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

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

**MAJOR TRANSACTIONS,
DISCLOSEABLE TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS
2024 COMPREHENSIVE FINANCIAL SERVICES
COOPERATION 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 5 to 18 of this circular. A letter from the Independent Board Committee is set out on pages 19 to 20 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 21 to 37 of this circular.

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DEFINITIONS

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

“2021 Leasing and Factoring Business Cooperation Agreement”	the Leasing and Factoring Business Cooperation Agreement entered into between the Company and Shanghai Datang Financial Lease Company on 16 December 2021. For details, please refer to the announcement of the Company dated 16 December 2021 and the circular of the Company dated 10 January 2022
“2022 Financial Business Cooperation Agreement”	the Financial Business Cooperation Agreement entered into between the Company and Datang Leasing Company on 16 June 2022. For details, please refer to the announcement of the Company dated 16 June 2022 and the circular of the Company dated 28 July 2022
“2023 Factoring Business Cooperation Agreement”	the Factoring Business Cooperation Agreement entered into between the Company and Datang Factoring Company on 21 February 2023. For details, please refer to the announcement of the Company dated 21 February 2023 and the circular of the Company dated 19 April 2023
“2024 Comprehensive Financial Services Cooperation Agreement”	the Comprehensive Financial Services Cooperation Agreement entered into between the Company and Datang Capital Holding on 1 March 2024
“AGM”	the 2023 annual general meeting of the Company to be held to consider and, if thought fit, to approve, among others, the 2024 Comprehensive Financial Services Cooperation Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“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 OF THE RELEVANT PARTIES” of this circular for details

DEFINITIONS

“Company”	Datang International Power Generation Co., Ltd., a sino-foreign joint stock limited company incorporated in the PRC on 13 December 1994, whose H Shares are listed on the Stock Exchange and the London Stock Exchange and whose A Shares are listed on the Shanghai Stock Exchange. Please refer to the section headed “INFORMATION OF THE RELEVANT PARTIES” of this circular for details
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Datang Capital Holding”	China Datang Group Capital Holding Co., Ltd. (中國大唐集團資本控股有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of CDC. Please refer to the section headed “INFORMATION OF THE RELEVANT PARTIES” of this circular for details
“Datang Factoring Company”	Datang Commercial Factoring Company Limited (大唐商業保理有限公司), a company established under the laws of the PRC and a subsidiary of Datang Capital Holding
“Datang Leasing Company”	Datang Finance Leasing Company Limited (大唐融資租賃有限公司), a company established under the laws of the PRC and a subsidiary of Datang Capital Holding
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent board committee of the Company, comprising all independent non-executive Directors, namely Mr. Niu Dongxiao, Mr. Zong Wenlong, Mr. Zhao Yi, Mr. Zhu Dahong and Mr. You Yong, which has been formed to advise the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement

DEFINITIONS

“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, 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 Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement
“Independent Shareholder(s)”	Shareholder(s) other than CDC and its associates as well as any other Shareholder who has a material interest in the transactions to be contemplated under the 2024 Comprehensive Financial Services Cooperation Agreement
“Latest Practicable Date”	22 May 2024, 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
“Members of Datang Capital Holding”	Datang Capital Holding and/or its subsidiaries
“Non-exempt Continuing Connected Transactions”	collectively, the transactions to be contemplated under the categories of financial leasing (including direct lease and sale and leaseback) and factoring business under the 2024 Comprehensive Financial Services Cooperation Agreement
“PRC”	the People’s Republic of China
“Previous Transactions”	the transactions respectively contemplated under the 2021 Leasing and Factoring Business Cooperation Agreement, the 2022 Financial Business Cooperation Agreement and the 2023 Factoring Business Cooperation Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Shanghai Datang Financial Lease Company”	Shanghai Datang Financial Lease Co., Ltd. (上海大唐融資租賃有限公司), a company established under the laws of the PRC and a subsidiary of Datang Capital Holding
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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. Wang Shunqi (*Chairman*)

Non-executive Directors:

Mr. Ying Xuejun

Mr. Xu Guang

Mr. Tian Dan

Mr. Ma Jixian

Mr. Zhu Shaowen

Mr. Cao Xin

Mr. Zhao Xianguo

Mr. Jin Shengxiang

Mr. Sun Yongxing

Office address:

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Xicheng District

Beijing, 100033

the PRC

Principal place of business in Hong Kong:

40/F, Dah Sing Financial Centre

248 Queen's Road East

Wanchai

Hong Kong

Independent non-executive Directors:

Mr. Niu Dongxiao

Mr. Zong Wenlong

Mr. Zhao Yi

Mr. Zhu Dahong

Mr. You Yong

29 May 2024

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTIONS,
DISCLOSEABLE TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS
2024 COMPREHENSIVE FINANCIAL SERVICES
COOPERATION AGREEMENT**

Reference is made to the announcement of the Company dated 1 March 2024 in relation to, among others, the 2024 Comprehensive Financial Services Cooperation Agreement.

LETTER FROM THE BOARD

The purposes of this circular are to, among others:

- (i) provide you with the details of the 2024 Comprehensive Financial Services Cooperation Agreement;
- (ii) set out the letter of recommendation from the Independent Board Committee to the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement; and
- (iii) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement.

2024 COMPREHENSIVE FINANCIAL SERVICES COOPERATION AGREEMENT

References are further made to the announcements of the Company dated 16 December 2021, 16 June 2022 and 21 February 2023, and the circulars of the Company dated 10 January 2022, 28 July 2022 and 19 April 2023 in respect of, among other things, the 2021 Leasing and Factoring Business Cooperation Agreement, the 2022 Financial Business Cooperation Agreement and the 2023 Factoring Business Cooperation Agreement.

In order to further promote the Company's improved governance and regulated operation, improve fund management efficiency and level, and based on the actual needs for the Group's operation and development, on 1 March 2024, the Company and Datang Capital Holding (of which Datang Leasing Company, Shanghai Datang Financial Lease Company and Datang Factoring Company are subsidiaries) entered into the 2024 Comprehensive Financial Services Cooperation Agreement, pursuant to which, the Members of Datang Capital Holding will provide the Group with support on financial leasing, factoring, entrusted loans, property rights transactions and asset management and relevant businesses in an aggregate amount not exceeding RMB20.0 billion per annum from the effective date of the 2024 Comprehensive Financial Services Cooperation Agreement.

Major contents of the 2024 Comprehensive Financial Services Cooperation Agreement are set out below:

Date

1 March 2024

Parties

- (1) The Company; and
- (2) Datang Capital Holding, a wholly-owned subsidiary of CDC

LETTER FROM THE BOARD

Subject Matter

Pursuant to the 2024 Comprehensive Financial Services Cooperation Agreement, the Members of Datang Capital Holding shall provide the Group with support on financial leasing¹, factoring, entrusted loans, property rights transactions and asset management and relevant businesses in an aggregate amount not exceeding RMB20.0 billion per annum from the effective date of the 2024 Comprehensive Financial Services Cooperation Agreement.

The Group and the Members of Datang Capital Holding may, during the term of the agreement, enter into specific contracts in accordance with the terms of the 2024 Comprehensive Financial Services Cooperation Agreement, and such specific contracts shall be subject to the terms of the 2024 Comprehensive Financial Services Cooperation Agreement.

Major Terms of the Agreement

- (1) Subject to compliance with the state policy and the relevant laws and regulations, the Members of Datang Capital Holding shall provide the Group with support on financial leasing, factoring, entrusted loans, property rights transactions and asset management and relevant businesses in an aggregate amount not exceeding RMB20 billion per annum in respect of key investment and construction projects in sectors such as thermal power, hydropower, wind power, recycling economy, including but not limited to:
 - (i) Financial leasing business: the Members of Datang Capital Holding will give full play to the characteristics of flexible forms of financial leasing products, design and arrange treasury services for thermal power, hydropower, wind power, photovoltaic and recycling economy and other energy projects, revitalize the existing assets of completed projects of the Group through sale and leaseback business, adjust the debt structure and improve the financial condition; and ensure the needs of construction funds and guarantee the progress of project construction through direct lease of newly purchased equipment.
 - (ii) Factoring business: the Members of Datang Capital Holding will provide the Group with financing services of factoring business (including accounts receivable factoring and reverse factoring) for key projects in investment and construction in the fields of thermal power, hydropower, wind power, photovoltaic and recycling economy and others, to meet the daily operation and financing needs of the Group, relieve the cash flow pressure of projects and enhance the energy supply guarantee capacity.

¹ The financial leasing methods to be provided by the lessors comprise sale and leaseback and the direct lease. In particular: sale and leaseback means that the lessors shall purchase the leased assets from the lessees based on the lessees' choice and lease them back to the lessees; and direct lease refers to the purchase by the lessors and the provision of the leased assets to the lessees as per the specifications and requirements of the lessees.

