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

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

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

DISCLOSEABLE AND CONNECTED TRANSACTIONS

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



A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee is set out on page 12 of this circular. A letter from Quam Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 20 of this circular.

The Company will convene the EGM at Summer Room of 2/F, The Westin Beijing Financial Street, No. 9B Financial Street, Xicheng District, Beijing, the PRC on 22 December 2015 (Tuesday) at 9:30 a.m. The notice convening the EGM has been despatched to the shareholders on 5 November 2015.

Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or at any adjourned meetings should you so wish.

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DEFINITIONS

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

“Asset Transfer Agreements”	the Agreement on the Transfer of the Ancillary Desulfurisation Installations and Related Assets of 2x500MW Coal-fired Generation Units of Shentou Power Company, the Agreement on the Transfer of the Ancillary Denitrification Installations and Related Assets of 2x500MW Coal-fired Generation Units of Shentou Power Company, the Agreement on the Transfer of the Flue Gas Desulfurisation Assets of 2x600MW Generation Units of Panshan Power Company, the Agreement on the Transfer of the Flue Gas Denitrification Assets of 2x600MW Generation Units of Panshan Power Company and the Agreement on the Transfer of the Flue Gas Denitrification Equipment and Related Assets of 4x600MW Generation Units of Wushashan Power Company dated 30 October 2015 entered into between Some Controlled Subsidiaries of the Company and relevant project based branches and subsidiaries of Datang Environment Industry Company
“Board”	the board of Directors
“CDC”	China Datang Corporation, a state-owned enterprise established under the laws of the PRC and is the controlling shareholder of the Company according to the Listing Rules
“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
“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
“Datang Environment Industry Company”	Datang Environment Industry Group Co., Ltd., a controlled subsidiary of CDC, details of which are set out in the section entitled “Information on the Parties to the Asset Transfer Agreements ”
“Denitrification Assets”	the denitrification installations and related assets, including all the facilities, equipment, spare parts and related information, ancillary to the coal-fired power generation units of Some Controlled Subsidiaries of the Company

DEFINITIONS

“Desulfurisation Assets”	the desulfurisation installations and related assets, including all the facilities, equipment, spare parts and related information, ancillary to the coal-fired power generation units of Some Controlled Subsidiaries of the Company
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Summer Room of 2/F, The Westin Beijing Financial Street, No. 9B Financial Street, Xicheng District, Beijing, the PRC on 22 December 2015 (Tuesday) at 9:30 a.m. to consider and approve, among others, the Asset Transfer Agreements
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent board committee of the Company, comprising five independent non-executive Directors, and each of them does not have any material interest in the Asset Transfer Agreement
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules
“Latest Practicable Date”	27 November 2015 , 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
“Panshan Power Company”	Tianjin Datang International Panshan Power Generation Company Limited, a controlled subsidiary of the Company, details of which are set out in the section entitled “Information on the Parties to the Asset Transfer Agreements”
“PRC”	the People’s Republic of China
“Previous Transaction”	the asset transfer agreements 22 January 2015 and 30 June 2015, details of which are set out in the Company’s announcements dated 22 January 2015, 10 February 2015 and 30 June 2015, respectively
“Quam Capital”	Quam Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Asset Transfer Agreement

DEFINITIONS

“Relevant project based branches and subsidiaries of Datang Environment Industry Company”	Branch of Shentou Project of Datang Environment Industry Co., Ltd., Branch of Jixian Project of Datang Environment Industry Group Co., Ltd. and Zhejiang Datang Tiandi Environmental Protection Technology Co., Ltd., details of which are set out in the section entitled “Information on the Parties to the Asset Transfer Agreements”
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company
“Shentou Power Company”	Shanxi Datang International Shentou Power Generation Company Limited, a controlled subsidiary of the Company, details of which are set out in the section entitled “Information on the Parties to the Asset Transfer Agreements”
“Some Controlled Subsidiaries of the Company”	Shentou Power Company, Panshan Power Company and Wushashan Power Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Three Years”	Three years ending 31 December 2015, 31 December 2016 and 31 December 2017
“Wushashan Power Company”	Zhejiang Datang International Wushashan Power Generation Company Limited, a controlled subsidiary of the Company, details of which are set out in the section entitled “Information on the Parties to the Asset Transfer Agreements”
“%”	percent

LETTER FROM THE BOARD



大唐国际发电股份有限公司

DATANG INTERNATIONAL POWER GENERATION CO., LTD.

