higher than that stipulated by the 2021 Comprehensive Product and Service Framework Agreement.

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

LETTER FROM THE BOARD

The fuel management department of the Company is responsible for collecting the market prices of Coal Supply 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 costs of Coal Transportation of the subordinate shipping companies of the Company, the demands of Coal Transportation 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, its price is to be determined through negotiations in accordance with the principle of fairness and impartiality and benefit sharing. For the transferee, the benefit from the Alternative Power Generation of each unit should be higher than the costs incurred for each unit of change in power generation. Such costs incurred for each unit of change in power 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 power generation and deviation assessment, etc. For the transferor, the total benefits arising from the contract should be higher than the total benefits that may be obtained from generating electricity by the transferor on its own. The price is to be determined through negotiation by both parties on the above basis and in accordance with the principle of maximising benefits for the Shareholders. Such transaction price must also be based on normal commercial terms and prevailing market conditions.

LETTER FROM THE BOARD

- (f) In respect of the Sale of Electricity (including water, gas and other resources) and Services, the price for purchase and sale of electricity (including water, gas and other resources) and services is to be determined through negotiations between both parties with the objectives of achieving “complementary advantages, mutual benefit and win-win collaboration”, and with reference to the market price in accordance with the principle of equality, impartiality and fairness¹.
- (g) The franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising shall be determined on the basis of the government pricing or government-prescribed price²; and the water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising shall be determined through negotiations between the parties, based on the costs of the water, electricity and gas provided by the power generation enterprises and in accordance with the principle of equality, impartiality and fairness¹.

(4) Principles of transactions:

- (a) Both parties agreed that, for products and services to be provided by the other party, if the conditions for services and products offered by an Independent Third Party is less favourable than or same as the conditions imposed by the other party, and/or the price payable is higher than or same as the price payable to the other party, preference shall be given to products and services offered by the other party.
- (b) Both parties agreed that, saved as agreed in paragraph (4)(a) above, the entering into of the 2021 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.
- (c) 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.
- (d) 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

1 The pricing policy for the water, electricity and gas is based on the government’s prescribed requirements, in which the costs of the water, electricity and gas reflect the market price.

2 Governmental authorities such as the National Development and Reform Commission will issue the pricing or guided price of the franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising from time to time. These prices will be published at the official websites of the National Development and Reform Commission, the local development and reform commissions and the National Energy Administration, such as the official website of the National Development and Reform Commission (<https://www.ndrc.gov.cn/>), the official website of Hebei Development and Reform Commission (<http://hbdrcc.hebei.gov.cn/>) and the official website of the National Energy Administration (<http://www.nea.gov.cn/>).

LETTER FROM THE BOARD

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.

- (e) 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.
- (f) 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 2021 Comprehensive Product and Service Framework Agreement pursuant to listing rules of places where the Company is listed.

Annual Caps

The annual caps for the transaction amounts of the 2021 Comprehensive Product and Service Framework Agreement for the three years ending 31 December 2022, 31 December 2023 and 31 December 2024 are set out as follows:

LETTER FROM THE BOARD

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

No.	Transaction	For the year ending 31 December 2022 <i>(RMB'00 million)</i>	For the year ending 31 December 2023 <i>(RMB'00 million)</i>	For the year ending 31 December 2024 <i>(RMB'00 million)</i>
1.	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	170	285	235
2.	Coal Supply ¹	485	485	485
3.	Technological Transformation, Operations Management and Repair and Maintenance	4	4	4
4.	Technical Supervision and Technical Services	5	5	5
5.	Infrastructure EPC Contracting	18	18	18
6.	Sale of Electricity (including water, gas and other resources) and Services	6.5	6.5	6.5
7.	Alternative Power Generation	4	4	4
8.	Franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising	35	35	35

1 The annual caps of Coal Supply for the three years ended 31 December 2024 account for approximately 57.2% of the total operating costs of the Group for the year ended 31 December 2020. On basis of the following factors and implementation of relevant measures, the Company is of the view that the Coal Supply does not rely on CDC Group:

(1) The historical transaction amount of the Coal Supply accounts for less than 50% of the total operating costs for the year (for example, the actual amount for the year ended 31 December 2020 only accounts for approximately 13.3% of the total operating costs for the year); (2) due to the changes in the fuel market and the sharp upward trend in coal prices in the nearest year, it is expected that the operating costs in the future will also rise to a certain extent, and the actual amounts of Coal Supply in the next three years may account for less than 50% of the total operating costs for the year; (3) the procurement for the Coal Supply shall be subject to the Company's internal coal procurement procedures, in which the fuel management department of the Company will collect as more information of transaction prices and terms provided by potential suppliers (particularly independent third-party suppliers) as possible, and then select and determine the final suitable suppliers in strict accordance with the principle of best interests of the Company after comparing the prices and terms. In the process of procurement for the Coal Supply, CDC Group's participation will not have any impact on the procurement, and the Company will not give priority to suppliers due to being members of CDC Group, so as to avoid reliance on CDC Group in terms of Coal Supply.

LETTER FROM THE BOARD

No.	Transaction	For the year ending 31 December 2022 <i>(RMB'00 million)</i>	For the year ending 31 December 2023 <i>(RMB'00 million)</i>	For the year ending 31 December 2024 <i>(RMB'00 million)</i>
9.	Research and Development in Technological Projects	1	1	1
10.	Information System Development	1	1	1
11.	Property Rights Brokerage Services	1	1	1
12.	Property Management and Other Logistical Services	0.5	0.5	0.5

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

No.	Transaction	For the year ending 31 December 2022 <i>(RMB'00 million)</i>	For the year ending 31 December 2023 <i>(RMB'00 million)</i>	For the year ending 31 December 2024 <i>(RMB'00 million)</i>
1.	Coal Supply and Coal Transportation	125	125	125
2.	Sale of Electricity (including water, gas and other resources) and Services	12.5	12.5	12.5
3.	Alternative Power Generation	4.5	4.5	4.5
4.	Operations Management and Repair and Maintenance	1.5	1.5	1.5
5.	Water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising	10	10	10

The above annual caps are determined after considering: (1) the possible changes in the fuel market, and the fact that fuel prices are still operating at a high level and the number of transaction targets increased compared to previous years. Due to the recent competitive market conditions for coal, driven by the tight Coal Supply and rising prices which resulted in a decline in transaction volume, the utilization rates of annual caps for Coal Supply services provided by CDC Group to the Group and Coal Supply and Coal Transportation services provided by the Group to CDC Group in the past three years are relatively low. The high market price for coal also makes it less economical for transactions to be undertaken with CDC Group on normal commercial terms. However, based on the changes in the fuel market and the sharp upward trend in coal prices in the past year, the Company expects that the Coal Supply will increase in the future and the coal prices are expected to return to normal levels, therefore, it is further expected that the respective utilization rate of the proposed annual caps of the Coal Supply services provided by CDC Group to the

LETTER FROM THE BOARD

Group and the Coal Supply and coal transportation services provided by the Group to CDC Group will increase in the next three years; (2) the expected huge increase in procurement of wind power and photovoltaic equipment. In 2020, as the Company deeply implemented the new development concept, and promoted the green and low carbon transformation and accelerated power generation structure adjustment and sped up the development of new energy significantly, new approved projects increased significantly. During the year, there were a total of 48 power generation projects obtaining approval with approved capacity of 7,988.5MW, including three coal power projects with approved capacity of 4,240.00MW, 10 wind power projects with approved capacity of 569.50MW and 35 photovoltaic projects with approved capacity of 3,179.00MW. New unit put into operation increased significantly. The capacity of new units put into operation totaled 4,705.50MW, including coal power projects of 2,400.00MW, wind power projects of 1,361.50MW and photovoltaic projects of 944.00MW. In the first half of 2021, the Company continued to implement the new development concept and the new strategy for energy security, took the initiative to follow up the regional “14th Five-year Plan” centering on the goal of “carbon peak and carbon neutralization”, comprehensively implemented structural adjustment and accelerated the pace of development. During the period, a total of 23 photovoltaic power projects of the Company were approved with an approved capacity of 2,119.5MW. As the continuous expansion of the development of new energy projects and newly approved projects, the Company determines the above proposed annual caps based on the expected corresponding increase in the demand for wind power and photovoltaic equipment. The further increase of the proposed annual cap for the year ending 31 December 2023 and the slight decrease of the proposed annual cap for the year ending 31 December 2024 are due to the development plan and the time arrangement of production and infrastructure material procurement of new wind power and photovoltaic projects in the corresponding years; (3) more business expected to be carried out in areas of Technological Transformation, Operations Management, and Repair and Maintenance by the Group based on the actual overall business scale and operational arrangements; (4) the expected increase in electricity purchase costs, and in cost of water, high and low pressure steam and others; (5) more electricity sales business expected to be carried out based on the actual overall business scale and operating arrangements of the Group; (6) the expected increase in Alternative Power Generation transactions as a results of the implementation of the national energy conservation and emission reduction policy; and (7) the historical transaction amounts of the above-mentioned products and services mutually provided between CDC Group and the Group in the previous three years.