LETTER FROM THE BOARD

- (iii) Entrusted loan business: the Members of Datang Capital Holding will provide financial support to the projects invested and constructed by the Group and approved by the state by issuing entrusted loans so as to further enrich the financing channels of the Group.
 - (iv) Other financial services (including but not limited to relevant businesses such as property rights transactions, asset management and consulting services) (hereinafter referred to as “**Other Financial Services**”): the Members of Datang Capital Holding will give full play to their professional advantages and provide services such as plan design, policy consulting, open offer, analysis and evaluation, and entrusted management for the Group’s property rights, asset disposal and revitalization and other asset management businesses.
- (2) Leveraging on their professional advantage in the financial business, the Members of Datang Capital Holding shall provide the Group with various economic consulting services, such as investment and financing consulting, financial advisory, financial leasing consulting, factoring consulting and transaction arrangements.
- (3) The Members of Datang Capital Holding shall, in accordance with the requirements of the Group and after comprehensively considering the factors such as relevant policies and laws and regulations of the PRC, the supply of and demand for capital in the market as well as the structural features of different products, provide the Group with most favourable financing rates or service rates. The general fee rates shall be equivalent to or more favourable than the domestic industry level. The Members of Datang Capital Holding shall help the Group to reduce the fees and costs and optimize the financial structure while ensuring the construction capital needs of the Group’s projects.
- (4) The Members of Datang Capital Holding shall, upon thorough negotiations with the Group, within the scope of the business development and planning of the Group, select appropriate lessees and projects and shall design and offer customized financial leasing, factoring, entrusted loans, property rights transactions and asset management and other business proposals.

Effective Date and Validity Period of the Agreement

The agreement shall become effective when it is duly signed by both parties and affixed with their respective company seals and upon the consideration and approval at the general meeting of the Company, with a validity period of 36 months from the effective date. As the 2024 Comprehensive Financial Services Cooperation Agreement covers the counterparties and types of transactions of the Previous Transactions, upon the 2024 Comprehensive Financial Services Cooperation Agreement taking effect, the 2021 Leasing and Factoring Business Cooperation Agreement, the 2022 Financial Business Cooperation Agreement and the 2023 Factoring Business Cooperation Agreement shall be automatically terminated.

LETTER FROM THE BOARD

Pricing Policy

The Members of Datang Capital Holding shall, in accordance with the Group's needs and after comprehensively considering the factors such as relevant policies and laws and regulations of the PRC, the supply of and demand for capital in the market as well as the structural features of different products, provide the Group with most favourable financing rates or service rates. The general fee rates shall be equivalent to or more favourable than the domestic industry level. The Members of Datang Capital Holding shall help the Group to reduce the fees and costs and optimize the financial structure while ensuring the construction capital needs of the Group's projects.

Prior to business cooperation with the Members of Datang Capital Holding, the Group shall collect information about the terms of the relevant transactions and their respective interest rates from other domestic financial institutions that are independent of the Company and its connected persons, and make comparisons based on the benchmark interest rate for term loans issued by the People's Bank of China to ensure that the Company is offered with the most favourable transaction terms and the general fee rates of the relevant transactions are equivalent to or more favourable than those offered by other domestic financial institutions, and to strive for the maximisation of the Group's overall interests.

Implication of IFRS 16 (Leases) on the Finance Leasing Arrangement of the Company

The Company adopted, among others, the International Financial Reporting Standards ("IFRS") 16 (Leases) in its consolidated statement of financial position in connection with leases and finance leases with effect from the beginning of its accounting period on 1 January 2019.

Pursuant to the IFRS 16 (Leases), the Company recognises right-of-use assets at the commencement date of the lease (i.e., the date when the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the commencement date of the lease if the implicit interest rate in the lease is not readily determinable.

Accordingly, under the IFRS 16 (Leases), the Company will recognise the leased assets of relevant direct lease(s) which represents the right of the Company to use the leased assets (except short-term leases and low-value leases), subject to the specific lease terms and conditions as set out in each of lease agreements. For the sale and leaseback, the relevant transactions will be accounted for as a finance leasing arrangement between the Company and the lessors.

LETTER FROM THE BOARD

Annual Caps

Pursuant to the Listing Rules, the direct lease is deemed as acquisition of asset by the Group, and the sale and lease back constitutes disposal of asset by the Group. The Company expects that the annual caps of the proposed transactions under the 2024 Comprehensive Financial Services Cooperation Agreement are as below:

	From the effective date of the agreement to 31 December 2024	From 1 January 2025 to 31 December 2025	From 1 January 2026 to 31 December 2026	From 1 January 2027 to the date of expiration of the agreement
Direct lease ¹	RMB4.5 billion	RMB6 billion	RMB6 billion	RMB1.5 billion
Sale and leaseback ¹	RMB4.5 billion	RMB6 billion	RMB6 billion	RMB1.5 billion
Factoring business	RMB4.5 billion	RMB6 billion	RMB6 billion	RMB1.5 billion
Entrusted loan business	RMB1.49 billion	RMB1.99 billion	RMB1.99 billion	RMB0.5 billion
Other Financial Services	RMB5 million	RMB10 million	RMB10 million	RMB5 million

In determining the abovementioned annual caps, the Company has considered the following factors, among others:

In respect of financial leasing (including direct lease and sale and leaseback), in principle, the proposed annual caps are determined with reference to the Company's financing plan, which is derived from the expected capital needs of the Group in the next 36 months. Mainly taking into account the fact that the Group's loans with an aggregate amount ranging from approximately RMB80 billion to RMB100 billion per annum are expected to mature between 2024 and 2027, the principal of financial leasing is determined based on the purpose of replacing part of the existing maturing loans and for fulfilling part of the future capital needs for construction of existing projects. These projects (including but not limited to Datang Chaozhou Power Plant Units 5 and 6 Expansion Project, Datang Horinger Husbandry-photovoltaic Complementary Photovoltaic Power Generation Project, Alashan Base 400MW Wind Power Project and Jiangxi Xinyu Phase II Off-site Expansion Thermal Power Project) have been approved by the Board.

Furthermore, the respective proposed annual caps of direct lease and sale and leaseback are also determined after considering the following specific factors:

During the period of "14th Five Year Plan", the Company continues to promote the green and low-carbon energy transformation, speeds up the construction of large-scale wind power, photovoltaic power and other clean energy base projects, and proactively invests in construction of offshore wind power projects. For the purpose of 2024 only, it is expected that the Company will invest approximately RMB32 billion of capital funds in projects including the Datang Chaozhou Power Plant Units 5 and 6 Expansion Project, Horinger Husbandry-Photovoltaic Complementary Power Generation Project, Alashan Base 400MW Wind Power

¹ The amounts of the annual caps of the direct lease represent the right-of-use assets under IFRS 16 (Leases), and the amounts of the annual caps of the sale and leaseback represent the annualized amounts of repayment, which are in line with the accounting treatment under IFRS 16 (Leases).

LETTER FROM THE BOARD

Project and Datang Nan'ao Lemen I Offshore Wind Power Expansion Project. In view of the high loan efficiency of financial leasing business, and that value-added tax incurred from direct leasing business can be deducted to reduce financing costs, the Company estimates that approximately 20% to 30% of the construction funds for the above-mentioned projects will be obtained through direct leasing or sale and leaseback according to the specific project condition, and the investment amount is expected to increase in the next few years, which will accordingly lead to the increase in the amount of direct leasing or sale and leaseback.

In addition, affected by the external market environment, certain thermal power enterprises are under great pressure in operation, the sale and leaseback shall provide an important financing channel for thermal power enterprises that have difficulties in external financing. From the perspective of historical transactions, the sale and leaseback business between the Company and the Members of Datang Capital Holding had an average annual turnover of approximately RMB2.5 billion. In addition, approximately RMB1 billion of loans of the Company with higher interest rate each year will gradually expire in the next three years, and may be replaced with the sale and leaseback business to be provided by the Members of Datang Capital Holding regarding thereof.

Although during the relevant historical periods, the Group has chosen to obtain financing from other independent third-party financing channels that provided lower financing costs or more favorable terms compared with Datang Leasing Company and Shanghai Datang Financial Lease Company, the historical utilization rates of direct leasing and sale and leaseback were relatively low, and on the premise of comprehensively considering the above factors, as well as based on the current annual caps under the 2021 Leasing and Factoring Business Cooperation Agreement and the 2022 Financial Business Cooperation Agreement, the Company, when entering into the 2024 Comprehensive Financial Services Cooperation Agreement in order to uniformly specify relevant financial leasing transactions, correspondingly adjusted the proposed annual caps for direct lease and sale and leaseback to RMB6 billion respectively to meet the increasing demand for financial leasing in the next 36 months.

In respect of factoring business, the proposed annual caps are determined after comprehensively considering the existing business and future business growth scale of the Group and other factors, including that (i) it is anticipated that the total amount of account receivables and account payables of the Group every year for the period between 2024 and 2027 will be approximately RMB50 billion. As of the end of 2023, the Group's account receivables amounted to RMB19.62 billion, of which account receivables from sales of electricity amounted to RMB17.958 billion and account receivables from sales of heat amounted to RMB0.725 billion; (ii) the financing term of factoring business is relatively short, which can meet the short-term working capital needs.

Although during the relevant historical periods, the Group has chosen to obtain financing from other independent third-party financing channels that provided lower financing costs or more favorable terms compared with Datang Leasing Company and Shanghai Datang Financial Lease Company, and did not conduct factoring business with Datang Leasing Company and Shanghai Datang Financial Lease Company in the past, however, as far as Datang Factoring Company (a major commercial factoring company under Datang Capital Holding) are concerned, the historical utilization rates maintained at a higher level since 2022, and based on the factoring demands brought from the Company's business scale growth, the Company expects to increase the transaction amount of factoring business to be conducted with Datang Factoring Company in the future.