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

(Stock Code: 00991)

Executive Directors:

Mr. Wu Jing
Mr. Ying Xuejun

Non-executive Directors:

Mr. Chen Jinhang (*Chairman*)
Mr. Hu Shengmu
Mr. Liang Yongpan
Mr. Cao Xin
Mr. Cai Shuwen
Mr. Liu Haixia
Ms. Guan Tiangang
Mr. Yang Wenchun

Independent non-executive Directors:

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

Office address:

No.9 Guangningbo Street
Xicheng District
Beijing, 100033
the PRC

*Principal place of business
in Hong Kong:*

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

1 December 2015

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

The Board announced that on 30 October 2015, Some Controlled Subsidiaries of the Company entered into the Asset Transfer Agreements with relevant project based branches and subsidiaries of Datang Environment Industry Company, a controlled subsidiary of CDC, respectively. Pursuant to such agreements, Some Controlled Subsidiaries of the Company agreed to transfer the Desulfurisation Assets or Denitrification Assets to Datang Environment Industry Company, a franchising company engaging in desulfurisation or denitrification business, at an aggregate consideration of approximately RMB757.5120 million.

LETTER FROM THE BOARD

The purpose of this circular is:

- (1) to provide you with further details of the Asset Transfer Agreements;
- (2) to set out the recommendation of the Independent Board Committee in respect of the Asset Transfer Agreements; and
- (3) to set out the letter of advice from Quam Capital to the Independent Board Committee and the Independent Shareholders in respect of the Asset Transfer Agreements.

ASSET TRANSFER AGREEMENTS

Date

30 October 2015

Parties

Transferors of Desulfurisation Assets:	Shentou Power Company and Panshan Power Company
Transferors of Denitrification Assets:	Shentou Power Company, Panshan Power Company and Wushashan Power Company
Transferees of Desulfurisation Assets or Denitrification Assets:	Relevant project based branches and subsidiaries of Datang Environment Industry Company

Major Terms of the Asset Transfer Agreements

Some Controlled Subsidiaries of the Company entered into two desulfurisation asset transfer agreements and three denitrification asset transfer agreements with relevant project based branches and subsidiaries of Datang Environment Industry Company, respectively, with substantially the same terms, and the major terms of which are summarised as follows:

1. Subject of Transfer: Some Controlled Subsidiaries of the Company agreed to transfer the Desulfurisation Assets or Denitrification Assets to Datang Environment Industry Company.

The Desulfurisation Assets and Denitrification Assets include all facilities, devices, equipment and related information of the desulfurisation or denitrification installations ancillary to the coal-fired power generation units of Some Controlled Subsidiaries of the Company.

LETTER FROM THE BOARD

2. Consideration: Pursuant to the asset valuation report on the Desulfurisation Assets issued by an independent valuer, as at the valuation benchmark date (i.e. 31 December 2014), by adopting cost approach, the audited carrying value of the Desulfurisation Assets of Some Controlled Subsidiaries of the Company was approximately RMB277.9807 million and the appraised value was approximately RMB278.1697 million, representing an appreciation rate of 0.07%.

The consideration of the transfer of the Desulfurisation Assets is determined based on the appraised value of the assets at the benchmark date upon negotiation among the parties. The consideration of the transfer of Desulfurisation Assets equals to the sum of the appraised value and tax charges on asset transactions which is anticipated to be approximately RMB294.3682 million. All parties would determine the ultimate consideration based on the change in depreciation between the benchmark date and the actual completion date as well as other factors which would affect the carrying value of assets between the benchmark date and the completion date (it is expected that the ultimate consideration (tax exclusive) will not exceed the appraised value of the assets), and would enter into supplemental agreements.