Historical Transaction Amounts

The historical annual caps for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021, and the actual transaction amounts for the two years ended 31 December 2019 and 31 December 2020 and the six months ended 30 June 2021, are set out as follows:

LETTER FROM THE BOARD

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

No.	Transaction	For the year ended 31 December 2019		For the year ended 31 December 2020		For the year ended 31 December 2021	For the six months ended 30 June 2021
		Annual cap (RMB'00 million)	Actual amount (Note)	Annual cap (RMB'00 million)	Actual amount	Annual cap (RMB'00 million)	Actual amount
1.	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	35 (Note)	23.02 (Note)	65	46.31	78	4.02
2.	Coal Supply	400 (Note)	75.98 (Note)	450	112.77	450	62.82
3.	Technological Transformation, Operations Management and Repair and Maintenance	12	3.70	14	1.98	15	0.23
4.	Technical Supervision and Technical Services	3.5	2.71	3.8	3.10	4	0.72
5.	Infrastructure EPC Contracting	18	7.39	18	13.15	18	1.33
6.	Sale of Electricity (including sales of water, gas and other resources) and Electricity Entrustment Agency	15	0.11	16	0.53	17	0.16
7.	Alternative Power Generation	1	0.13	1	0.12	1	0
8.	Franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising	25.6	22.46	25.8	22.29	27	10.68
9.	Research and Development in Technological Projects	0.8	0.02	0.8	0.04	0.8	0.08
10.	Information System Development	1	0.69	1	0.97	1	0.05
11.	Property Rights Brokerage Services	0.3	0	0.3	0	0.3	0
12.	Property Management and Other Logistical Services	0.45	0.45	0.5	0.35	0.55	0.01

LETTER FROM THE BOARD

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

No.	Transaction	For the year ended 31 December 2019		For the year ended 31 December 2020		For the year ended 31 December 2021	For the six months ended 30 June 2021
		Annual cap (RMB'00 million)	Actual amount (Note)	Annual cap (RMB'00 million)	Actual amount	Annual cap (RMB'00 million)	Actual amount
1.	Coal Supply and Coal Transportation	100 (Note)	24.82 (Note)	130	13.40	150	0.49
2.	Sale of Electricity	5	1.46	6	1.61	7	0.01
3.	Alternative Power Generation	6	0.03	8	0	9	0
4.	Operations Management and Repair and Maintenance	1.6	0.36	1.8	0.74	1.9	0.17
5.	Water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising	6.4	5.68	6.5	6.46	6.8	3.15

Note:

For transactions under each of the categories of (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, (ii) Coal Supply, and (iii) Coal Supply and Coal Transportation, the respective annual cap and actual amount for the year ended 31 December 2019 set out in the above table only cover all types of transactions that conducted from 1 April 2019 to 31 December 2019.

The cap and actual amount of each of the three types of transactions conducted by the Group and CDC Group from 1 January 2019 to 31 March 2019 under the Coal and Materials Purchase and Sale Framework Agreement entered into between CDC and the Company dated 18 January 2019 are set out as follows:

	Cap	Actual amount (RMB'00 million)
<i>Products and services provided by CDC Group to the Group</i>		
Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	20	0.21
Coal Supply	23	22.53
<i>Products and services provided by the Group to CDC Group</i>		
Coal Supply and Coal Transportation	23	4.94

LETTER FROM THE BOARD

The Board confirmed that as of the Latest Practicable Date, current annual cap for the year ending 31 December 2021 for products and services provided by CDC Group to the Group as well as products and services provided by the Group to CDC Group under the 2019 Comprehensive Product and Service Framework Agreement has not been exceeded.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2021 COMPREHENSIVE PRODUCT AND SERVICE FRAMEWORK AGREEMENT

The Company is of the view that the entering into of the 2021 Comprehensive Product and Service Framework Agreement with CDC can ensure that the Company is able to obtain reliable and guaranteed comprehensive products and services, such as coal, materials and services, thereby reducing its operation risks and costs and enhancing work efficiency, which are all beneficial to the normal development of the Company's production and operations.

In respect of the transactions (including the Exempt CCTs and Non-Exempt CCTs) contemplated under the 2021 Comprehensive Product and Service Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that such transactions are on normal commercial terms and in the ordinary and usual course of business of the Company and such transactions are fair, just and reasonable and in the interests of the Company and its Shareholders as a whole.

INTERNAL CONTROLS

Internal Control Policy to Monitor Connected Transactions

According to the requirements of management system of the connected transactions of the Company, relevant specialized departments of the Company, such as fuel material department, engineering construction department, marketing department, production and environmental protection department and other departments¹, are responsible for tracing and monitoring the implementation of connected transactions within the scope of business management. During the course, relevant specialized departments of the Company are responsible for information collection and price monitoring of connected transactions, and evaluate the fairness and rationality of the terms (including pricing terms) of transactions by collecting and analyzing relevant market information, so as to ensure that relevant terms are entered into on normal commercial terms, not less favorable than the terms provided to or by an independent third party and in accordance with the above pricing principles; and setting up management accounts for connected

1 The specific division in respect of the implementation of internal control measures for various products and services under the 2021 Comprehensive Product and Service Framework Agreement by the relevant specialized departments of the Company is as follows:

The fuel material department is responsible for (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services and (ii) Coal Supply and Coal Transportation; the production and environmental protection department is responsible for (i) Technological Transformation, Operations Management and Repair and Maintenance, (ii) Technical Supervision and Technical Services, (iii) Research and Development in Technological Projects and (iv) Information System Development; the engineering construction department is responsible for Infrastructure EPC Contracting; the marketing department is responsible for (i) Sale of Electricity (including water, gas and other resources) and Services, (ii) Alternative Power Generation and (iii) Flue Gas Environmental Protection Facilities Franchising; the finance department is responsible for Property Rights Brokerage Services; and the general office is responsible for Property Management and Other Logistical Services.

LETTER FROM THE BOARD

transactions and designating specialists for management and maintenance, regularly consolidating the transaction amounts incurred in the connected transactions on a quarterly basis, ensuring that the actual amount of the continuing connected transactions would not exceed the annual caps. In the event that the actual amount will exceed the annual caps, 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 2021 Comprehensive Product and Service Framework Agreement will be exceeded during the term of the 2021 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 each revised annual cap for the respective seventeen categories in respect of provision of products and services under the 2021 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 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 2021 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.

APPROVAL OF THE BOARD

The twenty-second meeting of the tenth session of the Board of the Company has considered and approved the "Resolution on the entering into of the Comprehensive Product and Service Framework Agreement for 2022 to 2024 with China Datang Corporation Ltd." (please refer to the overseas regulatory announcement of the Company dated 30 August 2021 for details).

None of the Directors has any material interest in the 2021 Comprehensive Product and Service Framework Agreement. Qu Bo, the connected Director, has abstained from voting on the relevant resolution in accordance with the requirements of the listing rules of the Shanghai Stock Exchange.

LETTER FROM THE BOARD

INFORMATION IN RELATION TO THE PARTIES TO THE AGREEMENT

1. The Company was established in December 1994 and is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the Repair and Maintenance of power equipment and power related technical services. The Company's major service area is in the PRC.
2. CDC was established on 9 March 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 as well as self-operation of new energy and agency for the import and export of various commodities and technologies.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CDC, the controlling shareholder of the Company, and its subsidiaries hold a total of 53.09% of the issued share capital of the Company. CDC is therefore a connected person of the Company. As such, the 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

Among the twelve types of products or services to be provided by CDC Group to the Group under the 2021 Comprehensive Product and Service Framework Agreement, as the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the respective transactions under each of 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 under the 2021 Comprehensive Product and Service Framework Agreement, is more than 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For each of the remaining nine types of products or services to be provided by CDC Group to the Group under the 2021 Comprehensive Product and Service Framework Agreement, as the highest of the applicable percentage ratios of the respective transactions under each category is more than 0.1% but less than 5%, such transactions are only subject to the reporting and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Among the five types of products or services to be provided by the Group to CDC Group under the 2021 Comprehensive Product and Service Framework Agreement, as the highest of the applicable percentage ratios of the transactions under the category of Coal Supply and Coal Transportation is more than 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For each of the remaining four types of products or services to be provided by the Group to CDC Group under the 2021 Comprehensive Product and Service Framework Agreement, as the highest of the applicable percentage ratios of the respective transactions under each category is more than 0.1% but less

LETTER FROM THE BOARD

than 5%, such transactions are only subject to the reporting, announcement and annual review requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

EGM

The Company will convene the EGM to consider and approve, among others, the 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transactions and its associates will abstain from voting at the EGM to be held by the Company for (among others) considering and approving the 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder. Therefore, CDC and its associates, which hold 9,825,068,940 shares of the Company as at the Latest Practicable Date, representing approximately 53.09% of the issued share capital of the Company, shall abstain from voting at the EGM for approving the 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder.