LETTER FROM THE BOARD

On the premise of comprehensively considering the above factors, and based on the current annual caps under the 2021 Leasing and Factoring Business Cooperation Agreement, the 2022 Financial Business Cooperation Agreement and the 2023 Factoring Business Cooperation Agreement, the Company correspondingly adjusted the proposed annual caps for factoring business to RMB6 billion to meet the increasing demand for factoring business in the next 36 months.

Taking into account (i) that lease financing and factoring business are important financing options under the context of the overall debt financing and taxation arrangements in the PRC; (ii) that the Group is an important customer and long-term business partner of the Members of Datang Capital Holding, and the Members of Datang Capital Holding provide more convenient, effective and efficient financial business services to the Group as compared to other financial institutions; (iii) future business growth factors, in order to adequately safeguard the Company's strategic development needs and expand alternate sources of funding for project construction, the Board is of the view that such annual caps and their determination basis are fair and reasonable as far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Historical Transactions

As calculated in accordance with the IFRS 16 (Leases), the historical transaction amounts of the Company's transactions with Shanghai Datang Financial Lease Company, Datang Leasing Company and Datang Factoring Company during the periods indicated below are as follows:

Unit: RMB'00 million

	For the year ended		For the year ended		For the year ended		For the	As of the Latest Practicable Date
	31 December 2021		31 December 2022		31 December 2023		year ending	
	Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount	31 December 2024 Annual cap	
Direct lease								
With Shanghai Datang Financial Lease Company	(Note 1)	5.74 (Note 1)	40	6.21	40	2.88	40	2.62
With Datang Leasing Company	(Note 2)	4.39 (Note 2)	(Note 2)	6.79 (Note 2)	45	15.1	45	2.83
Sale and leaseback								
With Shanghai Datang Financial Lease Company	(Note 1)	3.61 (Note 1)	25	7.16	25	5.52	25	2.05
With Datang Leasing Company	(Note 2)	14.55 (Note 2)	(Note 2)	18.5 (Note 2)	20	18.29	20	1.77
Factoring business								
With Shanghai Datang Financial Lease Company	--	0	5	0	5	0	5	0
With Datang Leasing Company	--	0	(Note 2)	0 (Note 2)	5	0	5	0
With Datang Factoring Company	20	5.54	20	15.02	18 (Note 3)	17.42 (Note 3)	20	13.37

LETTER FROM THE BOARD

Notes:

1. Before the adoption of IFRS 16 (Leases), the transaction amount of financial leasing between the Company and Shanghai Datang Financial Lease Company for the year ended 31 December 2021 amounted to RMB0.935 billion (then annual cap: RMB5 billion).
2. Before the adoption of IFRS 16 (Leases), the transaction amounts of financial leasing between the Company and Datang Leasing Company for the year ended 31 December 2021 and for the eight months ended 31 August 2022 amounted to RMB1.894 billion (then annual cap: RMB10 billion) and RMB1.79 billion (then cap: RMB7 billion), respectively.

After the adoption of IFRS 16 (Leases), the transaction amounts of direct lease, sale and leaseback and factoring business between the Company and Datang Leasing Company for the period from 1 September 2022 to 31 December 2022 amounted to RMB0 billion (then cap: RMB2 billion), RMB0.74 billion (then cap: RMB0.8 billion) and RMB0 (then cap: RMB0.2 billion), respectively.

3. The transaction amounts of factoring business between the Company and Datang Factoring Company for the period from 1 January 2023 to 28 June 2023 and for the period from 29 June 2023 to 31 December 2023 amounted to RMB0.742 billion (then cap: RMB0.8 billion) and RMB1 billion (then cap: RMB1 billion), respectively.

For the three years ended 31 December 2023, the Group did not enter into any Other Financial Services transactions with Shanghai Datang Financial Lease Company, Datang Leasing Company and Datang Factoring Company.

The Company confirms that as of the Latest Practicable Date, the existing annual caps for the year ending 31 December 2024 under the 2021 Leasing and Factoring Business Cooperation Agreement, the 2022 Financial Business Cooperation Agreement and the 2023 Factoring Business Cooperation Agreement have not been exceeded.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024 COMPREHENSIVE FINANCIAL SERVICES COOPERATION AGREEMENT

Currently, the Company has entered into agreements and conducted financing business with each of the three subsidiaries of Datang Capital Holding, namely Shanghai Datang Financial Lease Company, Datang Leasing Company and Datang Factoring Company. The 2024 Comprehensive Financial Services Cooperation Agreement entered into between the Company and Datang Capital Holding to unify the contracting of the relevant transactions is conducive to the Company's effective control of various connected transactions between both parties, which can effectively reduce the compliance risk and significantly improve the efficiency, and is a proactive measure for the Company to practically improve the quality of governance of listed company.

Entering into the 2024 Comprehensive Financial Services Cooperation Agreement will be beneficial for Datang Capital Holding to coordinate its subsidiaries in carrying out various businesses, fully utilize its investment capabilities and enhance the funding support to the Group, and will be conducive to further broadening the Group's financing channels, increasing the sources of corporate funding and improving the efficiency of the use of funds.

LETTER FROM THE BOARD

Pursuant to the 2024 Comprehensive Financial Services Cooperation Agreement, the Group will be able to obtain funding support and related financial services at rates equivalent to or lower than those in the domestic interbank market, and the Group's bargaining power in conducting related business with other financial institutions will be further enhanced, which will help reduce the overall operating costs of the Group.

Besides, the Members of Datang Capital Holding has a deeper understanding of the Group's business operations, which enables it to provide more convenient, efficient and customized financial services than other financial institutions, and effectively enhances the overall operation of the enterprises.

The Directors (including the independent non-executive Directors) are of the view that the relevant terms of the 2024 Comprehensive Financial Services Cooperation Agreement are fair and reasonable, have been entered into after arm's length negotiations and on normal commercial terms, and are in the interests of the Company and its Shareholders as a whole.

INTERNAL CONTROL

Internal Control Policy to Monitor the Continuing Connected Transactions

According to the requirements of management system of the connected transactions of the Company, the finance management department of the Company is responsible for tracking and monitoring the implementation of continuing connected transactions under the 2024 Comprehensive Financial Services Cooperation Agreement. During this process, the financial management department of the Company is responsible for information collection and price monitoring of continuing connected transactions, and evaluate the fairness and reasonableness of transaction terms (including pricing terms) by obtaining information on relevant transactions and their respective fee rates and other terms from other domestic financial institutions independent from the Company and its connected persons, and compare the benchmark interest rate for term loans issued by the People's Bank of China, to ensure that the relevant terms are entered into on normal commercial terms, are no less favourable than those provided to or by independent third parties, and are consistent with the above pricing policy under the 2024 Comprehensive Financial Services Cooperation Agreement; and monitoring the transaction amounts relating to the proposed annual caps under the 2024 Comprehensive Financial Services Cooperation Agreement by building up management accounts for continuing connected transactions and designating personnel for management and maintenance, and consolidating and preparing statistics for the transaction amounts incurred in the continuing connected transactions on a monthly basis. The Company will re-comply with the necessary approval procedures in accordance with the Listing Rules 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 under the 2024 Comprehensive Financial Services Cooperation Agreement will be exceeded during the term of the 2024 Comprehensive Financial Services Cooperation Agreement, the Company will re-comply with the applicable compliance obligations at applicable percentage ratios under Chapter 14A of the Listing Rules based on revised annual caps under the 2024 Comprehensive Financial Services Cooperation Agreement.

LETTER FROM THE BOARD

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 to be contemplated under the 2024 Comprehensive Financial Services Cooperation 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-fifth meeting of the eleventh session of the Board has considered and approved the Resolution on the Entering into of the Comprehensive Financial Services Cooperation Agreement with China Datang Group Capital Holding Co., Ltd., details of which were set out in the overseas regulatory announcement of the Company dated 1 March 2024.

None of the Directors has any material interest in the 2024 Comprehensive Financial Services Cooperation Agreement. Mr. Ying Xuejun, Mr. Ma Jixian and Mr. Tian Dan, the connected Directors, have abstained from voting on the relevant resolution in accordance with the requirements of the listing rules of the Shanghai Stock Exchange.

INFORMATION OF THE RELEVANT PARTIES

1. The Company was established in December 1994 and is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the repair and maintenance of power equipment and power related technical services. The main service areas of the Company are in the PRC.
2. CDC was established on 9 April 2003 with registered capital of RMB37 billion. It is principally engaged in the development, investment, construction, operation and management of power energy; organisation of power (thermal) production and sales; manufacturing, repair and commissioning of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering; development of new energy; self-operated and commissioned import and export business for commodities and technologies.
3. Datang Capital Holding was established on 30 November 2011 with registered capital of RMB2 billion, and is a wholly-owned subsidiary of CDC. It is principally engaged in investment management, asset management and investment consulting.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CDC together with its subsidiaries hold approximately 53.09% of the issued share capital of the Company. Since Datang Capital Holding is a wholly-owned subsidiary of CDC, Datang Capital Holding is a connected person of the Company. Accordingly, the 2024 Comprehensive Financial Services Cooperation Agreement and the transactions to be contemplated thereunder constitute continuing connected transactions of the Company.