Pursuant to the asset valuation report on the Denitrification Assets issued by an independent valuer, as at the valuation benchmark date (i.e. 31 December 2014), by adopting cost approach, the audited carrying value of the Denitrification Assets of Some Controlled Subsidiaries of the Company was approximately RMB396.3929 million and the appraised value was approximately RMB397.2760 million, representing an appreciation rate of 0.10%.

The consideration of the transfer of Denitrification Assets is determined based on the appraised value of the assets at the benchmark date upon negotiation among the parties. The consideration of the transfer of Denitrification Assets equals to the sum of the appraised value and tax charges on asset transactions which is anticipated to be approximately RMB463.1438 million. All parties would determine the ultimate consideration based on the change in depreciation between the benchmark date and the actual completion date as well as other factors which would affect the carrying value of assets between the benchmark date and the completion date (it is expected that the ultimate consideration (tax exclusive) will not exceed the appraised value of the assets), and would enter into supplemental agreements.

LETTER FROM THE BOARD

The aggregate consideration of the transfer of Desulfurisation Assets and Denitrification Assets is approximately RMB757.5120 million as detailed below:

Category	Company Name	Book Value (RMB million)	Appraised value (RMB million)	Appreciation	Payment (RMB million)
				Rate (%)	
Desulfurisation	Shentou Power Company	115.8771	116.0381	0.14	118.8216
	Panshan Power Company	162.1036	162.1316	0.02	175.5466
	Subtotal	277.9807	278.1697	0.07	294.3682
Denitrification	Shentou Power Company	94.6051	94.6854	0.08	112.4587
	Panshan Power Company	88.7291	88.7949	0.07	104.9543
	Wushashan Power Company	213.0587	213.7957	0.35	245.7308
	Subtotal	396.3929	397.2760	0.10	463.1438

3. Payment terms of the consideration: The consideration for the transfer of the Desulfurisation Assets or Denitrification Assets is payable by relevant project based branches and subsidiaries of Datang Environment Industry Company to Some Controlled Subsidiaries of the Company in two installments.

The first installment, being approximately RMB151.5024 million, representing 20% of the total consideration, shall be payable by relevant project based branches and subsidiaries of Datang Environment Industry Company by way of remittance within 10 days after the effective date of the agreement.

The second installment, being approximately RMB606.0096 million, representing 80% of the total consideration, shall be payable by relevant project based branches and subsidiaries of Datang Environment Industry Company by way of remittance within 30 days after the payment of the first installment.

Payment as detailed below:

No.	Company Name	Payment on 1st Installment (RMB million)		Payment on 2nd Installment (RMB million)	
		Desulfurisation	Denitrification	Desulfurisation	Denitrification
1	Shentou Power Company	23.7643	22.4917	95.0573	89.9670
2	Panshan Power Company	35.1093	20.9909	140.4373	83.9634
3	Wushashan Power Company	–	49.1462	–	196.5846
	Subtotal	58.8736	92.6288	235.4946	370.515
	Total	151.5024		606.0096	

LETTER FROM THE BOARD

4. Completion date: The completion of the acquisition of assets shall take place on the first working day after the agreement becomes effective and Some Controlled Subsidiaries of the Company receives the first installment of the consideration, upon which the representatives of Some Controlled Subsidiaries of the Company and relevant project based branches and subsidiaries of Datang Environment Industry Company shall sign the written transfer confirmation and Some Controlled Subsidiaries of the Company shall fully transfer the assets to Datang Environment Industry Company.

Effective date

The Asset Transfer Agreements shall become effective when they are duly signed by the parties with their respective company seals affixed therein and approved by the independent Shareholders.

Gains on the transfer of the Desulfurisation Assets and Denitrification Assets

The Company expects to obtain a gain of approximately RMB1.0721 million on the transfer of the Desulfurisation Assets and Denitrification Assets under the Asset Transfer Agreements. Such gains equal to the difference between the audited carrying amount of the Desulfurisation and Denitrification Assets as at 31 December 2014 (approximately RMB674.3736 million) and the consideration of the transfer of the Desulfurisation Assets and Denitrification Assets under the Asset Transfer Agreement (i.e. RMB675.4457 million), excluding relevant tax charges on asset transactions.