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 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder and shall abstain from voting at the resolution(s) in relation to the approval of the 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder at the EGM.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 24 to 25 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement. Your attention is also drawn to the letter of advice received from Trinity Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 26 to 52 of this circular which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement, the casting of votes for or against the resolution(s) approving the 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder as well as the principal factors and reasons considered by it in concluding its advice.

The Directors (including the independent non-executive Directors) are of the view that the terms of the transactions under the 2021 Comprehensive Product and Service Framework Agreement are fair and reasonable, have been entered into after arm's-length negotiation between all parties thereto, are 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 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 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

3 December 2021

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to the Shareholders dated 3 December 2021 (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 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

We have been appointed as the Independent Board Committee to consider the terms of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement and to advise the Independent Shareholders in connection with the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement, in our opinion, the terms of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement are fair and reasonable and whether the entering into of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement is in the interests of the Company and the Shareholders as a whole. Trinity Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from Trinity Corporate Finance Limited as set out in this circular. Having considered the principal factors and reasons considered by, and the advice of Trinity Corporate Finance Limited as set out in its letter of advice, we consider that the entering into of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company. We also consider that the terms of the Non-Exempt CCTs under the 2021 Comprehensive Product and

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Service Framework Agreement are fair and reasonable so far as the Shareholders are concerned and that the entering into of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Liu Jizhen, Niu Dongxiao,

Kou Baoquan, Zong Wenlong and Si Fengqi

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 Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement, 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.

3 December 2021

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

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS 2021 COMPREHENSIVE PRODUCT AND SERVICE FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Non-Exempt CCTs (including the proposed annual caps) under the 2021 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 3 December 2021 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 15 November 2021, the Company entered into the 2021 Comprehensive Product and Service Framework Agreement with CDC. The term of the agreement shall be three years, commencing from 1 January 2022 and ending on 31 December 2024.

As at the Latest Practicable Date, CDC, the controlling shareholder of the Company, and its subsidiaries, hold a total of 53.09% of the issued share capital of the Company. CDC is therefore a connected person of the Company and the transactions contemplated under the 2021 Comprehensive Product and Service Framework Agreement constitute continuing connected transactions of the Company.

Among the twelve types of products or services to be provided by CDC Group to the Group under the 2021 Comprehensive Product and Service Framework Agreement, as the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the respective transactions under each of 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 under the 2021

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

Comprehensive Product and Service Framework Agreement, is more than 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For each of the remaining nine types of products or services to be provided by CDC Group to the Group under the 2021 Comprehensive Product and Service Framework Agreement, as the highest of the applicable percentage ratios of the respective transactions under each category is more than 0.1% but less than 5%, such transactions are only subject to the reporting and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Among the five types of products or services to be provided by the Group to CDC Group under the 2021 Comprehensive Product and Service Framework Agreement, as the highest of the applicable percentage ratios of the transactions under the category of Coal Supply and Coal Transportation is more than 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For each of the remaining four types of products or services to be provided by the Group to CDC Group under the 2021 Comprehensive Product and Service Framework Agreement, as the highest of the applicable percentage ratios of the respective transactions under each category is more than 0.1% and less than 5%, such transactions are only subject to the reporting, announcement and annual review requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In short, the Non-Exempt CCTs are collectively the transactions under the categories of (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services, (ii) Coal Supply and (iii) Flue Gas Environmental Protection Facilities Franchising in respect of products and services to be provided by CDC Group to the Group, as well as the transactions under the category of Coal Supply and Coal Transportation in respect of products and services to be provided by the Group to CDC Group, of which the highest of the applicable percentage ratios is more than 5%, and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Likewise, the Exempt CCTs are collectively the transactions other than the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement, of which the highest of the applicable percentage ratios is less than 5%, and are not subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM to consider and approve, among others, the 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder. Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transactions and its associates will abstain from voting at the EGM to be held by the Company for (among others) considering and approving the 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder. Therefore, CDC and its associates, which hold 9,825,068,940 shares of the Company as at the Latest Practicable Date, representing approximately 53.09% of the issued share capital of the Company, shall abstain from voting at the EGM for approving the 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder. 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 2021 Comprehensive Product and

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

Service Framework Agreement and the transactions contemplated thereunder and shall abstain from voting at the resolution(s) in relation to the approval of the 2021 Comprehensive Product and Service Framework Agreement and the transactions contemplated thereunder at the EGM.

An Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Liu Jizhen, Mr. Niu Dongxiao, Mr. Kou Baoquan, Mr. Zong Wenlong and Mr. Si Fengqi) has been appointed to consider the terms of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement and to advise the Independent Shareholders in connection with the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement as to whether the terms of the Non-Exempt CCTs contemplated thereunder are fair and reasonable and whether entering into the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement is in the interests of the Company and the Shareholders as a whole. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, Trinity Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Trinity Corporate Finance Limited. In the last two years, Trinity Corporate Finance Limited has acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in connection with the discloseable transactions and continuing connected transactions in relation to 2020 factoring business cooperation agreement (details of which were set out in the circular of the Company dated 5 June 2020) and the revision of annual caps of continuing connected transactions (details of which were set out in the circular of the Company dated 30 October 2020). Apart from normal professional fees paid or payable to us in connection with such appointments, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

BASIS OF OUR OPINION

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

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

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

We have not conducted any independent in-depth investigation into the business and affairs of the Group or any parties involved in the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement. We have independently reviewed, inter alia, the 2020 annual report and 2021 interim report of the Company, the historical transaction amounts, the Letter from the Board, samples of contracts of the Company relating to the 2021 Comprehensive Product and Service Framework Agreement and the Bohai-Bay Thermal Coal Price Index (BSPI) from the independent source at www.cqcoal.com.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Non-Exempt CCTs under the 2021 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 Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement, we have taken into account the following principal factors and reasons:

A. Information of the Company and CDC

The Company was established in December 1994 and is primarily engaged in the construction and operation of power plants, the sale of electricity and thermal power, the Repair and Maintenance of power equipment and power-related technical services, with its major service area located in the PRC.

CDC was established on 9 March 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 as well as self-operation of new energy and agency for the import and export of various commodities and technologies.

B. Financial Performance of the Company

As at 31 December 2020, the total consolidated assets of the Company and its subsidiaries amounted to approximately RMB280.471 billion. Total installed capacity under management of the Company amounted to approximately 68,278.13 MW, and the power generation businesses of the Company and its subsidiaries are mainly distributed across 19 provinces (including municipalities and autonomous regions) throughout the country.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

The following table is a summary of the consolidated income statement of the Group for the two years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, as extracted from the respective annual reports and interim reports of the Company.

(Amounts expressed in millions of RMB)	For the year ended 31 December 2019 (audited)	For the year ended 31 December 2020 (audited)	For the six months ended 30 June 2020 (unaudited)	For the six months ended 30 June 2021 (unaudited)
Operating Revenue	95,453	95,614	44,478	50,394
Profit before tax for the financial year/period	4,619	7,144	3,622	3,102
Profit for the financial year/period attributable to ordinary shares of the Company	391	1,830	1,299	939

For the financial year ended 31 December 2020, the Company completed power generation of approximately 272.630 billion kWh, representing an increase of approximately 2.77% year-on-year; and on-grid power generation of approximately 254.770 billion kWh, representing an increase of approximately 1.69% year-on-year. The Company realised operating revenue of approximately RMB95,614 million, representing an increase of 0.17% year-on-year; net profit attributable to equity holders of the Company of approximately RMB2,989 million, representing an increase of approximately 203.14% year-on-year.

