THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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

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

(Stock Code: 00991)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANIES FROM CDC

Financial adviser to Datang International Power Generation Co., Ltd.

廣發融資(香港)有限公司
GF CAPITAL (HONG KONG) LIMITED

GF Capital (Hong Kong) Limited

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

国信证券[香港]
GUOSEN SECURITIES (HK)

Guosen Securities (HK) Capital Company 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 1 to 71 of this circular. A letter from the Independent Board Committee is set out on page 72 to 73 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 74 to 102 of this circular.

The Company will convene the EGM at 1608 Conference Room of Datang International, 9 Guangningbo Street, Xicheng District, Beijing, the PRC on 16 March 2018 (Friday) at 9:30 a.m.. The notice convening the EGM has been dispatched to the Shareholders on 30 January 2018.

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.

22 February 2018

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

"Acquisition"	the acquisition by the Company of the Target Shares from CDC pursuant to the terms and conditions of the Transfer Agreement
"Anhui Company"	Datang Anhui Power Generation Co., Ltd (大唐安徽發電有限公司), a company established in the PRC and one of the Target Companies
"Anhui Company Consideration"	the consideration payable by the Company for the acquisition of 100% equity interest of Anhui Company from CDC, being RMB7,804.32 million
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Benchmark Date"	the benchmark date for the audit and valuation of the Target Companies, which is 30 September 2017
"Board"	the board of Directors
"CDC"	China Datang Corporation Limited (previously known as China Datang Corporation), a wholly state-owned company established under the laws of the PRC and is a controlling shareholder of the Company. For details, please refer to the section headed "Information of Relevant Parties"
"China Enterprise"	China Enterprise Appraisal Co., Ltd. (北京中企華資產評估有限責任公司), which is a third party independent from the Company and connected persons of the Company
"China United"	China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司), which is a third party independent from the Company and connected persons of the Company
"Company"	Datang International Power Generation Co., Ltd., a sino-foreign joint stock limited company incorporated in the PRC on 13 December 1994, whose H Shares are listed on the Stock Exchange and the London Stock Exchange and whose A Shares are listed on the Shanghai Stock Exchange. For details, please refer to the section headed "Information of Relevant Parties"

"Completion"	the completion of the transfer of all the assets under the Target Companies and their subordinated units and their related operation and management rights from CDC to the Company
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the aggregate consideration for the Acquisition under the Transfer Agreement
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Effective Date"	the date on which the Transfer Agreement is signed by the legal representative or authorised representative by the parties with their company chops affixed and upon the fulfillment of all of the conditions precedents as set out in the section headed "Conditions Precedent" in this circular
"EGM"	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, to approve the Acquisition
"Enlarged Group"	the Group as enlarged by the Target Companies immediately after the Acquisition
"GF Capital"	GF Capital (Hong Kong) Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
"Group"	the Company and its subsidiaries
"Guosen Securities" or "Independent Financial Adviser"	Guosen Securities (HK) Capital Company Limited (國信證券(香港)融資有限公司), a licensed corporation under the SFO permitted to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities for the purposes of the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Transfer Agreement

"Hebei Company"	Datang Hebei Power Generation Co., Ltd. (大唐河北發電有限公司), a company established in the PRC and one of the Target Companies
"Hebei Company Consideration"	the consideration payable by the Company for the acquisition of 100% equity interest of Hebei Company from CDC, being RMB4,442.37 million
"Heilongjiang Company"	Datang Heilongjiang Power Generation Co., Ltd. (大唐黑龍江發電有限公司), a company established in the PRC and one of the Target Companies
"Heilongjiang Company Consideration"	the consideration payable by the Company for the acquisition of 100% equity interest of Heilongjiang Company from CDC, being RMB5,880.82 million
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent Board committee, comprising the independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Acquisition
"Independent Shareholder(s)"	shareholders other than Shareholders who have material interest in the Acquisition under the Transfer Agreement
"Independent Valuers"	collectively, China Enterprise and China United
"Latest Practicable Date"	20 February 2018, 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
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展及改革委員會)
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"RSM Hong Kong"	the auditor of the Company, being Certified Public Accountants in Hong Kong, which has issued a letter in relation to the calculation of the valuation of the relevant subsidiaries of the Target Companies under Appendix IV of this circular

"Ruihua"	Ruihua CPAs (Special) LLP, the PRC accountants of the Company
"Settlement Date"	1 April 2018 or the first calendar day of the first calendar month after the date on which the EGM is convened (whichever is the later)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	the holder(s) of share(s) of the Company
"Shinewing"	SHINEWING (HK) CPA Limited, the reporting accountants of the Company, being Certified Public Accountants in Hong Kong, which have prepared an accountants' report on the historical financial information of the Target Companies and the unaudited proforma financial information of the Enlarged Group under Appendix II and Appendix VI of this circular, respectively
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Companies"	collectively, Hebei Company, Anhui Company and Heilongjiang Company
"Target Shares"	the 100% equity interests held by CDC in each of the Target Companies
"Transfer Agreement"	the share transfer agreement in relation to the Acquisition entered into between the Company and CDC on 6 December 2017
"Transitional Period"	the period between the Benchmark Date and the Settlement Date
"Valuation Reports"	collectively, the asset valuation report on Hebei Company issued by China United (Zhong Lian Ping Bao Zi [2017] 2096); the asset valuation report on Anhui Company issued by China Enterprise (Zhong Qi Hua Ping Bao Zi (2017) No. 1296-01); and the asset valuation report on Heilongjiang Company issued by China Enterprise (Zhong Qi Hua Ping Bao Zi (2017) No. 1296-02)
"Working Day(s)"	the statutory working day(s) in the PRC, except Saturdays, Sundays and public holidays of the PRC
"%"	percent

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

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

(Stock Code: 00991)

Executive Directors:
Mr. Wang Xin
Mr. Ying Xuejun

Non-executive Directors:
Mr. Chen Jinhang *(Chairman)*
Mr. Liu Chuandong
Mr. Liang Yongpan
Mr. Zhu Shaowen
Mr. Cao Xin
Mr. Zhao Xianguo
Mr. Liu Haixia
Ms. Guan Tiangang

Independent non-executive Directors:
Mr. Liu Jizhen
Mr. Feng Genfu
Mr. Luo Zhongwei
Mr. Liu Huangsong
Mr. Jiang Fuxiu

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

Principal place of business in Hong Kong:
c/o Eversheds Sutherland
21/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

22 February 2018

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF THE TARGET COMPANIES FROM CDC

Reference is made to the announcement of the Company dated 6 December 2017 in relation to the Acquisition. As stated in that announcement, the Company will issue a circular to the Shareholders to provide further information about the Acquisition.

The purpose of this circular is to, amongst others, (i) provide you with further details of the Transfer Agreement; (ii) set out the recommendation of the Independent Board Committee in respect of the Transfer Agreement; (iii) set out the letter of advice from Guosen Securities to the Independent Board Committee and the Independent Shareholders in respect of the Transfer Agreement; (iv) set out financial information of the Target Companies; (v) set out the summary asset valuation reports of the Target Companies; and (vi) set out the comfort letters in respect of the profit forecast relating to valuations by income approach in the summary asset valuation reports.

I. TRANSFER AGREEMENT

On 6 December 2017, the Company entered into the Transfer Agreement with CDC, pursuant to which the Company (as the purchaser) conditionally agreed to acquire the Target Shares from CDC (as the vendor) at an aggregate Consideration of RMB18,127.51 million.

The material content of the Transfer Agreement are set out as follows:

Date

6 December 2017

Parties

Purchaser : the Company; and

Vendor : CDC.

Subject Matter

The parties agreed that on and subject to the terms and conditions of the Transfer Agreement, the Company agreed to acquire the Target Shares from CDC.

Consideration

The Company agrees to pay RMB18,127.51 million to CDC as Consideration, comprising of the Hebei Company Consideration of RMB4,442.37 million, the Anhui Company Consideration of RMB7,804.32 million and the Heilongjiang Company Consideration of RMB5,880.82 million.

The Consideration was arrived at after arm's length negotiation between the parties taking into account the valuation of the assets of Target Companies as appraised by the Independent Valuers as at the Benchmark Date and other factors including the operation and financial position of the Target Companies, future planning for development and strategic synergy between the Company and the Target Companies.

Payment Terms

The Consideration is payable in cash by the Company in the following manner:

(i) Within 3 Working Days from the Settlement Date, the Company shall pay 50% of the Consideration, equivalent to a sum of RMB9,063.76 million;

(ii) Within 3 months from the Settlement Date, the Company shall pay 40% of the Consideration, equivalent to a sum of RMB7,251.00 million;

(iii) Within 3 months from the date on which the respective 100% equity interests of three Target Companies are fully transferred to the Company (subject to the date when the last Target Company completes the transfer of 100% equity interests to the Company), the Company shall pay RMB1,643.54 million to the CDC; and

(iv) The remaining amount of RMB169.22 million under the Acquisition shall be paid according to the following arrangement:

Within 10 years from the Settlement Date, the Company shall confirm in writing with CDC the arrangement of the Company in the utilisation and development of the land assets of the Target Companies, with a total area of approximately 3.221 million square metres, comprising of 16 plots of allocated land which are temporarily idle and one plot of land asset which does not yet have the relevant certificate:

1. If the Company confirms that it will continue to utilise and develop all or part of the abovementioned land and there are no circumstances in which such land may be objectively rendered unfit for any further utilisation and development, the Company shall pay in full to CDC the corresponding amount of the Consideration for such part of the land which the Company has confirmed in writing that it will continue to utilise and develop within 10 Working Days from such date on which such written confirmation is made by the Company. Then CDC shall not be held responsible for any expenses and obligations related to such part of the land;

2. If the Company confirms that it will no longer utilise and develop all or part of the abovementioned land, the Company shall dispose of such land as soon as practicable and it is not required to pay to CDC any of the corresponding amount of the Consideration for such part of the land which has been confirmed in writing that will no longer be utilised and developed.

CDC shall indemnify the Company in full from and against any losses and taxes (including but not limited to any administrative punishment, any losses arising from the surrender of such land to the government and any clearance fee and management fees except for any losses and expenses incurred by the Company's own fault) incurred in the course of the Company's disposal of such land; and any net proceeds, after deducting various expenses, from the disposal of the land by the Company shall be returned to CDC in full in one lump sum.

Settlement and Registration Arrangements

Subject to the satisfaction of all the conditions precedent as set out in the section headed "Conditions Precedent" in this circular, CDC and the Company shall complete the Acquisition on the Settlement Date. Upon the Settlement Date, the assets of the Target Companies and their related right of management and operation will be transferred from CDC to the Company. After the Settlement Date, subject to the satisfaction of all of the conditions as set out in the section headed "Conditions Precedent" in this circular, the Company and CDC shall procure the three Target Companies through amicable negotiation to complete the respective change in registration procedures for the transfer of the Target Shares at the Administration for Industry and Commerce in the PRC as soon as possible.

Conditions Precedent

The Transfer Agreement shall become effective upon the satisfaction of all of the following conditions precedent:

(i) the Acquisition has been approved by the board of directors of CDC;

(ii) the Acquisition has been approved by the Board and the Independent Shareholders at the EGM; and

(iii) the Valuation Reports have been filed by CDC.

Indebtedness and Employee Arrangement of the Target Companies

It was agreed that, on the basis that the nature of the Target Shares is 100% equity interests of limited liability companies, upon Completion, the Target Companies will be liable for their own creditors' rights and indebtedness and the labour relations of the existing employees of the Target Companies will not be changed as a result of the Acquisition.

Transition Arrangements

CDC shall be entitled to and assume the portion of the profit and loss arising from the Target Shares for the period from the Benchmark Date to the Settlement Date.

After the Settlement Date, both the Company and CDC may appoint an accounting firm with relevant securities qualifications to carry out an audit for the profit and loss of and the changes in the shareholders' interests of the Target Companies during the Transitional Period, and issue an audit report. If the Target Shares suffers from any loss and/or if there is any reduction in the value of net assets in respect of the Target Shares during the Transitional Period, CDC shall pay compensation to the Company for such losses and reduction on a dollar-to-dollar basis within 15 Working Days from the date on which such audit report is issued. If the Target Shares generate any profit or if the Target Companies record any increase in net assets during the Transitional Period according to such audit report, the Company shall refund to CDC the corresponding amount of profit or increase in net assets within 15 Working Days from the issue of the audit report.

It is further agreed that during the Transitional Period, CDC shall be responsible for the operation and management of all of the Target Companies and their subordinated units and CDC shall procure that the Target Companies and their subordinated units be operated according to the normal business operations and practices. CDC is further required to ensure the smooth operations of all significant assets of the Target Companies during the Transitional Period.

Undertakings by CDC

Pursuant to the Transfer Agreement, CDC agreed to provide, amongst others, the following undertakings to the Company in relation to the Acquisition:

(1) from the execution date of the Transfer Agreement, CDC shall not re-transfer, charge, entrust or establish any form of encumbrance or third party right in relation to the Target Shares, and CDC shall not negotiate and/or execute any form of legal documents, such as contract, memorandum and so forth, that conflict with the Acquisition or contain provisions that prohibit or restrict transfer of the Target Shares;

(2) in respect of the matters of land and buildings of the Target Companies and their subordinated units as at the execution date of the Transfer Agreement, CDC undertakes that:

    (i) in respect of land parcels and buildings that have not obtained land use certificates, building ownership certificates and have not effected change of ownership of the relevant land and buildings in favour of the Target Companies and their subordinated units, CDC will procure the Target Companies and their subordinated units to use their best endeavours to obtain the relevant land use certificates and building ownership

certificates and complete the procedures for the change of owners' names for the relevant land parcels and buildings as the Target Companies and their subordinated units before the Settlement Date; in the event that any administrative punishment is imposed by the relevant competent authorities on or any relevant losses is suffered by the Target Companies and their subordinated units as a result of the failure to obtain land use certificates, building ownership certificates or to effect change of ownership of the relevant land and buildings in favour of the Target Companies or their subordinated units, CDC will compensate the Company in full;

(ii) in respect of the allocated land use nature that have not obtained confirmation documents from the relevant competent authorities on the allocation, CDC will compensate the Company in full for any fees and losses incurred by any of the Target Companies and their subordinated units for the punishment imposed by the relevant competent authorities on such land parcels and buildings or for the perfection of land use rights and house property rights due to reasons incurred before the Settlement Date as well as the resumption of such land and property by the PRC government authorities;

(3) the financing agreements, such as the loan agreements, guarantee agreements, entrusted loan agreements and so forth, that were entered by the Target Companies and their subordinated units as a contracting party before the Settlement Date shall continue to be performed by the Target Companies and their subordinated units, whilst CDC shall continue to perform the guarantee and warranties which it has provided under the said financing agreement (Note 1); and

(4) if the Target Companies and their subordinated units incur any contingent debt as a result of the reasons that arose or existed before the Settlement Date, the Company shall not assume any liabilities for such contingent debt, and if the Company, the Target Companies and their subordinated units incur any direct or indirect loss as a result of the aforesaid reason, CDC shall fully compensate the Company for such losses.

Note 1: The Company confirms that since such provision of guarantees by CDC to the Target Companies and their subordinated units are on normal commercial terms and are not secured by the assets of the Company and its subsidiaries, the Target Companies and their subordinated units, such financial assistance will be exempted from the compliance obligation of Chapter 14A under Rule 14A.90 of the Listing Rules.

Liabilities for Breach of Contract

Upon entering into the Transfer Agreement, save for force majeure, any parties not performing any obligations they shall have performed under the Transfer Agreement, performing those obligations belatedly or inadequately, or being in breach of any statements, guarantees or undertakings under the Transfer Agreement will constitute parties in breach of contract, and the parties shall be liable for breach of contract in accordance with the requirements of laws.

If the Acquisition fails to be implemented due to several reasons such as limitation of laws or policies, failure to obtain approval at the EGM of the Company, or failure to be authorized, filed or approved by governmental authorities, then neither parties shall be considered as breach of contract.

II. SOURCES OF FUNDS FOR PAYMENT OF THE CONSIDERATION

It is expected that, based on the favourable operating conditions, sufficient cash flow and adequate credit limit from banks of the Company, the Company will prioritise to utilise self-owned funds for the payment of the Consideration in the Acquisition according to its actual operating conditions and provided that this will not affect the normal production and operating activities of the Company, with the balance to be obtained via application for loans from financial institutions such as banks, or via financing in the bond market.

The current operating conditions of the Company are favourable with outstanding profitability. From January to September 2017, net profits attributable to the parent company of the Company amounted to RMB1,909.298 million, representing a year-on-year increase of 160.70%. According to the statistics of Wind, from January to September 2017, amongst the 35 listed companies in total under the category of thermal power sector as categorised by CITIC, only 7 listed companies recorded over RMB100 million of net profits attributable to their parent companies, while only 5 listed companies recorded year-on-year increase in their net profits attributable to their parent companies. The Company was within the abovementioned scope.

The current cash flow of the Company is favourable. According to the financial statements of the Company for the nine months ended 30 September 2017 prepared under the China Accounting Standard cash inflow generated from operating activities of the Company amounted to RMB56,697.74 million, cash outflow generated from operating activities amounted to RMB42,206.671 million, and net cash inflow generated from operating activities amounted to RMB14,491.069 million. As at 30 September 2017, the money funds owned by the Company on its books amounted to approximately RMB5,783.462 million.

The current credit limit of the Company is sufficient. As at 30 September 2017, the Company acquired a credit limit of RMB397.467 billion in total from banks and non-bank financial institutions. As RMB117.271 billion has been utilised, with RMB280.196 billion remaining as available credit limit.

III. INFORMATION OF THE TARGET COMPANIES

A) Hebei Company

Date of incorporation: 10 October 2004

Legal status: Limited liability company (not natural person investment or holding corporation sole investment)

Registered capital: RMB3,001,985,592

Scope of business: Hebei Company is principally engaged in the production and sale of electricity.

Installed Capacity: At present, Hebei Company has a total installed capacity of 2.947 million kW.

As at the Latest Practicable Date, Hebei Company is a wholly-owned subsidiary of CDC.

The following sets out certain background information of the controlled subsidiaries and participating stock companies of Hebei Company as at the Benchmark Date:

No.	Company name	Shareholding percentage
1.	Datang Hebei Renewable Energy (Zhangbei) Co., Ltd.	100%
2.	Datang Baoding Huayuan Thermal Power Co., Ltd.	61.00%
3.	Hebei Datang Power Fuel Co., Ltd.	100%
4.	Hebei Datang Electricity Engineering Co., Ltd.	21.67%
5.	Datang Qingyuan Thermal Power Co., Ltd.	99.04%
6.	Datang Wu'an Power Generation Co., Ltd.	74%
7.	Datang Baoding Heat Supply Co., Ltd.	65%
8.	Datang Wuyuan Renewable Energy Co., Ltd.	100%
9.	Datang Wulate Houqi Renewable Energy Co., Ltd.	100%
10.	Datang Hebei Energy Marketing Co., Ltd.	100%
11.	China Water Resources and Power Group Hebei Trading Co., Ltd.	49%

The ownership of the 100% equity interests held by CDC in Hebei Company is clearly defined, not subject to any mortgage, pledge or other circumstances that would hinder the transfer of the ownership thereof, and not subject to any dispute, litigation, arbitration or other legal proceedings.

Following the Completion, Hebei Company will become a controlled subsidiary of the Company and its financial data will be included in the consolidated financial statements of the Company. The Company has not provided Hebei Company with guarantees or appointed Hebei Company to perform financial management, nor is Hebei Company in possession of funds of the Company.

B) Anhui Company

Date of incorporation:	27 December 2013
Legal status:	Limited liability company (not natural person investment or holding corporation sole investment)
Registered capital:	RMB3,598,208,463.76
Scope of business:	Anhui Company is principally engaged in the production and sale of electricity.
Installed Capacity:	At present, Anhui Company has a total installed capacity of 6.244 million kW.

As at the Latest Practicable Date, Anhui Company is a wholly-owned subsidiary of CDC.

The following sets out certain background information of the controlled subsidiaries and participating stock companies of Anhui Company as at the Benchmark Date:

No.	Company name	Shareholding percentage
1.	Anhui Huainan Luoneng Power Generation Co., Ltd.	52.80%
2.	Ma'anshan Dangtu Power Generation Co., Ltd.	100%
3.	Datang Anhui Power Generation and Fuel Investment Co., Ltd.	100%
4.	Anhui Hefei United Power Generation Co., Ltd.	27.50%
5.	Datang Anqing Biomass Power Generation Co., Ltd.	66.67%
6.	Anhui Electric Power Co., Ltd.	50%
7.	Datang Anhui Energy Marketing Co., Ltd.	100%
8.	China Datang Overseas Technology Service Co., Ltd.	10%

The ownership of the 100% equity interests held by CDC in Anhui Company is clearly defined, not subject to any mortgage, pledge or other circumstances that would hinder the transfer of the ownership thereof, and not subject to any dispute, litigation, arbitration or other legal proceedings.

Following the Completion, Anhui Company will become a controlled subsidiary of the Company and its financial data will be included in the consolidated financial statements of the Company. The Company has not provided Anhui Company with guarantees or appointed Anhui Company to perform financial management, nor is Anhui Company in possession of funds of the Company.

C) Heilongjiang Company

Date of incorporation: 29 September 2004

Legal status: Limited liability company (not natural person investment or holding corporation sole investment)

Registered capital: RMB2,923,180,277.91

Scope of business: Heilongjiang Company is principally engaged in the production and sale of electricity.

Installed Capacity: As of now, Heilongjiang Company has a total installed capacity of 4.232 million kW, which includes a 0.35 million kW generating unit that has operated since 2 December 2017.

As at the Latest Practicable Date, Heilongjiang Company is a wholly-owned subsidiary of CDC.

The following sets out certain background information of the controlled subsidiaries and participating stock companies of Heilongjiang Company as at the Benchmark Date:

No.	Company name	Shareholding percentage
1.	Heilongjiang Longtang Electricity Investment Co., Ltd.	100%
1–1.	Heilongjiang Longtang Electricity Engineering Co., Ltd.	53.30% held by Heilongjiang Longtang Electricity Investment Co., Ltd.
1–2.	Shuangyashan Longtang Heat Supply Co., Ltd.	80% held by Heilongjiang Longtang Electricity Investment Co., Ltd.

No.	Company name	Shareholding percentage
1–3.	Heilongjiang Longtang Pipe Engineering Co., Ltd.	90% held by Heilongjiang Longtang Electricity Investment Co., Ltd.
1–4.	Daqing Longtang Heat Supply Co., Ltd.	97% held by Heilongjiang Longtang Electricity Investment Co., Ltd.
1–5.	Jixi Longtang Heat Supply Co., Ltd.	80% held by Heilongjiang Longtang Electricity Investment Co., Ltd.
2.	Datang Heilongjiang Renewable Power Development Co., Ltd.	100%
2–1.	Datang Hailin Weihushan Wind Power Generation Co., Ltd.	100% held by Datang Heilongjiang Renewable Power Development Co., Ltd.
2–2.	Datang Hua'an (Qiqihar) Wind Power Generation Co., Ltd.	100% held by Datang Heilongjiang Renewable Power Development Co., Ltd.
2–3.	Datang Jixian Taiping Wind Power Generation Co., Ltd.	100% held by Datang Heilongjiang Renewable Power Development Co., Ltd.
2–4.	Datang Dongning Hydropower Development Co., Ltd.	100% held by Datang Heilongjiang Renewable Power Development Co., Ltd.
3.	Datang Heilongjiang Electricity Technology Development Co., Ltd.	100%
3–1.	Datang Heilongjiang Engineering Project Management Co., Ltd.	100% held by Datang Heilongjiang Electricity Technology Development Co., Ltd.
3–2.	Datang Heilongjiang Property Management Co., Ltd. *(Note 2)*	100%

No.	Company name	Shareholding percentage
4.	Datang Jixi Second Thermal Power Co., Ltd.	100%
	4–1. Jixi Chenyu Environmental Engineering Co., Ltd.	70% held by Datang Jixi Second Thermal Power Co., Ltd.
5.	Datang Heilongjiang Energy Conservation Co., Ltd.	100% held by Heilongjiang Company directly and indirectly
6.	Datang Jixi Thermal Power Co., Ltd.	97.38%
7.	Datang Jixi Coal Development Co., Ltd.	100%
8.	Datang Mudanjiang Energy Development Co., Ltd. *(Note 2)*	100%
9.	Datang Suihua Thermal Power Co., Ltd.	100%
10.	Datang Qitaihe Power Generation Company	60%
11.	Datang Shuangyashan Thermal Power Co., Ltd.	96.37%
12.	Datang Heilongjiang Power Fuel Co., Ltd. *(Note 2)*	100%
13.	Datang Heilongjiang Materials Co., Ltd.	49%

Note 2: As at the Benchmark Date, Datang Heilongjiang Power Fuel Co., Ltd., Datang Mudanjiang Energy Development Co., Ltd. and Datang Heilongjiang Property Management Co., Ltd. have completed deregistration and cancellation procedures, while accounting work, however, is still in process, hence relevant assets and liabilities are still within the review and valuation scope, therefore included in this table.

The ownership of the 100% equity interests held by CDC in Heilongjiang Company is clearly defined, not subject to any mortgage, pledge or other circumstance that would prevent the transfer of the ownership thereof, and not subject to any dispute, litigation, arbitration or other legal proceedings.

Following the Completion, Heilongjiang Company will become a controlled subsidiary of the Company and its financial data will be included in the consolidated financial statements of the Company. The Company has not provided Heilongjiang Company with guarantees or appointed Heilongjiang Company to perform financial management, nor is Heilongjiang Company in possession of funds of the Company.

D) Original Acquisition Costs of the Target Companies

As the Target Companies were established by CDC, and were not acquired from a third party, there is no original acquisition cost for the Target Shares.

IV. KEY FINANCIAL INFORMATION OF THE TARGET COMPANIES

Following the Completion, the Target Companies will become subsidiaries of the Company and their results and financial position will be consolidated into the consolidated financial statements of the Company.

The following are certain audited financial information of the Hebei Company by adopting PRC enterprise accounting standard:

Unit: RMB'0,000

	Nine months ended 30 September 2017	**Year ended 31 December 2016**	**Year ended 31 December 2015**
Total assets	1,212,496.60	1,327,799.84	1,298,905.31
Total liabilities	905,574.60	965,296.22	1,010,876.55
Net assets	306,922.00	362,503.62	288,028.76
Operating income	405,078.02	537,926.57	553,105.97
Before-tax net profit/loss	-20,468.86	94,284.44	112,933.84
After-tax net profit/loss	-21,924.10	77,573.65	102,020.65

The following are certain audited financial information of the Anhui Company by adopting PRC enterprise accounting standard:

Unit: RMB'0,000

	Nine months ended 30 September 2017	**Year ended 31 December 2016**	**Year ended 31 December 2015**
Total assets	1,234,535.09	1,260,369.71	1,357,775.88
Total liabilities	803,627.61	790,243.11	897,319.69
Net assets	430,907.47	470,126.60	460,456.19
Operating income	594,651.34	753,947.37	888,450.96
Before-tax net profit/loss	-41,033.69	59,618.85	166,236.22
After-tax net profit/loss	-42,014.13	44,032.58	122,829.85

The following are certain audited financial information of the Heilongjiang Company by adopting PRC enterprise accounting standard:

Unit: RMB'0,000

	Nine months ended 30 September 2017	Year ended 31 December 2016	Year ended 31 December 2015
Total assets	1,712,386.28	1,691,629.63	1,635,102.42
Total liabilities	1,280,238.41	1,257,645.55	1,253,317.53
Net assets	432,147.87	433,984.08	381,784.89
Operating income	385,652.34	561,853.39	601,557.73
Before-tax net profit/loss	20,195.13	85,209.62	65,229.61
After-tax net profit/loss	13,441.39	65,082.79	42,623.96

V. VALUATION OF THE TARGET COMPANIES

A. Hebei Company

The appraised value of the total assets and net assets of Hebei Company amounted to RMB8,426,928,000 and RMB4,442,370,000 respectively as at the Benchmark Date as appraised by China United adopting the asset-based approach. Certain subsidiaries of Hebei Company (namely Datang Hebei Renewable Energy (Zhangbei) Co., Ltd., Datang Wuyuan Renewable Energy Co., Ltd. and Datang Wulate Houqi Renewable Energy Co., Ltd.) were appraised by adopting the income approach as at the Benchmark Date.

Both asset-based approach and income approach were adopted by China United in appraising the parent company and subsidiaries of Hebei Company, the details of which are set out in Appendix IIIA to this circular. For the reasons stated in page IIIA-69 of Appendix IIIA to this circular, China United as the independent valuer of the assets of Hebei Company has selected the valuation result based on asset-based approach from the two types of valuation result as the basis for determining the appraised value of the parent company of Hebei Company and most of its subsidiaries whose assets are related to thermal power industry, whereas it has selected the valuation result based on income approach for the parent company as the basis for determining the appraised value of only a few subsidiaries whose assets are categorized as photovoltaic and wind power assets.