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, the transactions to be contemplated under the 2024 Comprehensive Financial Services Cooperation Agreement should be aggregated with the Previous Transactions and treated as if they were one transaction.

As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions to be contemplated under the categories of direct lease and sale and leaseback under the 2024 Comprehensive Financial Services Cooperation Agreement, when aggregated with the same category of transactions in the Previous Transactions, are 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.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions to be contemplated under the category of direct lease under the 2024 Comprehensive Financial Services Cooperation Agreement, when aggregated with the same category of transactions in the Previous Transactions, is more than 25% but less than 100%, such transactions constitute major transactions of the Company, and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions to be contemplated under the category of sale and leaseback under the 2024 Comprehensive Financial Services Cooperation Agreement, when aggregated with the same category of transactions in the Previous Transactions, is more than 5% but less than 25%, such transactions constitute discloseable transactions of the Company, and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions to be contemplated under the category of factoring business under the 2024 Comprehensive Financial Services Cooperation Agreement, when aggregated with the same category of transactions in the Previous Transactions, 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.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions to be contemplated under the category of factoring business under the 2024 Comprehensive Financial Services Cooperation Agreement, when aggregated with the same category of transactions in the Previous Transactions, is more than 5% but less than 25%, such transactions constitute discloseable transactions of the Company, and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

According to the 2024 Comprehensive Financial Services Cooperation Agreement, the entrusted loan services to be provided by the Members of Datang Capital Holding to the Group will constitute financial assistance provided by a connected person for the benefit of the Group. As such entrusted loan services are entered into on normal commercial terms (or better commercial terms for the Group) and the Group will not pledge any assets in respect to the entrusted loan services, according to Rule 14A.90 of the Listing Rules, the entrusted loan services are fully exempted from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions to be contemplated under the category of Other Financial Services under the 2024 Comprehensive Financial Services Cooperation Agreement is less than 0.1%, such transactions are fully exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions to be contemplated under the category of Other Financial Services under the 2024 Comprehensive Financial Services Cooperation Agreement is more than 5% but less than 25%, such transactions constitute discloseable transactions of the Company, and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

AGM

The Company will convene the AGM to consider and approve, among other things, the 2024 Comprehensive Financial Services Cooperation Agreement.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transaction and its associates will abstain from voting at the AGM to be held by the Company to, including but not limited to, consider and approve the 2024 Comprehensive Financial Services Cooperation Agreement. Therefore, CDC and its associates, which hold 9,824,568,940 shares of the Company in aggregate as at the Latest Practicable Date, representing approximately 53.09% of the issued share capital of the Company, shall abstain from voting at the AGM to consider and approve the 2024 Comprehensive Financial Services Cooperation Agreement.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, apart from CDC and its associates, no other Shareholders have material interest in the 2024 Comprehensive Financial Services Cooperation Agreement and shall abstain from voting at the resolution(s) in relation to the approval of the 2024 Comprehensive Financial Services Cooperation Agreement at the AGM.

RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee as set out on pages 19 to 20 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation 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 21 to 37 of this circular which contains, among other things,

LETTER FROM THE BOARD

its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement, the casting of votes for or against the resolution(s) approving the 2024 Comprehensive Financial Services Cooperation Agreement as well as the principal factors and reasons considered by it in concluding its advice.

The Directors (including the independent non-executive Directors) are of the view that the relevant terms of the 2024 Comprehensive Financial Services Cooperation Agreement are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms and in the ordinary and usual course of business of the Company, are in the interests of the Company and its Shareholders as a whole, and they recommend the Shareholders to vote in favour of the resolution(s) at the AGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board of
Datang International Power Generation Co., Ltd.
Sun Yanwen
Joint 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

29 May 2024

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTIONS,
DISCLOSEABLE TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS
2024 COMPREHENSIVE FINANCIAL SERVICES
COOPERATION AGREEMENT**

We refer to the circular issued by the Company to the Shareholders dated 29 May 2024 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

Under the Listing Rules, the transactions to be contemplated under the 2024 Comprehensive Financial Services Cooperation Agreement constitute continuing connected transactions of the Company, and the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement are subject to the approval of the Independent Shareholders at the AGM.

We have been appointed as the Independent Board Committee to consider the terms of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement and to advise the Independent Shareholders based on our opinion regarding whether the terms of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement are fair and reasonable and whether the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement are in the interests of the Company and the Shareholders as a whole. Trinity Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us in this respect.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 are of the view that the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement are entered into on normal commercial terms, and that the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement are in the interests of the Company and the Shareholders as a whole.

We also consider that the terms of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement (including the annual caps contemplated thereunder) are entered into in the ordinary and usual course of business of the Company, and are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement (including the annual caps contemplated thereunder) at the AGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Niu Dongxiao, Zong Wenlong, Zhao Yi, Zhu Dahong and You Yong

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 the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement, which has been prepared for the purpose of inclusion in this circular.

TRINITY

Trinity Corporate Finance Limited
Unit 102B, 1st Floor, Building 5W,
Hong Kong Science Park,
New Territories,
Hong Kong.

29 May 2024

To the Independent Board Committee and the Independent Shareholders of

Datang International Power Generation Co., Ltd.

Dear Sirs,

MAJOR TRANSACTIONS, DISCLOSEABLE TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS 2024 COMPREHENSIVE FINANCIAL SERVICES COOPERATION 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 2024 Comprehensive Financial Services Cooperation Agreement, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) in the Company’s circular dated 29 May 2024 (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 1 March 2024, the Company and Datang Capital Holding (of which Datang Leasing Company, Shanghai Datang Financial Lease Company and Datang Factoring Company are subsidiaries) entered into the 2024 Comprehensive Financial Services Cooperation Agreement, pursuant to which, the Members of Datang Capital Holding will provide the Group with support on financial leasing, factoring, entrusted loans, property rights transactions and asset management and relevant businesses in an aggregate amount not exceeding RMB20 billion per annum from the effective date of the 2024 Comprehensive Financial Services Cooperation Agreement.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

The term of the 2024 Comprehensive Financial Services Cooperation Agreement is 36 months from the effective date. As the 2024 Comprehensive Financial Services Cooperation Agreement covers the counterparties and types of transactions of the Previous Transactions, upon the 2024 Comprehensive Financial Services Cooperation Agreement taking effect, the 2021 Leasing and Factoring Business Cooperation Agreement, the 2022 Financial Business Cooperation Agreement and the 2023 Factoring Business Cooperation Agreement shall be automatically terminated.

As at the Latest Practicable Date, CDC is the controlling shareholder of the Company, which together with its subsidiaries, holds approximately 53.09% of the issued share capital of the Company. Since Datang Capital Holding is a wholly-owned subsidiary of CDC, Datang Capital Holding is a connected person of the Company and the 2024 Comprehensive Financial Services Cooperation Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, the transactions contemplated under the 2024 Comprehensive Financial Services Cooperation Agreement should be aggregated with the Previous Transactions and treated as if they were one transaction.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the categories of direct lease and sale and leaseback under the 2024 Comprehensive Financial Services Cooperation Agreement, when aggregated with the same category of transactions in the Previous Transactions, are 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.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the category of direct lease under the 2024 Comprehensive Financial Services Cooperation Agreement, when aggregated with the same category of transactions in the Previous Transactions, is more than 25% but less than 100%, such transactions constitute major transactions of the Company, and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the category of sale and leaseback under the 2024 Comprehensive Financial Services Cooperation Agreement, when aggregated with the same category of transactions in the Previous Transactions, is more than 5% but less than 25%, such transactions constitute discloseable transactions of the Company, and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the category of factoring business under the 2024 Comprehensive Financial Services Cooperation Agreement, when aggregated with the same category of transactions in the Previous Transactions, 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.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the category of factoring business under the 2024 Comprehensive Financial Services Cooperation Agreement, when aggregated with the same category of transactions in the Previous Transactions, is more than 5% but less than 25%, such transactions constitute discloseable transactions of the Company, and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company will convene the AGM to consider and approve, among others, the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation 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 AGM to be held by the Company for (among others) considering and approving the 2024 Comprehensive Financial Services Cooperation Agreement and the transactions contemplated thereunder. Therefore, CDC and its associates, which hold approximately 53.09% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting at the AGM for approving the 2024 Comprehensive Financial Services Cooperation 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 2024 Comprehensive Financial Services Cooperation Agreement and the transactions contemplated thereunder and shall abstain from voting at the resolution(s) in relation to the approval of the 2024 Comprehensive Financial Services Cooperation Agreement and the transactions contemplated thereunder at the AGM.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement and the transactions contemplated thereunder. 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 regarding the discloseable transactions and the continuing connected transactions in relation to the 2022 financial business cooperation agreement (details of which were set out in the circular of the Company dated 28 July 2022), the continuing connected transactions in relation to the 2022 financial services agreement (details of which were set out in the circular of the Company dated 28 October 2022) and the discloseable transaction and continuing connected transaction in relation to the 2023 factoring business cooperation agreement (details of which were set out in the circular of the Company dated 19 April 2023). 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.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

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 AGM, Shareholders would be notified as soon as practicable.