For the six-month period ended 30 June 2021, total power generation of the Company amounted to approximately 132.0788 billion kWh, representing an increase of approximately 8.58% on a year-on-year basis; and total on-grid power generation amounted to approximately 124.7071 billion kWh, representing an increase of approximately 9.44% on a year-on-year basis.

According to the annual report for the financial year ended 31 December 2020, the Company adhered to the implementation of the new development concept, and promoted the green and low carbon transformation and accelerated power generation structure adjustment, and sped up the development of new energy significantly. New approved projects increased significantly.

During the financial year ended 31 December 2020, there were a total of 48 power generation projects obtaining approval with approved capacity of 7,988.5MW, including three coal power projects with approved capacity of 4,240.00MW, 10 wind power projects with approved capacity of 569.50MW and 35 photovoltaic projects with approved capacity of 3,179.00MW. New unit put into operation increased significantly. During the reporting period, the capacity of new units put into operation totalled 4,705.50MW, including coal power projects of 2,400.00MW, wind power projects of 1,361.50MW and photovoltaic projects of 944.00MW.

During the six-month period ended 30 June 2021, the Group realised an operating revenue of approximately RMB50,394 million, representing an increase of approximately 13.30% as compared to the corresponding period in 2020, among which revenue from electricity sales was approximately

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RMB43,237 million, representing an increase of approximately RMB5,337 million or approximately 14.08% as compared to the corresponding period in 2020. The increase in revenue from electricity sales was mainly due to the increase in power generation and on-grid power generation of the Group for the Period of approximately 8.58% and 9.44%, respectively, as compared to the corresponding period in 2020.

C. Principal Terms of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement

As mentioned in the Letter from the Board, on 15 November 2021, the Company entered into the 2021 Comprehensive Product and Service Framework Agreement with CDC.

(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 (Note 1), (iii) Technological Transformation, Operations Management and Repair and Maintenance, (iv) Technical Supervision and Technical Services, (v) Infrastructure EPC Contracting, (vi) Sale of Electricity (including water, gas and other resources) and Services, (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 2021 Comprehensive Product and Service Framework Agreement.

The Group agreed to provide products and services (including (i) Coal Supply (*Note 1*) and Coal Transportation, (ii) Sale of Electricity (including water, gas and other resources) and Services, (iii) Alternative Power Generation, (iv) Operations Management and Repair and Maintenance and (v) supply of water, electricity and gas for Flue Gas Environmental Protection Facilities Franchising) to CDC Group during the term of the 2021 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 2021 Comprehensive Product and Service Framework Agreement, and such specific contracts shall be subject to the terms of the 2021 Comprehensive Product and Service Framework Agreement.

Note 1:

Based on the following reasons, the Group and CDC Group mutually provide Coal Supply (specific circumstances may refer to the circular of the Company dated 17 February 2017 in relation to certain coal purchase and sale framework agreements entered into by the Company and certain of its subsidiaries with certain connected persons):

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- (a) CDC's subordinate fuel companies (as platform for scale procurement) and coal mining companies may provide Coal Supply for the Group, during which, certain Coal Supply will be allocated to other members of the Group by Beijing Datang Fuel Company Limited ("**Beijing Datang Fuel Company**"), a fuel subsidiary of the Company. Pursuant to which, to guarantee the Coal Supply to the Company and its subordinate power generation enterprises, and fully leverage the scale procurement advantages of fuel companies and the regional Coal Supply advantages of CDC's subordinate coal mining enterprises, so as to stabilise the market prices of coal to a certain extent, thereby exercising control over the costs of fuel, the Group may purchase coal from CDC Group (including Beijing Datang Fuel Company Limited, a fuel subsidiary of the Company, and its subsidiaries); and
- (b) Datang International (Hong Kong) Limited ("**Hong Kong Company**"), a wholly-owned subsidiary of Beijing Datang Fuel Company and as a platform for imported coal procurement, may provide imported coal for the Group and CDC. Pursuant to which, to leverage the advantage of Hong Kong Company in imported coal purchasing, and guarantee the Coal Supply as well as to lower the purchasing cost of coal, the Group and CDC Group may purchase coal from Hong Kong Company.

Beijing Datang Fuel Company is owned by the Company and CDC as to 51% and 49% equity interest respectively, and is thus a connected subsidiary of the Company. Therefore, when Beijing Datang Fuel Company and its subsidiaries provide Coal Supply to the respective power generation subsidiaries of the Company and CDC, those transactions will be considered as provision of Coal Supply by CDC Group to the Group and provision of Coal Supply by the Group to CDC Group, respectively.

Based on our discussion with the Company, the 2021 Comprehensive Product and Service Framework Agreement encompasses a broad range of products and services which may be entered into between the Group and the CDC Group and the scope of products and services, inter alia, for the following categories under the Non-Exempt CCTs are set out in more details below:

1. Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services includes the centralized procurement of certain general-purpose equipment and materials for construction, technological transformation projects, repair and maintenance of production, and provision of related centralized procurement services; complete services management including procurement services, contract execution and performance services (equipment supervision and inspection, delivery and shipment) related to major equipment and materials for large infrastructure projects, on-site material management for infrastructure projects;
2. Coal Supply and Coal Transportation includes operating activities in respect of the supply of coal and transportation of coal to designated locations through single or joint methods such as railway, highway and waterways; and
3. Flue Gas Environmental Protection Facilities Franchising includes collectively, (i) the investment and construction by the CDC Group of the flue gas environmental protection facilities, including desulfurisation, denitrification and dust removal, etc., of the Group, and the franchising provided by the CDC Group

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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.

(2) ***Term:***

The term of the 2021 Comprehensive Product and Service Framework Agreement shall be three years, commencing from 1 January 2022 and continuing up to and including 31 December 2024.

(3) ***Pricing policy of the Non-Exempt CCTs:***

The pricing of the transactions under the 2021 Comprehensive Product and Service Framework Agreement shall be determined in accordance with the general principles and in order as follows:

- (a) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be determined within the range of the government-guided price.
- (b) Market price and tender and bidding price: where there is no government-prescribed price and government-guided price, the pricing will be determined on normal commercial terms and based on the following: the price of the same or similar products or services provided by an independent third party during its ordinary course of business on normal commercial terms. At least two comparable deals with independent third parties for the same period shall be considered when determining whether the price for any product or service transaction under the 2021 Comprehensive Product and Service Framework Agreement is the market price. The Company shall conduct market price survey through industrial websites and other independent information providers in the industry. When tender and bidding process (*Note 2*) are necessary under applicable laws and regulations, the price will be ultimately determined in accordance with the tender and bidding process.
- (c) Agreed price: if the above pricing principles are not or cannot be applied in the actual transaction, the pricing shall be based on the agreed price, that is, the price will be determined after arm's length negotiation by the parties, but in any event not less favourable than the conditions and prices on which the same or similar transactions with independent third parties are based. Before determining the price, the Company shall conduct market price survey through industrial websites and other independent information providers in the industry.

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Note 2:

In accordance with the Law of the PRC on Bid Invitation and Bidding (《中華人民共和國招標投標法》) and the Regulation on the Implementation of the Law of the PRC on Bid Invitation and Bidding (《中華人民共和國招標投標法實施條例》), the public tender procedures comprise four stages. First, an invitation of tender was posted on the websites of China Procurement and Bidding (<http://www.chinabidding.com.cn>) and the China Datang e-commerce platform (<http://www.cdt-ec.com>). Second, a tendering agent was appointed to conduct the public tender process and at least three qualified tenderers were required to participate in the public tender process. Third, the tendering agent would select at least five experts who are not in conflict of interests with the relevant transactions, and such experts would form a tender evaluation committee to assess the tenderers. Lastly, the tender evaluation committee assesses the tenderers based on various factors, including the tenderers' technical experience, professional qualification, project management abilities, business reputation and tendered prices, etc. After carrying out relevant evaluation procedures and considering the aforementioned factors, the Company will select the winner for the tender.

On the basis of the general principles above, the specific pricing principles of various types of Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement are set out as follows:

- (a) 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 bidding.

CDC Group will charge a certain management service fee in respect of its relevant services undertaken in centralized procurement which shall not exceed 6% of the purchase amount.

According to the Letter from the Board, the price for the entire package of service of equipment shall be calculated on the basis of the scope of actual services provided and the pricing standard of the entire package of services and relevant 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 has been charged in providing the same type of services to Independent Third Parties or other companies of CDC Group. The said management service fee of not more than 6% of the purchase amount is arrived at after considering the management service fee charged by Independent Third Parties providing similar services and it is ascertained that the service management fee charged by Independent Third Party is not more than 6% of the purchase amount of the production and infrastructure materials. Upon entering into specific procurement contract, the material management department of the Company will verify the management service

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fee to ensure that the rate of the management service fee is not higher than that stipulated by the 2021 Comprehensive Product and Service Framework Agreement.