The proceeds from the transfer of the Desulfurisation Assets and Denitrification Assets are expected to be mainly used to satisfy the capital needs on construction and operation, repayment or replacement of new bank loans of Some Controlled Subsidiaries of the Company.

INFORMATION ON THE PARTIES TO THE ASSET TRANSFER AGREEMENTS

1. The Company, which 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.
2. Shentou Power Company is a subsidiary of the Company with a registered capital of RMB749 million. The equity holding structure of the company is as follows: 60% of its equity interests are held by the Company and 40% of its equity interests are held by other shareholders. Its current installed capacity amounted to 1,000MW.
3. Panshan Power Company is a subsidiary of the Company with a registered capital of RMB830 million. The equity holding structure of the company is as follows: 75% of its equity interests are held by the Company and 25% of its equity interests are held by other shareholders. Its current installed capacity amounted to 1,200MW.

LETTER FROM THE BOARD

4. Wushashan Power Company is a subsidiary of the Company with a registered capital of RMB1.7 billion. The equity holding structure of the company is as follows: 51% of its equity interests are held by the Company and 49% of its equity interests are held by other shareholders. Its current installed capacity amounted to 2,400MW.
5. Datang Environment Industry Company is a controlled subsidiary of CDC with a registered capital of RMB2.4 billion. Its scope of business mainly includes development of environmental protection projects as well as investments in and operation and management of environmental protection facilities.
6. Relevant project based branches and subsidiaries of Datang Environment Industry Company are branches or controlled subsidiaries set up by Datang Environment Industry Group Co., Ltd., which mainly responsible for investments in and operation and management of environmental protection facilities at respective projects' location.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ASSET TRANSFER AGREEMENTS

The proceeds of transferring the Desulfurisation Assets and Denitrification Assets can be used to finance corporate development and operation, repaying or substituting new bank loans, and effectively ease the financial pressure of the Company and reduce the Company's asset-to-liability ratio. Meanwhile, the professional management advantage of Datang Environment Industry Company can be brought into full play, the operational efficiency of the desulfurisation and denitrification facilities can be enhanced, and the risks concerning environmental protection can be reduced, and the operational costs of the Company can be saved.

The Directors (including the independent Directors), are of the view that the terms of the Asset Transfer Agreements have been determined on normal commercial terms, and the relevant transactions are fair, reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CDC is the controlling Shareholder of the Company, which together with its subsidiaries, holds 34.77% of the issued share capital of the Company. Datang Environment Industry Company is a controlled subsidiary of CDC. Relevant project based branches and subsidiaries of Datang Environment Industry Company are therefore connected persons of the Company and the transactions under the Asset Transfer Agreements constitute connected transactions of the Company.

LETTER FROM THE BOARD

Since all of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the total transaction amount under the Asset Transfer Agreements, when aggregated with the Previous Transaction, are more than 5% but less than 25%, the transactions under each of the Asset Transfer Agreements are subject to the requirements of reporting, announcement and approval by the independent Shareholders of the Company under Chapter 14A of the Listing Rules. Such transactions also constitute discloseable transactions under Chapter 14 of the Listing Rules.

The Company will disclose the relevant details of the Asset Transfer Agreements in the next annual report and accounts of the Company in accordance with the relevant requirements as set out in Chapter 14A of the Listing Rules.

BOARD'S APPROVAL

None of the Director has any material interest in the Asset Transfer Agreements. Those connected Directors, including Chen Jinhang, Hu Shengmu and Liang Yongpan, have abstained from voting at the Board's meeting for such resolution in accordance with the requirements of the listing rules of the Shanghai Stock Exchange.

EGM

The Company will convene the EGM to, among other things, ratify, consider and approve the Asset Transfer Agreements. The notice convening the EGM has been despatched to the shareholders on 5 November 2015.

Any Shareholder with a material interest in the transactions and its associates will abstain from voting at the EGM to be held by the Company, to, among others, consider and approve the Asset Transfer Agreements.

As at the Latest Practicable Date, CDC together with its subsidiaries holds approximately 34.77% of the issued share capital of the Company. CDC and its associates shall abstain from voting at the EGM to approve the Asset Transfer Agreements.