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

We have not conducted any independent in-depth investigation into the business and affairs of the Group or any parties involved in the transactions contemplated under the 2024 Comprehensive Financial Services Cooperation Agreement. In forming our opinion, we consider that we have independently reviewed sufficient information, inter alia, the annual reports of the Company for the three years ended 31 December 2020, 2021 and 2022, the historical transaction amounts, the Letter from the Board and transaction samples of the Company as disclosed in this letter, to provide a reasonable basis for our opinion.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation 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 2024 Comprehensive Financial Services Cooperation Agreement, we have taken into account the following principal factors and reasons:

A. Background of the Company and Relevant Parties

The Company was established in December 1994 and is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the repair and maintenance of power equipment and power-related technical services, with its main service areas located in the PRC.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

CDC was established on 9 April 2003 with registered capital of RMB37 billion. It is principally engaged in the development, investment, construction, operation and management of power energy; organisation of power (thermal) production and sales; manufacturing, repair and commissioning of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering; development of new energy; self-operated and commissioned import and export business for commodities and technologies.

Datang Capital Holding was established on 30 November 2011 with registered capital of RMB2 billion, and is a wholly-owned subsidiary of CDC. It is principally engaged in investment management, asset management and investment consulting.

B. Financial Performance of the Company

The following table is a summary of the consolidated statement of profit or loss and other comprehensive income of the Group for the three years ended 31 December 2020, 2021 and 2022 respectively, as extracted from the annual reports of the Company.

(In millions of RMB)	For the year ended 31 December 2020 (audited)	For the year ended 31 December 2021 (restated)	For the year ended 31 December 2022 (audited)
Operating Revenue	95,614	103,610	116,828
(Loss)/profit before tax	7,144	(11,077)	77
(Loss)/profit for the year attributable to owners of the Company	1,830	(10,540)	(1,707)

During the year ended 31 December 2022, the Group realized operating revenue of approximately RMB116,828 million, representing an increase of approximately 12.76% compared with the previous year, which was mainly attributable to the year-on-year increase of 13.24% in operating revenue from power generation segment. Total operating costs of the Group amounted to approximately RMB113,766 million, representing an increase of approximately RMB2,595 million or approximately 2.33% compared with the previous year, which was mainly attributable to the rise in cost of fuel. During the same year, finance costs of the Group amounted to approximately RMB6,710 million, representing an increase of approximately RMB89 million or approximately 1.34% over the previous year. The increase was primarily due to increase in the scale of debt financing.

The Group reported a total profit before tax from continuing operations amounting to approximately RMB77 million, representing a year-on-year increase of approximately 100.70% compared with the previous year. Net loss attributable to equity holders of the Company amounted to approximately RMB330 million, while net loss attributable to equity holders of the Company for the year of 2021

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

amounted to approximately RMB9,103 million. Power generation segment of the Company realized a total loss before tax from continuing operations of approximately RMB1,836 million, representing a year-on-year decrease of approximately RMB10,716 million.

As of 31 December 2022, total assets of the Group amounted to approximately RMB305,105 million, representing an increase of approximately RMB8,456 million over the end of the previous year. The increase in total assets was mainly due to the increase in prepayments to suppliers and prepayments for properties, plant and equipment. Total liabilities of the Group amounted to approximately RMB228,773 million, representing an increase of approximately RMB8,669 million compared with the end of the previous year. The increase in total liabilities was mainly due to the increase in the principal of loan.

As at 31 December 2022, the debt ratio of the Group was approximately 74.98%. The net debt-to-equity ratio (i.e. (loans + short-term bonds + long-term bonds – cash and cash equivalents)/owner's equity) was approximately 219.66%. As at 31 December 2022, cash and cash equivalents of the Group amounted to approximately RMB10,142 million, among which deposits that were equivalent to approximately RMB163 million were foreign currency deposits. The Group had no entrusted deposits and overdue fixed deposits during the year. As at 31 December 2022, short-term loans of the Group amounted to approximately RMB37,431 million, bearing annual interest rates ranging from 1.30% to 6.50%. Long-term loans (excluding those repayable within one year) amounted to approximately RMB108,722 million and long-term loans repayable within one year amounted to approximately RMB16,968 million. Long-term loans (including those repayable within one year) were at annual interest rates ranging from 1.20% to 5.10%.

In 2022, the Company newly added generating units with 2,699.4 MW of generation capacity, including 1,477.8 MW of thermal coal-fired generation, 338 MW of wind power projects, 883.6 MW of photovoltaic projects, and the percentage of low carbon energy installed capacity was further improved to 33.1%. During the financial year in 2022, 55 power projects were approved, with an approved capacity of 10,469.46 MW, including 2 coal-fired projects with an approved capacity of 2,020 MW, 1 thermal power and gas turbine project with an approved capacity of 1,470 MW, 11 wind power projects with an approved capacity of 2,051.8 MW, and 31 photovoltaic projects with an approved capacity of 4,927.66 MW. The Company has 28 power projects under construction with a capacity of 7,394.68 MW, including 2 coal-fired projects with a capacity of 2,700 MW, 1 thermal power and gas turbine project with a capacity of 497 MW, 10 wind power projects with a capacity of 2,697 MW, and 15 photovoltaic projects with a capacity of 1,500.68 MW.

According to the preliminary estimate of the Company (which is unaudited) as set out in the Company's announcement of inside information on 30 January 2024, it is expected that the net profit attributable to the shareholders of the Company as recorded in the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023 will be approximately RMB1.0 to RMB1.5 billion, turning loss into profit as compared to the corresponding period of the previous year. The main reason for the estimated profit is that in 2023, inter alia, the Company continued to promote the development of green and low-carbon transformation, and the installed capacity of clean energy continued to increase, which effectively drove the overall year-on-year increase in power generation for the year, and realized a year-on-year increase in operating income.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

Furthermore, the unit fuel cost for power generation achieved a year-on-year decrease, resulting in a significant improvement in quality and efficiency and the turning of loss into profit in the Company's annual results.

C. Principal Terms of the 2024 Comprehensive Financial Services Cooperation Agreement

References are made to the announcements of the Company dated 16 December 2021, 16 June 2022 and 21 February 2023, and the circulars of the Company dated 10 January 2022, 28 July 2022 and 19 April 2023 in respect of, among other things, the 2021 Leasing and Factoring Business Cooperation Agreement, the 2022 Financial Business Cooperation Agreement and the 2023 Factoring Business Cooperation Agreement.

As mentioned in the Letter from the Board, in order to further promote the Company's improved governance and regulated operation, improve fund management efficiency and level, and based on the actual needs for the Group's operation and development, on 1 March 2024, the Company and Datang Capital Holding (of which Datang Leasing Company, Shanghai Datang Financial Lease Company and Datang Factoring Company are subsidiaries) entered into the 2024 Comprehensive Financial Services Cooperation Agreement, pursuant to which, the Members of Datang Capital Holding will provide the Group with support on financial leasing, factoring, entrusted loans, property rights transactions and asset management and relevant businesses in an aggregate amount not exceeding RMB20 billion per annum from the effective date of the 2024 Comprehensive Financial Services Cooperation Agreement.

(1) *Subject matter:*

Pursuant to the 2024 Comprehensive Financial Services Cooperation Agreement, the Members of Datang Capital Holding shall provide the Group with support on financial leasing, factoring, entrusted loans, property rights transactions and asset management and relevant businesses in an aggregate amount not exceeding RMB20 billion per annum from the effective date of the 2024 Comprehensive Financial Services Cooperation Agreement. The financial leasing methods to be provided by the lessors comprise sale and leaseback and the direct lease. In particular, sale and leaseback means that the lessors shall purchase the leased assets from the lessees based on the lessees' choice and lease them back to the lessees; and direct lease refers to the purchase by the lessors and the provision of the leased assets to the lessees as per the specifications and requirements of the lessees.

The Group and the Members of Datang Capital Holding may, during the term of the agreement, enter into specific contracts in accordance with the terms of the 2024 Comprehensive Financial Services Cooperation Agreement, and such specific contracts shall be subject to the terms of the 2024 Comprehensive Financial Services Cooperation Agreement.

(2) *Effective date and validity period of the agreement:*

The agreement shall become effective when it is duly signed by both parties and affixed with their respective company seals and upon the consideration and approval at the general meeting of the Company, with a validity period of 36 months from the effective date. As the 2024

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

Comprehensive Financial Services Cooperation Agreement covers the counterparties and types of transactions of the Previous Transactions, upon the 2024 Comprehensive Financial Services Cooperation Agreement taking effect, the 2021 Leasing and Factoring Business Cooperation Agreement, the 2022 Financial Business Cooperation Agreement and the 2023 Factoring Business Cooperation Agreement shall be automatically terminated.