We have reviewed two samples of the terms of the procurement of production and infrastructure materials and relevant auxiliary services provided by CDC Group, which were dated 20 August 2021 and 24 August 2021 respectively, and confirmed that the total purchase cost, including the management service fee charged by CDC Group, was lower than or equal to the purchase amount of the production and infrastructure materials and relevant auxiliary services provided by Independent Third Parties. In any event, as the final management service fee shall not exceed 6% and, as mentioned above, such final fee will be determined on the basis of arm's length negotiations in accordance with the scope of actual services provided and the appropriate pricing standard of the relevant package of service and materials, we consider that the final fee maybe 6% or lower and that such basis for management service fee determination is fair and reasonable and on normal and commercial terms. Since such basis of determination is not only subject to arm's length negotiations but also subject to the abovementioned criteria of 6% or lower, we consider the above sample size is sufficient in concluding our view that the overall terms of the procurement of production and infrastructure materials and relevant auxiliary services provided by CDC Group are equal to or more favourable than terms provided by Independent Third Parties and are therefore in the interests of the Company and the Shareholders as a whole.

Also, on the basis that the relevant management service fee to be charged by CDC Group shall not be higher than the fee to be charged for the provision of the same type of services to Independent Third Parties or other companies of CDC Group, we consider that the above pricing principle for the Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services is fair and reasonable and on normal commercial terms or better.

We have discussed with the Company and are given to understand that, upon entering into specific procurement contract, the material management department of the Company will verify the management service fee and we concur with the Company that such measure is able to ensure that the rate of the management service fee is not higher than that stipulated by the 2021 Comprehensive Product and Service Framework Agreement.

In addition, we have reviewed the latest letter issued by the external auditor of the Company to the Board to report on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Listing Rules.

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Accordingly, we consider the above independent work performed by us is sufficient to conclude that the pricing policies of the Company set out above are fair and reasonable and have been properly followed.

- (b) In respect of the Coal Supply and Coal Transportation, we have been informed by the Company that, 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 on normal commercial terms and prevailing market conditions, and also taking into account the 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.

We have also discussed with the Company and obtained an understanding that the fuel management department of the Company is responsible for collecting the market prices of Coal Supply 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 demand 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 costs of Coal Transportation of the subordinate shipping companies of the Company, the demands of Coal Transportation of relevant enterprises of the Company, historical transaction price and potential price fluctuations. The price of market coal is to be formed upon determination of the price of electricity purchase and coal sale in mid-to-long term agreements and Coal Transportation prices through negotiation with the subordinate power generation enterprises, the subordinate coal mining enterprises, the subordinate fuel companies of each of the Company and CDC, as well as the shipping companies of the Company, respectively, or through the bidding platform for coal procurement in the market.

On the basis that the price for Coal Supply and Coal Transportation is determined after arm's length negotiations taking into account of the above various factors, including factors from independent market sources such as the market price of coal and transportation costs and demands, we consider that the pricing policy for Coal Supply and Coal Transportation is fair and reasonable and on normal commercial terms or better.

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We have also reviewed two samples of the reports which have been randomly selected by the Company for our review, regarding discussions on the assessment of coal price determination and transportation costs, and there is no reason for us to believe that the Company has not carefully monitored the matters relating to the pricing policy of Coal Supply and Coal Transportation.

In addition, we have reviewed the latest letter issued by the external auditor of the Company to the Board to report on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Listing Rules.

Accordingly, we consider the above independent work performed by us is sufficient to conclude that the pricing policies of the Company set out above are fair and reasonable and have been properly followed.

- (c) In respect of Flue Gas Environmental Protection Facilities Franchising, the franchising fee shall be determined on the basis of the government pricing or government-prescribed price (*Note 3(i)*); and the water, electricity and gas costs in respect of Flue Gas Environmental Protection Facilities Franchising shall be determined through negotiations between the parties, based on the costs of the water, electricity and gas provided by the power generation enterprises and in accordance with the principle of equality, impartiality and fairness (*Note 3(ii)*).

Note 3(i):

Governmental authorities such as the National Development and Reform Commission will issue the pricing or guided price of the franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising from time to time. These prices will be published on the official websites of the National Development and Reform Commission, the local development and reform commissions and the National Energy Administration, such as the official website of the National Development and Reform Commission (<https://www.ndrc.gov.cn/>), the official website of Hebei Development and Reform Commission (<http://hbdr.com.cn/>) and the official website of the National Energy Administration (<http://www.nea.gov.cn/>).

Note 3(ii):

The pricing policy for the water, electricity and gas is based on the government's prescribed requirements, in which the costs of the water, electricity and gas reflect the market price.

On the basis that the price for franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising is determined by government prescribed or imposed prices and costs provided by power generation enterprises, we consider that the pricing policy for Flue Gas Environmental Protection Facilities Franchising is fair and reasonable and on normal commercial terms.

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In addition, we have reviewed the latest letter issued by the external auditor of the Company to the Board to report on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Listing Rules.

Accordingly, we consider the above independent work performed by us is sufficient to conclude that the pricing policies of the Company set out above are fair and reasonable and have been properly followed.

(4) Principles of transactions:

- (a) Both parties agreed that, for products and services to be provided by the other party, if the conditions for services and products offered by an Independent Third Party is less favourable than or same as the conditions imposed by the other party, and/or the price payable is higher than or same as the price payable to the other party, preference shall be given to products and services offered by the other party.
- (b) Both parties agreed that, saved as agreed in paragraph (4)(a) above, the entering into of the 2021 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.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) 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 2021 Comprehensive Product and Service Framework Agreement pursuant to listing rules of places where the Company is listed.

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We consider that the above principles are fair and reasonable and will ensure that the Company will be able to achieve terms which are on normal commercial terms or better, as the terms and conditions, including price, for transactions under the 2021 Comprehensive Product and Service Framework Agreement must be similar to or more favourable than the terms and conditions from an Independent Third Party.

INTERNAL CONTROLS

Internal Control Policy to Monitor Connected Transactions

In respect of the Company's internal control policies to monitor the annual caps of 2021 Comprehensive Product and Service Framework Agreement, according to the requirements of management system of the connected transactions of the Company, relevant specialized departments of the Company, such as fuel material department, engineering construction department, marketing department, and production and environmental protection department and other departments (*Note 4*), are responsible for tracing and monitoring the implementation of connected transactions within the scope of business management. During the course, relevant specialized departments of the Company are responsible for information collection and price monitoring of connected transactions, and evaluate the fairness and rationality of the terms (including pricing terms) of transactions by collecting and analyzing relevant market information, so as to ensure that relevant terms are entered into on normal commercial terms, not less favourable than the terms provided to or by an independent third party and in accordance with the above pricing principles; and setting up management accounts for connected transactions and designating specialists for management and maintenance, regularly consolidating the transaction amounts incurred in the connected transactions on a quarterly basis, ensuring that the actual amount of the continuing connected transactions would not exceed the annual caps. In the event that the actual amount will exceed the annual caps, the Company will re-comply with the necessary approval procedures in respect of continuing connected transactions that are expected to exceed their annual caps.

Note 4:

The specific division in respect of the implementation of internal control measures for various products and services under the 2021 Comprehensive Product and Service Framework Agreement by the relevant specialized departments of the Company is as follows:

The fuel material department is responsible for (i) Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services and (ii) Coal Supply and Coal Transportation; the production and environmental protection department is responsible for (i) Technological Transformation, Operations Management and Repair and Maintenance, (ii) Technical Supervision and Technical Services, (iii) Research and Development in Technological Projects and (iv) Information System Development; the engineering construction department is responsible for Infrastructure EPC Contracting; the marketing department is responsible for (i) Sale of Electricity (including water, gas and other resources) and Services, (ii) Alternative Power Generation and (iii) Flue Gas Environmental Protection Facilities Franchising; the finance department is responsible for Property Rights Brokerage Services; and the general office is responsible for Property Management and Other Logistical Services.

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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 2021 Comprehensive Product and Service Framework Agreement will be exceeded during the term of the 2021 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 each revised annual cap for the respective seventeen categories in respect of provision of products and services under the 2021 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 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 2021 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.