The adoption of asset-based approach for the parent company in reaching its valuation conclusion does not represent that all the assets of the Hebei Company are evaluated by asset-based approach. All valuation results of the subsidiaries (including the results of most of the thermal power subsidiaries appraised by asset-based approach and the results of a few of the photovoltaic power and wind power subsidiaries appraised by income approach) have been included in the valuation result of the long-term equity investment under the overall valuation results of the parent company appraised by adopting asset-based approach. The adoption of income approach for the valuation of certain subsidiaries

is an important component of the overall valuation approach. The selection of two different valuation approaches for the parent company and some of the subsidiaries of Hebei Company respectively in arriving at the valuation results for determining the appraised value does not constitute inconsistencies.

It is confirmed by China United that the selection of valuation approach is the result of specific analysis and independent judgement made on the basis of the characteristics of the assets of Hebei Company, which can effectively ensure the fairness and reasonableness of the appraised value of Hebei Company.

As the valuation of certain subsidiaries of the Target Companies (as stated in the above) based on income approach constitutes profit forecast under Rule 14.61 of the Listing Rules, additional information in relation to the discounted cash flows in connection with the valuation of such companies is set out in the section headed "Profit Forecast under Listing Rules by Adopting Income Approach in Valuation" of this circular.

1. Valuation method and valuation results

In accordance with the asset valuation report on Hebei Company issued by China United (Zhong Lian Ping Bao Zi [2017] 2096), which is qualified to practice securities and futures related businesses, with 30 September 2017 as the Benchmark Date, the detailed valuation approach and results are as follows:

Unit: RMB'0,000

Number	Company Name	Shareholding percentage	Book value of shareholders' total equity (non-consolidated)	Adopted approach	Appraised value of shareholders' total equity	Difference	Appreciation rate
Target Company							
1.	Hebei Company	100% held by CDC	297,706.68	Asset-based approach	444,237.00	146,530.32	49.22%
Controlled subsidiaries and participating stock companies of Hebei Company							
1.	Datang Hebei Renewable Energy (Zhangbei) Co., Ltd.	100%	24,975.55	Income approach	31,616.16	6,640.61	26.59%
2.	Datang Baoding Huayuan Thermal Power Co., Ltd.	61.00%	-24,117.78	Asset-based approach	-7,100.42	17,017.36	70.56%
3.	Hebei Datang Power Fuel Co., Ltd.	100%	330.75	Asset-based approach	344.34	13.59	4.11%

Number	Company Name	Shareholding percentage	Book value of shareholders' total equity (non-consolidated)	Adopted approach	Appraised value of shareholders' total equity	Difference	Appreciation rate
4.	Hebei Datang Electricity Engineering Co., Ltd.	21.67%	157.88	Statement translation approach *(Note 3)*	157.88	0.00	0.00%
5.	Datang Qingyuan Thermal Power Co., Ltd.	99.04%	56,227.59	Asset-based approach	55,075.53	-1,152.06	-2.05%
6.	Datang Wu'an Power Generation Co., Ltd.	74%	60,998.57	Asset-based approach	48,535.28	-12,463.29	-20.43%
7.	Datang Baoding Heat Supply Co., Ltd.	65%	30,245.68	Asset-based approach	60,086.50	29,840.82	98.66 %
8.	Datang Wuyuan Renewable Energy Co., Ltd.	100%	4,181.77	Income approach	6,793.88	2,612.11	62.46%
9.	Datang Wulate Houqi Renewable Energy Co., Ltd.	100%	11,378.54	Income approach	13,630.42	2,251.89	19.79%
10.	Datang Hebei Energy Marketing Co., Ltd.	100%	2,010.94	Asset-based approach	2,010.94	0.00	0.00%
11.	China Water Resources Group Hebei Trading Co., Ltd.	49%	240.45	Statement translation approach *(Note 3)*	240.45	0.00	0.00%

Note 3: In respect of long-term equity interest investment for shareholding of 50% or below, appraised value is calculated by way of statement translation approach, that is the book value of net assets of investee company in the Benchmark Date times investment proportion to determine the appraised value (appraised value of equity interest investment = book value of net assets of investee company × shareholding percentage).

According to applicable laws, the above asset valuation report has been duly filed in compliance with State-owned asset valuation procedure.

The reasons for the appreciation of the value of Hebei Company for 49.22% as at the Benchmark Date are as follows:

(i) The appreciation of the appraised value of fixed assets is due to the fact that the fixed assets, i.e., the buildings of the evaluated entity were constructed years ago and that the life being applied by the entity in its calculation of depreciation is shorter than the economic life being applied in the valuation;

(ii) The appreciation of the appraised value of land is due to the fact that most of the land being the allocated land had been allocated to the entity years ago with very low accounting costs and that the prices of such land have been increasing in recent years; and

(iii) The appreciation of the appraised value of net assets is due to the fact that the deferred income and various subsidies under "liabilities" are determined by the cash basis of accounting system of completed subsidies projects for the purpose of valuation. The appraised value is then determined by the book value incorporating an income tax of 25%.

2. Assumptions for valuation

The principal assumptions are as follows:

General assumptions

(1) Transaction assumption: It is assumed that all assets to be valued are in the process of transaction, and valuers will make estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is the most basic assumption for the further implementation of the asset valuation.

(2) Open market assumption: It is assumed that with respect to the asset traded or to be traded in the market, the transaction parties are equal and have enough opportunity and time to access the market information so as to make a rational judgment on the function, intended purpose and transaction price of assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

(3) Continuing operations of assets assumption: It is assumed that the assets to be valued can be used continuously based on the intended purpose, method of operation, scale, frequency and environmental conditions, etc., or can be used on a changed basis. In this case, the corresponding valuation method, parameters and basis shall be determined accordingly.

Specific assumptions

(1) It is assumed that the external economic environment remains unchanged and there is no significant change in current national macroeconomic policies up to the Benchmark Date;

(2) It is assumed that there is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates, etc.;

(3) It is assumed that all assets under valuation are based on the actual inventories as of the Benchmark Date, and the domestic effective prices are used as the basis for the present market prices of assets;

(4) It is assumed that all basic information and financial information provided by the client and the evaluated entities are true, correct and complete;

(5) It is assumed that the scope of valuation shall be subject to the financial statements provided by the client and the evaluated entities without considering any possible contingent assets and contingent liabilities out of the lists provided by the client and the evaluated entities;

(6) It is assumed that all parameters used for valuation purpose take no consideration of inflation factor;

(7) It is assumed that the evaluated entities continue to operate with diligent work of its management in future operation periods;

(8) It is assumed that the valuation takes no consideration of gains or losses due to changes in the circumstances of the main businesses resulted from changes in management, operation strategies and business environment;

(9) It is assumed that tariffs remain at the same level as at the Benchmark Date, with tariff determination taking full account of the circumstances of obtaining the tariffs for desulfurisation, denitrification and dedusting, and composition of historical annual tariffs. It is also assumed that tariffs remain unchanged in the forecast period and future periods;

(10) It is assumed that the value of project investments and project progress coincide with the information related to planned projects such as investment plans, project feasibility research reports and estimated investment budgets provided by the company, and that projects are funded in time to realize scheduled operation;

(11) In relation to Datang Hebei New Energy (Zhangbei) Co., Ltd. (大唐河北新能源(張北)有限責任公司), the assumptions are as follows:

(i) Pursuant to Ji Jia Guan [2010] No. 61 Document and Ji Jia Guan [2013] No. 93 Document (冀價管[2010]61號、[2013]93號文件) issued by Hebei Price Bureau and Notice of the National Development and Reform Commission on Improving On-grid Tariff Policy for Wind Power (Fa Gai Jia Ge [2009] No. 1906) (《國家發改委關於完善風力發電上網電價政策的通知》(發改價格[2009]1906號)), on-grid tariff (tax inclusive) for phase II and phase III of the project of Zhangbei Wind Power Plant stands at RMB0.54/kWh set by the state, as adjusted by adjustments made by the state to the benchmark on-grid tariff;

(ii) According to relevant regulations under Clause 2 under Article 27 of Enterprise Income Tax Law of People's Republic of China and Article 87 of Rules for Implementation of Enterprise Income Tax Law of PRC, environmental protection projects including those related to wind power are entitled to preferential tax policy with effect from 1 January 2008. Since the taxable year when the first operation revenue is recorded, such projects enjoy three years of tax exemption and another three years of half-rate tax discount. As at the Benchmark Date, phase II, phase III and phase IV of the evaluated entity's project have obtained the preferential tax filing from relevant authorities of State Administration of Taxation;

(iii) The revenue of the evaluated entity is mainly derived from the sale of electricity generated by wind power. It is assumed that scale of assets, composition of revenue and cost, sales strategies and cost control in future operation periods will continue with the status as at the Benchmark Date. The annual power generation volume in future operation periods is based on verified capacity of wind power generator units and average utilization hours, taking no account of special changes resulted from possible ultra-reduction of power generation. The assumption takes no consideration of possible changes in operation ability, business scale and business structure (even though such changes may probably occur) resulting from changes in operation strategies and business environment. That is to say, this valuation is based on the continuation of the operation capacities, business scale and operation mode of power generation as at the Benchmark Date; and

(iv) Datang Hebei New Energy (Zhangbei) Co., Ltd. is qualified for preferential tax according to Notice on Issues Relevant to Implementation of the List of Public Infrastructure Projects Entitled to Enterprise Income Tax Preferences (Cai Shui [2008] No. 46) (財稅[2008]46號《關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知》), List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences (2008) (Cai Shui [2008] No. 116) (財稅[2008]116號《公共基礎設施項目企業所得稅優惠目錄(2008年版)》) and Notice on Issues Relevant to Implementation of Enterprise Income Tax Preferences for Public Infrastructure Projects Supported by the State (Guo Shui [2009] No. 80) (國稅發[2009]80號《關於實施國家重點扶持的公共基礎設施項目企業所得稅優惠問題的通知》). Upon the approval of Zhangbei County Office of the State Administration of Taxation, Wudengshan (Zhangbei) Phase II Wind Power Project is entitled to enterprise income tax exemption from 2011 to 2013 and half-rate income tax discount from 2014 to 2016; Wudengshan (Zhangbei) Phase III Wind Power Project is entitled to enterprise income tax exemption from 2014 to 2016 and half-rate enterprise income tax discount from 2017 to 2019; Wudengshan (Zhangbei) is entitled to enterprise income tax exemption from 2016 to 2018 and half-rate enterprise income tax discount from 2019 to 2021;

(12) In relation to Datang Wuyuan New Energy Co., Ltd. (大唐五原新能源有限公司), the assumptions are as follows:

(i) In accordance with Approval of Inner Mongolia Development and Reform Commission on On-grid Tariffs for Renewable Energy Power Generation Projects Including Wulanchulu 40MWp Photovoltaics Project and Wendu'erhua 10MWp Photovoltaics Project (Nei Fa Gai Jia Zi [2013] No. 2697) (《內蒙古自治區發展和改革委員會關於核定烏蘭楚魯40MWp光伏發電項目、溫都爾花10MWp光伏發電項目等可再生能源發電項目上網電價的批覆》(內發改價字[2013]2697號)) issued by Inner Mongolia Development and Reform Commission, on-grid tariff (tax inclusive) stands at RMB1.00/kWh with effect from the date of on-grid power generation, as adjusted by state adjustments to the benchmark on-grid tariff. As at the Benchmark Date, such project has been enrolled into List of Tariff Premium Subsidy Funds for Renewable Energy (《可再生能源電價附加資金補助目錄》), entitled to appropriate subsidies based on the volume of on-grid power generation;

(ii) The revenue of the evaluated entity is mainly derived from the sale of electricity generated by solar power. It is assumed that scale of assets, composition of revenue and cost, sales strategies and cost control in future operation periods will continue with the status as at the Benchmark Date. The annual power generation volume in future operation periods is based on verified capacity of photovoltaics power generator units and average utilization hours, taking no account of special changes resulted from possible ultra-reduction of power generation. For future periods, the electricity restriction level and policy of the location of the evaluated entity is deemed to remain the same as at the Benchmark Date. The assumption takes no consideration of possible changes to operation ability, business scale and business structure (even though such changes may probably occur) resulting from changes in operation strategies and business environment. That is to say, this valuation is based on the continuation of the operation capacities, business scale and operation mode of power generation as at the Benchmark Date; and

(iii) Datang Wuyuan New Energy Co., Ltd. is qualified for preferential tax according to Article 87 under Chapter IV of the Preferential Tax Treatments of Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法實施條例》第四章税收優惠), pursuant to which, Wuyuan Solar Power Project is entitled to enterprise income tax exemption from 2014 to 2016 and half-rate enterprise income tax discount from 2017 to 2019;

(13) In relation to Datang Wulate Houqi Renewable Energy Co., Ltd. (大唐烏拉特後旗新能源有限公司), the assumptions are as follows:

(i) Datang Wulate Houqi Renewable Energy Co., Ltd. includes 2 segments, namely the wind power project and the photovoltaics project. In accordance with Approval of Inner Mongolia Development and Reform Commission on On-grid Tariffs for Renewable Energy Power Generation Projects Including Wulanchulu 40MWp Photovoltaics Project and Wendu'erhua 10MWp Photovoltaics Project (Nei Fa Gai Jia Zi [2013] No. 2697) (《內蒙古自治區發展和改革委員會關於核定烏蘭楚魯40MWp光伏發電項目、溫都爾花10MWp光伏發電項目等可再生能源發電項目上網電價的批覆》(內發改價字[2013]2697號)) issued by Inner Mongolia Development and Reform Commission, its on-grid tariff (tax inclusive) stands at RMB1.00/kWh for its photovoltaics business with effect from the date of on-grid power generation, as adjusted by state adjustments to the benchmark on-grid tariff. As at the Benchmark Date, such project has been enrolled into List of Tariff Premium Subsidy Funds for Renewable Energy (《可再生能源電價附加資金補助目錄》), entitled to appropriate subsidies based on on-grid power generation (being RMB0.01/kWh (tax inclusive));

(ii) According to the Reply concerning the On-grid Tariffs of Wind Power Generation Projects of Certain Enterprises in Bayannur City (Nei Fa Gai Jia Zi [2010] No. 2903) (《關於巴彥淖爾市部分企業風力發電項目上網電價的批覆》(內發改價字[2010]2903號)) issued by the Development and Reform Commission of Inner Mongolia, from the date of on-grid power generation, the on-grid tariffs (inclusive of tax) of wind power projects shall be RMB0.51 per kWh, and shall subject to adjustment in accordance with the national benchmark on-grid tariffs. As of the date of valuation, the project has been included in the Catalogue of Additional Grants for the Tariffs of Renewable Energy, and can be granted certain subsidies according to the volume of on-grid power generation with tariffs (inclusive of tax) of RMB0.01 per kWh;

(iii) Revenue of the evaluated entity is mainly derived from the sale of electricity generated by photovoltaic project and wind power. It is assumed that scale of assets, composition of revenue and cost, sales strategies and cost control in future operation periods will continue with the status as at the Benchmark Date. The annual power generation volume in future operation periods is based on verified capacity of wind power generator units and average utilization hours, taking no account of special changes resulted from possible ultra-reduction of power generation. The assumption takes no consideration of possible changes to operation ability, business scale and business structure (even though such changes may probably occur) resulting from changes in operation strategies and business environment. That is to say, this valuation is based on the continuation of the operation capacities, business scale and operation mode of power generation as at the Benchmark Date;

(iv) Pursuant to Announcement of Inner Mongolia Provincial Office of State Administration of Taxation on Issues Concerning Implementation of Enterprise Income Tax Preferential Related to Western Region Development (No. 9) (《內蒙古自治區國家税務局關於執行西部大開發企業所得税優惠政策有關具體問題的公共》(第9號)) and Announcement of the State Administration of Taxation on Issues Concerning Enterprise Income Tax Related with Enhancing the Western Region Development Strategy ([2012] No. 12) (《國家税務局關於深入實施西部大開發有關企業所得税問題的公告》(2012年第12號)), enterprise income tax rate is reduced to 15% with effect from 2014; and

(v) Datang Wulatehouqi Renewable Energy Co., Ltd. is qualified for preferential tax according to Article 87 under Chapter IV of the Preferential Tax Treatments of Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法實施條例》第四章税收優惠), pursuant to which, Wulatehouqi Solar Power Project is entitled to enterprise income tax exemption from 2014 to 2016 and half-rate enterprise income tax discount from 2017 to 2019; and

(14) It is assumed that average inflows represent cash inflows of the evaluated entities subsequent to the Benchmark Date, and average outflows represent subsequent cash outflows.

3. Supplemental information about the valuation of Hebei Company

Reference is made to pages IIIA-70 to IIIA-80 under the section headed "XI. Special Notes" of Appendix IIIA to this circular setting out certain issues regarding the title defects and land use rights of Hebei Company. The supplementary information relating to valuation and such title defects and land use rights issues is set out as follows:

(1) It is confirmed by China United, the independent valuer of Hebei Company, that the way in which the title defects and land use rights issues were considered during the valuation process is as follows:

(a) Certain parcels of land without certificate have not yet obtained land use right, and the book value of the entity of which lands are requisitioned only represents the cost that has been paid, including land acquisition costs and so forth. The valuation of Hebei Company was recognized on the basis of book value.

(b) There are certain parcels of land of Hebei Company where their owners indicated in the ownership certificates are inconsistent with that stated in the business license. Such kind of issue is mainly caused by the name change of old power plants or the restructuring of enterprises. Although the names are inconsistent, according to the state-owned land use certificate and the material of changes in business registration, such type of land title is relatively clear without any dispute. Such kind of land defects have no impact on the use of land by the Company. Accordingly this kind of land is appraised based on normal land use right, and the appraised value does not take into account such defects.

(c) Certain buildings of Hebei Company do not have any building ownership certificates, and certain buildings are currently undergoing under the procedure of name change. Upon the on-site verification of the appraisers, the buildings that are included in the valuation scope are mainly constructed on self-owned lands, which are requisite real estate facilities directly related to production and operation, such as factory buildings and office buildings. Hebei Company has undertaken that it has ownership of the above-mentioned titles of the buildings that have not yet carried out the procedures for obtaining the certificate or renewed the certificate without any ownership disputes. Such kind of title defects have no impact on the use of buildings by the Company. The valuation was carried out based on the above undertakings, and the appraised value does not take into account the impact of such defects.

(d) Certain vehicles that their owners as indicated in the ownership certificates are inconsistent with the name of Hebei Company. Upon the on-site verification of the appraisers, the vehicles that are included in the valuation scope are mainly vehicles directly related to the use of production and official duties. Certain owners are the predecessor of Hebei Company and its subordinated units. Hebei Company has undertaken that it has ownership of the above-mentioned titles of the vehicles which have not yet obtained the certificate without any ownership disputes. Such kind of title defects have no impact on the use of vehicle by the Company. The valuation is carried out based on the above undertakings, and the appraised value does not take into account the impact of such defects.

(2) In addition, it is confirmed by China United that the impact of title defects and land use rights issues on the appraised value of Hebei Company are as follows:

(a) There are certain parcels of land without certificate have not yet obtained land use right, and the book value of the entity of which lands are requisitioned is only the cost including land acquisition which has been paid. This valuation was recognized at the book value. It not only shows the cost contribution of Hebei Company, but also takes lands without certificate into account so as to avoid the overestimation of the value caused by land use right valuation.

(b) There are certain parcels of land from Hebei Company where their owners indicated in the ownership certificates are inconsistent with that in the business license, still the titles are relatively clear without any dispute. This kind of land defects have no impact on the use of land by the Company. Therefore, this kind of land is appraised based on normal land use right in the valuation, and the results of the appraised value are basically not influenced by the matters of defects.

(c) Certain buildings of Hebei Company without building ownership certificates, and certain buildings are currently undergoing under the procedure of name change. Hebei Company has undertaken that it has ownership of the above-mentioned titles of the buildings that have not yet carried out the procedures for obtaining the certificate or renewed the certificate without any ownership disputes. The valuation is carried out based on the above undertakings, and the results of the appraised value are basically not influenced by the matters of defects.

(d) Certain vehicles that their owners as indicated in the ownership certificates are inconsistent with the name of Hebei Company. Hebei Company has undertaken that the above-mentioned titles of the vehicles that have not carried out the procedures for obtaining the certificate are owned by it without any ownership disputes. The valuation is carried out based on the above undertakings, and the results of the appraised value are basically not influenced by the matters of defects.

(3) Further, the impact of the title defects and land use rights on the Company's use right on the acquired assets of Hebei Company is set out as follows:

(a) Failure to obtain building ownership certificates and land use certificates for the above-mentioned buildings and lands by Hebei Company will not affect the use right on the acquired assets. For the above-mentioned buildings and lands without building ownership certificates and land use certificates, Hebei Company and its subordinated units have obtained the title certificates issued by the competent government authorities for most of the buildings and obtained the approval documents issued by the competent government authorities for land use allocation of most of the lands, while the buildings are all self-constructed and are constructed on self-owned lands by Hebei Company and its subordinated units, and such lands and buildings do not have ownership disputes. Hebei Company and its subordinated units are handling the procedures for the building ownership certificates and land use certificates of such buildings and

lands. Therefore, the fact that the abovementioned buildings and lands of Hebei Company and its subordinated units have not yet obtained their corresponding building ownership certificates and land use certificates will not affect Hebei Company and its subordinated units to continue to use such buildings and lands.

(b) The inconsistency between the names of the owners indicated in the above-mentioned building and vehicle ownership certificates and the name of evaluated entity will not affect the use right on the acquired assets. The above-mentioned inconsistency between the owners indicated in the building and vehicle ownership certificates and evaluated entity is mainly attributable to the name change of evaluated entity and the restructuring of enterprises. Hebei Company and its subordinated units are handling the procedures of name change of the owners indicated in building ownership certificates and vehicle use certificates. Therefore, the above-mentioned inconsistency between the owners indicated in the building and vehicle ownership certificates and Hebei Company will not affect evaluated entity and its subordinated units in continuing to use such buildings and vehicles.

(4) Under the relevant terms of the Transfer Agreement, as disclosed in paragraph 2 in the section headed "Undertakings by CDC" of pages 5 to 6 of the "Letter to the Board" of this circular, CDC has provided various undertakings to the Company pursuant to which if the Target Companies and their subordinated units incur any direct or indirect loss as a result of title defects in respect of the land and buildings of the Target Companies and their subordinated units, CDC will assume the responsibility and fully compensate the Company for such losses.

(5) For further supplementary information of title defects and land use rights issues, please see the section headed "E. Implications of Title Defects and Land Use Rights Issues" of "V. Valuation of the Target Companies" of this circular.

B. Anhui Company

The appraised value of the total assets and net assets of Anhui Company amounted to RMB11,923,701,300 and RMB7,804,324,000 respectively as at the Benchmark Date as appraised by China Enterprise adopting the asset-based approach.

1. Valuation method and valuation results

In accordance with the asset valuation report on Anhui Company issued by China Enterprise (Zhong Qi Hua Ping Bao Zi (2017) No. 1296-01), which is qualified to practice securities and futures related businesses, with 30 September 2017 as the Benchmark Date, the detailed valuation approach and results are as follows:

Unit: RMB'0,000

Number	Company Name	Shareholding percentage	Book value of shareholders' total equity (non-consolidated)	Adopted approach	Appraised value of shareholders' total equity	Difference	Appreciation rate
Target Company							
1.	Anhui Company	100% held by CDC	450,780.87	Asset-based approach	780,432.40	329,651.54	73.13%
Controlled subsidiaries and participating stock companies of Anhui Company							
1.	Anhui Huainan Luoneng Power Generation Co., Ltd.	52.80%	141,753.59	Asset-based approach	269,971.61	128,218.02	90.45%
2.	Ma'anshan Dangtu Power Generation Co., Ltd.	100%	74,212.90	Asset-based approach	132,926.27	58,713.37	79.11%

Number	Company Name	Shareholding percentage	Book value of shareholders' total equity (non-consolidated)	Adopted approach	Appraised value of shareholders' total equity	Difference	Appreciation rate
3.	Datang Anhui Power Generation and Fuel Investment Co., Ltd.	100%	2,085.76	Asset-based approach	2,090.75	4.99	0.24%
4.	Anhui Hefei United Power Generation Co., Ltd.	27.50%	123,033.30	Asset-based approach	163,389.00	40,355.70	32.80%
5.	Datang Anqing Biomass Power Generation Co., Ltd.	66.67%	-24,805.10	Asset-based approach	-20,188.12	4,616.98	18.61%
6.	Anhui Electric Power Co., Ltd.	50%	-30,664.81	Asset-based approach	7,095.26	37,760.07	123.14%
7.	Datang Anhui Energy Marketing Co., Ltd.	100%	1,999.99	Asset-based approach	1,999.72	-0.27	-0.01%
8.	China Datang Group Overseas Technology Service Co., Ltd.	10%	5,120.86	Statement translation approach *(see Note 3 above)*	5,120.86	0.00	0.00%

According to applicable laws, the above asset valuation report has been duly filed in compliance with State-owned asset valuation procedure.

The reasons for the appreciation of the value of Anhui Company for 73.13% as at the Benchmark Date are as follows:

(i) The main reasons for the increase in the appraised value of long-term equity investment are:

(a) The evaluated entity used the cost approach in its valuation of the investee company. The book value is considered as static investment cost;

(b) The appreciation of the appraised value is resulted due to the fact that the investee company has accrued certain retained earnings from years of business operation;

(ii) In respect of assets such as buildings, the reasons for the increase in the appraised value are as follows:

(a) Appreciation of the appraised gross book value is resulted due to the fact that the power plants were constructed at an earlier time when the construction costs were relatively lower. With the continuous development of the society and the improvement of the local living standard, the costs of construction materials, labour costs and the costs of machinery and equipment have increased substantially as at the Benchmark Date, resulting in an increase of costs;

(b) Appreciation of the appraised net book value is the result of a combination of the appreciation of the appraised gross book value and the life applied by the entity in its calculation of depreciation being shorter than the economic life applied in the valuation; and

(iii) In respect of the appreciation of the value of intangible assets, this is due to the appreciation of the appraised value of the land arising from the fact of rising land prices in view that land resources are becoming increasingly scarce in recent years.

2. Assumptions for valuation

The principal assumptions are as follow:

General assumptions

1) It is assumed that there were no material changes in the relevant existing laws, regulations and policies, and macroeconomic conditions of the PRC as well as in the local political, economic and social environment of such places where the parties to the transaction are operating;

2) It is assumed the enterprise will continue as a going concern in the light of the actual condition of the assets as of the Benchmark Date;

3) It is assumed that there are no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-based levies related to the evaluated entity after the Benchmark Date;

4) It is assumed that the management of the evaluated entity is accountable, stable and competent to perform their duties after the Benchmark Date; and

5) It is assumed that there is no force majeure or unforeseeable circumstances which may materially and adversely affect the evaluated entity after the Benchmark Date.

Specific assumptions

1) It is assumed that the accounting policies adopted by the evaluated entity after the Benchmark Date are consistent with the accounting policies adopted when preparing the Assets Valuation Report in all the material aspect;

2) It is assumed that the scope of business and the mode of operation of the evaluated entity after the Benchmark Date are consistent with the current ones based on the existing management mode and management level and that the management of the entity will propel its development plans smoothly; and

3) It is assumed that the evaluated entity will have even cash outflow and cash inflow after the Benchmark Date.

3. Supplementary information about the valuation of Anhui Company

Reference is made to pages IIIB-81 to IIIB-92 under the section headed "(IV) Ownership" of "XI. Special Notes" in Appendix IIIB to this circular setting out certain issues regarding the title defects and the land use rights of Anhui Company. For supplementary information of these issues, please see the section headed "E. Implications of Title Defects and Land Use Rights Issues" of "V. Valuation of the Target Companies" of this circular.

C. Heilongjiang Company

The appraised value of the total assets and net assets of Heilongjiang Company amounted to RMB8,963,990,500 and RMB5,880,817,500 respectively as at the Benchmark Date as appraised by China Enterprise adopting the asset-based approach.