To the best of the Directors' knowledge, apart from CDC and its associates, no other shareholders have material interest in the transactions under the Asset Transfer Agreements and shall abstain from voting at the relevant resolution at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 12 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Asset Transfer Agreements. Your attention is also drawn to the letter of advice received from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 13 to 20 of this circular which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Asset Transfer Agreements, the casting of votes for or against the resolution approving the Asset Transfer Agreements as well as the principal factors and reasons considered by it in concluding its advice.

The Directors consider that the terms of the Asset Transfer Agreements are fair and reasonable and in the interest of the Shareholders and the Company as a whole and they recommend the Shareholders to vote in favour of the resolutions at the EGM.

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

LETTER FROM 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

1 December 2015

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to the shareholders dated 1 December 2015 (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 Asset Transfer Agreements constitute connected transactions of the Company, and are subject to the approval of the Independent Shareholders at the EGM.

We have been appointed as the Independent Board Committee to consider the terms of the Asset Transfer Agreements and to advise the Independent Shareholders in connection with the Asset Transfer Agreements as to whether, in our opinion, their terms are fair and reasonable and whether the Asset Transfer Agreements are in the interests of the Company and the shareholders as a whole. Quam Capital has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from Quam Capital as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of Quam Capital as set out in its letter of advice, we consider that the Asset Transfer Agreements are on normal commercial terms, and that the Asset Transfer Agreements are in the best interests of the Company and the Shareholders as a whole.

We also consider that the terms of the Asset Transfer Agreements are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Asset Transfer Agreements at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Jiang Guohua, Feng Genfu, Luo Zhongwei, Liu Huangsong and Jiang Fuxiu

Independent non-executive Directors

Datang International Power Generation Co., Ltd.

LETTER FROM QUAM CAPITAL

The following is the full text of the letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Asset Transfer Agreements which have been prepared for the purpose of inclusion in this circular.



Quam Capital Limited

A Member of The Quam Group

1 December 2015

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madam,

DISCLOSABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Asset Transfer Agreements, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 1 December 2015 (the “**Circular**”), of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 30 October 2015, Some Controlled Subsidiaries of the Company entered into the Asset Transfer Agreements with relevant project-based branches and subsidiaries of Datang Environment Industry Company, a controlled subsidiary of CDC, respectively. Pursuant to such agreements, Some Controlled Subsidiaries of the Company agreed to transfer the Desulfurisation Assets or Denitrification Assets to Datang Environment Industry Company, a franchising company engaged in the desulfurisation or denitrification business, at an aggregate consideration of approximately RMB757.5120 million.

As at the Latest Practicable Date, CDC together with its subsidiaries held approximately 34.77% of the issued share capital of the Company. Datang Environment Industry Company is a controlled subsidiary of CDC. Relevant project-based branches and subsidiaries of Datang Environment Industry Company are therefore connected persons of the Company and the transactions under the Asset Transfer Agreements constitute connected transactions of the Company, subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the total transaction amount under the Asset Transfer Agreements, when aggregated with the Previous Transaction, are more than 5% but less than 25%, the transactions under each of the Asset Transfer Agreements are subject to the requirements of reporting, announcement and approval by the independent Shareholders of the Company under Chapter 14A of the Listing Rules. Such transactions also constitute discloseable transactions under Chapter 14 of the Listing Rules.

LETTER FROM QUAM CAPITAL

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Luo Zhongwei, Mr. Liu Huangsong, Mr. Jiang Fuxiu, Mr. Jiang Guohua and Mr. Feng Genfu, has been established to advise the Independent Shareholders as to whether the terms of the Asset Transfer Agreements are fair and reasonable so far as the Company and Independent Shareholders are concerned and whether the entering of the Asset Transfer Agreements are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolution to be proposed at the EGM to approve the Asset Transfer Agreements. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Quam Capital 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 Quam Capital. In the last two years, Quam Capital has acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to certain continuing connected transactions and connected transaction (details of which were set out in the announcement or circular of the Company dated 20 May 2014, 16 July 2014, 17 September 2014, 1 December 2014, 22 January 2015, 29 January 2015, 21 July 2015, 13 October 2015 and 10 November 2015). Apart from normal professional fees paid or payable to us in connection with such appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true up to the date of this letter and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. The Directors have confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

LETTER FROM QUAM CAPITAL

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, Shentou Power Company, Panshan Power Company, Wushashan Power Company and Datang Environment Industry Company or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Group is principally engaged in the development and operation of power plants, the sale of electricity and thermal power, the overhaul and debugging of power equipment as well as the provision of power-related technical services, with its main service areas being in the PRC.