We have reviewed two samples of the meeting notes or reports of the specialized departments of the Company, which recorded the recent market trends of the relevant transactions, the sales and purchasing strategies (including the transaction amounts) for the year, as well as the basis of the price determination of such transactions. After performing the above review and considering the substance of such documents, we confirmed that the specialized departments of the Company have been closely monitoring the annual caps as well as the terms of the Non-Exempt CCTs 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 randomly 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.

Also, we have reviewed the latest letter issued by the external auditor of the Company to the Board to report on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Listing Rules. Accordingly, we consider that, based on the above independent work performed by us, the internal control procedures of the Company set out above have been properly followed to ensure that the continuing connected transactions are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its Independent Shareholders as a whole, and that there are effective safeguards in place to ensure that the proposed annual caps will not be exceeded.

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In addition, we have discussed with the Company about the price control procedures and have reviewed the sample documents of market information which the Company had collected and analysed from time to time as reference for the price control procedures, including research reports from independent coal market research providers and relevant trading regulations of different trading platforms in relation to sale of electricity, which provided up-to-date market trends on the coal market and its historical price analysis. After performing such reviews, we consider that the price control procedures will enable the Company to compare terms from service providers with market prices and trends and effectively ensure the terms from the service providers are on normal commercial terms or better and on the basis of arm's length negotiations according to the prevailing market conditions.

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

D. Historical Transaction Amounts of the Non-Exempt CCTs under the 2019 Comprehensive Product and Service Framework Agreement

The historical actual transaction amounts for the Non-Exempt CCTs under the 2019 Comprehensive Product and Service Framework Agreement for the two years ended 31 December 2019 and 2020, and the six months ended 30 June 2021, the historical annual caps for the year ended 31 December 2020 and the year ending 31 December 2021, and the historical utilisation rates for the year ended 31 December 2020 and the annualized historical utilization rates for the six months ended 30 June 2021, are set out as follows:

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

No.	Transactions	Actual amount	Actual amount	Actual amount	Annual cap for	Annual cap for
		for the year ended 31 December 2019	for the year ended 31 December 2020	for the six months ended 30 June 2021	the year ended 31 December 2020 (Historical utilisation rate for the year ended 31 December 2020)	the year ending 31 December 2021 (Annualised historical utilisation rate for the six months ended 30 June 2021)
		RMB '00 million	RMB '00 million	RMB '00 million	RMB '00 million	RMB '00 million
			A	B	C	D
					(A/C * 100%)	(B * 2/D * 100%)
1	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	23.02 #	46.31	4.02	65 (71.2%)	78 (10.3%)
2	Coal Supply	75.98 #	112.77	62.82	450 (25.1%)	450 (27.9%)
3	Franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising	22.46	22.29	10.68	25.8 (86.4%)	27 (79.1%)

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

No.	Transactions	Actual amount	Actual amount	Actual amount	Annual cap for	Annual cap for
		for the year	for the year	for the six	the year ended 31	the year ending
		ended 31	ended 31	months ended 30	December 2020	31 December
		December 2019	December 2020	June 2021	December 2020	2021 (Annualised
		RMB	RMB	RMB	(Historical	historical
		'00 million	'00 million	'00 million	utilisation rate	utilisation rate
			A	B	for the year	for the six
					ended 31	months ended 30
					December 2020)	June 2021)
					RMB	RMB
					'00 million	'00 million
					(A/C * 100%)	(B * 2/D * 100%)
1	Coal Supply and Coal Transportation	24.82 #	13.40	0.49	130 (10.3%)	150 (0.7%)

The respective annual cap and actual amount for the year ended 31 December 2019 set out in the tables above only cover transactions conducted from 1 April 2019 to 31 December 2019.

As shown in the tables above, the utilisation rates of the procurement of production and infrastructure materials and relevant auxiliary services and franchising fee in respect of flue gas environmental protection facilities franchising provided by CDC Group to the Group were quite high, reaching approximately 71.2% and 86.4% for the year ended 31 December 2020, and reducing to approximately 10.3% and 79.1% for the six months ended 30 June 2021 (annualized) respectively. On the other hand, the utilisation rates for coal supply provided by CDC Group to the Group and for coal supply and coal transportation provided by the Group to CDC Group were relatively low, at approximately 25.1% and 10.3% for the year ended 31 December 2020 and approximately 27.9% and 0.7% for the six months ended 30 June 2021 (annualized) respectively.

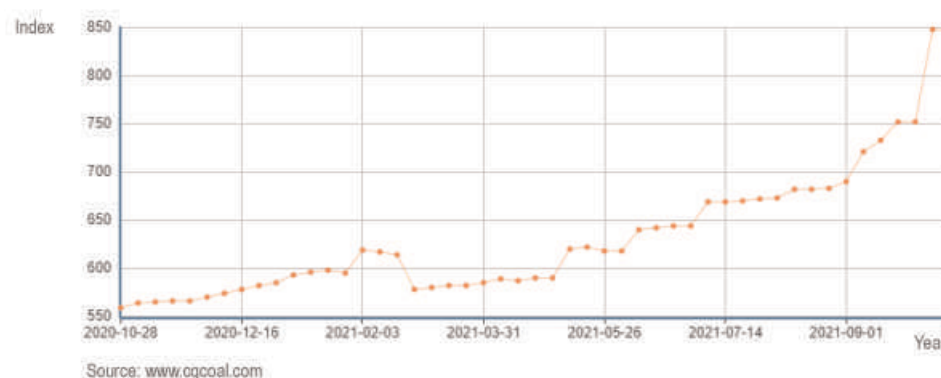
We have discussed with the Company in respect of the above relatively low utilisation rates in respect of coal supply services provided by CDC Group to the Group and coal supply and coal transportation services provided by the Group to CDC Group respectively and understand that it is mainly due to the recent competitive market conditions for coal, driven by the tight supply and increasing prices of coal and consequently leading to lower transaction volumes. The high market price for coal also makes it less economical for transactions to be undertaken with CDC Group on normal commercial terms or better. It is expected that transaction volumes may increase in respect of the proposed annual caps for coal supply services provided by CDC Group to the Group and for coal supply and coal transportation services provided by the Group to CDC Group respectively for the three years ending 31 December 2024 if and when the supply of coal is expected to increase and the coal prices are expected to return to normal levels.

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We have reviewed the changes in the fuel market and the significantly increasing trend of coal prices as seen in the last 12 months. According to the Bohai-Bay Thermal Coal Price Index (BSPI) disclosed on www.cqcoal.com, the BSPI stood at RMB848 per ton as at 20 October 2021, demonstrating an increase of approximately 54% from around RMB550 per ton 12 months ago in October 2020.

Set out below is a chart of the Bohai-Bay Thermal Coal Price Index (BSPI) from 28 October 2020 to 20 October 2021:

BSPI Historical Growth Trend



Based on our independent review of the BSPI above which demonstrated a significant increase of approximately 54% in the coal prices in the last 12 months, we agree with the Company's view that the future utilisation rate for coal supply services provided by CDC Group to the Group and for coal supply and coal transportation services provided by the Group to CDC Group respectively will increase based on the expectations of the Company's management that the market supply of coal will gradually increase and the coal prices will return to normal levels during the three financial years ending 31 December 2024, thus leading to higher transaction volumes under the 2021 Comprehensive Product and Service Framework Agreement.

In addition, we have discussed with the Company and confirm that the rationale of the coal supply services provided by CDC Group to the Group and the coal supply and coal transportation services provided by the Group to CDC Group is to enable economies of scale for the supply of coal which is beneficial to the Group through lower cost of supply in general, by fully exerting the regional coal supply advantages and scale procurement advantages of the respective coal subsidiaries and fuel subsidiaries of the Company and CDC, and to guarantee the coal supply of the respective power subsidiaries of the Company and CDC, for which the Group and CDC Group will mutually provide coal supply based on cost considerations. Accordingly, we consider that the coal supply services provided by CDC Group to the Group and the coal supply and coal transportation services provided by the Group to CDC Group are therefore in the interests of the Company and the Independent Shareholders as a whole.

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The annual cap and actual amount of each of the three types of transactions conducted by the Group and CDC Group from 1 January 2019 to 31 March 2019 under Coal and Materials Purchase and Sale Framework Agreement entered into between CDC and the Company dated 18 January 2019 are set out as follows:

	Annual Cap	Actual amount <i>(RMB'00 million)</i>
Products and services provided by CDC Group to the Group		
Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	20	0.21
Coal Supply	23	22.53
Products and services provided by the Group to CDC Group		
Coal Supply and Coal Transportation	23	4.94

The Board confirmed that as at the Latest Practicable Date, the current annual cap for the year ending 31 December 2021 for products and services provided by CDC Group to the Group as well as products and services provided by the Group to CDC Group under the 2019 Comprehensive Product and Service Framework Agreement has not been exceeded.