1. Valuation method and valuation results

In accordance with the asset valuation report on Heilongjiang Company issued by China Enterprise (Zhong Qi Hua Ping Bao Zi (2017) No. 1296-02), which is qualified to practice securities and futures related businesses, with 30 September 2017 as the Benchmark Date, the detailed valuation approach and results are as follows:

Unit: RMB'0,000

Number	Company Name	Shareholding percentage	Book value of shareholders' total equity (non-consolidated)	Adopted approach	Appraised value of shareholders' total equity	Difference	Appreciation rate
Target Company							
1.	Heilongjiang Company	100% held by CDC	321,219.40	Asset-based approach	588,081.75	266,862.35	83.08%
Controlled subsidiaries and participating stock companies of Heilongjiang Company							
1.	Heilongjiang Longtang Electricity Investment Co., Ltd.	100%	23,784.33	Asset-based approach	70,166.47	46,382.14	195.01%
1–1.	Heilongjiang Longtang Electricity Engineering Co., Ltd.	53.30% held by Heilongjiang Longtang Electricity Investment Co., Ltd.	434.55	Asset-based approach	500.88	66.33	15.26%
1–2.	Shuangyashan Longtang Heat Supply Co., Ltd.	80% held by Heilongjiang Longtang Electricity Investment Co., Ltd.	2,856.08	Asset-based approach	3,591.60	735.52	25.75%
1–3.	Heilongjiang Longtang Pipe Engineering Co., Ltd.	90% held by Heilongjiang Longtang Electricity Investment Co., Ltd.	2,098.94	Asset-based approach	2,179.22	80.28	3.82%
1–4.	Datang Longtang Heat Supply Co., Ltd.	97% held by Heilongjiang Longtang Electricity Investment Co., Ltd.	9,832.40	Asset-based approach	11,415.27	1,582.87	16.10%

Number	Company Name	Shareholding percentage	Book value of shareholders' total equity (non-consolidated)	Adopted approach	Appraised value of shareholders' total equity	Difference	Appreciation rate
1–5.	Jixi Longtang Heat Supply Co., Ltd.	80% held by Heilongjiang Longtang Electricity Investment Co., Ltd.	10,799.74	Asset-based approach	13,826.52	3,026.78	28.03%
2.	Datang Heilongjiang Renewable Power Development Co., Ltd.	100%	30,768.20	Asset-based approach	57,570.19	26,801.99	87.11%
2–1.	Datang Hailin Weihushan Wind Power Generation Co., Ltd.	100% held by Datang Heilongjiang Renewable Power Development Co., Ltd.	2,000.00	Asset-based approach	2,000.00	–	0.00%
2–2.	Datang Hua'an (Qiqihar) Wind Power Generation Co., Ltd.	100% held by Datang Heilongjiang Renewable Power Development Co., Ltd.	9,775.36	Asset-based approach	10,647.03	871.67	8.92%
2–3.	Datang Jixian Taiping Wind Power Generation Co., Ltd.	100% held by Datang Heilongjiang Renewable Power Development Co., Ltd.	6,850.23	Asset-based approach	8,239.93	1,389.70	20.29%
2–4.	Datang Dongning Hydropower Development Co., Ltd.	100% held by Datang Heilongjiang Renewable Power Development Co., Ltd.	12,217.79	Asset-based approach	35,562.94	23,345.15	191.08%

Number	Company Name	Shareholding percentage	Book value of shareholders' total equity (non-consolidated)	Adopted approach	Appraised value of shareholders' total equity	Difference	Appreciation rate
3.	Datang Heilongjiang Electricity Technology Development Co., Ltd.	100%	1,018.76	Asset-based approach	3,539.30	2,520.54	247.41%
3–1.	Datang Heilongjiang Engineering Project Management Co., Ltd.	100% held by Datang Heilongjiang Electricity Technology Development Co., Ltd.	203.71	Asset-based approach	236.95	33.24	16.31%
3–2.	Datang Heilongjiang Property Management Co., Ltd. *(Note 4)*	100% held by Datang Heilongjiang Electricity Technology Development Co., Ltd.	65.62	Asset-based approach	65.62	–	0.00%
4.	Datang Jixi Second Thermal Power Co., Ltd.	100%	61,302.18	Asset-based approach	54,359.95	-6,942.23	-11.32%
4–1.	Jixi Chenyu Environmental Engineering Co., Ltd.	70% held by Datang Jixi Second Thermal Power Co., Ltd.	-13,849.25	Asset-based approach	-13,921.67	-72.42	0.52%
5.	Datang Heilongjiang Energy Conservation Co., Ltd.	100% held by Heilongjiang Company directly and indirectly	4,912.22	Asset-based approach	4,415.90	-496.32	-10.10%
6.	Datang Jixi Thermal Power Co., Ltd.	97.38%	28,497.55	Asset-based approach	74,106.69	45,609.14	160.05%
7.	Datang Jixi Coal Development Co., Ltd.	100%	9,326.75	Asset-based approach	9,498.96	172.21	1.85%
8.	Datang Mudanjiang Energy Development Co., Ltd. *(Note 4)*	100%	1,001.90	Asset-based approach	1,001.90	–	0.00%
9.	Datang Suihua Power Generation Co., Ltd.	100%	32,262.01	Asset-based approach	30,344.61	-1,917.41	-5.94%

Number	Company Name	Shareholding percentage	Book value of shareholders' total equity (non-consolidated)	Adopted approach	Appraised value of shareholders' total equity	Difference	Appreciation rate
10.	Datang Qitaihe Power Generation Company	60%	208,129.30	Asset-based approach	365,828.96	157,699.66	75.77%
11.	Datang Shuangyashan Thermal Power Co., Ltd.	96.37%	37,922.77	Asset-based approach	50,321.36	12,398.59	32.69%
12.	Datang Heilongjiang Power Fuel Co., Ltd. *(Note 4)*	100%	–	Asset-based approach	–	–	–
13.	Datang Heilongjiang Materials Co., Ltd.	49%	680.25	Statement translation approach *(please see Note 3 above)*	680.25	0.00	0.00%

Note 4: As at the Benchmark Date, Datang Heilongjiang Power Fuel Co., Ltd., Datang Mudanjiang Energy Development Co., Ltd., Datang Heilongjiang Property Management Co., Ltd. have completed deregistration and cancellation procedures, while accounting work, however, is still in process, hence relevant assets and liabilities are still within the review and valuation scope, therefore included in this table.

According to applicable laws, the above asset valuation report has been duly filed in compliance with State-owned asset valuation procedure.

The reasons for the appreciation of the value of Heilongjiang Company for 83.08% as at the Benchmark Date are as follows:

(i) The appreciation of the value of long-term equity investment is resulted due to the fact that the evaluated entity used the cost approach in its valuation of the controlling long-term equity investment. The book value represented the investment cost as at the Benchmark Date. In this valuation, an overall valuation of the investee company was conducted, resulting in an appreciation of the value of long-term equity investment of the evaluated entity;

(ii) The appreciation of the value of ongoing construction is mainly due to the fact that the capital cost was considered as at the Benchmark Date;

(iii) The appreciation of the value of intangible assets is due to the fact that the original values of the land use rights were apportioned to the buildings. None of them have been listed separately under "intangible assets". Furthermore, the land being evaluated were all allocated at the prices of allocated land in or about 2000, the value of which was unlikely to be recorded or had never been recorded. The appreciation of the appraised value of the land is due to the fact of rising land prices in view that land resources are becoming increasingly scarce with the rapid economic and urban development of Heilongjiang Province in recent years; and

(iv) The depreciation of the value of current liabilities is mainly due to the fact that the entity is not required to repay government subsidy in the subsequent year.

2. Assumptions for valuation

The principal assumptions are as follow:

General assumptions

1) It is assumed that there were no material changes in the relevant existing laws, regulations and policies, and macroeconomic conditions of the PRC as well as in the local political, economic and social environment of such places where the parties to the transaction are operating;

2) It is assumed that the enterprise will continue as a going concern in the light of the actual condition of the assets as of the Benchmark Date;

3) It is assumed that there are no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-based levies related to the evaluated entity after the Benchmark Date;

4) It is assumed that the management of the evaluated entity is accountable, stable and competent to perform their duties after the Benchmark Date;

5) Unless otherwise stated, it is assumed that the Company fully complies with all the relevant laws and regulations; and

6) It is assumed that there is no force majeure or unforeseeable circumstances which may materially and adversely affect the evaluated entity after the Benchmark Date.

Specific assumptions

1) It is assumed that the accounting policies adopted by the evaluated entity after the Benchmark Date are consistent with the accounting policies adopted when preparing the Assets Valuation Report in all the material aspects;

2) It is assumed that the scope of business and the mode of operation of the evaluated entity after the Benchmark Date are consistent with the current ones based on the existing management mode and management level;

3) It is assumed that the information provided by the evaluated entity which is related to the evaluated assets is true, complete and lawfully valid; and

4) The scope of valuation only covers the valuation declarations provided by the asset owners, while any existing contingent assets and contingent liabilities that are excluded from the list provided by the asset owners have not been considered.

3. Supplementary information about the valuation of Heilongjiang Company

Reference is made to pages IIIC-53 to IIIC-57 under the section headed "(III) Ownership" of "XI. Special Notes" in Appendix IIIC to this circular setting out certain issues regarding the title defects and the land use rights of Heilongjiang Company. For supplementary information of these issues, please see the section headed "E. Implications of Title Defects and Land Use Rights Issues" of "V. Valuation of the Target Companies" of this circular.

D. Risks of Impairment in the Valuation of the Target Companies

1. Accounting policies in relation to the impairment on long-term equity investments of the Company

Upon injection of the equity interests of the Target Companies to the Company, such equity interests will be accounted for as long-term equity investments. In accordance with the requirements of the PRC enterprise accounting standard, the accounting policies of the Company on the impairment of long-term investments are set out below:

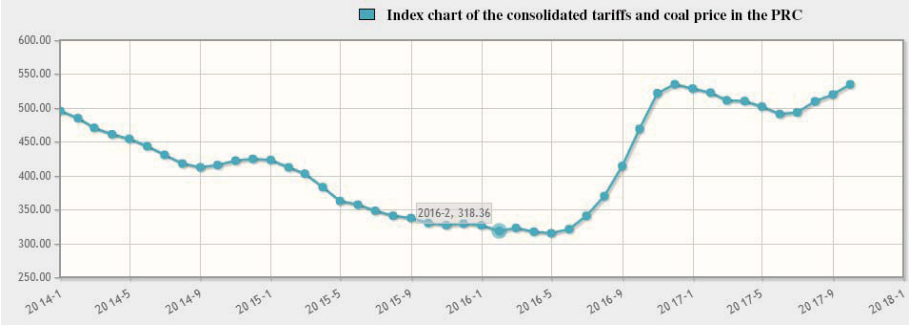
In terms of non-current non-financial assets, including long-term equity investments of subsidiaries, joint ventures and associates, the Company shall determine whether there is an indication of impairment as at the date of balance sheet. If this is the case, the Company shall estimate its recoverable amount and carry out impairment test. The recoverable amount represents the net amount of the fair value of the assets less disposal expense, or the present value of the expected future cash flow of the assets (whichever is higher). The impairment test results indicated that the recoverable amount of the assets is lower than its book value. The allowance of the impairment will be calculated based on the difference between the book value and the recoverable amount of the assets, and be counted towards impairment losses.

2. The existing condition of the thermal power industry

(i) Information of the thermal power industry from January to September 2017

According to the "Operating Profile of the Electricity Industry from January to September 2017" published by China Electricity Council, the overall supply of electricity easily met the demand in the PRC from January to September 2017. The growth rate of the power consumption of the whole society was increased on a year-on-year basis while the power consumption of tertiary industries continued to grow rapidly. The growth rate of the industrial power consumption significantly increased on a year-on-year basis, and the growth rate of power consumption in light and heavy industries increased on a year-on-year basis. The accumulated power consumption in high-energy consuming industries also increased year-on-year, but the aggregated growth rate was lower than the average industrial level. The growth rate of power generation volume of hydro-power has decreased year-on-year while that of thermal power has increased year-on-year. The utilization hours of thermal power in the PRC increased year-on-year. The cross-region and cross-province transmission volume of electricity as well as the additional power generation capabilities increased year-on-year, among which the scale of new energy contributed to more than one half thereof.

(ii) The coal price continued to rise in the first half of 2017, while the upward adjustment of the tariffs was limited in the same period, reducing the profitability of thermal power companies.



Source: Price Monitoring Center of the National Development and Reform Commission http://jgjc.ndrc.gov.cn/zgdmjgzs.aspx?clmId=syjgzs6

The performance of companies in the power segment declined significantly due to factors including a greater increment in coal price when compared with that of the corresponding period. According to the statistics issued by Wind, in the first three quarters of 2017, among the 28 CITIC first-grade industries, the growth rate of net profits attributable to the shareholders of the parent companies in the electricity and utilities segment was -15.29%, ranking in third to last. From January to September 2017, among the 35 listed companies in total in the thermal power segment under the CITIC industrial classification, only five companies recorded an increase in the net profits attributable to shareholders of the parent companies on a year-on-year basis.

3. Development trend of the thermal power industry

Since 2017, several development trends have emerged in the thermal power industry, including the implementation of measures by competent authorities such as the NDRC to control the rise of coal price, the coal-electricity linkage policy which helps improve the financial condition of power generation enterprises, and the stability of GDP growth rate in the PRC which ensured the continued growth of demand for power. For details, please refer to the section headed "Fulfillment of relevant conditions of injection for the coal-fired power assets to be injected by CDC" of this circular.

4. Risks of impairment in value of the assets to be acquired under the Acquisition

(i) Possible risk of impairment in value of the assets to be acquired under the Acquisition

As the profitability of the Target Companies is affected by a number of factors, such as industry policies and market changes, if one or several material and adverse circumstances occur in the future, including the coal price maintaining at a high level for a long period of time, the coal-electricity linkage mechanism not yet in operation or the extent of adjustment being under what is expected and the receding of the utilization hours of thermal power equipment, the Target Companies may record continual losses or their profitability may not be ideal. Then, in accordance with the aforesaid policies of the Company on the impairment of long-term investments, the need of calculating impairment rate has to be considered if the recoverable amount of the Target Shares is lower than their book value. Therefore, the possible risk of impairment of Target Companies in the future cannot be completely excluded.

Meanwhile, the Target Companies are in the thermal power generation industry with good historical profitability. As affected by the high level of coal price from January to September 2017, Hebei Company and Anhui Company recorded losses. Based on the industry development trends including the expectation of downward adjustment of coal price in the future, the possibility of upward adjustment of on-grid tariffs driven by coal-electricity linkage mechanism, and the continued growth of future power demand, Hebei Company and Anhui Company are expected to resume profitability in the future, and the profitability of the Target Companies is expected to gradually increase with good performance prospects.

(ii) Relevant risks have been disclosed in the "Announcement on Connected Transaction of Assets Purchase"

Based on the possible risk of impairment of the Target Companies in the future, it was disclosed in the "Announcement on Connected Transactions of Assets Purchase" of the Company dated 6 December 2017 on the Shanghai Stock Exchange that:

The assets valuation reports of the Target Companies are the principal references for the pricing of the transaction. In the event that there are material changes in market conditions, industry policies and assets condition after the valuation benchmark date, the valuation of the Target Companies may be inconsistent with the actual situation in the future and the relevant target assets may be subject to risk of impairment.

E. Implications of Title Defects and Land Use Rights Issues

1. It is confirmed by the respective Independent Valuers of the Target Companies that they have conducted a detailed analysis and consideration on the title defects of the Target Companies, details of which are as follows:

(1) In relation to certain parcels of land of the Target Companies without certificate, the land use right has not yet been obtained, and the book value of the entity of which lands are requisitioned only represents the cost that has been paid, including land acquisition costs and so forth. The valuation of the Target Companies was recognized at book value.

(2) There are certain parcels of land of the Target Companies where their owners indicated in the ownership certificates are inconsistent with that stated in the business license. Such kind of issue is mainly caused by the name change of old power plants or the restructuring of enterprises. Although the names are inconsistent, according to the state-owned land use certificate and the material of changes in business registration, such type of land title is relatively clear without any dispute. Such kind of land defects have no impact on the use of land by the Company. Accordingly this kind of land is appraised based on normal land use right, and the appraised value does not take into account such defects.

(3) There are certain parcels of land of the Target Companies where the land area as shown on the state-owned land use rights certificate is inconsistent with the land area being actually occupied. Such kind of issue is mainly caused by the fact that the original state-owned land use rights certificate were obtained at earlier dates and there have been changes to the area of certain land which is actually occupied. Taking into account the original state-owned land use rights certificate of the lands and the area measured by the latest survey, the area of such land use rights can be accurately determined without any dispute regarding the area. The valuation was conducted based on the verified land area, which will not affect the valuation.

(4) Certain buildings of the Target Companies have not obtained the building ownership certificates, and certain buildings are currently undergoing the procedure of name change. Upon the on-site verification of the appraisers, the buildings that are included in the scope of valuation are mainly constructed on self-owned lands, which are requisite real estate facilities directly related to production and operation, such as factory buildings and office buildings. The evaluated entities have undertaken that the aforesaid titles of the buildings that have yet been carried out the procedures for obtaining the certificate or renewed the certificate are owned by it without ownership disputes. This kind of title defects have no impact on the use of buildings by the Company. The valuation is carried out based on the above undertakings, and the appraised value does not take the impact of the matters of defects into account.

(5) There are certain vehicles of the Target Companies that their owners as shown on the ownership certificates are inconsistent with the name of the evaluated entities. Upon the on-site verification of the appraisers, the vehicles that are included in the valuation scope are mainly vehicles directly related to the use of production and official duties. Certain owners are the predecessors of the evaluated entities. The evaluated entities have undertaken that the aforesaid titles of the vehicles which have yet to obtain the certificate are owned by it without ownership disputes. This kind of title defects have no impact on the use of vehicle by the Company. The valuation is carried out based on the above undertakings, and the appraised value does not take the impact of the matters of defects into account.

2. It is confirmed by the Independent Valuers of the Target Companies that the proportion of the above-mentioned assets with title defects to the total assets of the Target Companies is relatively small, and the relevant defects basically have no impact on the production and operation of the Target Companies, details of which are as follows:

(1) Lands without obtaining the land use rights certificates:

(a) The appraised value of the total assets of Hebei Company and its subordinated units was approximately RMB16,725.7406 million in aggregate (the impact of the shareholding percentage of the non-wholly owned subsidiaries was not taken into account in the total amount of the appraised value of the total assets of Hebei Company and its subordinated units and the same applies hereinafter), and the appraised value of lands was approximately RMB1,158.6081 million in aggregate, among which, the appraised value of the lands without obtaining the land use

rights certificates was approximately RMB33.8949 million, representing approximately 0.20% and approximately 2.93%, respectively, of the appraised value of the total assets and of the appraised value of lands. The above four parcels of land without obtaining the land use rights certificates include one parcel of idle land with an appraised value of approximately RMB8.6676 million and three parcels of production land with an appraised value of approximately RMB25.2273 million in aggregate, which are under the process of obtaining the land use rights certificates.

(b) The appraised value of the total assets of the Anhui Company and its subordinated units was approximately RMB23,666.4229 million in aggregate, and the appraised value of lands was approximately RMB1,413.7041 million in aggregate, among which, the appraised value of the lands without obtaining the land use rights certificates, both of which are production land, was approximately RMB10.1553 million in aggregate, representing approximately 0.04% and approximately 0.72%, respectively, of the appraised value of the total assets and the appraised value of land.

(c) The appraised value of the total assets of Heilongjiang Company and its subordinated units was approximately RMB27,200.3401 million in aggregate, and the appraised value of lands was approximately RMB1,829.7388 million in aggregate. Among which, the appraised value of the lands without obtaining the land use rights certificates was approximately RMB62.8888 million in aggregate, representing approximately 0.23% and approximately 3.44%, respectively, of the appraised value of the total assets and the appraised value of lands. The above lands without obtaining the land use rights certificates are for office purposes, of which one parcel with an appraised value of approximately RMB16.3856 million has obtained the land transfer contract and is expected to obtain the land use rights certificates shortly, and one parcel with an appraised value of approximately RMB46.5032 million, is under the process of obtaining the land use rights certificates.

(d) The appraised value of the lands of the three Target Companies without obtaining the land use rights certificates in aggregate represented less than 1% and less than 5%, respectively, of the appraised value of the total assets of the Target Companies and the appraised value of the lands of the Target Companies, and most of the lands which have not obtained the land use rights certificates are about to obtain the land use rights certificates or are under the process of obtaining the land use rights certificates. Therefore, the relevant defects will basically have no impact on the production and operation of the Target Companies.

(2) Lands which have obtained the land use rights certificates but with defects

(a) The appraised value of the lands with title defects of Hebei Company and its subordinated units was approximately RMB340.4053 million in aggregate, representing approximately 2.04% and approximately 29.38%, respectively, of the appraised value of the total assets and the appraised value of lands. The above 17 parcels of land with title defects include 12 parcels of auxiliary land for production with an appraised value of approximately RMB328.1818 million and five parcels of production land with an appraised value of approximately RMB12.2235 million.

(b) The appraised value of the lands with title defects of Anhui Company and its subordinated units was approximately RMB511.0885 million in aggregate, representing approximately 2.16% and approximately 36.20%, respectively, of the appraised value of the total assets and the appraised value of lands, among which, in respect of lands of which the land areas as shown on the land use rights certificates are different from the actual land areas, the appraised value of such lands, was approximately RMB436.9872 million, representing approximately 1.85% and approximately 30.91% of the appraised value of the total assets and the appraised value of lands, respectively. Such defects are errors of the land areas as shown on the land use rights certificates, which will not have an adverse impact on the production and operation of the Target Companies.

(c) The appraised value of the lands with title defects of Heilongjiang Company and its subordinated units was approximately RMB28.1137 million in aggregate, representing approximately 0.10% and approximately 1.54%, respectively, of the appraised value of the total assets and the appraised value of lands. The above two parcels of land with title defects include one parcel of land for non-production and non-office purposes with an appraised value of approximately RMB25.8723 million, and one parcel of production land with an appraised value of approximately RMB2.2414 million.

(d) The appraised value of the lands of the three Target Companies with title defects in aggregate represented a relatively small proportion of the appraised value of the total assets of the Target Companies, and most of the lands with title defects have obtained the land use approval documents issued by the competent government departments which entitle the evaluated entities to use such lands. Therefore, the relevant defects will basically have no impact on the production and operation of the Target Companies.

(3) Buildings without obtaining the use right certificates and with title defects

(a) The appraised value of the buildings and structures of Hebei Company and its subordinated units was approximately RMB1,483.6990 million in aggregate. The appraised value of the buildings which have not obtained the building ownership certificates was approximately RMB1,144.2859 million in aggregate, representing approximately 6.84% and approximately 77.12%, respectively, of the appraised value of the total assets and the appraised value of buildings and structures; the appraised value of the buildings with title defects was approximately RMB30.3841 million, representing approximately 0.18% and approximately 2.05%, respectively, of the appraised value of the total assets and the appraised value of buildings and structures.

(b) The appraised value of the buildings and structures of Anhui Company and its subordinated units was approximately RMB5,066.6588 million in aggregate. The appraised value of the buildings which have not obtained the building ownership certificates was approximately RMB1,527.7334 million in aggregate, representing approximately 6.46% and approximately 30.15%, respectively, of the appraised value of the total assets and the appraised value of buildings and structures; the appraised value of the buildings with title defects was approximately RMB131.2721 million, representing approximately 0.55% and approximately 2.59%, respectively, of the appraised value of the total assets and the appraised value of buildings and structures.

(c) The appraised value of the buildings and structures of Heilongjiang Company and its subordinated units was approximately RMB5,522.3410 million in aggregate. The appraised value of the buildings which have not obtained the building ownership certificates was approximately RMB1,326.2221 million in aggregate, representing approximately 4.88% and approximately 24.02%, respectively, of the appraised value of the total assets and the appraised value of buildings and structures, and there are no buildings with title defects.

(d) The appraised value of the buildings of the three Target Companies which have not obtained the building ownership certificates and are with title defects in aggregate represented a relatively small proportion of the appraised value of the total assets of the Target Companies, and most of the buildings with title defects have obtained the ownership certificates issued by the competent government departments which proves that such buildings are owned by the evaluated entities. Therefore, the relevant defects will basically have no impact on the production and operation of the Target Companies.

(4) Impact of vehicles with title defects

In terms of certain vehicles of the Target Companies where their owners as shown on the certificates are inconsistent with the names of the evaluated entities, the evaluated entities have undertaken that the ownership of the above vehicles is owned by them without any dispute regarding the ownership. The proportion of the appraised value of the vehicles to the total assets of the Target Companies is relatively small, and the relevant defects will basically have no impact on the production and operation of the Target Companies.

3. The specific impacts of title defects of the above assets on the appraised value of the Target Companies are as follows:

(1) Impact of land without certificate

As confirmed by the Independent Valuers, the valuation has adopted a cautious approach that only the book value, such as land acquisition costs that has been paid, is directly used as the appraised value for the land without certificate. There are certain parcels of land without certificate of the Target Companies have not yet obtained land use right, therefore the book value of the entity of which lands are requisitioned is only the cost including land acquisition which has been paid. This valuation was only recognized at book value. It not only shows the cost contribution of the Target Companies, but also takes lands without certificate into account so as to avoid the overestimation of the value caused by land use right valuation.

(2) Impact of lands with title defects

(a) As confirmed by the Independent Valuers, there are certain parcels of land from the Target Companies where their owners indicated in the ownership certificates are inconsistent with that in the business license, but the titles are relatively clear without any dispute. This kind of land defects have no impact on the use of land by the Company. Therefore, this kind of land is appraised based on normal land use right in the valuation, and the results of the appraised value are basically not influenced by the matters of defects.

(b) As confirmed by the Independent Valuers, certain land area indicated in the State-owned land use right certificate are inconsistent with the actual occupied land area. The area of such land use rights can be accurately determined by the old certificates and mapping area before renewal. The valuation is carried out based on the land area after verification, and the results of the appraised value are basically not influenced by the matters of defects.

(3) Impact of buildings that have not yet obtained use rights certificates and there are defects in ownership certificates

As confirmed by the Independent Valuers, certain buildings of the Target Companies are without building ownership certificates, and certain buildings are currently undergoing the procedure of name change. The evaluated entities have undertaken that they have ownership of the above-mentioned titles of the buildings that have not yet carried out the procedures for obtaining the certificate or renewed the certificate without any ownership disputes. The valuation is carried out based on the above undertakings, and the results of the appraised value are basically not influenced by the matters of defects.

(4) Impact of vehicles with title defects

As confirmed by the Independent Valuers, certain vehicles that their owners as indicated in the ownership certificates of the Target Companies are inconsistent with the name of the evaluated entities. The evaluated entities have undertaken that the above-mentioned titles of the vehicles that have not carried out the procedures for obtaining the certificate are owned by them without any ownership disputes. The valuation is carried out based on the above undertakings, and the results of the appraised value are basically not influenced by the matters of defects.

(5) Based on the analysis and consideration by the Independent Valuers on the title defects of the Target Companies, the Company considers that the above-mentioned title defects assets only accounted for a small proportion of the total assets of the Target Companies, and the production and operation are basically not influenced by relevant defects. This valuation has adopted a cautious approach that only the book value, such as land acquisition costs that has been paid, is directly used as the appraised value for the land without certificate. The results of the appraised value are basically not influenced by other title defects.

4. Legal implications of the title defects of the above buildings, land and vehicles under PRC laws

(1) The Company has consulted its PRC legal advisers and understands that:

(a) there are legal defects as the evaluated entities have not yet obtained ownership certificates for the above-mentioned buildings and land. If the relevant government authorities or other third party asserts their rights, the evaluated entities may be required to move out of such buildings or the lands may be reclaimed and pay additional costs may need to be paid. In addition, before the evaluated entities have officially obtained the building ownership certificates and land use certificates, the transfer, mortgage and disposal of such lands and buildings by the evaluated entities may be affected; and

(b) there are legal defects as the owners indicted in the ownership certificates of the above-mentioned buildings and vehicles of the evaluated entities are inconsistent with the evaluated entities. The evaluated entities may be required by relevant government authorities to handle the renaming procedures for such building and vehicle ownership certificates and pay the handling fee.

(2) The Company has been advised by its PRC legal advisers that the supporting documents obtained by the Company and the basis in relation to the status of above-mentioned titles are as follows:

(a) Title certificates issued by relevant government authorities: For the above-mentioned buildings without building ownership certificates, the evaluated entities have obtained the title certificates issued by the competent government authorities for most of the buildings, and proved that such buildings are owned by the evaluated entities. The evaluated entities may use such buildings.

(b) Approval documents issued by relevant government authorities: For the above-mentioned lands without land use certificates, the evaluated entities have obtained the approval documents issued by government authorities for most of the lands, approving the use of such lands by the evaluated entities.

(c) Industrial and commercial documents related to the name change of evaluated entities and restructuring of enterprises: The Company have obtained the industrial and commercial documents related to the name change of evaluated entities and restructuring of enterprises which had been filed by the competent industrial and commercial administrative department of the evaluated entities. Such industrial and commercial documents indicated that the owners indicated in the above-mentioned building and vehicle ownership certificates and the evaluated entities belong to the same entity. The above-mentioned inconsistency between the owners indicated in the building and vehicle ownership certificates and evaluated entities is mainly attributable to the name change of evaluated entities and the restructuring of enterprises.