(3) ***Major terms of the Non-exempt Continuing Connected Transactions under the agreement:***

- (a) Subject to compliance with the state policy and the relevant laws and regulations, the Members of Datang Capital Holding shall provide the Group with support on financial leasing, factoring, entrusted loans, property rights transactions and asset management and relevant businesses in an aggregate amount not exceeding RMB20 billion per annum in respect of key investment and construction projects in sectors such as thermal power, hydropower, wind power, recycling economy, including but not limited to, inter alia, the following Non-exempt Continuing Connected Transactions:
 - (i) Financial leasing business: the Members of Datang Capital Holding will give full play to the characteristics of flexible forms of financial leasing products, design and arrange treasury services for thermal power, hydropower, wind power, photovoltaic and recycling economy and other energy projects, revitalize the existing assets of completed projects of the Group through sale and leaseback business, adjust the debt structure and improve the financial condition; and ensure the needs of construction funds and guarantee the progress of project construction through direct lease of newly purchased equipment.
 - (ii) Factoring business: the Members of Datang Capital Holding will provide the Group with financing services of factoring business (including accounts receivable factoring and reverse factoring) for key projects in investment and construction in the fields of thermal power, hydropower, wind power, photovoltaic and recycling economy and others, to meet the daily operation and financing needs of the Group, relieve the cash flow pressure of projects and enhance the energy supply guarantee capacity.
- (b) Leveraging on their professional advantage in the financial business, the Members of Datang Capital Holding shall provide the Group with various economic consulting services, such as investment and financing consulting, financial advisory, financial leasing consulting, factoring consulting and transaction arrangements.
- (c) The Members of Datang Capital Holding shall, in accordance with the requirements of the Group and after comprehensively considering the factors such as relevant policies and laws and regulations of the PRC, the supply of and demand for capital in the market as well as the structural features of different products, provide the Group with most favourable financing rates or service rates. The general fee rates shall be equivalent to or more favourable than the domestic industry level. The Members of Datang Capital Holding shall help the Group to reduce the fees and costs and optimize the financial structure while ensuring the construction capital needs of the Group's projects.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

- (d) The Members of Datang Capital Holding shall, upon thorough negotiations with the Group, within the scope of the business development and planning of the Group, select appropriate lessees and projects and shall design and offer customized financial leasing, factoring, entrusted loans, property rights transactions and asset management and other business proposals.

(4) ***Pricing policy:***

The Members of Datang Capital Holding shall, in accordance with the Group's needs and after comprehensively considering the factors such as relevant policies and laws and regulations of the PRC, the supply of and demand for capital in the market as well as the structural features of different products, provide the Group with most favourable financing rates or service rates. The general fee rates shall be equivalent to or more favourable than the domestic industry level. The Members of Datang Capital Holding shall help the Group to reduce the fees and costs and optimize the financial structure while ensuring the construction capital needs of the Group's projects.

Prior to business cooperation with the Members of Datang Capital Holding, the Group shall collect information about the terms of the relevant transactions and their respective interest rates from other domestic financial institutions that are independent of the Company and its connected persons, and make comparisons based on the benchmark interest rate for term loans issued by the People's Bank of China to ensure that the Company is offered with the most favourable transaction terms and the general fee rates of the relevant transactions are equivalent to or more favourable than those offered by other domestic financial institutions, and to strive for the maximisation of the Group's overall interests.

We have reviewed two samples of continuing connected transactions and confirmed that the general fee rates of the relevant transactions are equivalent to or more favourable than those offered by other domestic financial institutions.

(5) ***Internal control policy to monitor the Continuing Connected Transactions:***

According to the requirements of management system of the connected transactions of the Company, the finance management department of the Company is responsible for tracking and monitoring the implementation of continuing connected transactions under the 2024 Comprehensive Financial Services Cooperation Agreement. During this process, the finance management department of the Company is responsible for information collection and price monitoring of continuing connected transactions, and evaluate the fairness and reasonableness of transaction terms (including pricing terms) by obtaining information on relevant transactions and their respective fee rates and other terms from other domestic financial institutions independent from the Company and its connected persons, and compare the loan prime rates (LPRs) of term loans released by the People's Bank of China, to ensure that the relevant terms are entered into on normal commercial terms, are no less favourable than those provided to or by independent third parties, and are consistent with the above pricing policy under the 2024 Comprehensive Financial Services Cooperation Agreement; and monitoring the transaction amounts relating to the proposed annual caps under the 2024 Comprehensive Financial

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Services Cooperation Agreement by building up management accounts for continuing connected transactions and designating personnel for management and maintenance, and consolidating and preparing statistics for the transaction amounts incurred in the continuing connected transactions on a monthly basis. The Company will re-comply with the necessary approval procedures in accordance with the Listing Rules in respect of continuing connected transactions that are expected to exceed their annual caps.

If it is anticipated that any of the annual caps under the 2024 Comprehensive Financial Services Cooperation Agreement will be exceeded during the term of the 2024 Comprehensive Financial Services Cooperation Agreement, the Company will re-comply with the applicable compliance obligations at applicable percentage ratios under Chapter 14A of the Listing Rules based on revised annual caps under the 2024 Comprehensive Financial Services Cooperation Agreement.

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 the continuing connected transactions.

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 the continuing connected transactions conducted during the previous financial year (including the transactions contemplated under the 2024 Comprehensive Financial Services Cooperation Agreement).

We have reviewed two samples of historical transactions for financial lease business entered into between the Group and Members of Datang Capital Holding (namely Datang Leasing Company and Shanghai Datang Financial Lease Company) and conducted sample checks on the approval process of the historical transactions and note that the approved application forms (as appended to the financial lease agreements), which contained information including the approved financial lease transaction amount and the approved length of term of the financial lease transaction, were properly counter-signed to confirm the approval by the respective units on the terms of the transactions and the approval of the terms. We consider that the sample size is sufficient in concluding our view that the above pricing policy was properly followed and that the terms of the transactions between the Group and Members of Datang Capital Holding are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are able to ensure that the Company will achieve terms which are on normal commercial terms or better. Also, based on the contents of the approved application forms reviewed by us which include the approvals of the transactions by the respective units, we consider the internal control measures were properly followed.

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We have also reviewed two samples of historical transactions for factoring business entered into between the Group and Members of Datang Capital Holding (namely Datang Leasing Company, Shanghai Datang Financial Lease Company and Datang Factoring Company) and conducted sample checks on the approval process of the historical transactions and note that the approved application forms (as appended to the factoring agreements), which contained information including the approved factoring transaction amount and the approved length of term of the factoring transaction, were properly counter-signed to confirm the approval by the respective units on the terms of the transactions and the approval of the terms. We consider that the sample size is sufficient in concluding our view that the above pricing policy was properly followed and that the terms of the transactions between the Group and Members of Datang Capital Holding are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are able to ensure that the Company will achieve terms which are on normal commercial terms or better. Also, based on the contents of the approved application forms reviewed by us which include the approvals of the transactions by the respective units, we consider the internal control measures were properly followed.

Also, we have reviewed the monthly list of transactions monitored by the Company for financial lease transactions and factoring transactions entered with Members of Datang Capital Holding for the year ended 31 December 2023, which confirms that the finance management department of the Company has been closely monitoring the respective annual caps as well as the terms of the respective continuing connected transactions in accordance with the Company's pricing policy and internal control measures to ensure that they are no less favourable to the Company than terms available from an independent third party and the transaction amounts do not exceed the respective annual cap.

After considering the above factors, we are of the opinion that the continuing connected transactions are conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders as a whole.

D. Historical Transaction Amount and Proposed Annual Caps

As calculated in accordance with the IFRS 16 (Leases), the historical transaction amounts of the Company's transactions with Shanghai Datang Financial Lease Company, Datang Leasing Company and Datang Factoring Company during the periods indicated below are as follows:

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(In RMB million)	For the year ended		For the year ended		For the year ended		For the year	As of the Latest Practicable Date
	31 December 2021		31 December 2022		31 December 2023		ending 31	
	Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount	December 2024	
							Annual cap	Actual amount
Direct lease								
With Shanghai Datang Financial Lease Company	(Note 1)	574	4,000	621	4,000	288	4,000	262
		(Note 1)						
With Datang Leasing Company	(Note 2)	439	(Note 2)	679	4,500	1,510	4,500	283
		(Note 2)		(Note 2)				
Sale and leaseback								
With Shanghai Datang Financial Lease Company	(Note 1)	361	2,500	716	2,500	552	2,500	205
		(Note 1)						
With Datang Leasing Company	(Note 2)	1,455	(Note 2)	1,850	2,000	1,829	2,000	177
		(Note 2)		(Note 2)				
Factoring business								
With Shanghai Datang Financial Lease Company	-	0	500	0	500	0	500	0
With Datang Leasing Company	-	0	(Note 2)	0	500	0	500	0
				(Note 2)				
With Datang Factoring Company	2,000	554	2,000	1,502	1,800	1,742	2,000	1,337
					(Note 3)	(Note 3)		

Note:

1. Before the adoption of IFRS 16 (Leases), the transaction amount of financial leasing between the Company and Shanghai Datang Financial Lease Company for the year ended 31 December 2021 amounted to RMB0.935 billion (then annual cap: RMB5 billion).
2. Before the adoption of IFRS 16 (Leases), the transaction amount of financial leasing between the Company and Datang Leasing Company for the year ended 31 December 2021 and for the eight months ended 31 August 2022 amounted to RMB1.894 billion (then annual cap: RMB10 billion) and RMB1.79 billion (then annual cap: RMB7 billion), respectively.

After the adoption of IFRS 16 (Leases), the transaction amount of direct lease, sale and leaseback and factoring business between the Company and Datang Leasing Company for the period from 1 September 2022 to 31 December 2022 amounted to RMB0 (then annual cap: RMB2 billion), RMB0.74 billion (then annual cap: RMB0.8 billion) and RMB0 (then annual cap: RMB0.2 billion), respectively.