2. Information of Shentou Power Company, Panshan Power Company, Wushashan Power Company and Datang Environment Industry Company

Shentou Power Company is a subsidiary of the Company with a registered capital of RMB749 million. The equity holding structure of the company is as follows: 60% of its equity interests are held by the Company and 40% of its equity interests are held by other shareholders. Its current installed capacity amounted to 1,000MW.

Panshan Power Company is a subsidiary of the Company with a registered capital of RMB830 million. The equity holding structure of the company is as follows: 75% of its equity interests are held by the Company and 25% of its equity interests are held by other shareholders. Its current installed capacity amounted to 1,200MW.

Wushashan Power Company is a subsidiary of the Company with a registered capital of RMB1.7 billion. The equity holding structure of the company is as follows: 51% of its equity interests are held by the Company and 49% of its equity interests are held by other shareholders. Its current installed capacity amounted to 2,400MW.

Datang Environment Industry Company is a controlled subsidiary of CDC with a registered capital of RMB2.4 billion. Its scope of business mainly includes development of environmental protection projects as well as investment in and operation and management of environmental protection facilities. Relevant project-based branches and subsidiaries of Datang Environment Industry Company are branches or controlled subsidiaries set up by Datang Environment Industry Group Co., Ltd., which are mainly responsible for investment in and operation and management of environmental protection facilities at the locations of respective projects.

LETTER FROM QUAM CAPITAL

3. Reasons for entering into of the Asset Transfer Agreements

As stated in the Letter from the Board, the franchising of flue gas desulfurisation or denitrification by coal-fired power plant refers to the grant of franchise of coal-fired power enterprises' revenue rights, by way of a contract, resulted from the desulfurisation or denitrification electricity fees introduced by the State and concessionary policies related to desulfurisation or denitrification, to professional environmental protection companies, which assume the operation, maintenance and day-to-day management of desulfurisation or denitrification facilities as well as perform desulfurisation or denitrification tasks as stipulated by the contract.

Along with the higher requirements for environmental protection, it is anticipated that subsequent burdens from and investment in environmental protection will be on the increase. Upon implementation of desulfurisation and denitrification franchising, the desulfurisation and denitrification franchisee will be able to ensure that the power generation enterprises can meet the emission standard while taking over relevant Desulfurisation Assets and Denitrification Assets and operating the desulfurisation and denitrification system. With the respective assumption of environmental protection responsibilities, part of the pressure on the Company from environmental protection can be resolved and shared to a certain extent.

The proceeds from the transfer of the Desulfurisation Assets and Denitrification Assets can be used to finance corporate development and operation, and repay or substitute new bank loans for effectively easing the Company's financial pressure and reducing its asset-to-liability ratio. They also help maximize the professional management advantages of Datang Environment Industry Company, improve the operational efficiency of the desulfurisation and denitrification facilities, minimize the risks associated with environmental protection and save the operational costs of the Company.

The Directors (including the independent Directors) are of the view that the terms of the Asset Transfer Agreements have been determined on normal commercial terms, and the relevant transactions are fair, reasonable and in the interests of the Company and its Shareholders as a whole.

Having considered (i) as at 30 June 2015, the Group recorded the net current liabilities of approximately RMB43.8 billion and had short-term loans, short-term bonds and current portion of the non-current liabilities in aggregate of approximately RMB44.4 billion representing approximately 58.7% of total current liabilities, the proceeds of transferring the Desulfurisation Assets and Denitrification Assets can be used to finance corporate development and operation, repaying or substituting new bank loans, and effectively ease the financial pressure of the Company and reduce the Company's asset-to-liability ratio; (ii) the consideration for the transfer of the Desulfurisation Assets and Denitrification Assets is determined based on the appraised value of the assets by an independent valuer at the benchmark date upon negotiation among the parties and the consideration of the transfer of Desulfurisation Assets equals to the sum of the appraised value by an independent valuer and tax charges on asset transactions; (iii) the Company expects to obtain a gain of approximately RMB1.0721 million on the transfer of the Desulfurisation Assets and Denitrification Assets under the Asset Transfer Agreements; and (iv) the fairness and reasonableness of the major terms of the Asset Transfer Agreements (with detailed analysis set in the paragraph headed "4. Major Terms of the Asset Transfer Agreements" below), we are of the view that the entering into of the Asset Transfer Agreements is in the interest of the Company and the Shareholders as a whole.