(d) Explanation and undertakings of the evaluated entities: The evaluated entities have issued explanation and undertaking that (i) the ownership and use rights are belong to the evaluated entities; (ii) they have the right to use such buildings and lands; (iii) there is no dispute over the title of such lands and buildings; (iv) the evaluated entities are actively handling the procedures for the building ownership certificates; and (v) land use certificates of such buildings and lands as well as the name change procedures for the building and vehicle certificates.

(3) The Company has consulted the PRC legal adviser on the above-mentioned title defects and land use rights issues. The Company was informed by the PRC legal adviser, according to PRC laws, if the evaluated entities fail to obtain such building and land ownership certificates, the transfer, mortgage and disposal of such buildings and lands by the evaluated entities will be affected. However, as confirmed by the PRC legal adviser, the above-mentioned title defects will not have any material adverse effect on the continuous operation of the evaluated entities:

(a) The number of such buildings and lands without ownership certificates only accounted for a small proportion of the number of all buildings and lands of the evaluated entities, and were mainly non-production and operation land and, therefore the production and operation of the Target Companies are basically not influenced;

(b) For the above-mentioned buildings and lands without building ownership certificates and land use certificates, the evaluated entities have obtained the title certificates issued by the competent government authorities for most of the buildings and obtained the approval documents issued by the competent government authorities for land use allocation of most of the lands. The evaluated entities shall have the right to continue to use such lands and buildings according to the above-mentioned title certificates and approval documents;

(c) the buildings are all self-constructed by the evaluated entities;

(d) The above-mentioned inconsistency between the owners indicated in the building and vehicle ownership certificates and evaluated entities is mainly attributable to the name change of evaluated entities and the restructuring of enterprises;

(e) The evaluated entities are actively handling the procedures for the building ownership certificates and land use certificates of such buildings and lands as well as the relevant name change procedures for the building and vehicle certificates.

(f) There is no dispute over the title of such buildings, lands and vehicles.

5. Potential impacts of the title defects and land use right issues on the Company

(1) Upon the completion of this transaction, the Company will control the evaluated entities from the equity interests and daily operation and management. Under the integrated management of the Company, the evaluated entities will obtain the corresponding building ownership certificates and land use certificates as soon as possible for the above-mentioned defective lands and buildings, and will complete as soon as possible the change of name procedures for the building ownership certificates and vehicles license for its owners in which their building ownership certificates and vehicles are inconsistent with the evaluated entities.

(2) In addition, pursuant to the Transfer Agreement as disclosed in the section headed "Undertakings by CDC" of pages 5 to 6 of the "Letter of the Board" of this circular, in respect of the buildings and lands which have not yet obtained the building ownership certificates and land use certificates, as well as the buildings and vehicles which have not yet changed its names in the ownership certificates, CDC has undertaken that, it will procure the Target Companies and their subordinated units to use their best endeavours to obtain the relevant land use certificates and building ownership certificates and complete the procedures for the change of owners' names for the relevant land parcels and buildings as the Target Companies and their subordinated units before the Settlement Date; in the event that any administrative punishment is imposed by the relevant competent authorities on or any relevant losses is suffered by the Target Companies and their subordinated units as a result of the failure to obtain land use certificates, building ownership certificates or to effect change of ownership of the relevant land and buildings in favour of the Target Companies or their subordinated units, CDC will compensate the Company in full. If the Target Companies and their subordinated units incur any contingent liabilities as a result of the reasons that arose or existed before the Settlement Date, the Company shall not assume any liabilities for such contingent liabilities, and if the Company, the Target Companies and their subordinated units incur any direct or indirect loss as a result of the aforesaid reason, CDC shall fully compensate the Company for such losses.

(3) On this basis, the Company believes that the above-mentioned title defects and land use rights issues should not cause any material adverse effect to the continuing operation of the Target Companies and their subordinated units. In case the aforesaid title defects cause loss to the Target Companies and their subordinated units, such loss will be entirely undertaken by the CDC and the Company may seek full compensation from CDC pursuant to the terms of the Transfer Agreement.

VI. THE UNDERTAKINGS ISSUED BY CDC TO THE COMPANY IN RESPECT OF AVOIDANCE OF INTRA-INDUSTRY COMPETITION AND THE STATUS OF FULFILMENT

The Company and CDC conducted verification on matters in relation to the relevant undertakings to avoid competition, details of which are set out as follows:

(A) CDC issued the "Undertakings in respect of the Matters relating to Further Avoidance by China Datang Corporation of Intra-industry Competition with Datang International Power Generation Co., Ltd. (《關於中國大唐集團公司進一步避免與大唐國際發電股份有限公司同業競爭有關事項的承諾》)" in October 2010

Before October 2010, CDC has made certain undertakings in relation to the avoidance of intra-industry competition, and had detailed disclosure in the section headed "VII. Intra-industry Competition and Connected Transactions/(ii) Undertaking for Avoidance of Intra-industry Competition" in the prospectus of the Company dated 23 November 2006 regarding the initial public offering of its A shares on the Shanghai Stock Exchange, as set out below:

On 13 January 2005, CDC issued an "Undertaking Letter" for the avoidance of material intra-industry competition between CDC and the Company in future business development. Provided that there is no breach of relevant laws and regulations, market practices and general commercial terms, and during the period of time in which CDC is the controlling shareholder of the Company, CDC undertakes to the Company that:

1. When CDC is engaged in power projects or development, disposal or acquisition of power assets, CDC will follow the principle that no direct or indirect intra-industry competition exists between itself and the Company.

2. In respect of the development or disposal of existing power projects or power assets within the regions in which CDC operates, CDC agrees that the Company has priority to develop or acquire relevant projects or assets that fall into its intended regions of development.

3. CDC undertakes that in respect of power projects to be developed and acquired by the Company, it will not take any action that would constitute direct or indirect competition with the Company.

4. If there is any material intra-industry competition to the Company, CDC agrees to enter into agreements with the Company, addressing any potential intra-industry competition issues in all appropriate ways (including entrusted operation by the Company, or the acquisition of such power projects or assets by the Company).

5. CDC states that when fulfilling its undertakings stated above, CDC will procure its wholly-owned enterprises or/and controlled enterprises to comply with the above undertakings.

In support of the further business development of the Company, CDC issued the "Undertakings in respect of the Matters relating to Further Avoidance by China Datang Corporation of Intra-industry Competition with Datang International Power Generation Co., Ltd. (《關於中國大唐集團公司進一步避免與大唐國際發電股份有限公司同業競爭有關事項的承諾》)" in 2010. CDC will continue to comply with the undertakings it has previously given. For further avoidance of intra-industry competition with the Company, CDC further undertakes that:

(i) CDC confirms that the Company shall be the ultimate platform for integrating the coal-fired power businesses of CDC;

(ii) in respect of the coal-fired power assets of the non-listed companies of CDC, CDC undertakes that it will inject such assets into the Company in 5 to 8 years when the profitability of such assets has improved and the relevant conditions are met;

(iii) in respect of the coal-fired power business assets of CDC located in Hebei Province, CDC undertakes that it will inject such assets into the Company in approximately 5 years when the profitability of such assets has improved and the relevant conditions are met; and

(iv) CDC will continue to perform each of its undertakings previously given to support the development of its subordinated listed companies.

(B) CDC issued an "Illustration on the Specifications of the Undertakings made by CDC to Datang International Power Generation Co., Ltd. (《關於規範大唐集團對大唐國際發電股份有限公司相關承諾的說明》)" in June 2014

Further to the "Undertakings in respect of the Matters relating to Further Avoidance by China Datang Corporation of Intra-industry Competition with Datang International Power Generation Co., Ltd. (《關於中國大唐集團公司進一步避免與大唐國際發電股份有限公司同業競爭有關事項的承諾》)" issued by CDC in October 2010 as set out above, the "Illustration on the Specifications of the Undertakings made by CDC to Datang International Power Generation Co., Ltd. (《關於規範大唐集團對大唐國際發電股份有限公司相關承諾的說明》)" subsequently issued in June 2014 has made improvement in this respect according to requirements set out in the Guideline No. 4 for the Supervision of Listed Companies – Commitments and Fulfillment of Commitments of the Actual Controllers, Shareholders, Affiliates, and Acquirers of Listed Companies as well as the Listed Companies (Announcement No. 55 [2013] of the CSRC) (《上市公司監管指引第4號—上市公司實際控制人、股東、關聯方、收購人以及上市公司承諾及履行》(證監會公告[2013]55號)) issued by the China Securities Regulatory Commission ("**CSRC**") and the "Notice on Further Improvement with regard to Commitments and Fulfillment of Commitments of the Actual Controllers, Shareholders, Affiliates, and Acquirers of Listed Companies as Well as the Listed Companies" (Jing Zheng Jian Fa [2014] No. 35) (《關於進一步做好上市公司實際控制人、股東、關聯方、收購人以及上市公司承諾及履行工作的通知》(京證監發[2014]35號)) issued by the CSRC Beijing Bureau.

1. Term of the undertakings

(i) in respect of the coal-fired power business assets of CDC located in Hebei Province, CDC undertakes that it will inject such assets into the Company no later than around October 2015 when the profitability of such assets has improved and the relevant conditions are met;

(ii) in respect of the coal-fired power assets of the non-listed companies of CDC (except such coal-fired power business assets located in Hebei Province), CDC undertakes that it will inject such assets into the Company no later than around October 2018 when the profitability of such assets has improved and the relevant conditions are met.

2. Conditions for injection

The coal-fired power assets to be injected by CDC shall satisfy the following conditions at the same time:

(i) in respect of the assets to be injected, there is no trend of adverse changes such as decline of expected profitability of the Company;

(ii) after the injection of the assets, it shall be beneficial for the enhancement of assets quality of the Company, the strengthening of the sustainable profitability of the Company and improvement of the Company's financial condition, among which, the earnings per share or return on net assets of the Company shall be on a rising trend;

(iii) the assets to be injected shall comply with the requirements of the national laws, regulations, departmental rules and the regulations of regulatory authorities, including clear titles and completion of the approval procedures and so forth.

(C) In May 2015 and September 2015, CDC issued a "Letter on Further Determination of Relevant Undertakings" and a "Letter on the Alteration of Relevant Undertakings", respectively

In July 2014, in order to adjust and optimize the industry layout, increase the competitiveness of the principal business, the Company and China Reform Holdings Corporation Ltd. entered into the the Framework Agreement for Reorganisation of Coal-to-chemical Segment and Related Projects (the "**Reorganisation Framework Agreement**"), for the proposed reorganisation of the coal-to-chemical segment and related projects of the Company ("**Coal-to-Chemical Reorganisation**"). The relevant transaction agreements were subject to specific reorganisation plans having been finalized, as disclosed in the announcement of the Company dated 7 July 2014. Pursuant to the Reorganisation Framework Agreement, there was a significant amount of capital involved in the reorganisation (approximately RMB60 to RMB80 billion) and, therefore, the reorganisation plans would lead to material changes in financial condition of the Company, which affects the Company's earnings per share and return on net asset.

After a long period of negotiations between the Company and China Reform Holdings Corporation Ltd. on the reorganisation plans, no specific plans have been finalised by the end of October 2015, nor were any transaction agreements signed. Consequently, whether the reorganisation could be completed and the degree of impact on earnings per share for current period and return on net asset would be unpredictable.

Pursuant to the above-mentioned "Illustration on the Specifications of the Undertakings made by CDC to Datang International Power Generation Co., Ltd.", CDC shall inject its coal-fired business assets located in Hebei Province into the Company by the end of October 2015 for the further avoidance of intra-industry competition issued by CDC in 2010. Nonetheless, if the Company proceeded to inject coal-fired business assets located in Hebei Province into the Company at the same time as the Coal-to-Chemical Reorganisation, the extent to which the asset injection would affect the compliance with the requirements of the above undertakings was uncertain. On the one hand, the Coal-to-Chemical Reorganisation would affect the financial condition of the Company, which would make it difficult to estimate the actual impact of asset injection. On the other hand, if the Company proceeded with several capital projects which might have a substantial impact on the Company at the same time, it might be difficult to form and implement a specific operational plan.

Since the Coal-to-Chemical Reorganisation scheme will have a significant effect on the earnings per share and return on net assets of the Company, there was, therefore, uncertainty as to whether the injection of coal-fired power assets located in Hebei Province by CDC, the controlling shareholder of the Company prior to the completion of the Coal-to-Chemical Reorganisation were in compliance with relevant requirements of the conditions for assets injection.

The significant impact of the Coal-to-Chemical Reorganisation on the Company was reflected by the fact that, after China Reform Corporation terminated its Reorganisation Framework Agreement with the Company and the Company completed the transfer of the coal-to chemical segment and related projects of the Company to CDC on 31 August 2016, the total profit in the consolidated financial statements of the Company decreased by approximately RMB4.314 billion, the total assets of the consolidated financial statements of the Company decreased by approximately RMB75.492 billion, the total liabilities decreased by approximately RMB71.327 billion, the total owner's equity decreased by approximately RMB4.165 billion and the liabilities-to-assets ratio decreased by approximately 4.87%. Nevertheless, the completion of the transfer of the coal-to-chemical segment and related projects of the Company to CDC has improved the financial structure of the Company and optimised the assets structure of the Company, and it has further strengthened the Company's core business and competitiveness.

In view of the above factors, in order to safeguard the interest of the Company and the Shareholders and to optimise the Company's asset structure in a gradual manner and with priority, CDC decided to postpone the term of performing the relevant undertakings for the injection of assets located in Hebei Province, and issued a "Letter on Further Determination of Relevant Undertakings" and a "Letter on the Alteration of Relevant Undertakings" in May 2015 and September 2015, respectively. The content of the adjusted undertakings were as follows:

1. Term of the undertakings

(i) in respect of the coal-fired power business assets of CDC located in Hebei Province, after the outcome of the Coal-to-Chemical Reorganisation becomes definite, CDC proposed to inject such assets into the Company no later than around October 2018 when the profitability of such assets has improved and the relevant conditions are met;

(ii) in respect of the coal-fired power assets of the non-listed companies of CDC (except for the coal-fired power business assets located in Hebei Province and Hunan Province), CDC will inject such assets into the Company no later than around October 2018 when the profitability of such assets has improved and the relevant conditions are met.

2. Conditions for injection

The coal-fired power assets to be injected by CDC shall satisfy the following conditions at the same time:

(i) there exists no trend of adverse changes such as decline of expected profitability of the Company in respect of the assets to be injected;

(ii) after the injection of the assets, it shall be beneficial for the enhancement of assets quality of the Company, strengthening of the sustainable profitability of the Company and improvement of the Company's financial condition, among which, the earnings per share or return on net assets of the Company shall be on a rising trend;

(iii) the assets to be injected shall comply with the requirements of the national laws, regulations, departmental rules and the regulations of regulatory authorities, including clear titles and completion of the approval procedures.

(D) Conformity of the Acquisition with the above undertakings

1. The Acquisition is an essential initiative taken by CDC in the performance of its intra-industry competition undertakings to the Company, which reflects the determination of the Company and CDC, the controlling shareholder in resolving the problem of intra-industry competition

Upon the issuance of the intra-industry competition undertakings, CDC has been committed to the performance of the above undertakings in the long run. The injection of coal-fired power assets located in Hebei, Anhui and Heilongjiang Provinces to the Company is an important arrangement which reflects CDC's initiative in performing the intra-industry competition undertakings. At the same time, it also represents an important initiative of CDC to utilize the Company as a platform to integrate its coal-fired power assets in order to strengthen and optimize the Company.

The Company managed to integrate the coal-fired power assets of CDC in Hebei, Anhui and Heilongjiang Provinces through the Acquisition. Upon completion of the Acquisition, the coal-fired power assets held by CDC in Hebei, Anhui and Heilongjiang Provinces will be fully injected in the Company, while CDC will no longer control the coal-fired power assets in the aforementioned three provinces, thus no longer result in intra-industry competition with the Company. The Acquisition is conducive to mitigating the intra-industry competition between the Company and CDC, the controlling shareholder, as well as protecting the interests of the Company and minority Shareholders.

2. Fulfillment of relevant conditions of injection for the coal-fired power assets to be injected by CDC

a) The desirable profitability of the Target Companies from 2014 to 2016

The three Target Companies involved in the Acquisition maintained a desirable profitability from 2014 to 2016, details of which are set forth as follows:

Unit: RMB0'000

Company Names	Items	January to September 2017	2016	2015	2014
Hebei Company	Operating Income	405,078.02	537,926.57	533,105.97	577,901.85
	Net Profit	-21,924.10	77,573.65	102,020.65	46,367.04
Heilongjiang Company	Operating Income	385,652.34	561,853.39	601,557.73	607,643.81
	Net Profit	13,441.39	65,082.79	42,623.96	24,264.46
Anhui Company	Operating Income	594,651.34	753,947.37	888,450.96	696,859.48
	Net Profit	-42,014.13	44,032.58	122,829.85	36,639.28

b) Major reasons for the loss incurred by some of the Target Companies in the period from January to September 2017

From January to September 2017, Hebei Company and Anhui Company incurred losses in their net profits. Both Hebei Company and Anhui Company principally engaged in the coal-fired power generation business. As of 30 September 2017, Hebei Company had a total installed capacity of 2.947 million kW, of which coal-fired installed capacity accounted for 2.65 million kW, or 89.92%. Anhui Company had a total installed capacity of 6.244 million kW, of which coal-fired installed capacity accounted for 6.06 million kW, or 97.05%. The major fuel for coal-fired power generating units is coal. In the most recent year, due to the significant increase of coal price, the price of standard coal used in power generation of Hebei Company has increased from RMB337.94/ton (January to September 2016) to RMB602.58/ton (January to September 2017), representing a year-on-year increase of 78.31%. The price of standard coal used in power generation of Anhui Company has increased from RMB496.61/ton (January to September 2016) to RMB751.05/ton (January to September 2017), representing a year-on-year increase of 51.24%. The significant increase in coal price is the major reason for the significant decrease in profitability of Hebei Company and Anhui Company from January to September 2017.

c) Analysis on prospects of profitability of the Target Companies

The temporary losses of Hebei Company and Anhui Company due to the significant increase in coal price are expected to be reversed in the future, analysis of which is set out as follows:

(i) The NDRC and other authorities are taking measures to curb the coal price

In October 2017, the NDRC published the "Notice on Regulating the Market Price of Coal in the Winter Peak Season (《關於做好迎峰度冬期間煤炭市場價格監管的通知》)", requiring immediate inspection of the market coal price in order to strictly crack down price manipulation and price monopolies in the coal industry. During the same month, the NDRC convened a forum to analyse the promotion of direct purchase and direct sale of coal, the signing of medium and long-term contracts, and the establishment of social responsibility corporate policy in maintaining stable coal supply and price during the summer and winter peak seasons. The forum pointed out that the responsibility of maintaining stable coal supply and price shall be borne by both the coal and electricity industries, and that there is a need to formulate upgraded medium and long-term contracts, so as to promote direct purchase and sale and cut down intermediate stages. The forum believed that the exploration and establishment of the social responsibility corporate policy of maintaining stable coal supply and price are significant to maintain the stable and reliable supply of coal during peak seasons, avoiding the fluctuations of coal price and enhancing the stable operation of economy.

(ii) The policy of coal-electricity linkage is beneficial to improving the financial condition of power generating enterprises

To alleviate the contradictions between coal and electricity, the NDRC first implemented the policy of coal-electricity price linkage in 2014. Pursuant to the "Notice on Relevant Matters regarding Improving the Coal-Electricity Linkage Mechanism (Fa Gai Jia Ge (2015) No. 3169)", if the fluctuation of coal price exceeds a certain range during a period, both on-grid tariff and sales tariff of electricity shall be adjusted accordingly. Since the second half of 2016, the price of steam coal in the PRC entered into a new rising period, breaking the historical record of annual increase, which resulted in a significant increase in the cost of

fuel for power generating enterprises. If the price of steam coal remains at a high level, the NDRC and other competent authorities will determine whether the coal-electricity linkage mechanism has to be triggered based on the changes in coal and electricity prices. As such, the financial condition of power generation enterprises is expected to improve.

(iii) The stable GDP growth rate of the PRC boosted the growth of electricity demand

The electricity industry is an important fundamental industry of the national economy in the PRC and is closely related to the development of the national economy. As electricity is an important input for economic growth, the growth rate of electricity consumption is generally in tandem with economic growth. In accordance with public information publicly disclosed by the National Bureau of Statistics, the GDP for the third quarter of 2017 of the PRC manifested a year-on-year increase of 6.8%, which is expected to reach the target of an annual GDP growth rate of 6.5% as stated in the government report at the fifth session of the twelfth National People's Congress. Based on the strong correlation between economic growth and electricity demand, it is expected that electricity demand will increase following the steady growth of the national GDP in the PRC.

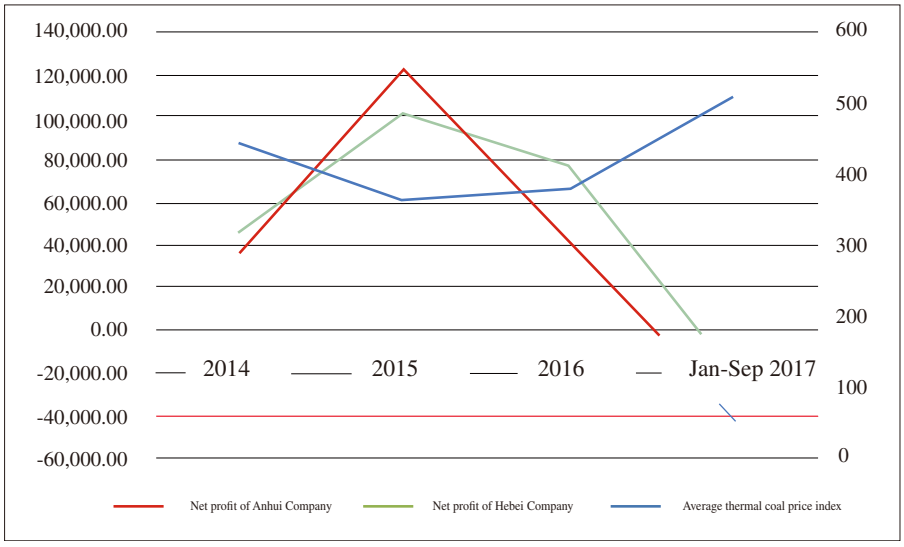
(iv) With favourable operating conditions, the profitability of the Target Companies have greater room for improvement in the future

Anhui Company, which is adjacent to the Yangtze River Delta Economic Zone, has favourable regional advantages. The increase in electricity consumption in Yangtze River Delta and peripheral areas creates a robust driving force to the power generation business of Anhui Company. Meanwhile, the installed capacity of Anhui Company amounts to 6.244 million kW, among which large power units with over 0.6 million kW account for over 60%. The unit coal consumption of the operation of the units is relatively low, which leads to better potential of profits. Hebei Company is situated in the Beijing-Tianjin-Hebei Economic Zone. The area of power supply covers Xiong'an new area. Further implementation of integrated strategies of Beijing-Tianjin-Hebei and the plan of Xiong'an new area will give rise to decent business expansion opportunities for Hebei Company, which is conducive to the enhancement of the results of Hebei Company in the future.

d) Conforming with the long-term strategic target of the Company

The asset injection will result in the improvement of electricity supply capacity and the coverage of electricity supply by the Company in Eastern, Northern and Northeast China, thereby enhancing the Company's core business of power generation and improving the market share and influence of the Company, which will further enhance the continuous operating capabilities of the Company, achieving specific implementation of the long-term development strategy of "Expanding New Scope and Space for Development" of the Company.

On the whole, the historical profitability level of the Target Companies is favourable. The losses of Heibei Company and Anhui Company during the period from January to September 2017 were primarily attributable to the significant rise in coal price in the second half of 2016.



Source: Price Monitoring Center of the National Development and Reform Commission http://jgjc.ndrc.gov.cn/zgdmjgzs.aspx?clmId=syjgzs6

The chart above shows the annual average of thermal coal price index for the period from 2014 to September 2017, and the annual net profits of Hebei Company and Anhui Company, which indicate that the profitability of Hebei Company and Anhui Company was on a reverse trend compared with that of coal price. Losses incurred by Hebei Company and Anhui Company from January to September 2017 were mainly attributable to the consistently high coal price.

According to the following analysis, there are possibilities for adjustment of the coal price. As shown in the chart on page 38 of the "Letter of the Board" of this circular, in the second half of 2016, the coal price rose rapidly, with the thermal coal price index surged from 321.00 to 534.92 from June to December. Whilst the index fluctuated in the range between 490.91 and 534.76 from January to September 2017, it remained at high levels and reached the highest level since 2014. Accordingly, coal price in 2017 at record high levels is not the norm as compared with that reported since 2014, which has urged the NDRC to take measures for curbing the price hike as set out in the above. As such, the analysis of the Company indicates that there are possibilities for the adjustment of coal price in the future.

In the future, on the basis of the factors set out in paragraphs (i) to (iv) in the section headed "c) Analysis on prospects of the Target Companies" on page 60 to 61 of the "Letter of the Board" of this circular, it is expected that Hebei Company and Anhui Company will recover to generate profits, while the annual profitability of the Target Companies in the future is expected to gradually improve and will be conducive to the realisation of long-term strategic target of the Company.

e) The Target Companies are in compliance with the requirements of national laws, regulations, departmental rules and the regulations of regulatory authorities, including clear titles and completion of the approval procedures.

According to the undertakings and guarantees as given in the Transfer Agreement by CDC and upon review by the Company, the equity interests of the Target Companies to be injected in the Acquisition have clearly defined titles. There were no mortgages, pledges and any other limitations of transfer. No legal proceedings and measures such as litigation, arbitration, seizure or freezing orders were involved, nor were there other conditions that impede the transfer of titles.

According to Rule 31 of "Administrative Measures of Supervising Transfer of State-owned Assets of Enterprises (Order No. 32 of State-owned Assets Supervision and Administration Commission ("**SASAC**") of the State Council and Ministry of Finance) (《企業國有資產交易監督管理辦法》(國務院國資委、財政部令第32號))", if there are ownership transfers due to the implementation of internal reorganisation and integration between the same state-funded enterprise and its controlling enterprises at all levels or de facto controlled enterprises, transfers by way of non-public agreements may be adopted upon consideration by and decision of the state-funded enterprise. On 29 November 2017, CDC convened the ninth meeting of the third session of its board of directors, and resolved to agree on matters in relation to the transfer of 100% equity interests of the Target Companies held by CDC to the Company, which is in conformity with the aforementioned regulatory requirements of the SASAC.

The nineteenth Board meeting of the ninth session of the Company considered and approved "the resolution in relation to the related transaction and the Acquisition of 100% equity interests of Datang Heilongjiang Power Generation Co., Ltd., Datang Anhui Power Generation Co., Ltd. and Datang Hebei Power Generation Co., Ltd." on 6 December 2017. Chen Jinhang, Liu Chuandong and Liang Yongpan, connected Directors of the Company, abstained from voting. The Acquisition has been approved by Liu Jizhen, Luo Zhongwei, Jiang Fuxiu, Feng Genfu and Liu Huangsong, being independent Directors, prior to the submission to the Board for consideration. The Acquisition is subject to the approval by the independent Shareholders at the general meeting, at which CDC and its associates will abstain from voting.

All in all, the Target Companies under the Acquisition are in compliance with the requirements of national laws, regulations, departmental rules and the regulations of regulatory authorities, including clear titles and completion of the approval procedures.

VII. REASONS FOR AND BENEFITS OF THE ACQUISITION

The transaction is the specific implementation of CDC's undertakings, the details of which are disclosed above, to avoid competition with the Company, which are in favour of the Company to further expand its scale, increase market share and enhance the Company's competitiveness. Upon Completion, the Company will achieve integration of the coal-fire power assets owned by CDC in Hebei, Heilongjiang and Anhui provinces. Upon Completion, the three power generation companies under CDC will become wholly-owned subsidiaries of the Company, and the power generation volume and continuous operation capabilities of the Company will be greatly improved. In the meantime, the improvement of electricity supply capacity and the coverage of electricity supply by the Company in Eastern, Northern and Northeast China is conducive to improving the market share and influence of the Company, and enhance the Company's core business of power generation. Calculated in accordance with PRC enterprise accounting standard, the total assets and total liabilities of the Target Companies the amount to RMB41.594 billion and RMB29.894 billion, respectively, as at 30 September 2017. From January to September 2017, the after-tax loss of the Target Companies amounted to RMB505 million in aggregate. Upon the Completion, profits of the Target Companies will be subject to change according to the market conditions. As at 30 September 2017, there were no external guarantee and entrusted financial management of the Target Companies.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition pursuant to the relevant terms of the Transfer 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 are in the interests of the Company and the Shareholders as a whole.