E. Proposed Annual Caps of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement

The proposed annual caps for the transaction amounts of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement for the three years ending 31 December 2022, 31 December 2023 and 31 December 2024 are set out as follows:

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

No.	Transaction	Annual cap	Annual cap	Annual cap
		for the year ending 31 December 2022 (Year- on-year increase %)	for the year ending 31 December 2023 (Year- on-year increase %)	for the year ending 31 December 2024 (Year- on-year increase %)
		<i>RMB'00 million</i>	<i>RMB'00 million</i>	<i>RMB'00 million</i>
1	Procurement of Production and Infrastructure Materials and Relevant Auxiliary Services	170 (117.9%)	285 (67.6%)	235 (-17.5%)
2	Coal Supply ^{##}	485 (7.8%)	485 (0%)	485 (0%)
3	Franchising fee in respect of Flue Gas Environmental Protection Facilities Franchising	35 (29.6%)	35 (0%)	35 (0%)

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

No.	Transaction	Annual cap	Annual cap	Annual cap
		for the year ending 31 December 2022 (Year- on-year increase %)	for the year ending 31 December 2023 (Year- on-year increase %)	for the year ending 31 December 2024 (Year- on-year increase %)
		<i>RMB'00 million</i>	<i>RMB'00 million</i>	<i>RMB'00 million</i>
1	Coal Supply and Coal Transportation	125 (-16.7%)	125 (0%)	125 (0%)

^{##} The annual caps of Coal Supply for the three years ended 31 December 2024 account for approximately 57.2% of the total operating costs of the Group for the year ended 31 December 2020. On basis of the following factors and implementation of relevant measures, the Company is of the view that the Coal Supply does not rely on CDC Group:

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(1) The historical transaction amount of the Coal Supply accounts for less than 50% of the total operating costs for the year (for example, the actual amount for the year ended 31 December 2020 only accounts for approximately 13.3% of the total operating costs for the year); (2) due to the changes in the fuel market and the sharp upward trend in coal prices in the nearest year, it is expected that the operating costs in the future will also rise to a certain extent, and the actual amounts of Coal Supply in the next three years may account for less than 50% of the total operating costs for the year; (3) the procurement for the Coal Supply shall be subject to the Company's internal coal procurement procedures, in which the fuel management department of the Company will collect as more information of transaction prices and terms provided by potential suppliers (particularly independent third-party suppliers) as possible, and then select and determine the final suitable suppliers in strict accordance with the principle of best interests of the Company after comparing the prices and terms. In the process of procurement for the Coal Supply, CDC Group's participation will not have any impact on the procurement, and the Company will not give priority to suppliers due to being members of CDC Group, so as to avoid reliance on CDC Group in terms of Coal Supply.

We noted the reasons above with respect to the provision of Coal Supply by CDC Group to the Company, including the historical transaction amounts, the changes in the fuel market and the Company's internal coal procurement procedures and the measures in place to prevent undue reliance on its connected persons and controlling shareholder, and we consider that, while the Company will continue to have certain contractual relationships with CDC Group which is beneficial to the Group's operations, the transactions contemplated under the 2021 Comprehensive Product and Service Framework Agreement will not give rise to reliance issue of the Company with its connected persons and controlling shareholder since the proportion of revenue from connected person is expected to proportionally decrease in the coming years as the Group's total revenue is expected to increase in accordance with the continuous expansion of the development of new energy projects and newly approved projects, and we are of the view that the measures adopted by the Company to prevent undue reliance on its connected persons and controlling shareholder as stated above are effective.

It is noted from the tables above that the proposed annual cap for the procurement of production and infrastructure materials and relevant auxiliary services is RMB17,000 million for the year ending 31 December 2022, which represents an increase of approximately 117.9% from the annual cap for the year ending 31 December 2021, and will increase by RMB11,500 million to RMB28,500 million for the year ending 31 December 2023. The proposed annual cap will then decrease by RMB5,000 million for the year ending 31 December 2024. The annual cap proposed for the year ending 31 December 2022 represents an increase of RMB9,200 million from the historical annual cap of RMB7,800 million for the year ending 31 December 2021. In addition to the reasons for the proposed annual caps set out below, we have discussed with the Company and understand that the increase in the annual cap of approximately 117.9% for the year ending 31 December 2022 is mainly due to the expected increase in wind power and photovoltaic equipment, as a result of the new development concept and the new strategy for energy security, focused on the goal of "carbon peaking and carbon neutralization", taking initiatives to follow up the "14th Five-year Plan" of regions and comprehensively implementing the structural adjustment actions and accelerating the pace of development. The further increase of the proposed annual cap for the year ending 31 December 2023 and slight decrease for the year ending 31 December 2024 are due to the development plan and the time arrangement of the procurement of production and infrastructure materials for the new wind power and photovoltaic projects for the respective years.

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We have reviewed the “14th Five-year Plan” (2021-2025) for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035 and confirm that the “14th Five-Year Plan” proposes to promote, inter alia, the energy revolution, build a clean, low-carbon, safe, and energy efficient energy system and accelerate the development of non-fossil energy, vigorously increase the scale of wind power and photovoltaic power generation, and increase the share of non-fossil energy in total energy consumption to around 20% by 2025, up from 15.8% in 2020. This is in line with the Group’s plan for increase in new energy projects, namely wind power and photovoltaic projects in its projections for the three years ending 31 December 2024, and we agree with the Company that the proposed annual caps for the three years ending 31 December 2024 for the procurement of production and infrastructure materials and relevant auxiliary services are fair and reasonable.

In terms of coal supply and the franchising fee in respect of flue gas environmental protection facilities franchising, it is noted that the proposed annual caps for each of the three years ending 31 December 2024 are expected to remain stable at RMB48,500 million and RMB3,500 million respectively, with no proposed year-on-year increment. The annual caps proposed for coal supply and franchising fee in respect of flue gas environmental protection facilities franchising for the year ending 31 December 2022 represents an increase of RMB3,500 million and RMB800 million from the historical annual caps of RMB45,000 million and RMB2,700 million respectively for the year ending 31 December 2021.

Also, it is noted from the tables above that the estimates for Coal Supply and Coal Transportation to be provided by the Group to CDC Group is expected to remain stable in the coming years and the proposed annual caps are RMB12,500 million for each of the three years ending 31 December 2024, with no proposed year-on-year increment. We noted that the annual cap proposed for the year ending 31 December 2022 for Coal Supply and Coal Transportation to be provided by the Group to CDC Group represents a decrease of RMB2,500 million from the historical annual cap of RMB15,000 million for the year ending 31 December 2021.

According to the Letter from the Board, each of the above annual caps are determined by the Company after considering the following:

- (1) the possible changes in the fuel market, and the fact that fuel prices are still operating at a high level and the number of transaction targets increased compared to previous years. Due to the recent competitive market conditions for coal, driven by the tight Coal Supply and rising prices which resulted in a decline in transaction volume, the utilization rates of annual caps for Coal Supply services provided by CDC Group to the Group and Coal Supply and Coal Transportation services provided by the Group to CDC Group in the past three years are relatively low. The high market price for coal also makes it less economical for transactions to be undertaken with CDC Group on normal commercial terms. However, based on the changes in the fuel market and the sharp upward trend in coal prices in the past year, the Company expects that the Coal Supply will increase in the future and the coal prices are expected to return to normal levels, therefore, it is further expected that the respective utilization rate of the proposed

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annual caps of the Coal Supply services provided by CDC Group to the Group and the Coal Supply and Coal Transportation services provided by the Group to CDC Group will increase in the next three years;