LETTER FROM QUAM CAPITAL

4. Major Terms of the Asset Transfer Agreements

Some Controlled Subsidiaries of the Company entered into two desulfurisation asset transfer agreements and three denitrification asset transfer agreements with relevant project-based branches and subsidiaries of Datang Environment Industry Company, respectively, with substantially the same terms, and the major terms of which are summarised as follows:

1. Subject of Transfer: Some Controlled Subsidiaries of the Company agreed to transfer the Desulfurisation Assets or Denitrification Assets to Datang Environment Industry Company.

The Desulfurisation Assets and Denitrification Assets include all facilities, devices, equipment and related information of the desulfurisation or denitrification installations ancillary to the coal-fired power generation units of Some Controlled Subsidiaries of the Company.

2. Consideration: Pursuant to the asset valuation report on the Desulfurisation Assets issued by an independent valuer, as at the valuation benchmark date (i.e. 31 December 2014), by adopting cost approach, the audited carrying value of the Desulfurisation Assets of Some Controlled Subsidiaries of the Company was approximately RMB277.9807 million and the appraised value was approximately RMB278.1697 million, representing an appreciation rate of 0.07%.

The consideration of the transfer of the Desulfurisation Assets is determined based on the appraised value of the assets at the benchmark date upon negotiation among the parties. The consideration of the transfer of Desulfurisation Assets equals to the sum of the appraised value and tax charges on asset transactions which is anticipated to be approximately RMB294.3682 million. All parties would determine the ultimate consideration based on the change in depreciation between the benchmark date and the actual completion date as well as other factors which would affect the carrying value of assets between the benchmark date and the completion date (it is expected that the ultimate consideration (tax exclusive) will not exceed the appraised value of the assets), and would enter into supplemental agreements.

Pursuant to the asset valuation report on the Denitrification Assets issued by an independent valuer, as at the valuation benchmark date (i.e. 31 December 2014), by adopting cost approach, the audited carrying value of the Denitrification Assets of Some Controlled Subsidiaries of the Company was approximately RMB396.3929 million and the appraised value was approximately RMB397.2760 million, representing an appreciation rate of 0.10%.

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The consideration of the transfer of Denitrification Assets is determined based on the appraised value of the assets at the benchmark date upon negotiation among the parties. The consideration of the transfer of Denitrification Assets equals to the sum of the appraised value and tax charges on asset transactions which is anticipated to be approximately RMB463.1438 million. All parties would determine the ultimate consideration based on the change in depreciation between the benchmark date and the actual completion date as well as other factors which would affect the carrying value of assets between the benchmark date and the completion date (it is expected that the ultimate consideration (tax exclusive) will not exceed the appraised value of the assets), and would enter into supplemental agreements.

The aggregate consideration of the transfer of Desulfurisation Assets and Denitrification Assets is approximately RMB757.5120 million as detailed below:

Category	Company Name	Book Value (RMB million)	Appraised value (RMB million)	Appreciation	Payment (RMB million)
				Rate (%)	
Desulfurisation	Shentou Power Company	115.8771	116.0381	0.14	118.8216
	Panshan Power Company	162.1036	162.1316	0.02	175.5466
	Subtotal	277.9807	278.1697	0.07	294.3682
Denitrification	Shentou Power Company	94.6051	94.6854	0.08	112.4587
	Panshan Power Company	88.7291	88.7949	0.07	104.9543
	Wushashan Power Company	213.0587	213.7957	0.35	245.7308
	Subtotal	396.3929	397.2760	0.10	463.1438

In order to assess the fairness and reasonableness of the consideration of the transfer of the Desulfurisation Assets and Denitrification Assets, we have reviewed the asset valuation report and the assumptions used in the valuation. We have also discussed with the management of the Company and noted that the assumptions used in the valuation of the Desulfurisation Assets and Denitrification Assets are normal.