VIII. PROFIT FORECAST AS REQUIRED UNDER THE RELEVANT RULES OF THE SHANGHAI STOCK EXCHANGE RELATING TO THE APPRECIATION OF THE TARGET COMPANIES

The valuation results of Anhui Company and certain subsidiaries of Heilongjiang Company and Anhui Company (as shown in the table below) by adopting asset-based approach are at a premium of above 100% of their respective book value.

The high premium in the valuation result of such companies is mainly attributable to the following factors: (1) The increase in the value of Datang Dongning Hydropower Development Co., Ltd. is mainly due to appreciation of valuation of land use rights under the asset-based approach; (2) the premium in the value of Heilongjiang Longtang Electricity Investment Co., Ltd. is mainly due to the appreciation of valuation of fixed assets and long-term equity interest investment under the asset-based approach; (3) the high premium in the value of Datang Heilongjiang Electricity Technology Development Co., Ltd. is mainly due to the appreciation of valuation of long-term equity interest under the asset-based approach; (4) the increase in the value of Datang Jixi Thermal Power Co., Ltd. is mainly due to the appreciation of valuation of fixed assets and intangible assets under the asset-based approach; (5) the increase in the value of Anhui Electric Power Co., Ltd. is mainly due to the appreciation of valuation of the land use rights of fixed assets and intangible assets under the asset-based approach; and (6) The appraised value of Datang Anhui Power Generation Co., Ltd. accounts for only 73.13% of the owners' equities in the statement of the parent company, while the appreciation rate is 101.07% as compared to the equity attributable to the ownership of the parent company in the consolidated statement, which is mainly due to the appreciation of valuation of long-term equity interest investment, the buildings and land use rights of fixed assets and the land use rights of intangible assets under the asset-based approach.

According to and for the purpose of complying with the Guidelines of the Shanghai Stock Exchange for the Implementation of the Connected Transactions of Listed Companies and other relevant PRC laws, regulations and rules, Ruihua issued the reports on the examination of profit forecast for 2017 and 2018 in relation to the relevant Target Companies and their relevant subsidiaries whose valuation results are at a premium of above 100% of the book value.

Unit: RMB'0,000

No.	Company	Forecasted net profit/loss for 2017	Forecasted net profit/loss for 2018
1.	Datang Dongning Hydropower Development Co., Ltd.	-699.10	-1,049.94
2.	Heilongjiang Longtang Electricity Investment Co., Ltd.	8,341.27	489.39
3.	Datang Heilongjiang Electricity Technology Development Co., Ltd.	-20.39	21.00
4.	Datang Jixi Thermal Power Co., Ltd.	-5,959.27	-5,399.03
5.	Anhui Electric Power Co., Ltd.	-22,787.86	-13,058.54
6.	Anhui Company	-65,318.73	-12,949.83

Waiver in relation to A Share Profit Forecast Prepared Under PRC Laws and Regulations

Pursuant to the Guidelines of the Shanghai Stock Exchange for the Implementation of the Connected Transactions of Listed Companies and other relevant PRC laws and regulations, the Target Companies have prepared profit forecast reports ("**A-Share Profit Forecast Reports**") for those companies whose valuation results are at a premium of 100% or above over their book value, which have been reviewed by Ruihua.

The A-Share Profit Forecast Reports are regarded as "profit forecast" under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under the Rules 14.62(2)&(3), 14.66(2), 14A.68(7), 14A.70(13), and paragraph 29(2) of Appendix 1B of the Listing Rules on the following grounds:

(i) the A-Share Profit Forecast Reports were made to comply with the PRC laws and regulations only as the valuation of the A-Share Companies are at a premium of above 100% of their respective book values. There are no equivalent requirements under the Listing Rules requiring the Company to make profit forecasts reports if the valuations of the target companies to be acquired by the Company are above 100% of their respective book values;

(ii) the A-Share Profit Forecast Reports were prepared by the Target Companies where the Company was not involved in the preparation;

(iii) the A-Share Profit Forecast Reports were irrelevant in the determination of the consideration of the Acquisition by the Board, for which the Board has taken into consideration various factors, including the valuation of the assets of the Target Companies, the market conditions, the outlook and development of the power generation industry in the PRC and the production, operation and financial position, future planning for development and strategic synergy between CDC and the Target Companies;

(iv) there are practical difficulties for the Company's auditor or reporting accountants to confirm on the accounting policies and calculations of the forecast because the A-Share Profit Forecast Reports were prepared based on the PRC accounting standard which is different from the Company's;

(v) there are practical difficulties for the Company's financial adviser (or for the Board) to render a requisite opinion under the Listing Rules because the directors did not prepare the A-Share Profit Forecast Reports; and

(vi) full compliance with Rules 14.62(2) and 14.62(3) of the Listing Rules will be practically burdensome for the Company.

For information purposes, the principal assumptions in respect of the A-Share Profit Forecast Reports are set out in Appendix VIII of this circular.

IX. PROFIT FORECAST UNDER LISTING RULES BY ADOPTING INCOME APPROACH IN VALUATION

As disclosed in the section headed "Valuation of the Target Companies" of this circular, the valuation of three subsidiaries of Hebei Company, namely (i) Datang Hebei Renewable Energy (Zhangbei) Co., Ltd., (ii) Datang Wuyuan Renewable Energy Co., Ltd. and (iii) Datang Wulate Houqi Renewable Energy Co., Ltd., was prepared based on the income approach (the "**Profit Forecast of the Relevant Subsidiaries**"), each of such valuation respectively constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The Company has engaged, RSM Hong Kong to prepare a letter in compliance with Rule 14.62(2) of the Listing Rules. Also, the Company has engaged GF Capital, the financial adviser of the Company, to provide a report in compliance with Rule 14.62(3) of the Listing Rules. GF Capital is satisfied that the forecast has been made by the Board after due and careful enquiry.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Independent Valuers are third parties independent of the Company and its connected persons.

The letter from RSM Hong Kong, the auditor of the Company, for the purpose of Rule 14.62(2) of the Listing Rules on the calculations of the valuation of the equity interests of the relevant subsidiaries is set out in Appendix IV of this circular. The report from GF Capital for the purpose of Rule 14.62(3) of the Listing Rules on the bases and assumptions on the profit forecast of the relevant subsidiaries is set out in Appendix VII to this circular.

X. INFORMATION OF 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 maintenance and debugging of power equipment and power related technical services. It's main service areas located in the PRC.

2. CDC was established on 9 April 2003 with a registered capital of RMB37 billion and is principally engaged in the development, investment, construction, operation and management of power energy; organization of power (thermal) productions and sales; manufacturing, maintenance and debugging of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering contracting projects; development of new energy as well as development and production of power related coal resources.

XI. CONTINUING CONNECTED TRANSACTIONS

Upon Completion, the Target Companies will cease to be wholly-owned subsidiaries of CDC and will become wholly-owned subsidiaries of the Company. CDC and/or its subsidiaries and the Target Companies and/or their subsidiaries had entered into a number of continuing transactions in relation to, amongst others, the following main categories prior to the date of the Transfer Agreement.

(i) Procurement of materials;

(ii) Sale and purchase of coal;

(iii) EPC contracting;

(iv) Technological transformation;

(v) Repair and maintenance and operations and management;

(vi) Provision of technical services;

(vii) Leasing of properties;

(viii) Financial leasing; and

(ix) Desulfurisation (or denitrification) franchising.

Since the term of the agreements of such continuing transactions will continue after Completion, they will therefore become continuing connected transactions of the Company under Chapter 14A of the Listing Rules after Completion. Since all of the applicable percentage ratios in respect of each of the aggregated amount of each category of the services (which are of different nature from each other) under such contemplated continuing connected transactions is less than 5%, such contemplated continuing connected transactions are only subject to the applicable reporting and announcement requirements under Chapter 14A of the Listing Rules but do not require the approval by the independent shareholders of the Company. The Company will issue further announcement in respect of such contemplated continuing connected transactions in accordance with the requirements of Chapter 14A of the Listing Rules on or before Completion.

XII. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Acquisition contemplated under the Transfer Agreement exceeds 25% but are all less than 100%, the Acquisition contemplated under the Transfer Agreement constitutes a major transaction of the Company and therefore, is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, CDC is the controlling shareholder of the Company, which together with its subsidiaries hold 34.77% of the issued share capital of the Company. As such, CDC is a connected person of the Company, and therefore, the Acquisition contemplated under the Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

XIII. EGM AND BOARD'S APPROVAL

The Company will convene the EGM to consider and approve the Transfer Agreement. The notice convening the EGM has been dispatched to the Shareholders on 30 January 2018.

Any Shareholder with a material interest in the Acquisition under the Transfer Agreement will abstain from voting at the EGM to be held by the Company, to consider and approve the Transfer Agreement. Therefore, CDC and its associates, which hold approximately 34.77% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting at the EGM in approving the Acquisition contemplated under the Transfer 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 Shareholder has material interest in the Acquisition contemplated under the Transfer Agreement. Therefore, saved as disclosed above, no other Shareholder shall abstain from voting at the resolution(s) in relation to the approval of the Acquisition contemplated under the Transfer Agreement at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors has material interest in the Acquisition under the Transfer Agreement. Those connected Directors, including Chen Jinhang, Liu Chuandong and Liang Yongpan, who are the employees of CDC, have abstained from voting at the Board's meeting for approval of the relevant transaction in accordance with the requirements of the listing rules of the Shanghai Stock Exchange.

XIV. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 72 to 73 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Transfer Agreement. Your attention is also drawn to the letter of advice received from Guosen Securities, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 74 to 102 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 Transfer Agreement, the casting of votes for or against the resolution(s) approving the Transfer Agreement as well as the principal factors and reasons considered by it in concluding its advice.

The Directors (including the independent non-executive Directors) consider that the terms of the Transfer Agreement 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 resolution(s) at the EGM.

XV. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular as required under the Listing Rules.

XVI. GENERAL

Shareholders and potential investors of the Company should be aware that the Acquisition under the Transfer Agreement is subject to a number of conditions being satisfied, and consequently the transaction may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the shares of the Company.

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

Office address
No. 9 Guangningbo Street
Xicheng District
Beijing, 100033
The PRC

22 February 2018

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANIES FROM CDC

We refer to the circular issued by the Company to the shareholders dated 22 February 2018 (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 Acquisition constitutes a major and connected transaction 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 Transfer Agreement and to advise the Independent Shareholders in connection with the Transfer Agreement as to whether, in our opinion, its terms and the Acquisition contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Guosen Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board, the letter from Guosen Securities and the additional information as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of Guosen Securities as set out in its letter of advice, we consider that the Transfer Agreement is on normal commercial terms. We also consider that the terms of the Transfer Agreement and the Acquisition contemplated thereunder are fair and reasonable so far as the 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 resolution(s) to approve the Transfer Agreement and the Acquisition contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of the Independent Board Committee
Liu Jizhen, Feng Gengfu, Luo Zhongwei,
Liu Huangsong, Jiang Fuxiu,
Independent non-executive Directors
Datang International Power Generation Co., Ltd.

Set out below is the text of a letter received from Guosen Securities, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition for the purpose of inclusion in this Circular.

国信证券[香港]
GUOSEN SECURITIES [HK]

42/F
Two International Finance Centre
No. 8 Finance Street
Central, Hong Kong

22 February 2018

To: The Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION

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 Acquisition, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 22 February 2018 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 6 December 2017, the Company entered into the Transfer Agreement with CDC, pursuant to which the Company (as the purchaser) has conditionally agreed to acquire the Target Shares from CDC (as the vendor) at an aggregate consideration of RMB18,127.51 million.

As at the Latest Practicable Date, CDC is the controlling shareholder, which together with its subsidiaries held 34.77% of the issued share capital of the Company. Accordingly, CDC is a connected person of the Company. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Acquisition exceeds 25% but are all less than 100%, the Acquisition constitutes a major and connected transaction of the Company and is subject to the reporting and announcement requirements as well as the approval by the Independent Shareholders under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Liu Jizhen, Mr. Feng Genfu, Mr. Luo Zhongwei, Mr. Liu Huangsong and Mr. Jiang Fuxiu (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transfer Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned;

(ii) whether the Acquisition is conducted in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) on the Acquisition at the EGM. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We have not acted as financial adviser to the Company, CDC and the Target Companies during the past two years. In addition, as at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, or any other parties that could reasonably impact our independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders. Accordingly, we are an independent party qualified to act as independent financial adviser in respect of the Acquisition under the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and their representatives. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have requested, and were given assurance by the Company, that the information referred to in the Circular shall continue to be true, accurate and complete up to the date of the EGM, and if there is any material change of the information in the Circular, the Shareholders will be informed timely. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Acquisition.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CDC, the Target Companies or their respective subsidiaries or associates. As independent financial adviser, our role is to opine on whether the terms of the Acquisition is fair and reasonable as far as the interest of the Independent Shareholders are concerned,

and, from that perspective, whether the Acquisition is in the interest of the Company and the Shareholders as a whole. It is not within our scope of work to comment on the commercial merits of the Acquisition for which the Directors are solely responsible.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1. Background

Business Overview of the Company

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 maintenance and debugging of power equipment and power related technical services. Its main service areas are located in the PRC. As advised by the Directors, as at 30 November 2017, the Group had a total installed power generation capacity of approximately 47,092.175 MegaWatt ("**MW**"). We note that the Company is one of the biggest listed coal-fired energy operators in the PRC. The Group has been focusing on its core business of power generation in the PRC since its establishment.

Set out below are the consolidated financial information of the Company for the six months ended 30 June 2017 and for the two years ended 31 December 2016 as extracted from the interim report of the Company for the six months ended 30 June 2017 (the "**2017 Interim Report**") and the annual report of the Company for the year ended 31 December 2016 (the "**2016 Annual Report**"):

	For the six months ended 30 June 2017	**For the year ended 31 December 2016**	**For the year ended 31 December 2015**	**Change from 2015 to 2016**
	RMB'000 (Unaudited)	*RMB'000* (Audited)	*RMB'000* (Audited)	*%*
Revenue	30,047,916	57,291,557	60,050,302	(4.59)
– Sales of electricity	27,130,370	51,866,386	55,556,321	(6.64)
– Heat supply	1,119,244	1,748,083	1,434,570	21.85
– Sales of coal	8,063	159,157	267,649	(40.54)
Others	1,790,239	3,517,931	2,791,762	26.01
Profit for the period/year	1,334,966	1,885,321	3,260,372	(42.17)
Loss/Profit attributable to owners of the Company	1,092,019	(2,753,881)	2,787,739	–

	As at 30 June 2017	As at 31 December 2016	As at 31 December 2015	Change from 2015 to 2016
	RMB'000	*RMB'000*	*RMB'000*	*%*
	(Unaudited)	(Audited)	(Audited)	
Total assets	232,052,576	233,465,421	308,495,439	(24.32)
Total liabilities	172,203,376	174,636,428	244,911,100	(28.69)
Net assets	59,849,200	58,828,993	63,584,339	(7.48)
Current assets	21,354,052	20,194,918	26,524,690	(23.86)
Current liabilities	54,772,298	57,365,578	75,781,339	(24.30)
Net current liabilities	33,418,246	37,170,660	49,256,649	(24.54)
Cash and cash equivalents and restricted deposits	4,722,296	4,528,367	5,573,891	(18.76)

On the basis of the disclosure in the 2016 Annual Report, the 2017 Interim Report and the findings we obtained from the Company, we understand that the financial performance of the Company during the two years ended 31 December 2016 and the six months ended 30 June 2017 had been substantially affected by the changes in the prices of electricity in the regions the Group operates in the PRC and that of the costs of coal during the same period. We note that the prices of coal and that of electricity in the PRC have a certain degree of correlation. However, the volatility of coal prices and the time intervals in the adjustments in the prices of electricity in different parts of the PRC may impact the financial performance of coal-fired energy operators including the Group.

In this regard, we note the Directors' favourable assessment of the current operating conditions of the Group as described in the Board Letter. In particular, from January to September 2017, net profits attributable to the parent company of the Company amounted to RMB1,909.298 million, representing a year-on-year increase of approximately 160.70%. According to the statistics of Wind, from January to September 2017, amongst the 35 listed companies in total under the category of thermal power sector as categorised by CITIC, only seven listed companies recorded over RMB100 million of net profits attributable to their parent companies, while only five listed companies recorded year-on-year increase in their net profits attributable to their parent companies. The Company was within the abovementioned scope.

In 2018, as explained in the Letter from the Board, the Company faces a more complicated situation with increasingly arduous tasks. It will devote itself to both organic development and external expansion, to both green development and innovative development in order to reach an advanced level by delivering better quality and increasing efficiency through optimized development so as to strengthen and grow itself to surpass its potential competitors. It will speed up its works on quality enhancement in its production process by strictly implementing production safety and thoroughly

exploring its potential and increasing its efficiency, enhance its profitability by strengthening its benchmarking capability, increasing revenue and reducing expenditure, keep itself abreast of market trends in terms of benchmarking and capture opportunities for power generation, and will ensure sustainable development through innovative development and green development.

We note that CDC, the controlling shareholder of the Company and a sole state-owned enterprise in the PRC, holds substantial assets primarily in the energy sector in the PRC. As set out in details in the Board Letter, CDC has previously undertaken to mitigate the intra-industry competition with the Company and the Acquisition represents an implementation step towards this objective. Upon completion of the acquisition, the coal-fired power assets held by CDC in Hebei, Anhui and Heilongjiang Provinces will be fully injected in the Company, while CDC will no longer control the coal-fired power assets in the aforementioned three provinces. CDC also confirms that the Company shall be the ultimate platform for integrating the coal-fired power businesses of it.

Information of the Target Companies

(i) Hebei Company

Hebei Company was incorporated in the PRC on 10 October 2004 and is wholly owned by CDC. Hebei Company is principally engaged the production and sale of electricity and thermal power. Certain subsidiaries of Hebei Company are principally engaged in the production and sale of electricity with photovoltaic power and wind power.

Hebei Company has a total installed capacity of approximately 2,947 MW in operation. As advised by Hebei Company, it plans to achieve a total installed capacity of approximately 4,167 MW by the end of 2020.

Set out below is the key audited financial information of Hebei Company and its subsidiaries prepared in accordance with PRC enterprise accounting standard:

	For the nine months ended 30 September 2017	**For the year ended 31 December 2016**	**For the year ended 31 December 2015**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	4,050,780	5,379,266	5,531,060
(Loss)/Profit before taxation	(204,689)	942,844	1,129,338
(Loss)/Profit after taxation	(219,241)	775,737	1,020, 207

As at 30 September 2017, the consolidated net asset value of Hebei Company under PRC enterprise accounting standard was approximately RMB3,069,220,000. Its registered capital is RMB3,001,985,592.

(ii) Anhui Company

Anhui Company was incorporated in the PRC on 27 December 2013 and is wholly owned by CDC. Anhui Company is principally engaged in the production and sale of electricity.

Anhui Company has a total installed capacity of approximately 6,244 MW in operation. As advised by Anhui Company, it plans to increase additional installed capacity of approximately 199.6 MW by the end of 2019.

Set out below is the key audited financial information of Anhui Company and its subsidiaries prepared in accordance with PRC enterprise accounting standard:

	For the nine months ended 30 September 2017	**For the year ended 31 December 2016**	**For the year ended 31 December 2015**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	5,946,513	7,539,474	8,884,510
(Loss)/Profit before taxation	(410,337)	596,188	1,662,362
(Loss)/Profit after taxation	(420,141)	440,326	1,228,299

As at 30 September 2017, the consolidated net asset value of Anhui Company under PRC enterprise accounting standard was approximately RMB4,309,074,700. Its registered capital is RMB3,598,208,463.76.

(iii) Heilongjiang Company

Heilongjiang Company was incorporated in the PRC on 29 September 2004 and is wholly owned by CDC. Heilongjiang Company is principally engaged in the production and sale of electricity and thermal power.

Heilongjiang Company has a total installed capacity of approximately 4,232 MW in operation, including a 350 MW generating unit newly operated on 2 December 2017.

Set out below is the key audited financial information of Heilongjiang Company and its subsidiaries prepared in accordance with PRC enterprise accounting standard:

	For the nine months ended 30 September 2017	For the year ended 31 December 2016	For the year ended 31 December 2015
	RMB'000	*RMB'000*	*RMB'000*
Revenue	3,856,523	5,618,534	6,015,577
Profit before taxation	201,951	852,096	652,296
Profit after taxation	134,414	650,828	426,240

As at 30 September 2017, the consolidated net asset value of Heilongjiang Company under PRC enterprise accounting standard was approximately RMB4,321,478,700. Its registered capital is RMB2,923,180,277.91.

(iv) Financial performance of the Target Companies

Details and discussions of the financial position and performance of the Target Companies for the three years ended 31 December 2016 and the nine months ended 30 September 2017 are contained in the Accountants' Report of the Target Companies as set out in Appendix II to the Circular, and in the Management Discussion and Analysis of the Target Companies as set out in Appendix V to the Circular respectively.

We note that the Target Companies all achieved historical profitability during 2014 to 2016. From January to September 2017, Hebei Company and Anhui Company incurred losses in their net profits. Both Hebei Company and Anhui Company are principally engaged in the coal-fired power generation business. The major fuel for coal-fired power generating units is coal. As analysed in the Board Letter, in the most recent year, due to the significant increase of coal price, the price of standard coal used in power generation of Hebei Company has increased from RMB337.94/ton (January to September 2016) to RMB602.58/ton (January to September 2017), representing a year-on-year increase of 78.31%. The price of standard coal used in power generation of Anhui Company has increased from RMB496.61/ton (January to September 2016) to RMB751.05/ton (January to September 2017), representing a year-on-year increase of 51.24%. The significant increase in coal price is the major reason for the significant decrease in profitability of Hebei Company and Anhui Company from January to September 2017.

As stated in the Board Letter, the temporary losses of Hebei Company and Anhui Company due to the significant increase in coal price are expected to be reversed in the future. Based on the industry development trends including the expectation of downward adjustment of coal price in the future, the possibility of upward adjustment of on-grid tariffs driven by coal-electricity linkage mechanism, and the continued growth of future power demand, Hebei Company and Anhui Company are expected to resume profitability in the future, and the profitability of the Target Companies is expected to gradually increase with good performance prospects. Since 2017, several development trends have emerged in the thermal power industry, including the implementation of measures by competent authorities such as the NDRC to control the rise of coal price, the coal-electricity linkage policy which helps improve the financial condition of power generation enterprises, and the stability of GDP growth rate in the PRC which ensured the continued growth of demand for power.

2. Key terms of the Transfer Agreement

Date

6 December 2017

Parties

Vendor: CDC

Purchaser: the Company

Subject Matter

The parties agreed that on and subject to the terms and conditions of the Transfer Agreement, the Company agreed to acquire the Target Shares from CDC.

Consideration

The Company agrees to pay in total RMB18,127.51 million to CDC as cash consideration, comprising of the Hebei Company Consideration of RMB4,442.37 million, the Anhui Company Consideration of RMB7,804.32 million and the Heilongjiang Company Consideration of RMB5,880.82 million.

Payment Terms

The payment terms of the Consideration, as set out in the Board Letter, shall be for 50% of the Consideration within three Working Days from the Settlement Date, and the balance within the specified period subsequent to the Settlement Date based on milestone events.

Other key Terms

Other key terms of the Transfer Agreement including settlement and registration arrangements, conditions precedent, transition arrangements, undertaking by CDC and liabilities for breach of contract are set out in the Board Letter.

3. Reasons for and benefits of the Acquisition

As stated in the Board Letter, the Acquisition is the specific implementation of CDC's undertakings to avoid competition with the Company, which are in favour of the Company to further expand its scale, increase market share and enhance the Company's competitiveness.

In October 2010, CDC undertook to support the further business development of the Company. For further avoidance of intra-industry competition with the Company, CDC undertakes that: (1) CDC confirms that the Company shall be the ultimate platform for integrating the coal-fired power businesses of CDC; (2) in respect of the coal-fired power assets of the non-listed companies of CDC, CDC undertakes that it will inject such assets into the Company in five to eight years when the profitability of such assets has improved and the relevant conditions are met; (3) in respect of the coal-fired power business assets of CDC located in Hebei Province, CDC undertakes that it will inject such assets into the Company in approximately five years when the profitability of such assets has improved and the relevant conditions are met; and (4) CDC will continue to perform each of its undertakings previously given to support the development of its subordinated listed companies.

In June 2014, CDC undertook to (1) inject coal-fired power business assets of the non-listed companies of CDC into the Company no later than around October 2018 when the profitability of such assets has improved and relevant conditions are met and (2) inject coal-fired power business assets of CDC located in Hebei Province into the Company no later than around October 2015 when the profitability of such assets has improved and the relevant conditions are met.

In July 2014, the Company and China Reform Holdings Corporation Ltd. reorganised the coal-to-chemical segment and related projects of the Company in order to adjust and optimize the industry layout, increase the competitiveness of the principal business. Since the scheme will have a significant effect on the earnings per share and return on net assets of the Company, CDC decided to postpone the term of performing the relevant undertakings for the injection of assets located in Hebei Province.

In May 2015 and September 2015, CDC issued two letters to undertake to (1) inject coal-fired power assets of the non-listed companies of CDC into the Company no later than around October 2018 when the profitability of such assets has improved and relevant conditions are met and (2) inject coal-fired power business assets of CDC located in Hebei Province into the Company no later than around October 2018 after the outcome of the aforementioned scheme becomes definite and when the profitability of such assets has improved and the relevant conditions are met.

Upon Completion, the Company will achieve integration of the coal-fired power business assets owned by CDC in Hebei, Heilongjiang and Anhui Province, and the three power generation companies under CDC will become wholly-owned subsidiaries of the Company and the power generation volume and continuous operation capabilities of the Company will be greatly improved. In the meantime, the improvement of electricity supply capacity and the coverage of electricity supply by the Company in Eastern, Northern and Northeast China is conducive to improving market share and influence of the Company, and enhance the Company's core business of power generation. Calculated in accordance with PRC enterprise accounting standard, the total assets and total liabilities of the Target Companies amount to RMB41.594 billion and RMB29.894 billion, respectively, as at 30 September 2017. For the nine months ended 30 September 2017, the after-tax loss of the Target Companies amounted to RMB505 million in total. The Directors highlighted that upon Completion, profits of the Target Companies will be subject to change according to the market conditions.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition pursuant to the relevant terms of the Transfer 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 are in the interests of the Company and the Shareholders as a whole.

We note that the Acquisition represents the implementation of corporate transactions indicated by CDC in the past few years for avoiding intra-industry competition with the Company. The Acquisition shall increase the total installed capacity of generating units in operation of the Company by approximately 13,423 MW (based on the installed capacity of the Target Companies as at 30 November 2017) or approximately 28.50% of the total installed capacity of the Group as at 30 November 2017 of approximately 47,092.175 MW as advised to us by the Directors. The Acquisition shall also enable the Company to expand its core business, its market share and its operation in the new markets for Hebei, Anhui and Heilongjiang province for the first time. In consideration of the above factors, the financial capacity of the Group, and the conformity of the Acquisition with the undertakings by CDC, we concur with the Directors that the Acquisition is in line with and meet with the overall business strategies of the Company.

4. Overview of the government policies in the coal-fired energy sector in the PRC

We conducted research on the government policies in the coal-fired energy sector in the PRC and have the following findings:

(i) Pursuant to the 2017 Government Work Report published by State Council of the People's Republic of China, the PRC government plans to reduce the coal production capacity by more than 150 million tons for the year. In addition, in order to prevent over-capacity, improve efficiency and optimize the structure of the coal-fired electricity industry, more than 50,000 MW of capacity is planned to be eliminated, or the construction of which is to be stopped or

delayed. This policy indicates the efforts of the PRC government to achieve more stability in the supply of coal and electricity in the PRC.

(ii) According to the same report as above, the handling of coal pollution problem is expected to speed up. A comprehensive management of scattered coal is to be fully implemented, a clean heating in the winter season is to be promoted in the northern region of the PRC, a replacement of coal by electricity and gas for more than three million families is to be completed, and a full elimination of small coal-fired boiler built-up cities above the prefecture-level is expected. This policy is also an indication of the efforts of the PRC government to achieve more stability in the supply of coal and electricity in the PRC.