- (2) the expected huge increase in procurement of wind power and photovoltaic equipment. In 2020, as the Company deeply implemented the new development concept, and promoted the green and low carbon transformation and accelerated power generation structure adjustment and sped up the development of new energy significantly, new approved projects increased significantly. During the year, there were a total of 48 power generation projects obtaining approval with approved capacity of 7,988.5MW, including three coal power projects with approved capacity of 4,240.00MW, 10 wind power projects with approved capacity of 569.50MW and 35 photovoltaic projects with approved capacity of 3,179.00MW. New unit put into operation increased significantly. The capacity of new units put into operation totalled 4,705.50MW, including coal power projects of 2,400.00MW, wind power projects of 1,361.50MW and photovoltaic projects of 944.00MW. In the first half of 2021, the Company continued to implement the new development concept and the new strategy for energy security, took the initiative to follow up the regional “14th Five-year Plan” focusing on the goal of “carbon peak and carbon neutralization”, comprehensively implemented structural adjustment and accelerated the pace of development. During the period, a total of 23 photovoltaic power projects of the Company were approved with an approved capacity of 2,119.5MW. As the continuous expansion of the development of new energy projects and newly approved projects, the Company determines the above proposed annual caps based on the expected corresponding increase in the demand for wind power and photovoltaic equipment. The further increase of the proposed annual cap for the year ending 31 December 2023 and the slight decrease of the proposed annual cap for the year ending 31 December 2024 are due to the development plan and the time arrangement of production and infrastructure material procurement of new wind power and photovoltaic projects in the corresponding years;
- (3) more business expected to be carried out in areas of Technological Transformation, Operations Management, and Repair and Maintenance by the Group based on the actual overall business scale and operational arrangements;
- (4) the expected increase in electricity purchase costs, and in cost of water, high and low pressure steam and others;
- (5) more electricity sales business expected to be carried out based on the actual overall business scale and operating arrangements of the Group;
- (6) the expected increase in Alternative Power Generation transactions as a result of the implementation of the national energy conservation and emission reduction policy; and
- (7) the historical transaction amounts of the above-mentioned products and services mutually provided between CDC Group and the Group in the previous three years.

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As set out in the section headed “B. Financial Performance of the Company” above, we have independently reviewed the respective annual and interim reports of the Company and noted that during the financial year ended 31 December 2020, the Company adhered to the implementation of the new development concept, and promoted the green and low carbon transformation and accelerated power generation structure adjustment, and sped up the development of new energy significantly. New approved projects increased significantly.

We also noted that, during the financial year ended 31 December 2020, there were a total of 48 power generation projects obtaining approval with approved capacity of 7,988.5MW, including three coal power projects with approved capacity of 4,240.00MW, 10 wind power projects with approved capacity of 569.50MW and 35 photovoltaic projects with approved capacity of 3,179.00MW. New unit put into operation increased significantly. During the year ended 31 December 2020, the capacity of new units put into operation totalled 4,705.50MW, including coal power projects of 2,400.00MW, wind power projects of 1,361.50MW and photovoltaic projects of 944.00MW.

According to the interim report for the six months ended 30 June 2021, during the reporting period, total power generation of the Company amounted to approximately 132.0788 billion kWh, representing an increase of approximately 8.58% on a year-on-year basis; and total on-grid power generation amounted to approximately 124.7071 billion kWh, representing an increase of approximately 9.44% on a year-on-year basis. Also, during the same period, the Company implemented the new development concept and the new strategy for energy security, focused on the goal of “carbon peaking and carbon neutralization” and took initiative to follow up the “14th Five-year Plan” of regions, comprehensively implemented the structural adjustment actions, and accelerated the pace of development. During the same reporting period, a total of 23 photovoltaic power projects of the Company were approved, with an approved capacity of 2,119.5 MW. The approved projects are mainly distributed in Zhejiang, Jiangxi, Guangdong and other regions.

In addition to the analysis of the historical transaction amounts above, we have discussed with the Company and confirmed that the main underlying reasons for the annual caps (for the products and services provided by CDC to the Company and vice versa) as set out above are necessitated by the expected increase in turnover and scale of business as a result of the above ongoing expansions in the development of new energy projects and the newly approved projects.

Also, we have reviewed the Company’s announcement dated 25 October 2021 regarding power generation for the first three quarters of 2021 (the “**Announcement of Power Generation for 3Q 2021**”), and noted that, based on the Company’s preliminary statistics as of 30 September 2021, the total power generation of the Company and its subsidiaries amounted to approximately 206.4760 billion kWh, representing an increase of approximately 4.35% on a year-one-year basis, and total on-grid power generation amounted to approximately 195.1831 billion kWh, representing an increase of approximately 4.37% on a year-on-year basis.

It is also mentioned in the Announcement of Power Generation for 3Q 2021 that the major reasons for the increase in power generation of the Company was due to the following major reasons:

1. The national overall power consumption continuously maintained growth momentum;

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2. The increase of new power generating units in parts of the areas where the Company is located; and
3. The power demand in the areas served by the Company was great.

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

After considering the above factors, we are of the opinion that the annual caps of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement for the three years ending 31 December 2024 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

F. Reasons for and Benefits of entering into the 2021 Comprehensive Product and Service Framework Agreement

As mentioned in the Letter from the Board, the Company is of the view that the entering into of the 2021 Comprehensive Product and Service Framework Agreement with CDC can ensure that the Company is able to obtain reliable and guaranteed comprehensive products and services, such as coal, materials and services, thereby reducing its operation risks and costs and enhancing work efficiency, which are all beneficial to the normal development of the Company's production and operations.

We have also reviewed the Company's announcement dated 30 August 2021 and the Company's board meeting record and confirmed that at the 22nd meeting of the tenth session of the Company, the Board has considered and approved, inter alia, the "Resolution on the entering into of the Comprehensive Product and Service Framework Agreement for 2022 to 2024 with China Datang Corporation Ltd." in view of the benefits of entering into the 2021 Comprehensive Product and Service Framework Agreement as stated above.

In respect of the Non-Exempt CCTs contemplated under the 2021 Comprehensive Product and Service Framework Agreement only, the Directors (including the independent non-executive Directors) are of the view that such transactions are on normal commercial terms and in the ordinary course of business of the Company and such transactions are fair, just and reasonable and in the interests of the Company and its Shareholders as a whole.

We agree that the pricing policy and the principles of transactions contemplated under the 2021 Comprehensive Product and Service Framework Agreement set out above will ensure that the terms and conditions for the Non-Exempt CCTs will be conducted on normal commercial terms or better and hence will be in the interests of the Company and its Shareholders, including Independent Shareholders, as a whole.

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RECOMMENDATION

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

- (1) the principal businesses of the Company and CDC;
- (2) the pricing policy for determination of the consideration and the principles of transactions of the Non-Exempt CCTs, which ensure that the price of products and services, and other terms and conditions, from CDC Group shall be on normal commercial terms or better and will be similar to or more favourable than that from an Independent Third Party;
- (3) the historical transaction amounts and underlying reasons for the basis of the annual caps of the Non-Exempt CCTs;
- (4) the latest operation statistics disclosed in the Announcement of Power Generation for 3Q 2021;
- (5) the recent coal market conditions including coal price trend;
- (6) the fact that CDC Group will provide reliable and guaranteed comprehensive products and services to the Group; and
- (7) the fact that the Group will benefit from reduction in operating risks and costs and improvement of work efficiency of the Group,

we are of the opinion that the terms and the proposed annual caps of the Non-Exempt CCTs are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned, and the Non-Exempt CCTs are in the ordinary and usual course of business of the Group, and the entering into of the Non-Exempt CCTs under the 2021 Comprehensive Product and Service Framework Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) to approve the transactions (including the Non-Exempt CCTs) under the 2021 Comprehensive Product and Service Framework Agreement at the EGM.

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

Ms. Joanne Pong is a licensed person registered with the Securities and Futures Commission and a responsible officer of Trinity Corporate Finance Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Ms. Joanne Pong has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong and has over 18 years of experience in the corporate finance industry.

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	Number 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	1,285,748,600	6.95	10.37	/
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. Qu Bo, Mr. Liu Jianlong and Mr. Su Min, all 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. Jin Shengxiang and Mr. Sun Yongxing, 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 CONTRACTS

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 2020 (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 2020, 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 was 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 2020, the date to which the latest published audited financial statements of the Company were made up; and
- (d) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

8. LITIGATION

No member of the Group is at present engaged in any litigation or arbitration of material importance to the Group and no litigation or claim of material importance to the Group is known to the Directors or the Company to be pending or threatened by or against any member of the Group.

9. MISCELLANEOUS

- (a) The registered office and office address of the Company is No. 9 Guangningbo Street, Xicheng District, Beijing, the PRC.
- (b) The principal place of business of the Company in Hong Kong is at 40/F, Dah Sing Financial Centre, 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. Mak Po Man Cherie. Mr. Jiang is a senior accountant and Ms. Mak is an associate member of The Hong Kong Chartered Governance Institute, an associate member of The Chartered Governance Institute in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

10. DOCUMENT ON DISPLAY

Copies of the following documents will be published at the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.dtpower.com>) for 14 days from the date of this circular:

- (a) the 2021 Comprehensive Product and Service Framework Agreement.