3. The transaction amount of factoring business between the Company and Datang Factoring Company for the period from 1 January 2023 to 28 June 2023 and for the period from 29 June 2023 to 31 December 2023 amounted to RMB0.742 billion (then annual cap: RMB0.8 billion) and RMB1 billion (then annual cap: RMB1 billion), respectively.

For the three years ended 31 December 2023, the Group did not enter into any other financial services transactions with Shanghai Datang Financial Lease Company, Datang Leasing Company and Datang Factoring Company.

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The Company confirms that as at the Latest Practicable Date, the existing annual caps for the year ending 31 December 2024 under the 2021 Leasing and Factoring Business Cooperation Agreement, the 2022 Financial Business Cooperation Agreement and the 2023 Factoring Business Cooperation Agreement have not been exceeded.

Pursuant to the Listing Rules, the direct lease is deemed as the asset acquisition by the Group, and the sale and leaseback constitutes the asset disposal by the Group. The Company expects that the annual caps of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement are as follows:

(In RMB)	From the effective date of the agreement to 31 December 2024	From 1 January 2025 to 31 December 2025	From 1 January 2026 to 31 December 2026	From 1 January 2027 to the date of expiration of the agreement
Direct lease*	4.5 billion	6 billion	6 billion	1.5 billion
Sale and leaseback*	4.5 billion	6 billion	6 billion	1.5 billion
Factoring business	4.5 billion	6 billion	6 billion	1.5 billion

* *The amounts of the annual caps of the direct lease represent the right-of-use assets under IFRS 16 (Leases), and the amounts of the annual caps of the sale and leaseback represent the annualized amounts of repayment, which are in line with the accounting treatment under IFRS 16 (Leases).*

According to the Letter from the Board, the above proposed annual caps for the Non-exempt Continuing Connected Transactions are mainly determined with reference to the following factors considered by the Company:

In respect of financial leasing (including direct lease and sale and leaseback), in principle, the proposed annual caps are determined with reference to the Company's financing plan, which is derived from the expected capital needs of the Group in the next 36 months. Mainly taking into account the fact that the Group's loans with an aggregate amount ranging from approximately RMB80 billion to RMB100 billion per annum are expected to mature between 2024 and 2027, the principal of financial leasing is determined based on the purpose of replacing part of the existing maturing loans and for fulfilling part of the future capital needs for construction of existing projects. These projects (including but not limited to Datang Chaozhou Power Plant Units 5 and 6 Expansion Project, Datang Horinger Husbandry-photovoltaic Complementary Photovoltaic Power Generation Project, Alashan Base 400MW Wind Power Project and Jiangxi Xinyu Phase II Off-site Expansion Thermal Power Project) have been approved by the Board.

Furthermore, we have discussed with the Company and understand that the respective proposed annual caps of direct lease and sale and leaseback are also determined after considering the following specific factors:

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During the period of “14th Five Year Plan”, the Company continues to promote the green and low-carbon energy transformation, speeds up the construction of large-scale wind power, photovoltaic power and other clean energy base projects, and proactively invests in construction of offshore wind power projects. For the purpose of 2024 only, it is expected that the Company will invest approximately RMB32 billion of capital funds in projects including the Datang Chaozhou Power Plant Units 5 and 6 Expansion Project, Horinger Husbandry Photovoltaic Complementary Power Generation Project, Alashan Base 400MW Wind Power Project and Datang Nan’ao Lemen I Offshore Wind Power Expansion Project. In view of the high loan efficiency of financial leasing business, and that value-added tax incurred from direct leasing business can be deducted to reduce financing costs, the Company estimates that approximately 20% to 30% of the construction funds for the above-mentioned projects will be obtained through direct leasing or sale and leaseback according to the specific project condition, and the investment amount is expected to increase in the next few years, which will accordingly lead to the increase in the amount of direct leasing or sale and leaseback.

In addition, affected by the external market environment, some thermal power enterprises are under great pressure in operation, the sale and leaseback shall provide an important financing channel for thermal power enterprises that have difficulties in external financing. From the perspective of historical transactions, the sale and leaseback business between the Company and the Members of Datang Capital Holding had an average annual turnover of approximately RMB2.5 billion. In addition, approximately RMB1 billion of loans of the Company with higher interest rate each year will gradually expire in the next three years, and may be replaced with the sale and leaseback business to be provided by the Members of Datang Capital Holding regarding thereof.

Although during the relevant historical periods, the Group has chosen to obtain financing from other independent third-party financing channels that provided lower financing costs or more favorable terms compared with Datang Leasing Company and Shanghai Datang Financial Lease Company, the historical utilization rate of direct lease and sale and leaseback was relatively low, and on the premise of comprehensively considering the above factors, and based on the current annual caps under the 2021 Leasing and Factoring Business Cooperation Agreement and the 2022 Financial Business Cooperation Agreement, the Company entered into the 2024 Comprehensive Financial Services Cooperation Agreement in order to uniformly specify relevant financial leasing transactions and correspondingly adjust the proposed annual caps for direct lease and sale and leaseback to RMB6 billion to meet the increasing demand for financial leasing in the next 36 months.

In respect of factoring business, the proposed annual caps are determined after comprehensively considering the existing business and future business growth scale of the Group and other factors, including (i) it is anticipated that the total amount of account receivables and account payables of the Group every year for the period between 2024 and 2027 will be approximately RMB50 billion. As of the end of 2023, the Group’s account receivables amounted to RMB19.62 billion, of which account receivables from sales of electricity amounted to RMB17.958 billion and account receivables from sales of heat amounted to RMB0.725 billion; (ii) the financing term of factoring business is relatively short, which can meet the short-term working capital needs.

Although during the relevant historical periods, the Group has chosen to obtain financing from other independent third-party financing channels that provided lower financing costs or more favorable terms compared with Datang Leasing Company and Shanghai Datang Financial Lease Company, and

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did not conduct factoring business with Datang Leasing Company and Shanghai Datang Financial Lease Company in the past, however, as far as Datang Factoring Company (a major commercial factoring company under Datang Capital Holding) is concerned, the historical utilization rate maintained at a higher level since 2022, and based on the factoring demands brought from the Company's business scale growth, the Company expects to increase the transaction amount of factoring business to be conducted with Datang Factoring Company in the future.

On the premise of comprehensively considering the above factors, and based on the current annual caps under the 2021 Leasing and Factoring Business Cooperation Agreement, the 2022 Financial Business Cooperation Agreement and the 2023 Factoring Business Cooperation Agreement, the Company will correspondingly adjust the proposed annual caps for factoring business to RMB6 billion to meet the increasing demand for factoring business in the next 36 months.

Taking into account (i) that lease financing and factoring business is one of the important financing options under the context of the overall debt financing and taxation arrangements in the PRC; (ii) that the Group is an important customer and long-term business partner of the Members of Datang Capital Holding, and the Members of Datang Capital Holding provide more convenient, effective and efficient financial business services to the Group as compared to other financial institutions; (iii) future business growth factors, in order to adequately safeguard the Company's strategic development needs and expand alternate sources of funding for project construction; and (iv) that the Company expects to increase the transaction amount of factoring business to be conducted with Datang Factoring Company in the future, we concur with the view of the Board that such annual caps and their determination basis are fair and reasonable as far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

In assessing the increase in the proposed annual caps of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement, we note that there were year-on-year increments or at least the maintaining of similar level of the aggregate historical transaction amounts for each of direct lease, sale and leaseback, and factoring business, over the financial years from 2021 to 2023 as set out above. Also, we have reviewed the annual reports of the Company for the two years ended 31 December 2022 and note that the Group had net current liabilities of approximately RMB59.3 billion, RMB50.5 billion and RMB45.5 billion as at 31 December 2022, 2021 and 2020 respectively. Accordingly, the Group relied on borrowings as a significant source of liquidity and we agree that the Company's anticipation of the total amount of account receivables and account payables of the Group every year for the period between 2024 and 2027 being approximately RMB50 billion is reasonable. The opportunity to obtain additional financing through, inter alia, financial lease business and factoring services under the 2024 Comprehensive Financial Services Cooperation Agreement is therefore beneficial to the Company and the Independent Shareholders as a whole.

Based on our work done set out above, we consider that it is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole for the proposed annual caps to be set at the respective amounts above in view of the increasing needs for financial services under the Non-exempt Continuing Connected Transactions.

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E. Reasons for and benefits of entering into the 2024 Comprehensive Financial Services Cooperation Agreement

According to the Letter from the Board, currently, the Company has entered into agreements and conducted financing business with each of the three subsidiaries of Datang Capital Holding, namely Shanghai Datang Financial Lease Company, Datang Leasing Company and Datang Factoring Company. The 2024 Comprehensive Financial Services Cooperation Agreement entered into between the Company and Datang Capital Holding to unify the contracting of the relevant transactions is conducive to the Company's effective control of various connected transactions between both parties, which can effectively reduce the compliance risk and significantly improve the efficiency, and is a proactive measure for the Company to practically improve the quality of governance of listed company.

Entering into the 2024 Comprehensive Financial Services Cooperation Agreement will be beneficial for Datang Capital Holding to coordinate its subsidiaries in carrying out various businesses, fully utilize its investment capabilities and enhance the funding support to the Group, and will be conducive to further broadening the Group's financing channels, increasing the sources of corporate funding and improving the efficiency of the use of funds.