(iii) Pursuant to the circular on cancelling and reducing certain Government funds and attaching to a reasonable adjustment to the structure of electricity prices published by the NDRC, starting from 1 July 2017, the PRC government abolished collecting the special fund for structural adjustment of industrial enterprises from power generating companies, and lowered the standards for collection of national material water conservancy construction funds and post-support funds for large and medium-sized reservoirs by 25%, which spared some room for increasing the benchmark electricity price of coal-fired power plants and easing the operating difficulties of coal-fired power generating companies. This policy illustrates the efforts of the PRC government to provide a more stable operating environment for coal-fired power generating companies.

(iv) Pursuant to the opinions of State Council on resolving excess production capacity and realizing turnaround development of the coal industry, the production capacity of coal would be strictly controlled. In principle, the approval of new coal mine projects, technological upgrade of projects of additional capacity and nuclear power generation projects will be stopped within three years from 2016. If a new coal mine is confirmed to be necessary as replacement, its capacity shall also be reduced. This policy demonstrates the efforts of the PRC government to achieve more stable supply of coal in the PRC.

(v) Pursuant to the notice of the NDRC on Matters related to the improvement of the coal-electricity linkage mechanism (Fa Gai Jia Ge [2015] No. 3169), if the fluctuation of coal price exceeds a certain range during a period, both on-grid tariff and sales tariff of electricity shall be adjusted accordingly. Since the second half of 2016, the price of steam coal in the PRC entered into a new rising period, breaking the historical record of annual increase, which resulted in significant increase in the cost of fuel for power generating enterprises. If the price of steam coal remains at a high level, the NDRC and other competent authorities will determine whether the coal-electricity linkage mechanism has to be triggered based on the changes in coal and electricity prices. This policy represents an attempt by the PRC government to make progress in the coal-electricity linkage mechanism.

(vi) In October 2017, the NDRC published the "Notice on Regulating the Market Price of Coal in the Winter Peak Season" (《關於做好迎峰度冬期間煤炭市場價格監管的通知》), requiring immediate inspection of the market coal price to strictly crack down price manipulation and price monopolies in the coal industry. During the same month, the NDRC convened a forum to analyse the promotion of direct purchase and direct sale of coal, the signing of medium and long-term contracts, and the establishment of social responsibility corporate policy in maintaining stable coal supply and price during the summer and winter peak seasons. It was pointed out in the forum that the responsibility of maintaining stable coal supply and price shall be borne by both the coal and electricity industries, and that there is a need to formulate upgraded medium and long-term contracts, so as to promote direct purchase and sale and cut down intermediate stages. It was also concluded in the forum that the exploration and establishment of the social responsibility policy of maintaining stable coal supply and price are significant to maintain the stable and reliable supply of coal during peak seasons, for the purpose of avoiding the fluctuations of coal price and enhancing the stable operation of the economy. This policy demonstrates efforts of the PRC government to achieve more stable supply of coal in the PRC.

We note that the government policies in the PRC may work in the direction of controlling overall installed coal-fired energy capacity in the PRC, and the elimination of certain installed capacity with concern of pollution. Also the government policies may facilitate some scope for the adjustments of electricity prices, particularly with the benefit of a price linkage mechanism for coal and electricity. In addition, inspection of the market coal price is expected to be done by the NDRC to avoid the fluctuations of coal price. The effective implementation of the government policies in the PRC may facilitate more stable coal price, and more timely adjustments of electricity prices in the event that coal price remains at a relatively high level. On the basis of the foregoing, it is our view that the analysis of the Directors that the financial performance of the Target Companies in the nine months ended 30 September 2017 may not be representative of their financial performance in the longer term is justified.

5. The energy industry in the provinces in which the Target Companies operate

Hebei Province

The table below illustrates the gross domestic products ("**GDP**") and electricity generation of Hebei Province:

	2012	2013	2014	2015	2016
GDP *(RMB billion)*	2,657.50	2,844.30	2,942.12	2,980.61	3,182.79
Electricity generation *(billion kilowatt hour ("**kWh**"))*	237.09	248.76	249.28	249.79	263.06

Source: Statistics Bureau of Hebei Province

As shown in the above table, the GDP of Hebei Province had been increasing since 2012 and reached approximately RMB3,182.79 billion in 2016, representing a Compound Annual Growth Rate ("**CAGR**") of approximately 4.61% from 2012 to 2016. According to the Statistics Bureau of Hebei Province, in the first half of 2017, the GDP of Hebei Province grew by approximately 6.8% as compared to the same period of the previous year and reached approximately RMB1,640.49 billion. Electricity generation in Hebei Province had also increased along with the province's GDP growth. Electricity generation in Hebei Province had been increasing at a CAGR of approximately 2.63% from 2012 to 2016, reaching approximately 263.06 billion kWh in 2016.

Hebei Company is situated in the Beijing-Tianjin-Hebei Economic Zone. The area of power supply covers Xiong'an new area. As such, the Company states that further implementation of integrated strategies of Beijing-Tianjin-Hebei and the plan of Xiong'an new area will give rise to decent business expansion opportunities for Hebei Company, which is conducive to the enhancement of the results of Hebei Company in the future.

Pursuant to the "Thirteen Five" energy development plan of Hebei Province, there would be a control of the total amount of energy consumed. By 2020, the total energy consumption in the province will be kept at 327 million tons for standard coal, representing an average annual increase of 2.2% and 390 billion kWh for electricity, representing an average annual increase of 4.2%.

According to the circular on attaching to a reasonable adjustment to the structure of electricity prices published by Commodity Price Bureau of Hebei Province on 11 July 2017, starting from 1 July 2017, the PRC government abolished collecting the special fund for structural adjustment of industrial enterprises from power generating companies. The benchmark electricity prices of coal-fired generator of Northern and Southern China Power Grid were increased by RMB1.47 cents per kWh and RMB0.86 cents per kWh and reached RMB0.3644 and RMB0.372 after the adjustment,

respectively. The respective average electricity selling prices were reduced by RMB0.75 cents and RMB0.87 respectively.

Anhui Province

The table below illustrates the GDP and electricity generation of Anhui Province:

	2012	2013	2014	2015	2016
GDP *(RMB billion)*	1,721.21	1,922.93	2,084.88	2,200.56	2,411.79
Electricity generation *(billion kWh)*	180.78	197.77	203.39	206.19	225.27

Source: Statistics Bureau of Anhui Province

As shown in the above table, the GDP of Anhui Province had been increasing since 2012 and reached approximately RMB2,411.79 billion in 2016, representing a CAGR of approximately 8.8% from 2012 to 2016. According to the Statistics Bureau of Anhui Province, in the first half of 2017, the GDP of Anhui Province grew by approximately 14.7% as compared to the same period of the previous year and reached approximately RMB1,264.54 billion. Electricity generation in Anhui Province had also increased along with the province's GDP growth. Electricity generation in Anhui Province had been increasing at a CAGR of approximately 5.65% from 2012 to 2016, reaching approximately 225.26 billion kWh in 2016.

According to the Statistics Bureau of Anhui Province, in the first half of 2017, the total electricity consumption of Anhui Province increased by 6.6% as compared to the same period in the previous year and reached approximately 88.53 million kWh. With respect to the Board Letter, the increase in electricity consumption in Yangtze River Delta and peripheral areas creates a robust driving force to the power generation business of Anhui Company.

Pursuant to the "Thirteen Five" plan of energy development in Anhui Province, coal production in the province is kept at 130 million tons, and the total installed capacity of electricity in the province is kept at 77,000 MW. The province will promote an orderly development of coal-fired thermal electricity power. In addition, the advantages of resource endowment in the two Huaihe areas are to be exerted, coal-electricity joint ventures are to be supported and coal-electricity integration are to be developed.

According to the Circular on attaching to a reasonable adjustment to the structure of electricity prices published by Commodity Price Bureau of Anhui Province on 30 August 2017, starting from 1 July 2017 the coal-fired benchmark electricity price of Anhui Province and that of the "Transmission of Anhui Electricity Power to Eastern China" project were both increased by RMB1.51 cents per kWh and reached RMB0.3844 after the adjustment.

Heilongjiang Province

The table below illustrates the GDP and electricity generation of Heilongjiang Province:

	2012	**2013**	**2014**	**2015**	**2016**
GDP *(RMB billion)*	1,369.16	1,438.29	1,503.94	1,508.37	1,538.61
Electricity generation *(billion kWh)*	84.31	82.64	87.41	87.40*	89.79

Source: Statistics Bureau of Heilongjiang Province

* *Source: National Bureau of Statistics of China*

As shown in the above table, the GDP of Heilongjiang Province had been increasing since 2012 and reached approximately RMB1,538.61 billion in 2016, representing a CAGR of approximately 2.96% from 2012 to 2016. According to the Statistics Bureau of Heilongjiang Province, in the first half of 2017, the GDP of Heilongjiang Province grew by approximately 6.3% as compared to the same period of the previous year and reached approximately RMB610.8 billion. Electricity generation in Heilongjiang Province had also increased along with the province's GDP growth. Electricity generation in Heilongjiang Province had been increasing at a CAGR of approximately 1.59% from 2012 to 2016, reaching approximately 89.79 billion kWh in 2016.

According to the Statistics Bureau of Heilongjiang Province, in the first half of 2017, the total electricity consumption of Heilongjiang Province increased by 4.2% as compared to the same period in the previous year and reached approximately 45.22 billion kWh.

Pursuant to the outline of the Thirteenth Five-Year Plan for national economic and social development in Heilongjiang Province, the coal-electricity price linkage mechanism is to be implemented.

According to the circular on reducing commercial and industrial electricity prices and increasing coal-fired benchmark electricity prices published by the Price Supervision Authority of Heilongjiang Province on 6 September 2017, starting from 1 July 2017, the coal-fired benchmark electricity price was increased by RMB0.17 cents per kWh and reached RMB0.374.

Overall discussion of the energy industry in the three provinces

We note that the GDP of Hebei, Anhui and Heilongjiang Province had been increasing at a CAGR range of 2.96% to 8.8% during the years from 2012 to 2016. The electricity generation of the three provinces had been increasing at a CAGR range of 1.59% to 5.65% during the years from 2012 to 2016. The electricity industry is an important fundamental industry of the national economy in

the PRC and is closely related to the development of the national economy. Based on the strong correlation between economic growth and electricity demand, it is expected that electricity demand will increase following the steady growth of the national GDP in the PRC.

In consideration of the findings above, the demand for electricity in Hebei, Anhui and Heilongjiang Province is expected to remain stable, and the overall power generation industry is in a sustainable manner in the future.

6. Basis for determining the Consideration

As stated in the Board Letter, the Consideration of RMB18,127.51 million was arrived at after arm's length negotiation between the parties taking into account the valuation of the assets of Target Companies as appraised by the Independent Valuers as at the Benchmark Date, and other factors including the operation and financial position of the Target Companies, future planning for development and strategic synergy between the Company and the Target Companies.

Based on the Valuation Reports, the appraised value of the total assets and net assets of the Target Companies as at the Benchmark Date are summarized below:

	Total assets	**Net assets**
	RMB	*RMB*
Hebei Company	8,426,928,000	4,442,370,000
Anhui Company	11,923,701,300	7,804,324,000
Heilongjiang Company	8,963,990,500	5,880,817,500
Total	29,314,619,800	18,127,511,500

The Consideration of RMB18,127.51 million is made reference to the aggregate net assets as appraised by the Independent Valuers as at the Benchmark Date.

We have discussed with the Directors and obtained confirmation that it is a requirement in the PRC for the valuation of the assets of the Target Companies to be conducted and that the Consideration to be made reference to the results of the valuation. We have reviewed the Valuation Reports, and, in particular, have performed an assessment on the basis and assumptions underlying the Valuation Reports, details of which are summarized in the Board Letter. The Independent Valuers, being China United and China Enterprise, have each confirmed to us their independence and the fact that they have conducted visits to each of the important sites being the subjects of the valuations. The Independent Valuers have also confirmed to us that they have carried out the valuation in accordance with the relevant rules and practices applicable in the PRC, as stated in the Board Letter and in the Valuation Reports.

Valuation methodologies

Details of the valuation methodologies adopted in the Valuation Reports, are summarized in the Board Letter. We note that the asset-based approach was adopted for over 95% of the assets appraised in the valuation, based on the total appraised value. The income approach was adopted primarily in respect of assets for which the Independent Valuers consider that such methodology can be used to more effectively reflect the overall value of the subject assets. We note that the income approach was primarily used for valuing assets in photovoltaic power and wind power that are supported by government policies resulting in a much more stable income outlook, as compared to coal-fired energy projects. We also note that for assets in which the Target Companies hold less than 50% equity interest, the Independent Valuers have adopted the statement translation approach that takes into account the attributable book values of the underlying assets, in view of the difficulties in obtaining adequate information for conducting a more detailed valuation. This valuation approach represents only a very tiny proportion of the total assets under the valuation.

The assets of the Target Companies in the coal-fired energy sector were appraised primarily using the asset-based approach consistently. The Independent Valuers advised that the income approach is not appropriate under the context in view of the fact that the income outlook for such assets is not stable, particularly with the fluctuation of the costs of coal. We set out below some specific treatments or determination of certain parameters for the different valuation methodologies as stated in the Valuation Reports:

Asset-based approach

(i) the replacement cost approach applies to current assets;

(ii) the cost approach and the price of the right to use state-owned land less appreciation method applies to land which the companies have obtained the certificate for the right of land usage;

(iii) the land requisition cost is considered as the book value for land which the companies have not obtained the certificate for the right of land usage;

(iv) the cost approach applies to real estate for internal use, and market value approach applies to those for commercial use; and

(v) the replacement cost approach is used for equipments subject to the principle of continuity and market price, and net realizable value is applied for components not in use.

Income approach

(i) National policies and industry regulations applies in calculating the net asset values;

(ii) specific life-cycles are assumed for solar projects and photovoltaic projects;

(iii) the risk free rate is determined with reference to the China Government Bond yield; and

(iv) the expected rate of return is determined with reference to the Shanghai Stock Exchange Composite Index.

Profit forecast under the Income Approach

RSM Hong Kong, the auditor of the Company, has reported on the calculations of the discounted future cash flow contained in Valuation Reports. RSM Hong Kong is of the view that the discounted future estimated cash flow, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by the Directors. The Company has also engaged GF Capital to review the procedures undertaken by the Directors in preparing the forecasts underlying the valuation prepared by the Independent Valuers. GF Capital confirms that the discounted future estimated cash flow has been made by the Directors after due and careful enquiry.

A copy of each of the letters from RSM Hong Kong and GF Capital containing their respective work are set out in Appendix IV and VII to the Circular, respectively.

On the basis of the factors and considerations stated in the Valuation Reports, we concur with the Independent Valuers that the valuation methodologies adopted are reasonable under the context. Accordingly, we are satisfied that the Consideration is determined under a legitimate and fair basis.

Title defects and land use right issues

As set out in details in the Board Letter, there are title defects on certain parcels of land, and buildings and vehicles owned by the Target Companies. The Independent Valuers confirmed that they had conducted a detailed analysis and consideration on the title defects. On the basis as explained in details in the Board Letter, the Independent Valuers advised that they had taken into consideration the title defects in the valuation. In this regard, we note the explanations that the proportion of the assets with title defects to the total assets of the Target Companies is relatively small, and the Directors' confirmation that relevant defects have no material impact on the production and operation of the Target Companies as most of the assets with title defects are not operational assets.

In addition, the Company has consulted its PRC legal adviser on the title defects and land use rights issues. The Company was informed by the PRC legal adviser, that according to PRC laws, if the evaluated entities fail to obtain such building and land ownership certificates, the transfer, mortgage and disposal of such buildings and lands by the evaluated entities will be affected. However, as confirmed by the PRC legal adviser, the title defects will not have any material adverse effect on the continuous operation of the evaluated entities. In case the aforesaid title defects cause loss to the Target Companies and their subordinated units, such loss will be entirely undertaken by the CDC and the Company may seek full compensation from CDC pursuant to the terms of the Transfer Agreement.

On the basis of the detailed analysis and consideration on the title defects of the Target Companies by the Independent Valuers, the advice of the PRC lawyer of the Company on the legal implications, and the confirmations of the Company on the future impact arising from the issues on the future operations of the Company, we are satisfied that the basis on which the valuation of the Target Companies having taken into account the title defects and land use rights issues is justified.

7. Valuation Analysis

Market Comparables

As a reference, we performed the market multiples analysis based on commonly adopted valuation multiples analysis being the price-to-earnings ratio ("**PER**") and the price-to-book ratio ("**PBR**"). We have searched for companies listed on the Main board of the Stock Exchange that are engaged in similar line of business as the Target Companies, being electricity companies having thermal power generation and related businesses. To the best of our knowledge and endeavour, we identified seven listed companies in Hong Kong that met our selection criteria (the "**Comparable Companies**").

Set out below are the PERs and PBRs of the Comparable Companies based on their closing prices quoted from the Stock Exchange's website as at 6 December 2017, being the date of the Transfer Agreement, and their respective latest published and audited financial information:

Company name (Stock code)	**Principal business**	**Year end date**	**PER** *(Note 1)*	**PBR** *(Note 1)*
Huadian Power International Corporation Limited (1071 & SH600027)	Generation and sale of electricity and heat, sales of coal and other relevant businesses in the PRC	31 December 2016	11.57	0.86

Company name (Stock code)	**Principal business**	**Year end date**	**PER** *(Note 1)*	**PBR** *(Note 1)*
Huaneng Power International, Inc. (902 & SH600011)	Generation and sale of electric power to the respective regional or provincial grid companies in the PRC and Singapore	31 December 2016	10.29	1.07
China Power International Development Limited (2380)	Investment, development, operation and management of coal-fired power, hydropower and wind power plants in the PRC	31 December 2016	6.88	0.61
Huadian Fuxin Energy Corporation Limited (816)	Generation and sale of hydropower, wind power, coal-fired power, solar power, natural gas-fired power and other clean power in the PRC	31 December 2016	6.58	0.63
Amber Energy Limited (90)	Development, operation and management of power plants fuelled by natural gas in the PRC	31 December 2016	9.03	0.75

Company name (Stock code)	**Principal business**	**Year end date**	**PER** *(Note 1)*	**PBR** *(Note 1)*
China Power Clean Energy Development Company Limited (735)	Development, construction, owning, operation and management of clean energy power plants in the PRC, investment holding in the clean energy power industry and property investments and securities investments	31 December 2016	10.10	0.50
China Resources Power Holdings Co. Limited (836)	Construction and operations of power stations and coal mining	31 December 2016	8.87	0.98
The Company	Power generation and power plant development in the PRC, coal trading, chemical products manufacturing and selling	31 December 2016	N/A *(Note 2)*	1.20
Maximum			**11.57**	**1.07**
Minimum			**6.58**	**0.50**
Average			**9.05**	**0.77**
The Acquisition			**10.77** *(Note 3)*	**1.77** *(Note 4)*

Notes:

1. The PERs and the PBRs of the Comparable Companies are calculated based on their respective latest published financial results.

2. The Company was loss making during the relevant latest financial year.

3. The implied PER of the Acquisition are calculated based on the Consideration and the combined net profit attributable to owners of Target Companies for the year ended 31 December 2016 as shown in Appendix II to the Circular.

4. The implied PBR of the Acquisition are calculated based on the Consideration and the combined net asset value attributable to owners of the Target Companies as at 30 September 2017 as implied in Appendix II to the Circular.

PER

We note from the above table that the PERs of the Comparable Companies range from approximately 6.58 times to 11.57 times, with an average of approximately 9.05 times. The implied PER of the Acquisition of 10.77 times is within the PER range of the Comparable Companies.

The PER analysis is conducted for the financial results for the latest full financial year which is the year ended 31 December 2016. The Target Companies as a whole was loss making during the nine months ended 30 September 2017. We note that the Company reported net loss attributable to owners of the Company for the year ended 31 December 2016. In consideration of the possible substantial impact in the net profit of the Company and of the Target Companies arising from the changes in coal prices and the adjustments of on-grid tariff in the regions that the respective companies are operating in, we have conducted PER analysis for the financial years ended 31 December 2015 and 2014. Based on the total market capitalization of the Company at market close on 6 December 2017 and the audited consolidated net profit attributable to shareholders of the Company for the years ended 31 December 2015 and 2014 respectively, the PER is approximately 17.74 times and 27.99 times respectively. Based on the Consideration and the consolidated net profit attributable to the owner of the Target Companies as contained in Appendix II to the Circular for each of the two years ended 31 December 2015 and 2014, the implied PER is approximately 7.91 times and 21.00 times respectively. On the basis of such historical earnings information which shows that the PER implied under the Acquisition is lower than the PER of the Company, purely as a reference, the Acquisition may be able to enhance the earnings base and the PER of the Company if the combined net profits of the Target Companies return to a more reasonable level in the future.

PBR

We note from the above table that the PBRs of the Comparable Companies range from approximately 0.50 times to 1.07 times, with an average of approximately 0.77 times. The implied PBR of the Acquisition of 1.77 times is higher than the PBR range of the Comparable Companies. In this regard, we note that the relatively high PBR implied under the Acquisition is associated with the substantial appreciation in value of related assets of the Target Companies based on the asset-based approach pursuant to the Valuation Reports. As discussed in the section headed "Valuation Methodologies", we have reviewed the basis and assumptions underlying the Valuation Reports, in particular, the explanation of the appropriateness of the asset-based approach under the context. In consideration of the fact that (1) the power generating industry is an important foundation industry in the national economy of the PRC; (2) the fluctuation of the price of coal and the intervals in the adjustment of electricity are expected to be normalized in the longer term for the power generating industry; and (3) the not unreasonable expectation of the vendor of the Target Companies to determine the Consideration with reference to the market value of the underlying assets of the Target Companies, we concur with the Independent Valuers that the asset-based valuation approach which reflects the appreciated market value of some of the underlying assets of the Target Companies is appropriate under the context.

The PBRs of the Comparable Companies provide references to the valuation and the Consideration. Yet, since the net book values of the Comparable Companies may have very different accounting treatment which impacts on how they were determined, as compared to that for the Target Companies as illustrated above, the PBRs of the Comparable Companies need to be analysed in conjunction with other valuation multiples discussed in this letter.

Review of recent acquisition transactions in the power generation sector in the PRC

As a reference, we have searched for notifiable transactions involving acquisitions and investments of companies that are engaged in similar business as the Target Companies, from 1 June 2013, by listed companies in Hong Kong which are engaged in thermal power. To the best of our knowledge and endeavour, we identified six transactions for which we conduct our analysis on the valuation multiples of the acquiree companies (the "**Transaction Comparables**").

Set out below are the PERs and PBRs implied by the Transaction Comparables based on their considerations, latest available figures (at the date of announcement) for the profits after tax for a full financial year and net asset values:

Company name (Stock code)	**Date of announcement**	**Type of target companies**	**Percentage of interest to be acquired**	**PER** *(Note 1)*	**PBR** *(Note 1)*
Huaneng Power International, Inc. (902 & SH600011)	14 October 2016	Coal-fired power Wind Power Solar Power	Certain interests in target companies	10.03	2.43
Huadian Power International Corporation Limited (1071 & SH600027)	15 May 2015	Coal-fired power	82.56%	8.45	1.37
Huaneng Power International, Inc. (902 & SH600011)	13 October 2014	Renewable power Thermal power Hydropower Others	Certain interests in target companies	5.98	1.75
Datang International Power Generation Company Limited (991 & SH601991)	16 June 2014	Coal-fired power	34%	N/A *(Note 2)*	N/A *(Note 3)*
Datang International Power Generation Company Limited (991 & SH601991)	17 April 2014	Coal-fired power	Certain interests in target companies	N/A *(Note 2)*	2.65
China Power International Development Limited (2380)	14 October 2013	Coal-fired power	100%	8.21	1.92
Maximum				**10.03**	**2.65**
Minimum				**5.98**	**1.37**
Average				**8.17**	**2.02**
The Acquisition				**10.77**	**1.77**

Notes:

1. The PERs of the Transactions Comparables are calculated based on their respective transaction considerations, the then latest available annual results for a full financial year of the Transaction Comparables. The PBRs of the Transaction Comparables are calculated based on their respective transaction considerations, the then latest available annual results or interim results or quarterly results of the Transaction Comparables.

2. Net profit is not available per publicly filed information of the respective Transaction Comparables.

3. Net asset value is not available per publicly filed information of the respective Transaction Comparables.

We note from the above table that the PERs of the Transaction Comparables range from approximately 5.98 times to 10.03 times, with an average of approximately 8.17 times. We note that the implied PER of the Acquisition of 10.77 is on the high side of the PER range of the Transaction Comparables. However, we would point out that the PERs of the Transaction Comparables may undergo changes quite substantially during a period of over five years based on the above table. This is because of the fact that the valuation of listed companies may change over time due to, inter alia, the economic environment and stock market conditions, and the outlook of the listed companies themselves. As such, the PERs of some of the Transaction Comparables may not be directly comparable under the context. If we make reference to the PER of 10.03 times of the latest transaction of Huaneng Power International, Inc as announced on 14 October 2016, the implied PER of the Acquisition of 10.77 times is quite close to it.

We note from the above table that the PBRs of the Transaction Comparables range from approximately 1.37 times to 2.65 times, with an average of approximately 2.02 times. The implied PBR of the Acquisition of 1.77 times is within the PBR range of the Transaction Comparables and is below the average.

We would point out that the Transactions Comparables provide references on how the valuation implied under the Consideration compares to the valuation implied under the considerations of the acquisition transactions in the same industry sector. As there are differences in the circumstances and the transactions took place at different timeframe, the Transactions Comparables can only provide a high-level reference for us to form a view on the fairness and reasonableness of the Consideration. In this regard, we are of the view that the PBR and PER as assessed above are not out of line with our expectation.

Assessment of valuation

On the basis of the foregoing, the implied valuation multiples under the Acquisition are generally within the range, or on the high side as compared to the valuation multiple ranges in the analysis. This reflects that the valuation implied by the Consideration is not assessed to be relatively low, but is not unreasonable. As the Consideration is determined based on the valuation of the assets of the Target Companies under reasonable valuation methodologies under the context, we are satisfied that it is determined under a legitimate and fair basis.

8. Funding for the Consideration and working capital

As stated in the Board Letter, it is expected that, based on the favourable operating conditions, sufficient cash flow and adequate credit limit from banks of the Company, the Company will prioritise to utilise self-owned funds for the payment of the Consideration according to its actual operating conditions and provided that this will not affect the normal production and operating activities of the Company, with the balance to be obtained via application for loans from financial institutions such as banks, or via financing in the bond market.

As analyzed in the Board Letter, the cash flow of the Company for the nine months ended 30 September 2017 is favourable. Cash inflow generated from operating activities of the Company amounted to RMB56,697.74 million, cash outflow generated from operating activities amounted to RMB42,206.671 million, and net cash inflow generated from operating activities amounted to RMB14,491.069 million. As at 30 September 2017, the money funds owned by the Company on its books amounted to approximately RMB5,783.462 million. The current credit limit of the Company is sufficient. As at 30 September 2017, the Company acquired a credit limit of RMB397.467 billion in total from banks and non-bank financial institutions. Out of such credit limit, an amount of RMB117.271 billion has been utilized, with the balance of RMB280.196 billion remaining as available credit limit.

In addition, based on the audited consolidated financial statements of the Target Companies, the Target Companies had also recorded net cash generated from operating activities of approximately RMB1,554,964,000, RMB4,931,820,000 and RMB7,551,542,000 for the nine months ended 30 September 2017, and the two years ended 31 December 2016, respectively.

The Directors have confirmed that, after taking into account the present available banking facility and the internally generated resources of the Enlarged Group and taking in account of the effect of the Acquisition, the Enlarged Group has sufficient working capital for its requirements for at least 12 months from the date of publication of the Circular. On the basis of the above, the working capital position of the Company is not expected to experience a material adverse change upon Completion.

9. Potential Financial Effects of the Acquisition

Upon Completion, the Target Companies will become wholly-owned subsidiaries of the Company and their financial results, and assets and liabilities will be consolidated into the Company's financial statements. The unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**"), on the basis as set out in Appendix VI to the Circular is prepared as if the Acquisition had taken place on 30 June 2017 to illustrate the effect of the Acquisition.

Assets

As at 30 June 2017, the unaudited consolidated total assets of the Company were approximately RMB232,052,576,000. According to the Unaudited Pro Forma Financial Information, the unaudited pro forma consolidated assets of the Enlarged Group is approximately RMB273,646,755,000, representing an increase of approximately 17.9% as compared to the unaudited consolidated total assets of the Company as at 30 June 2017.

Liabilities

As at 30 June 2017, the unaudited consolidated total liabilities of the Company were approximately RMB172,203,376,000. According to the Unaudited Pro Forma Financial Information, the unaudited pro forma consolidated liabilities of the Enlarged Group is approximately RMB220,241,838,000, representing an increase of approximately 27.9% as compared to the unaudited consolidated total liabilities of the Company as at 30 June 2017.