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3. Payment terms of the consideration: The consideration for the transfer of the Desulfurisation Assets or Denitrification Assets is payable by relevant project-based branches and subsidiaries of Datang Environment Industry Company to Some Controlled Subsidiaries of the Company in two installments.

The first installment, being approximately RMB151.5024 million, representing 20% of the total consideration, shall be payable by relevant project-based branches and subsidiaries of Datang Environment Industry Company by way of remittance within 10 days after the effective date of the agreement.

The second installment, being approximately RMB606.0096 million, representing 80% of the total consideration, shall be payable by relevant project-based branches and subsidiaries of Datang Environment Industry Company by way of remittance within 30 days after the payment of the first installment.

Payment as detailed below:

No.	Company Name	Payment on 1st Installment (RMB million)		Payment on 2nd Installment (RMB million)	
		Desulfurisation	Denitrification	Desulfurisation	Denitrification
1	Shentou Power Company	23.7643	22.4917	95.0573	89.9670
2	Panshan Power Company	35.1093	20.9909	140.4373	83.9634
3	Wushashan Power Company	–	49.1462	–	196.5846
	Subtotal	58.8736	92.6288	235.4946	370.515
	Total	151.5024		606.0096	

4. Completion date: The completion of the acquisition of assets shall take place on the first working day after the agreement becomes effective and Some Controlled Subsidiaries of the Company receives the first installment of the consideration, upon which the representatives of Some Controlled Subsidiaries of the Company and relevant project-based branches and subsidiaries of Datang Environment Industry Company shall sign the written transfer confirmation and Some Controlled Subsidiaries of the Company shall fully transfer the assets to Datang Environment Industry Company.

We have also reviewed the other terms of the Asset Transfer Agreements and are not aware of any terms which are uncommon to normal market practice. Based on our own experiences, the remaining terms of the Asset Transfer Agreements are the standard terms of Asset Transfer Agreements which we have reviewed before. Accordingly, we consider that the terms of the Asset Transfer Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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RECOMMENDATIONS

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the Asset Transfer Agreements are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Asset Transfer Agreements.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Gary Mui
Deputy Chief Executive Officer

Note: Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Quam Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 16 years of experience in the finance and investment banking industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

- (i) As at the Latest Practicable Date, none of the Directors, supervisors and chief executive of the Company have any interests and short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company under section 352 of the SFO or which was otherwise required 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.
- (ii) As at the Latest Practicable Date, none of the Directors, proposed Directors, supervisors or proposed supervisors of the Company has any direct or indirect interest in any assets which have since 31 December 2014 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

3. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

4. INTEREST IN CONTRACT

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement entered into by any member of the Group, and which was significant in relation to the business of the Group.

5. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors of the Company and its Subsidiaries, or their respective associates has interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries.

7. EXPERT

- (a) The following sets out the qualifications of the expert which has given its opinion or advice as contained in this circular:

Name	Qualifications
Quam Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

- (b) Quam Capital did not have any shareholding, direct or indirect, in any members of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group as at the Latest Practicable Date.
- (c) Quam Capital does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any members of the Group, or which are proposed to be acquired or disposed of by or leased to any members of the Group since 31 December 2014, the date to which the latest published audited financial statements of the Company were made up.
- (d) Quam Capital 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. MISCELLANEOUS

- (a) The registered office and office address of the Company is No. 9 Guangningbo Street, Xicheng District, Beijing, the PRC.
- (b) The place of business of the Company in Hong Kong is at c/o Eversheds, 21/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.
- (c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The acting secretary to the Board of the Company is Ying Xuejun.

9. MATERIAL CONTRACTS

Copies of the Asset Transfer Agreements, the consent letter and the letter of advice from Quam Capital are available for inspection at the principal place of business in Hong Kong of the Company at 21/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from the date of this circular up to and including 15 December 2015.