Pursuant to the 2024 Comprehensive Financial Services Cooperation Agreement, the Group will be able to obtain funding support and related financial services at rates equivalent to or lower than those in the domestic interbank market, and the Group's bargaining power in conducting related business with other financial institutions will be further enhanced, which will help reduce the overall operating costs of the Group.

Besides, the Members of Datang Capital Holding has a deeper understanding of the Group's business operations, which enables it to provide more convenient, efficient and customized financial services than other financial institutions, and effectively enhances the overall operation of the enterprises.

The Directors are of the view that the relevant terms of the 2024 Comprehensive Financial Services Cooperation Agreement are fair and reasonable, have been entered into after arm's length negotiations and on normal commercial terms, and are in the interests of the Company and its Shareholders as a whole. We agree that the pricing policy and internal control measures as well as principles of transactions set out above will ensure that the terms and conditions for transactions under the 2024 Comprehensive Financial Services Cooperation Agreement, which has been entered into after arm's length negotiations, will be on normal commercial terms or better, entered in the ordinary and usual course of business of the Company and hence will be in the interests of the Company and its Shareholders, including the Independent Shareholders, as a whole.

RECOMMENDATION

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

- (1) the principal businesses of the Company and Datang Capital Holding;

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- (2) the pricing policy and internal control measures as well as the principles of transactions, which ensure that the pricing and other terms and conditions shall be on normal commercial terms or better and will be similar to or more favourable than that with an independent third party;
- (3) the historical transaction amounts and underlying reasons for setting the proposed annual caps of the 2024 Comprehensive Financial Services Cooperation Agreement; and
- (4) the reasons for and benefits to the Company by entering into the 2024 Comprehensive Financial Services Cooperation Agreement;

we are of the opinion that the terms and the proposed annual caps of the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement and the transactions contemplated thereunder are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned, and the 2024 Comprehensive Financial Services Cooperation Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, and the entering into of the 2024 Comprehensive Financial Services Cooperation Agreement and the transactions contemplated thereunder is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Non-exempt Continuing Connected Transactions under the 2024 Comprehensive Financial Services Cooperation Agreement and the transactions contemplated thereunder at the AGM.

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

(1) FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the year ended 31 December 2021 has been disclosed on pages 97 to 252 of the annual report of the Company for the year ended 31 December 2021 published on 27 April 2022 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700449.pdf>); (ii) for the year ended 31 December 2022 has been disclosed on pages 97 to 256 of the annual report of the Company for the year ended 31 December 2022 published on 26 April 2023 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042600705.pdf>); and (iii) for the year ended 31 December 2023 has been disclosed on pages 101 to 244 of the annual report of the Company for the year ended 31 December 2023 published on 26 April 2024 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042603947.pdf>).

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

(2) FINANCIAL AND TRADING PROSPECTS OF THE GROUP

1. Deepen the promotion of intrinsic safety. The Company will deeply implement the safety concept of “life and safety first”, deeply carry out the “three-year action plan for tackling the root cause”, improve the dual prevention mechanism, and coordinate the operation of three systems, so as to ensure a safe and stable situation. The Company will also focus on equipment management, strengthen independent maintenance, implement independent inspection and repair, explore and implement condition-based maintenance, and effectively improve the reliability and economical efficiency of equipment, so as to lay a solid foundation for ensuring supply and increasing efficiency.
2. Strengthen lean management. The Company will deeply practice the business philosophy of “value and green first, innovation for win and cooperation for win-win”, and implement lean control of all elements and processes. The Company will further optimize the coal inventory structure, enhance the foresight of “storage in off-peak periods and consumption in peak periods” and the flexibility of “favorable procurement”, and achieve refined transportation. The Company will strengthen external coordination to strive for a favorable environment and strengthen internal management to mobilize the enthusiasm for power generation, scientifically allocate trading electricity, and improve the marginal benefits per kWh. The Company will also strengthen the concept of “all costs are controllable”, make every effort to reduce various costs, and promote income increase and expenditure reduction, so as to ensure the maximization of comprehensive benefits.
3. Transform and develop to move forward. The Company will adhere to development as the top priority, ensure the overall development with “strong mechanisms, heavy rewards and punishments, and tough measures”, optimize development goals by focusing on new energy, clean and efficient coal-fired power and emerging industries, roll up and break down, develop in stages and move forward, so as to highlight the green transformation. The Company will promote the large-scale and intensive development of new energy by balancing quantity and quality, fully utilize advantageous ways such as multi-energy complementarity, source, network, load and storage, and “two joint ventures”, and make every effort to seize resources,

implement projects and promote development. The Company will also continue to deploy emerging industries to achieve results, accelerate the development of new industries through integration and clustering, and resolutely win the battle of transformation and development.

4. Advance the reform and innovation steadily. The Company will strengthen the legal construction, improve the internal control system, and firmly implement the risk management and control, so as to ensure that the system will run in a standard and efficient manner and operate legally and compliantly. The Company will deepen the construction of “central enterprise under the rule of law” and the compliance management system, coordinately promote various regulatory mechanisms, and push ahead the deep integration of legal affairs, compliance, risk and internal control. The Company will improve the technology and innovation system, strengthen the management of R&D investment, and fully stimulate the enthusiasm of all staff to participate in technology and innovation. The Company will fully exert the platform functions of the listed company, enhance the value creation ability of the listed company, enhance the brand image of “Datang Power” in an all-round manner, and build an outstanding listed company in the industry with standardized management, excellent performance and high brand quality.

(3) INDEBTEDNESS

As at the close of business on 31 March 2024, being the latest practicable date for the purpose of this statement of indebtedness and contingent liabilities prior to the printing of this circular, the Group had unaudited outstanding interest-bearing debts of approximately RMB179.879 billion (excluding perpetual bonds included in equity), comprising borrowings from financial institutions of approximately RMB163.384 billion, outstanding bonds of approximately RMB6.49 billion, and outstanding financial lease repayable of approximately RMB10.005 billion, among which:

- (i) for borrowings from financial institutions, the guaranteed borrowings amounted to approximately RMB2.053 billion, the secured and pledged borrowings amounted to approximately RMB25.785 billion, and the unsecured and unguaranteed borrowings amounted to approximately RMB135.546 billion;
- (ii) for outstanding bonds, the guaranteed bonds amounted to approximately RMB3.0 billion, there were no secured and pledged bonds, and the unsecured, unpledged and unguaranteed bonds amounted to approximately RMB3.49 billion; and
- (iii) for outstanding financial lease repayable, the guaranteed financial lease repayable amounted to approximately RMB0, the secured financial lease repayable amounted to approximately RMB999 million, and the unsecured and unguaranteed financial lease repayable amounted to approximately RMB9.006 billion.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances credits, guarantees or contingent liabilities outstanding at the close of business on 31 March 2024.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since the close of business on 31 March 2024.

(4) WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available banking facilities and internal resources of the Group, the Group has sufficient working capital for its requirements at least within the next 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

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, 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.

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	Capacity/ Nature of Interest	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 (%)
China Datang Corporation Ltd. (Note 1)	A shares	Beneficial owner	6,540,706,520	35.34	52.76	/
	A shares	Interest of controlled corporation	8,238,600	0.04	0.07	/

Name of Shareholder	Class of Shares	Capacity/ Nature of Interest	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 (%)
	H shares	Interest of controlled corporation	3,275,623,820 (L)	17.70 (L)	/	53.61 (L)
Hebei Construction & Investment Group Co., Ltd. (Note 2)	A shares	Beneficial owner	1,281,872,927	6.93	10.34	/
Tianjin Jinneng Investment Co., Ltd. (Note 3)	A shares	Beneficial owner	1,214,966,500	6.57	9.80	/

(L) = Long Position

Notes:

- (1) Mr. Ying Xuejun, Mr. Tian Dan and Mr. Ma Jixian, non-executive Directors, are employees of CDC.
- (2) Mr. Cao Xin and Mr. Zhao Xianguo, non-executive Directors, are employees of Hebei Construction & Investment Group Co., Ltd.
- (3) 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.

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 held 5% or above in the issued share capital of the Company which were required to be notified to the Company; and (ii) none of the Directors, supervisors or chief executive of the Company, being also directors or employees of a company, had an interest or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE 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 2023 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contracts or arrangements entered into by any member of the Group, which were subsisting as at the Latest Practicable Date and which were significant in relation to the business of the Group.

5. MATERIAL CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, 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

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 are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, the above expert:

- (a) did not have any shareholding, direct or indirect, in any members of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up); and
- (c) 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

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

9. MISCELLANEOUS

- (a) The registered office of the Company is No. 9 Guangningbo Street, Xicheng District, Beijing, the PRC.
- (b) The principal place of business of the Company in Hong Kong is at 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. Sun Yanwen and Mr. Yim Lok Kwan. Mr. Yim Lok Kwan is a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

10. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular and up to the Latest Practicable Date, no contracts that are or may be material (not being contracts entered into in the ordinary course of business) were entered into by the Group.

11. DOCUMENTS 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 2024 Comprehensive Financial Services Cooperation Agreement;
- (b) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the full text of which is set out in this circular;
- (c) the written consent referred to in the section headed "EXPERT AND CONSENT" in this appendix.