Net assets

As at 30 June 2017, the unaudited consolidated net assets of the Company was approximately RMB59,849,200,000. According to the Unaudited Pro Forma Financial Information, the unaudited pro forma net assets of the Enlarged Group is approximately RMB53,404,917,000 representing a decrease of approximately 10.8% as compared to the unaudited consolidated net assets of the Company as at 30 June 2017. The decrease in the unaudited consolidated net assets of the Company on the basis of arriving at the Unaudited Pro Forma Financial Information is partly due to the excess of the Consideration over the paid-in capital of the Target Companies.

Earnings

Based on the Board Letter, for the nine months ended 30 September 2017, the unaudited consolidated net profit attributable to the parent company of the Company was approximately RMB1,909,298,000. According to the Accountants' Report of the Target Companies set out in Appendix II to the Circular, for the nine months ended 30 September 2017, the total net loss of the

Target Companies were approximately RMB504,970,000 and for the year ended 31 December 2016, the total net profit of the Target Companies were approximately RMB1,866,890,000. As stated in the Board Letter, the Directors consider that upon Completion, profits of the Target Companies will be subject to change according to the market conditions. According to the Share Transfer Agreement, the profit or loss during the Transitional Period shall be shared and borne by CDC. Therefore, it is expected that the loss arising from the Target Companies will not incur negative impacts on the dividend distribution policy, bonus sharing and profit of the Company in the near term.

As analyzed in the Board Letter, there is a risk in the impairment in the valuation of the Target Companies, which may impact negatively on the consolidated net profit of the Company in the future financial years after Completion. In this regard, we note the assessment of the Directors that the profitability of the companies operating in the thermal power industry in the PRC are generally affected by the prices of coal and the timing for the adjustment of on-grid tariff, depending on the specific regions they are operating in. As disclosed in the Board Letter, the Target Companies derived significant amounts of net profits during the three years ended 31 December 2016. On the basis of the above and the research conducted by us on the government policies in the coal-fired energy sector in the PRC and the energy industry in the provinces in which the Target Companies operate, we concur with the Directors that the net losses of the Target Companies during the nine months ended 30 September 2017 are not expected to be a long-term phenomenon.

Debt to equity ratio

The ratios of short-term debt to equity and of total debt to equity of the Group as at 30 June 2017 are approximately 40.2% and 218.6% respectively. For illustration purpose only, on the basis that the Consideration is satisfied as to 50% by borrowings and debt instruments and the balance by cash on hand of the Group (including satisfying that part of the Consideration payable after Completion), the ratios of short-term debt to equity and of total debt to equity of the Enlarged Group shall be increased to approximately 51.2% and 299% respectively. It is expected that the debt to equity ratio of the Group shall be reduced upon the execution of the equity financing plans as discussed above.

OPINION

Having taken into consideration the factors and reasons as stated above, in particular:

(i) the Acquisition is in line with the strategy of the Company and represents the further development of the Company's core business in new geographical markets in the PRC;

(ii) the Acquisition represents the implementation of the undertakings of resolving intra-industry competition of CDC with the Company and is in conformity with such undertakings;

(iii) the Acquisition shall enable the Company to substantially expand its business and market share, and further increase its competitiveness in the market; and

(iv) the Consideration is determined after into account the valuation of assets of the Target Companies under reasonable valuation methodologies, which is a legitimate and fair basis for similar types of transactions in the PRC.

We are of the opinion that the terms of the Transfer Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and the Acquisition is conducted in the ordinary and usual course of business of the Company and, from the perspective of the fair and reasonable terms of the Transfer Agreement, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition.

Yours faithfully,
For and on behalf of
Guosen Securities (Hong Kong) Capital Co., Limited
Kelvin Lau
Managing Director
Head of Investment Banking

Mr. Kelvin Lau is a licensed person registered with Securities and Futures Commission and a responsible officer of Guosen Securities to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in the investment banking industry.

(1) FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the year ended 31 December 2014 has been disclosed on pages 89 to 217 of the annual report of the Company for the year ended 31 December 2014 published on 24 April 2015 (http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0424/LTN201504241508.pdf); (ii) for the year ended 31 December 2015 has been disclosed on pages 108 to 245 of the annual report of the Company for the year ended 31 December 2015 published on 29 April 2016 (http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0429/LTN201604292267.pdf); (iii) for the year ended 31 December 2016 has been disclosed on pages 111 to 245 of the annual report of the Company for the year ended 31 December 2016 published on 13 April 2017 (http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0413/LTN20170413858.pdf); and (iv) for the six months ended 30 June 2017 has been disclosed on pages 17 to 40 of the interim report of the Company for the six months ended 30 June 2017 published on 31 August 2017 (http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0831/LTN20170831936.pdf). All the above annual and interim 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

In 2018, the Company faces a more complicated situation with increasingly arduous tasks. It will devote itself to both organic development and external expansion, to both green development and innovative development in order to reach an advanced level by delivering better quality and increasing efficiency through optimized development so as to strengthen and grow itself to surpass its potential competitors.

1. The Company will speed up its works on quality enhancement in its production process by strictly implementing production safety and thoroughly exploring its potential and increasing its efficiency. It will put the spirit initiated by the 19th National Congress of the Communist Party of China into practice and establish the concept of safe development. It will also maintain stringent safety management by "identifying minor deficiencies to prevent serious ones" and carrying out upgrade and assessment on safety production with an aim to pursue rigorous safety management and solidify the foundation for production safety. The Company will strengthen its management on energy conservation and environmental protection and raise the level of bottom-line and red-line consciousness of resources and the environment. Moreover, it will enhance production quality more rapidly, develop the distinguishing characteristics and differential strengths of various types of enterprises and make further improvement in operation and maintenance, sparing no efforts to seek business expansion and expertise.

2. The Company will enhance its profitability by strengthening its benchmarking capability, increasing revenue and reducing expenditure. It will keep itself abreast of market trends in terms of benchmarking and capture opportunities for power generation. By maintaining an efficiency-oriented approach, it will proactively obtain alternative energy to create synergies and improve internal allocation. It will also formulate better strategies on fuel procurement, get itself familiarized with policies and industry trend and further communicate with relevant parties to achieve external interaction and development of internal potential. All these will facilitate the reduction and control of coal price. In addition, to prevent its "weaknesses" in maintaining its profitability by all means, the Company will carry on practicing the concept of living an "austere life", improve streamlined management and put more effort into cost control.

3. The Company will ensure sustainable development through innovative development and green development. It clearly recognizes innovation as the major driver for future development and will increase the utilisation of new technologies and equipment such as using a balanced energy mix and energy storage technology. Besides, it will strengthen the concept of green development and enhance its competitive strengths in the power market while rolling out measures on the control of the construction of premium projects in order to create premium projects with "low cost, short construction period, good quality and high efficiency".

(3) INDEBTEDNESS

As at the close of business on 31 December 2017, the Enlarged Group had unaudited outstanding interest bearing debts of approximately RMB174,354,106 thousand, comprising borrowings from financial institutions of RMB146,174,922 thousand, and bonds outstanding of RMB16,742,853 thousand, and financial lease payables outstanding of RMB11,436,331 thousand; among which: (1) for borrowings from financial institutions, the guaranteed borrowings amounted to RMB13,583,034 thousand, the secured and pledged borrowings amounted to RMB22,836,449 thousand, and the unsecured and unguaranteed borrowings amounted to RMB109,755,438 thousand; (2) for bonds outstanding, guaranteed bonds amounted to RMB13,252,708 thousand, and unsecured, unpledged and unguaranteed bonds amounted to RMB3,490,145 thousand; (3) for financial lease payables outstanding, guaranteed leasing amounted to RMB1,005,469 thousand, and unsecured and unguaranteed leasing amounted to RMB10,430,862 thousand.

Save as aforesaid and apart from intra-group liabilities, the Enlarged 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, or any guarantees, or any other contingent liabilities outstanding at the close of business on 31 December 2017.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the Enlarged Group's indebtedness position and contingent liabilities since the close of business on 31 December 2017.

(4) WORKING CAPITAL

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

(5) EFFECT ON EARNINGS, ASSETS AND LIABILITIES OF THE COMPANY

The entering into the Transfer Agreement between the Company and CDC is beneficial to the Company.

Assets

As at 30 June 2017, the unaudited consolidated total assets of the Company were approximately RMB232,052,576,000. According to the unaudited pro forma financial information as set out in Appendix VI of this circular, the total amount of pro forma consolidated assets of the Enlarged Group would have been increased to approximately RMB273,646,755,000.

Liabilities

As at 30 June 2017, the unaudited consolidated total liabilities of the Company were approximately RMB172,203,376,000. According to the unaudited pro forma financial information as set out in Appendix VI of this circular, the total amount of pro forma consolidated liabilities of the Enlarged Group would have been increased to approximately RMB220,241,838,000.

Total equity

As at 30 June 2017, the unaudited consolidated total equity attributable to the owner of the Company was approximately RMB41,049,859,000. According to the unaudited pro forma financial information as set out in Appendix VI of this circular, the unaudited pro forma consolidated equity of the Enlarged Group attributable to the owner of the Company would have been decreased to approximately RMB33,158,995,000.

Earnings

For the six months ended 30 June 2017, the unaudited consolidated net profit of the Company was approximately RMB1,334,966,000. According to the Accountants' Report of the Target Companies set out in Appendix II to this circular, the audited net loss for the nine months ended 30 September 2017, on a combined basis, was RMB504,970,000.

According to the Share Transfer Agreement entered into by the Company and CDC, the profit or loss during the transition period shall be shared and borne by CDC. Therefore, it is expected that the loss arising from the Target Company will not incur negative impacts on the dividend distribution policy, bonus sharing and profit of the Company.

The following is the text of a report, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

22 February 2018

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DATANG INTERNATIONAL POWER GENERATION CO., LTD.

Introduction

We report on the historical financial information of 大唐黑龍江發電有限公司 Datang Heilongjiang Power Generation Co., Ltd.*, 大唐河北發電有限公司 Datang Hebei Power Generation Co., Ltd.* and 大唐安徽發電有限公司 Datang Anhui Power Generation Co., Ltd.* (hereinafter collectively referred to as the "Target Companies") and their respective subsidiaries (hereinafter collectively referred to as the "Target Groups") set out on pages II-4 to II-85, which comprises the combined statements of financial position as at 31 December 2014, 2015 and 2016 and 30 September 2017 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years then ended and for the nine months ended (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-85 forms an integral part of this report, which has been prepared for inclusion in the circular of Datang International Power Generation Co., Ltd. (the "Company") dated 22 February 2018 (the "Circular") in connection with the proposed acquisition of the entire equity interests in the Target Companies (the "Acquisition").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

* *The English name is for identification purpose only.*

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Groups' financial position as at 31 December 2014, 2015 and 2016 and 30 September 2017 and of the Target Groups' financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Groups which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the nine months ended 30 September 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period

Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope that an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 15 to the Historical Financial Information which detailed the dividends distributed by the Target Groups during the Relevant Periods.

Your faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623
Hong Kong

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUPS

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Groups for the Relevant Periods, on which the Historical Financial Information is based, were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Federation of Accountants (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

A. COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Nine months ended 30 September	
		2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating revenue	7	18,823,402	20,431,147	18,537,273	13,797,079	13,853,817
Operating costs						
Fuel for power and heat generation		(8,722,853)	(7,908,233)	(8,274,386)	(5,684,830)	(8,524,928)
Depreciation		(2,817,902)	(3,016,923)	(3,022,485)	(2,127,199)	(2,009,433)
Repairs and maintenance		(920,616)	(885,361)	(709,289)	(538,805)	(499,286)
Salaries and staff welfare		(1,496,622)	(1,809,635)	(1,763,015)	(1,261,118)	(1,161,601)
Local government surcharges		(129,695)	(173,969)	(271,102)	(140,174)	(229,407)
Others		(1,839,656)	(2,027,390)	(1,361,283)	(1,303,021)	(1,138,843)
Total operating costs		(15,927,344)	(15,821,511)	(15,401,560)	(11,055,147)	(13,563,498)
Operating profit		2,896,058	4,609,636	3,135,713	2,741,932	290,319
Shares of profits of associates		1,829	80,061	62,892	59,296	478
Investment income		137,255	189,358	183,920	183,920	–
Other gain/(loss)	8	398	(982)	246	246	–
Interest income		13,075	12,950	12,566	8,024	14,261
Finance costs	10	(1,601,604)	(1,447,027)	(1,004,208)	(762,526)	(718,134)
Profit/(loss) before tax		1,447,011	3,443,996	2,391,129	2,230,892	(413,076)
Income tax expense	11	(374,303)	(769,252)	(524,239)	(491,064)	(91,894)
Profit/(loss) and total comprehensive income/ (loss) for the year/period	12	1,072,708	2,674,744	1,866,890	1,739,828	(504,970)
Profit/(loss) and total comprehensive income/ (loss) for the year/period attributable to:						
Owner of the Target Companies		863,412	2,291,644	1,682,397	1,523,969	(373,429)
Non-controlling interests		209,296	383,100	184,493	215,859	(131,541)
		1,072,708	2,674,744	1,866,890	1,739,828	(504,970)

B. COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 September 2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	16	37,743,908	36,449,903	35,995,145	34,966,863
Investment properties	17	13,185	12,527	11,868	11,431
Intangible assets	18	101,443	104,779	115,994	109,339
Development costs		68	78	71	89
Investments in associates	19	427,587	424,430	406,704	352,457
Available-for-sale financial assets	20	411,775	411,775	416,775	45,000
Deferred tax assets	21	38,331	51,142	73,732	78,610
Other non-current assets		117,578	139,196	175,967	168,160
Total non-current assets		38,853,875	37,593,830	37,196,256	35,731,949
Current assets					
Inventories	22	1,199,107	715,898	1,047,785	1,054,310
Accounts and notes receivables	23	2,884,845	2,475,915	2,292,531	2,331,729
Prepayments and other receivables	24	826,086	535,697	563,242	661,833
Taxes recoverables		30,863	15,572	50,606	19,734
Cash and cash equivalents	25	1,409,622	1,695,224	1,647,572	1,794,624
Total current assets		6,350,523	5,438,306	5,601,736	5,862,230
TOTAL ASSETS		45,204,398	43,032,136	42,797,992	41,594,179

	Notes	As at 31 December 2014	2015	2016	As at 30 September 2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owner of the Target Companies					
Paid-in capital	26	9,523,374	9,523,374	9,523,374	9,551,324
Reserves	27	90,893	133,233	127,507	(248,179)
Retained earnings		(2,327,259)	(141,431)	1,319,565	950,047
		7,287,008	9,515,176	10,970,446	10,253,192
Non-controlling interests		1,512,047	1,787,522	1,695,698	1,446,581
Total equity		8,799,055	11,302,698	12,666,144	11,699,773
Liabilities					
Non-current liabilities					
Long-term loans	28	20,738,882	18,023,770	15,779,471	16,177,926
Long-term bonds	29	990,600	993,600	1,294,597	300,898
Deferred income	30	856,575	879,305	1,050,383	1,022,179
Other non-current liabilities	31	732,075	690,819	1,055,051	1,104,107
Total non-current liabilities		23,318,132	20,587,494	19,179,502	18,605,110
Current liabilities					
Accounts payables and accrued liabilities	32	7,368,464	6,463,181	6,194,277	5,290,385
Taxes payables		216,843	338,127	238,194	124,192
Dividends payables		315	–	–	116,076
Short-term loans	33	1,825,000	1,346,000	2,189,561	3,306,061
Short-term bonds	34	–	300,000	300,000	–
Current portion of non-current liabilities		3,676,589	2,694,636	2,030,314	2,452,582
Total current liabilities		13,087,211	11,141,944	10,952,346	11,289,296
Total liabilities		36,405,343	31,729,438	30,131,848	29,894,406
TOTAL EQUITY AND LIABILITIES		45,204,398	43,032,136	42,797,992	41,594,179
NET CURRENT LIABILITIES		(6,736,688)	(5,703,638)	(5,350,610)	(5,427,066)

C. COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of the Target Companies						
	Paid-in capital *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	(Accumulated losses)/ retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2014	6,125,166	1,720,076	817	(3,190,671)	4,655,388	1,349,002	6,004,390
Total comprehensive income for the year	–	–	–	863,412	863,412	209,296	1,072,708
Capital injection *(note 35(e))*	3,398,208	(1,630,650)	–	–	1,767,558	–	1,767,558
Disposal of a subsidiary	–	–	–	–	–	(1,640)	(1,640)
Others	–	650	–	–	650	–	650
Dividends *(note 15)*	–	–	–	–	–	(44,611)	(44,611)
Changes in equity for the year	3,398,208	(1,630,000)	–	863,412	2,631,620	163,045	2,794,665
At 31 December 2014	9,523,374	90,076	817	(2,327,259)	7,287,008	1,512,047	8,799,055
At 1 January 2015	9,523,374	90,076	817	(2,327,259)	7,287,008	1,512,047	8,799,055
Total comprehensive income for the year	–	–	–	2,291,644	2,291,644	383,100	2,674,744
Capital withdrawal from non-controlling interests	–	524	–	–	524	(757)	(233)
Transfer to surplus reserve	–	–	41,816	(41,816)	–	–	–
Dividends *(note 15)*	–	–	–	(64,000)	(64,000)	(106,868)	(170,868)
Changes in equity for the year	–	524	41,816	2,185,828	2,228,168	275,475	2,503,643
At 31 December 2015	9,523,374	90,600	42,633	(141,431)	9,515,176	1,787,522	11,302,698
At 1 January 2016	9,523,374	90,600	42,633	(141,431)	9,515,176	1,787,522	11,302,698
Total comprehensive income for the year	–	–	–	1,682,397	1,682,397	184,493	1,866,890
Acquisition of non-controlling interests	–	(27,127)	–	–	(27,127)	25,107	(2,020)
Transfer to surplus reserve	–	–	21,401	(21,401)	–	–	–
Dividends *(note 15)*	–	–	–	(200,000)	(200,000)	(301,424)	(501,424)
Changes in equity for the year	–	(27,127)	21,401	1,460,996	1,455,270	(91,824)	1,363,446
At 31 December 2016	9,523,374	63,473	64,034	1,319,565	10,970,446	1,695,698	12,666,144
At 1 January 2017	9,523,374	63,473	64,034	1,319,565	10,970,446	1,695,698	12,666,144
Total comprehensive loss for the period	–	–	–	(373,429)	(373,429)	(131,541)	(504,970)
Capitalisation of long-term loan *(note 35(e))*	27,950	–	–	–	27,950	–	27,950
Transfer to retained earnings on winding up of a subsidiary	–	–	(3,911)	3,911	–	–	–
Deemed distribution *(note 35(e))*	–	(371,775)	–	–	(371,775)	–	(371,775)
Dividends *(note 15)*	–	–	–	–	–	(117,576)	(117,576)
Changes in equity for the period	27,950	(371,775)	(3,911)	(369,518)	(717,254)	(249,117)	(966,371)
At 30 September 2017	9,551,324	(308,302)	60,123	950,047	10,253,192	1,446,581	11,699,773

	Attributable to owner of the Target Companies						
	Paid-in capital *RMB'000*	**Capital reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**(Accumulated losses)/ retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2016	9,523,374	90,600	42,633	(141,431)	9,515,176	1,787,522	11,302,698
Total comprehensive income for the period (unaudited)	–	–	–	1,523,969	1,523,969	215,859	1,739,828
Dividends paid *(note 15)* (unaudited)	–	–	–	–	–	(30,988)	(30,988)
Changes in equity for the period (unaudited)	–	–	–	1,523,969	1,523,969	184,871	1,708,840
At 30 September 2016 (unaudited)	9,523,374	90,600	42,633	1,382,538	11,039,145	1,972,393	13,011,538

D. COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Nine months ended 30 September	
		2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash generated from operations	35(a)	6,033,579	8,203,115	5,553,063	4,834,401	1,683,939
Interest received		13,075	12,950	12,566	8,024	14,261
Income tax paid		(385,520)	(664,523)	(633,809)	(579,276)	(143,236)
Net cash from operating activities		5,661,134	7,551,542	4,931,820	4,263,149	1,554,964
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to property, plant and equipment		(2,088,477)	(2,316,667)	(2,386,556)	(1,613,094)	(1,480,466)
Additions to intangible assets		(27,508)	(15,068)	(23,549)	(12,664)	(4,052)
Additions to investment properties		–	–	–	–	(56)
Settlement of consideration payable for acquisition of a subsidiary		–	(206,000)	–	–	–
Additions to non-current assets		–	(26,696)	(56,797)	(38,797)	(1,238)
Disposal of a subsidiary	35(b)	(461)	–	–	–	–
Acquisition of non-controlling interests	35(c)	–	–	(2,020)	–	–
Investment in an associate		–	–	(1,470)	–	–
Investments in available-for-sale financial assets		–	–	(5,000)	–	–
Proceeds from disposals of property, plant and equipment		737	553,693	255	107	12
Proceeds from disposal of an associate		239	11,781	246	246	–
Repayment of advance to a related party		180,000	–	–	–	–
Advance to a related party		(280,000)	–	–	–	–
Dividends received		130,556	259,814	266,008	183,920	54,725
Interest received from a related party		5,242	–	–	–	–
Others		531	973	(2,291)	(13,271)	(737)
Net cash used in investing activities		(2,079,141)	(1,738,170)	(2,211,174)	(1,493,553)	(1,431,812)

	Notes	Year ended 31 December			Nine months ended 30 September	
		2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES						
Government grant received		134,186	38,884	105,534	82,157	45,080
Capital withdrawal from non-controlling interests	35(d)	–	(233)	–	–	–
Capital injection	35(e)	189,056	–	–	–	–
Drawdown of loans		3,727,971	4,865,911	6,726,605	4,630,678	4,583,973
Issuance of long-term bonds, net of issuance costs		–	–	297,300	297,300	–
Issuance of short-term bonds		–	300,000	300,000	300,000	–
Proceeds from sale and finance leaseback transactions		650,000	465,975	638,000	538,000	50,000
Repayment of loans		(6,707,156)	(9,481,538)	(8,509,203)	(7,601,711)	(3,388,393)
Repayment of short-term bonds		–	–	(300,000)	(300,000)	(300,000)
Repayment of finance lease payables		(143,553)	(209,172)	(535,293)	(463,833)	(222,021)
Interest paid		(1,623,131)	(1,378,591)	(973,396)	(803,924)	(735,401)
Dividends paid to owner of the Target Companies		–	(64,000)	(200,000)	–	–
Dividends paid to non-controlling interests		(44,622)	(107,183)	(271,324)	(888)	(1,500)
Others		30,434	42,177	(46,521)	(28,367)	(7,838)
Net cash (used in)/from financing activities		(3,786,815)	(5,527,770)	(2,768,298)	(3,350,588)	23,900
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(204,822)	285,602	(47,652)	(580,992)	147,052
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/ PERIOD		1,614,444	1,409,622	1,695,224	1,695,224	1,647,572
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD	25	1,409,622	1,695,224	1,647,572	1,114,232	1,794,624

E. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Datang Heilongjiang Power Generation Co., Ltd. ("Heilongjiang Power Company") was incorporated in the People's Republic of China (the "PRC") with limited liability. The address of its registered office is No. 18 Yiyuan Street, Songbei District, Harbin, Heilongjiang Province 150000, the PRC. The address of its principal place of business is No. 99 Longtang Street, Songbei District, Harbin, Heilongjiang Province 150028, the PRC.

Datang Hebei Power Generation Co., Ltd. ("Heibei Power Company") was incorporated in the PRC with limited liability. The address of its registered office and principal place of business is No. 66 East Huai An Road, Shijiazhuang, Hebei Province 050021, the PRC.

Datang Anhui Power Generation Co., Ltd. ("Anhui Power Company") was incorporated in the PRC with limited liability. The address of its registered office and principal place of business is No. 5537 Jade Road, Economic Development Zone, Hefei, Anhui Province 230071, the PRC.

The principal activities of the Target Groups are power generation and power plant development in the PRC.

During the Relevant Periods and as at the date of this report, the particulars of the Target Companies and the companies controlled by the Target Companies, which are limited liability companies established and operating in the PRC, are as follows:

Name	Date of establishment	Paid up registered capital *RMB'000*	Percentage of equity interest attributable to the Target Companies					Principal activities
			As at 31 December			As at 30 September	As at the date of this report	
			2014	2015	2016	2017		
Heilongjiang Power Company *(Notes i, j)*	29 September 2004	2,923,180	100%	100%	100%	100%	100%	Power generation and heat supply
大唐雞西熱電有限責任公司 Datang Jixi Thermal Power Co., Ltd.* *(Notes a, i, j)*	24 December 1998	320,850	97.38%	97.38%	97.38%	97.38%	97.38%	Power generation
大唐雙鴨山熱電有限公司 Datang Shuangyashan Thermal Power Co., Ltd.* *(Notes a, i, j)*	7 November 2003	410,148	96.37%	96.37%	96.37%	96.37%	96.37%	Power generation
大唐七台河發電有限責任公司 Datang Qitaihe Power Generation Co., Ltd.* *(Notes a, i, j)*	26 October 1995	1,793,700	60%	60%	60%	60%	60%	Power generation
大唐雞西煤炭開發有限公司 Datang Jixi Coal Development Co., Ltd.* *(Notes a, i, j)*	13 November 2008	10,000	100%	100%	100%	100%	100%	Sales of coal and coal washing

Name	Date of establishment	Paid up registered capital *RMB'000*	Percentage of equity interest attributable to the Target Companies					Principal activities
			As at 31 December			As at 30 September	As at the date of this report	
			2014	2015	2016	2017		
大唐黑龍江電力燃料有限公司 Datang Heilongjiang Power Fuel Co., Ltd.* *(Notes a, i, j)*	3 March 2005	10,000	100%	100%	100%	–	–	Sales of coal
黑龍江龍唐電力投資有限公司 Heilongjiang Longtang Electricity Investment Co., Ltd.* *(Notes a, i, j)*	9 February 2007	150,000	100%	100%	100%	100%	100%	Thermal power generation and supply
黑龍江龍唐電力工程有限公司 Heilongjiang Longtang Electricity Engineering Co., Ltd.* *(Notes d, i, j)*	1 June 2007	20,000	53.30%	53.30%	53.30%	53.30%	53.30%	Provision of engineering services
黑龍江龍唐管道工程有限公司 Heilongjiang Longtang Pipe Engineering Co., Ltd.* *(Notes d, i, j)*	28 September 2007	50,000	90%	90%	90%	90%	90%	Production and sale of insulating pipes
佳木斯龍唐脱硫劑有限公司 Kiamusze Longtang Desulfuriser Co., Ltd.* *(Notes d, i, j)*	8 July 2008	2,800	100%	100%	100%	–	–	Provision of desulfurisation services
大慶龍唐供熱有限公司 Daqing Longtang Heat Supply Co., Ltd.* *(Notes d, i, j)*	26 May 2010	100,000	97%	97%	97%	97%	97%	Heat supply
雞西龍唐供熱有限公司 Jixi Longtang Heat Supply Co., Ltd.* *(Notes d, i, j)*	3 August 2010	25,000	80%	80%	80%	80%	80%	Heat supply
雙鴨山龍唐供熱有限公司 Shuangyashan Longtang Heat Supply Co., Ltd.* *(Notes d, i, j)*	8 November 2007	39,850	80%	80%	80%	80%	80%	Heat supply
大唐黑龍江電力技術開發有限公司 Datang Heilongjiang Electricity Technology Development Co., Ltd.* *(Notes a, i, j)*	29 December 2007	14,000	100%	100%	100%	100%	100%	Provision of information technology and training services
大唐黑龍江節能服務有限公司 Datang Heilongjiang Energy Conservation Co., Ltd.* *(Notes h, i, j)*	10 December 2010	16,000	100%	100%	100%	100%	100%	Provision of energy saving services

Name	Date of establishment	Paid up registered capital *RMB'000*	Percentage of equity interest attributable to the Target Companies					Principal activities
			As at 31 December			As at 30 September	As at the date of this report	
			2014	2015	2016	2017		
大唐黑龍江工程項目管理有限公司 Datang Heilongjiang Engineering Project Management Co., Ltd.* *(Notes e, i, j)*	29 March 2011	1,000	100%	100%	100%	100%	100%	Engineering projects management
大唐黑龍江物業管理有限公司 Datang Heilongjiang Property Management Co., Ltd.* *(Notes a, i, j)*	21 July 2012	500	100%	100%	100%	–	–	Property management
大唐雞西第二熱電有限公司 Datang Jixi Second Thermal Power Co., Ltd.* *(Notes a, i, j)*	25 May 2009	584,060	100%	100%	100%	100%	100%	Power generation
雞西辰宇環保工程有限責任公司 Jixi Chenyu Environmental Engineering Co., Ltd.* *(Notes f, i, j)*	15 October 2010	15,000	70%	70%	70%	70%	70%	Sales of construction material
大唐黑龍江新能源開發有限公司 Datang Heilongjiang Renewable Power Development Co., Ltd.* *(Notes a, i, j)*	27 January 2010	155,940	100%	100%	100%	100%	100%	Wind power and solar power development
大唐集賢太平風力發電有限公司 Datang Jixian Taiping Wind Power Generation Co., Ltd.* *(Notes g, i, j)*	11 April 2011	65,000	100%	100%	100%	100%	100%	Wind power generation
大唐華安(齊齊哈爾)風力發電有限公司 Datang Hua'an (Qiqihar) Wind Power Generation Co., Ltd.* *(Notes g, i, j)*	3 May 2011	80,000	100%	100%	100%	100%	100%	Wind power generation
大唐海林威虎山風力發電有限公司 Datang Hailin Weihushan Wind Power Generation Co., Ltd.* *(Notes g, i, j)*	29 January 2013	20,000	100%	100%	100%	100%	100%	Wind power generation

Name	Date of establishment	Paid up registered capital *RMB'000*	Percentage of equity interest attributable to the Target Companies					Principal activities
			As at 31 December			As at 30 September	As at the date of this report	
			2014	2015	2016	2017		
大唐東寧水電開發有限公司 Datang Dongning Hydropower Development Co., Ltd.* *(Notes g, i, j)*	24 February 2011	118,720	100%	100%	100%	100%	100%	Hydropower generation
大唐牡丹江能源開發有限公司 Datang Mudanjiang Energy Development Co., Ltd.* *(Notes a, i, j)*	14 March 2012	128,720	100%	100%	100%	–	–	Power generation
大唐綏化熱電有限公司 Datang Suihua Thermal Power Co., Ltd.* *(Notes a, j)*	6 January 2015	10,000	–	100%	100%	100%	100%	Power generation
大唐黑龍江能源營銷有限公司 Datang Heilongjiang Energy Marketing Co., Ltd.* *(Notes a, u)*	16 November 2016	201,000	–	–	100%	100%	100%	Power supply
Heibei Power Company *(Notes k, l)*	10 October 2004	3,001,986	100%	100%	100%	100%	100%	Power generation
河北馬頭發電有限責任公司 Hebei Ma Tou Power Generation Co., Ltd.* *(Notes b, m)*	28 July 2004	15,300	100%	100%	–	–	–	Power generation
河北大唐電力燃料有限公司 Hebei Datang Power Fuel Co., Ltd.* *(Notes b, n)*	1 June 2005	4,355	87.10%	100%	100%	100%	100%	Sales of coal
大唐武安發電有限公司 Datang Wu'an Power Generation Co., Ltd.* *(Notes b, k, l)*	8 April 2010	595,951	74%	74%	74%	74%	74%	Power generation
大唐烏拉特後旗風電有限公司 Datang Wulatehouqi Wind Power Generation Co., Ltd.* *(Notes b, k, l)*	25 August 2010	64,500	100%	100%	100%	–	–	Wind power generation
大唐清苑熱電有限公司 Datang Qingyuan Thermal Power Co., Ltd.* *(Notes b, k, l)*	29 January 2010	518,833	99.04%	99.04%	99.04%	99.04%	99.04%	Power generation

Name	Date of establishment	Paid up registered capital *RMB'000*	Percentage of equity interest attributable to the Target Companies					Principal activities
			As at 31 December			As at 30 September	As at the date of this report	
			2014	2015	2016	2017		
大唐河北新能源(張北)有限責任公司 Datang Hebei Renewable Energy (Zhangbei) Co., Ltd.* *(Notes b, k, l)*	27 August 2010	152,427	100%	100%	100%	100%	100%	Wind power generation
大唐保定華源熱電有限責任公司 Datang Baoding Huayuan Thermal Power Co., Ltd.* *(Notes b, k, l)*	14 August 2000	226,460	61%	61%	61%	61%	61%	Power generation
大唐保定供熱有限責任公司 Datang Baoding Heat Supply Co., Ltd.* *(Notes b, k, l)*	23 September 2005	209,401	65%	65%	65%	65%	65%	Heat supply
大唐五原新能源有限公司 Datang Wuyuan Renewable Energy Co., Ltd.* *(Notes b, k, l)*	22 November 2013	32,000	100%	100%	100%	100%	100%	Solar power generation
大唐烏拉特後旗新能源有限公司 Datang Wulate Houqi Renewable Energy Co., Ltd.* *(Notes b, k, l)*	21 November 2013	32,000	100%	100%	100%	100%	100%	Wind power and solar power generation
大唐河北能源營銷有限公司 Datang Hebei Energy Marketing Co., Ltd.* *(Notes b, o)*	9 December 2016	20,000	–	–	100%	100%	100%	Electricity and thermal power production and supply
Anhui Power Company *(Notes p, q)*	27 December 2013	3,598,208	100%	100%	100%	100%	100%	Power generation
安徽電力股份有限公司 Anhui Electric Power Co., Ltd.* *(Notes c, p, q, r)*	8 February 1999	535,280	50%	50%	50%	50%	50%	Power generation
安徽淮南洛能發電有限責任公司 Anhui Huainan Luoneng Power Generation Co., Ltd.* *(Notes c, p, q)*	20 December 2001	1,420,000	52.80%	52.80%	52.80%	52.80%	52.80%	Power generation

Name	Date of establishment	Paid up registered capital *RMB'000*	Percentage of equity interest attributable to the Target Companies					Principal activities
			As at 31 December			As at 30 September	As at the date of this report	
			2014	2015	2016	2017		
大唐安慶生物質能發電有限公司 Datang Anqing Biomass Power Generation Co., Ltd.* *(Notes c, p, q)*	11 April 2007	53,430	66.67%	66.67%	66.67%	66.67%	66.67%	Power generation
大唐安徽發電燃料投資有限公司 Datang Anhui Power Generation and Fuel Investment Co., Ltd.* *(Notes c, p, q)*	30 July 2012	10,000	100%	100%	100%	100%	100%	Fuel management
馬鞍山當塗發電有限公司 Ma'anshan Dangtu Power Generation Co., Ltd.* *(Notes c, p, q)*	2 December 2004	618,450	100%	100%	100%	100%	100%	Power generation
大唐安徽能源營銷有限公司 Datang Anhui Energy Marketing Co., Ltd.* *(Notes c, s)*	7 November 2016	20,000	–	–	100%	100%	100%	Purchase and sale of electricity
大唐淮北發電有限責任公司 Datang Huaibei Power Generation Co., Ltd.* *(Notes c, t)*	16 January 2004	151,670	95%	95%	–	–	–	Power generation

Notes:

(a) The subsidiary is directly held by Heilongjiang Power Company.

(b) The subsidiary is directly held by Hebei Power Company.

(c) The subsidiary is directly held by Anhui Power Company.

(d) The subsidiary is directly held by Heilongjiang Longtang Electricity Investment Co., Ltd.

(e) The subsidiary is directly held by Datang Heilongjiang Electricity Technology Development Co., Ltd.

(f) The subsidiary is directly held by Datang Jixi Second Thermal Power Co., Ltd.

(g) The subsidiary is directly held by Datang Heilongjiang Renewable Power Development Co., Ltd.

(h) The subsidiary is jointly held by Heilongjiang Power Company, Heilongjiang Longtang Electricity Development Investment Co., Ltd. and Datang Heilongjiang Electric Power Development Co., Ltd.

(i) The statutory financial statements for the year ended 31 December 2014 prepared under China Accounting Standards for Business Enterprises ("PRC GAAP") were audited by 北京興華會計師事務所(特殊普通合夥) Beijing Xinghua Certified Public Accountants (Special General Partnership)*, certified public accountants registered in the PRC.

(j) The statutory financial statements for the years ended 31 December 2015 and 2016 prepared under PRC GAAP were audited by 中審眾環會計師事務所(特殊普通合夥) Union Power Certified Public Accountants (Special General Partnership)*, certified public accountants registered in the PRC.

(k) The statutory financial statements for the years ended 31 December 2014 and 2016 prepared under PRC GAAP were audited by 立信會計師事務所(特殊普通合夥) BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership)*, certified public accountants registered in the PRC.

(l) The statutory financial statements for the year ended 31 December 2015 prepared under PRC GAAP were audited by 天健會計師事務所(特殊普通合夥) Pan-China Certified Public Accountants (Special General Partnership)*, certified public accountants registered in the PRC.

(m) The statutory financial statements for the years ended 31 December 2014 and 2015 prepared under PRC GAAP were audited by BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership) and Pan-China Certified Public Accountants (Special General Partnership) respectively.

(n) The statutory financial statements for the years ended 31 December 2014, 2015 and 2016 prepared under PRC GAAP were audited by BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership).

(o) The statutory financial statements for the year ended 31 December 2016 prepared under PRC GAAP were audited by BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership).

(p) The statutory financial statements for the year ended 31 December 2014 prepared under PRC GAAP were audited by 天職國際會計師事務所有限公司 Baker Tilly China Certified Public Accountants*, certified public accountants registered in the PRC.

(q) The statutory financial statements for the years ended 31 December 2015 and 2016 prepared under PRC GAAP were audited by 信永中和會計師事務所(特殊普通合夥) ShineWing Certified Public Accountants (Special General Partnership)*, certified public accountants registered in the PRC.

(r) The Target Groups have control over Anhui Electric Power Co., Ltd. to the extent that the Target Groups have power over Anhui Electric Power Co., Ltd., have exposure to variable returns through their equity interests in Anhui Electric Power Co., Ltd. and have the ability to use their power to affect the amount of their returns from Anhui Electric Power Co., Ltd.

(s) The statutory financial statements for the year ended 31 December 2016 prepared under PRC GAAP were audited by ShineWing Certified Public Accountants (Special General Partnership).

(t) The statutory financial statements for the years ended 31 December 2014 and 2015 prepared under PRC GAAP were audited by Baker Tilly China Certified Public Accountants and ShineWing Certified Public Accountants (Special General Partnership) respectively.

(u) The statutory financial statements for the year ended 31 December 2016 prepared under PRC GAAP were audited by 中審眾環會計師事務所(特殊普通合夥) Union Power Certified Public Accountants (Special General Partnership)*, certified public accountants registered in the PRC.

* *The English name is for identification purpose only.*

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

China Datang Corporation Limited ("CDC"), the ultimate parent of the Company, also controls the Target Groups throughout the Relevant Periods. The Historical Financial Information, including the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Target Groups have been prepared by applying the principle of merger accounting as if the Target Groups had been combined as a single reporting entity since 1 January 2014. The companies now comprising the Target Groups are under common control of CDC. The combined statements of financial position of the Target Groups as at 31 December 2014, 2015, 2016 and 30 September 2017 have been prepared as if the Target Groups had been in existence at those dates.

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Groups have consistently applied IFRSs issued by the IASB which are effective for the accounting period beginning on 1 January 2017, throughout the Relevant Periods. IFRSs comprise IFRS; International Accounting Standards ("IAS"); and Interpretations. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Target Groups are disclosed below.

As at 30 September 2017, a significant portion of the funding requirements of the Target Groups for capital expenditures was satisfied by short-term borrowings. Consequently, as at 30 September 2017, the Target Groups had net current liabilities of approximately RMB5.43 billion. The Target Groups had undrawn borrowing facilities, subject to certain conditions, amounting to approximately RMB9.33 billion and may refinance and/or restructure certain short-term borrowings into long-term borrowings and will also consider alternative sources of financing, where applicable. The directors of the Company are of the opinion that the Target Groups will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared the Historical Financial Information on a going concern basis.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Target Groups have not early applied new and revised IFRSs that have been issued but are not yet effective for the accounting period beginning 1 January 2017. These new and revised IFRSs include the following which may be relevant to the Target Groups.

		Effective for accounting periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IAS 40	Transfer of Investment Property	1 January 2018
Amendments to IFRSs	Annual Improvements to IFRSs 2014–2016 Cycle	1 January 2018
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle	1 January 2019

The Target Groups are in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Target Groups have identified some aspects of the new standards which may have a significant impact on the Historical Financial Information of the Target Groups. Further details of the expected impacts are discussed below. As the Target Groups have not completed their assessment, further impacts may be identified in due course.

IFRS 9 Financial Instruments

The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from IAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

IFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in IAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for accounts receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in IAS 39 are carried forward largely unchanged.

IFRS 9 substantially overhauls the hedge accounting requirements in IAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The Target Groups' financial assets that are currently classified as available-for-sale include unlisted equity securities. The Target Groups expect to irrevocably designate these equity securities as fair value through other comprehensive income. This will give rise to a change in accounting policy. The listed equity securities are currently measured at fair value with fair value changes recognised in other comprehensive income until disposal or impairment at which point the fair value gains or losses are recycled to profit or loss. Under IFRS 9 recycling of the fair value gains and losses is not permitted. The unlisted equity securities are currently measured at cost less impairment with any impairment losses recognised in profit or loss. IFRS 9 requires fair value measurement with fair value changes recognised in other comprehensive income without recycling. The Target Groups do not expect such change will have a material impact to the Target Group's financial position or performance.

The new expected credit loss impairment model in IFRS 9 may result in the earlier recognition of impairment losses on the Target Groups' accounts receivables and other financial assets. The Target Groups do not expect such change will have a significant impact on their financial position or performance.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Target Groups are currently assessing the impacts of adopting IFRS 15 on the Historical Financial Information and do not expect any material impact on the Historical Financial Information upon adoption of the new standard.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Target Groups' office property and machinery leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Target Groups may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Target Groups' assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in Note 37 to the Historical Financial Information, there were no material lease commitments at the end of each of the Relevant Periods, for which the Target Groups are the lessee. The Target Groups expect that adoption of IFRS 16 would not have any significant impact on the Historical Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Groups' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information includes the financial statements of the Target Companies and their respective subsidiaries for the Relevant Periods. Subsidiaries are entities over which the Target Groups have control. The Target Groups control an entity when it is exposed, or have rights, to variable returns from its involvement with the entity and have the ability to affect those returns through their power over the entity. The Target Groups have power over an entity when the Target Groups have existing rights that give them the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When the Target Groups have less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

When assessing control, the Target Groups consider their potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Target Groups. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Target Groups' share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Groups.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Target Companies. Non-controlling interests are presented in the combined statements of financial position and combined statements of changes in equity within equity. Non-controlling interests are presented in the combined statements of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the Relevant Periods between the non-controlling shareholders and owner of the Target Companies.

Profit or loss and each component of other comprehensive income are attributed to the owner of the Target Companies and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Target Companies' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owner of the Target Companies.

(b) Business combination under common control

The Historical Financial Information incorporates the financial information of the Target Groups' entities as if they had been combined from the date when they first came under the control of CDC.

The combined statements of profit or loss and other comprehensive income and combined statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the Target Groups' entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The combined statements of financial position have been prepared to present the assets and liabilities of the Target Groups' entities as if the Target Groups had been combined as a single reporting entity at the end of each reporting period. The net assets of the Target Groups' entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any Target Groups' entities in order to achieve consistency of the Target Groups' accounting policies.

(c) Business combination other than under common control and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Target Groups' share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Target Groups' share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in combined profit or loss as a gain on bargain purchase which is attributed to the Target Groups.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in combined profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Target Groups at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(d) Associates

Associates are entities over which the Target Groups have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Target Groups have significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the Historical Financial Information by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Target Groups' share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Target Groups' share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in combined profit or loss.

The Target Groups' share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in combined statements of profit or loss and other comprehensive income. When the Target Groups' share of losses in an associate equals or exceeds their interests in the associate (which includes any long-term interests that, in substance, form part of the Target Groups' net investment in the associate), the Target Groups do not recognise further losses, unless they have incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Target Groups resume recognising their share of those profits only after their share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Target Groups' entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Target Groups continue to apply the equity method and do not remeasure the retained interest.

Unrealised profits on transactions between the Target Groups and its associates are eliminated to the extent of the Target Groups' interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Target Groups.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Target Groups' entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB, which is the Target Companies' functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(f) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the combined statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Groups and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land use rights	30–70 years, or the lease term, whichever is shorter
Buildings and structures	8–45 years
Electricity utility plants	5–30 years
Transportation facilities	6–12 years
Others	7–8 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings and structures under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight-line method to allocate the cost to the residual value over its estimated useful life ranging from 8 to 30 years.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

(h) Leases

The Target Groups as lessee

(i) Operating leases

Leases that do not substantially transfer to the Target Groups all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Target Groups all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the combined statements of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall be deferred and amortised over the lease term.

The Target Groups as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(ii) Finance leases

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Target Groups' net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Target Groups' net investment outstanding in respect of the leases.

(i) Intangible assets other than goodwill

Intangible assets, other than goodwill, are stated at cost less accumulated amortisation and impairment losses. Amortisation of intangible assets is calculated either at rates appropriate to write off their cost over the estimated useful lives on a straight-line basis or on a systematic and proper method to reflect the pattern in which the asset's future economic benefits are expected to be realised by the Target Groups. The principal useful lives of intangible assets are as follows:

Computer software	3–10 years
Others	10 years

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average basis. Costs of inventories include direct material cost and transportation expenses incurred in bringing them to the working locations. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs in power generation and selling expenses.

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when the Target Groups become a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Groups transfer substantially all the risks and rewards of ownership of the assets; or the Target Groups neither transfer nor retain substantially all the risks and rewards of ownership of the assets but have not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(l) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Target Groups classify their financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically accounts and note receivables, other receivables and cash and cash equivalents are classified in this category.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

(m) Accounts and notes receivables and other receivables

Accounts and notes receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(n) Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Groups' cash management are also included as a component of cash and cash equivalents.

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Groups after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target Groups have an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

(q) Financial guarantee contract liabilities

The Target Groups issue financial guarantee contracts that transfer significant insurance risk. Financial guarantee contracts are those contracts that require the issuer to make specified payments to reimburse the holders for losses they incur because specified debtors fail to make payments when due in accordance with the original or modified terms of debt instruments.

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and related administrative expenses are used. Any deficiency is immediately charged to the profit or loss by establishing a provision for losses arising from these tests.

(r) Accounts payables and accrued liabilities

Accounts payables and accrued liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Equity instruments

Equity instruments issued by the Target Companies are recorded at the proceeds received, net of direct issue costs.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target Groups and the amount of revenue can be measured reliably. Revenue is shown net of value-added tax ("VAT"), returns, rebates and discounts.

Revenue from sales of electricity and heat represents the amount of tariffs billed for electricity and heat generated and transmitted to the respective power companies and heat supply companies.

Revenue associated with sales of other goods is recognised when the title to the goods has been passed to customers, which is the date when the goods are either picked up at site or free on board, or delivered to the designated locations and accepted by the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

(u) Employee benefits

(i) Pension and other social obligations

The Target Groups contribute to defined contribution schemes including pension and/or other social benefits in accordance with the local conditions and practices in the municipalities and provinces in which it operates. Contributions to the schemes by the Target Groups and employees are calculated as a percentage of employees' basic salaries. The scheme cost charged to profit or loss represents contributions payable by the Target Groups to the funds.

(ii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Groups can no longer withdraw the offer of those benefits, and when the Target Groups recognise restructuring costs and involves the payment of termination benefits.

(iii) Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target Groups that are outstanding during the Reporting Periods, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Government grants

A government grant is recognised when there is reasonable assurance that the Target Groups will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Groups with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

(x) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the Reporting Periods. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Groups' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Target Groups are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Groups expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Groups intend to settle their current tax assets and liabilities on a net basis.

(y) VAT

Revenue from sales of electricity and heat and revenue associated with sales of coal and other goods are subjected to VAT in the PRC. VAT payables are determined by applying 17% or 13% or 11% or 6% or 5% or 3% on the taxable revenue after offsetting deductible input VAT of the period.

(z) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the combined statements of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(aa) Impairment of financial assets

At the end of each reporting period, the Target Groups assess whether their financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale financial assets, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for accounts, notes and other receivables that are assessed not to be impaired individually, the Target Groups assess them collectively for impairment, based on the Target Groups' past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for accounts, notes and other receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for accounts, notes receivables or other receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(ab) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Groups have a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(ac) Events after the reporting period

Events after the reporting period that provide additional information about the Target Groups' position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

(ad) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the availability of funding from various sources to enable the Target Groups to operate as a going concern and meet its liabilities as they fall due. Details are explained in Note 2 to the Historical Financial Information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of the reporting period, are discussed below.

(a) Property, plant and equipment and depreciation

The Target Groups determine the estimated useful lives, residual values and related depreciation charges for their property, plant and equipment. This estimate is based on the projected wear and tear incurred during power generation. This could change significantly as a result of technical renovations on power generators. The Target Groups will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

As at 31 December 2014, 2015, 2016 and 30 September 2017, the carrying amounts of property, plant and equipment were RMB37,743,908 thousand, RMB36,449,903 thousand, RMB35,995,145 thousand and RMB34,966,863 thousand respectively.

(b) Impairment of property, plant and equipment

The Target Groups test annually whether property, plant and equipment have suffered any impairment in accordance with the accounting policy stated in Note 4(z) to the Historical Financial Information. An impairment loss is recognised when the carrying amount of property, plant and equipment exceeds their recoverable amount. These estimations of recoverable amount require the use of estimates such as electricity and heat tariffs and fuel prices. Changes of assumptions in electricity and heat tariffs and fuel prices could affect the result of property, plant and equipment impairment assessment.

As at 31 December 2014, 2015, 2016 and 30 September 2017, the accumulated impairment losses for property, plant and equipment were RMB82,286 thousand, RMB57,281 thousand, RMB86,137 thousand and RMB84,595 thousand respectively.

(c) Approval of construction in new power plants

The Target Groups have not received relevant government approvals from the National Development and Reform Commission (the "NDRC") for their certain power plant construction projects. The ultimate approval from the NDRC on these projects is a critical estimate and judgement of the Target Groups. Such an estimate and judgement are based on initial approval documents received as well as their understanding of the projects. Based on historical experience, the Target Groups believe that they will receive final approval from the NDRC on the related power plant projects. Deviation from this estimate and judgement could result in material adjustments to the carrying amount of property, plant and equipment.

(d) Impairment of available-for-sale financial assets

At the end of each of the Relevant Periods, the Target Groups determine whether there is any indication that their available-for-sale financial assets may be impaired. The Target Groups determine whether available-for-sale financial assets have suffered any impairment largely dependent on the management's judgements and assumptions. In making judgements and assumptions, the Target Groups require to assess the extent and duration when the fair value of a financial asset is lower than its cost, and the financial position and short-term business outlook of the investee company, including industry conditions, technology changes, credit ratings, default rates and counterparty risks.

During the Relevant Periods, no impairment loss has been recognised for available-for-sale financial assets.

(e) Impairment of intangible assets other than goodwill

At the end of each of the Relevant Periods, the Target Groups determine whether there is any indication that their intangible assets other than goodwill may be impaired. The Target Groups review the carrying amounts of their intangible assets other than goodwill to determine whether there is any indication that those intangible assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of the intangible assets other than goodwill is estimated to be less than its carrying amount, it indicates those assets have been impaired.

In assessing value in use of those intangible assets, the future cash flows are estimated using discounted cash flow method. The key assumptions for the discounted cash flow method include the expected production capacity, selling prices, related operating costs and discount rates. These key assumptions are based on expectations with reasonable and appropriate analysis.

During the Relevant Periods, no impairment loss has been recognised for intangible assets other than goodwill.

(f) Deferred tax assets

The estimates of deferred tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The change in future income tax rates and timing would affect income tax expense or credit, as well as deferred tax balance. The realisation of deferred tax assets also depends on the realisation of sufficient future taxable profits of the Target Groups. Deviation of future profitability from the estimate could result in material adjustments to the carrying amount of deferred tax assets.

The carrying amount of deferred tax assets as at 31 December 2014, 2015, 2016 and 30 September 2017 were RMB38,331 thousand, RMB51,142 thousand, RMB73,732 thousand and RMB78,610 thousand respectively.

(g) Allowance for inventories

An allowance is recognised when the net realisable value of inventories is higher than their costs and inventories are obsolete and slow-moving. Determination of allowance for inventories requires the management to obtain conclusive evidence. In making the judgement and estimates, the management also considers the factors such as the purpose of holding the inventories and the effect of the events after the reporting period. Where the actual outcome is different from the original estimate, such differences will impact the carrying value of inventories and allowance charge or write-back in the period in which such estimate has been changed.

The allowance for inventories as at 31 December 2014, 2015, 2016 and 30 September 2017 were RMB4,933 thousand, RMB36,512 thousand, RMB12,902 thousand and RMB11,733 thousand respectively.

(h) Allowance for accounts and other receivables

The Target Groups make allowance for accounts and other receivables based on assessments of the recoverability of the accounts and other receivables, including the current creditworthiness and the past collection history of each debtor. Allowance for accounts and other receivables arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of allowance for accounts and other receivables, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the accounts and other receivables and allowance for accounts and other receivables in the year in which such estimate has been changed.

The allowance for accounts and other receivables as at 31 December 2014, 2015, 2016 and 30 September 2017 were RMB46,199 thousand, RMB126,028 thousand, RMB129,980 thousand and RMB132,568 thousand respectively.

6. FINANCIAL RISK MANAGEMENT

The Target Groups' activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Target Groups' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Groups' financial performance.

(a) Foreign currency risk

The Target Groups have minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Target Groups entities.

(b) Credit risk

The Target Groups' credit risk is primarily attributable to its bank deposits, accounts and notes receivables and other receivables.

The Target Groups maintain most of its bank deposits in several major government-related financial institutions in the PRC and a non-bank financial institution which is a related party of the Target Groups. With strong State support provided to those government-related financial institutions and the holding of directorship by CDC in the board of the related party non-bank financial institution, the directors of the Company are of the opinion that there is no significant credit risk on such assets being exposed.

With regard to accounts receivables arising from power sales, most of the power plants of the Target Groups sell electricity to their sole customers, the power grid companies of their respective provinces or regions where the power plants operate. These power plants of the Target Groups communicate with their individual grid companies periodically and believe that adequate allowance for doubtful accounts has been made in the Historical Financial Information. The Target Groups do not hold any collateral as security for all the receivables.

As at 31 December 2014, 2015, 2016 and 30 September 2017, accounts and notes receivables due from the largest debtor amounted to RMB1,162,164 thousand, RMB801,507 thousand, RMB690,196 thousand and RMB835,747 thousand respectively, representing 40.29%, 32.37%, 30.11% and 35.84% of the total accounts and notes receivables respectively. As at 31 December 2014, 2015, 2016 and 30 September 2017, accounts and notes receivables due from the top five debtors amounted to RMB2,480,584 thousand, RMB1,966,481 thousand, RMB1,844,726 thousand and RMB1,792,059 thousand respectively, representing 85.99%, 79.42%, 80.47% and 76.86% of the total accounts and notes receivables respectively. Except for accounts and notes receivables, the Target Groups have no significant concentrations of credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Target Groups aim to maintain flexibility in funding by maintaining availability under committed credit facilities.

The Target Groups monitor the cash flow rolling forecasts of the Target Groups' undrawn borrowing facility and cash and cash equivalents available as at each month end in meeting its liabilities.

The maturity analysis based on contractual undiscounted cash flows of Target Groups' non-derivative financial liabilities is as follows:

	Less than 1 year *RMB'000*	**Between 1 and 2 years** *RMB'000*	**Between 2 and 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount** *RMB'000*
At 31 December 2014						
Long-term loans	4,902,940	3,777,949	9,654,215	18,586,851	36,921,955	24,177,717
Long-term bonds	51,800	51,800	1,061,508	–	1,165,108	990,600
Other non-current liabilities	186,860	237,660	471,439	129,197	1,025,156	887,110
Accounts payables and accrued liabilities	6,824,712	–	–	–	6,824,712	6,824,712
Taxes payables	140,703	–	–	–	140,703	140,703
Dividends payables	315	–	–	–	315	315
Short-term loans	1,897,892	–	–	–	1,897,892	1,825,000
	14,005,222	4,067,409	11,187,162	18,716,048	47,975,841	34,846,157
At 31 December 2015						
Long-term loans	3,000,008	2,957,800	9,310,286	12,993,702	28,261,796	20,041,090
Long-term bonds	51,800	51,800	1,009,708	–	1,113,308	993,600
Other non-current liabilities	538,032	243,288	479,485	57,125	1,317,930	1,194,415
Accounts payables and accrued liabilities	5,896,325	–	–	–	5,896,325	5,896,325
Taxes payables	159,737	–	–	–	159,737	159,737
Short-term loans	1,366,276	–	–	–	1,366,276	1,346,000
Short-term bonds	307,030	–	–	–	307,030	300,000
	11,319,208	3,252,888	10,799,479	13,050,827	38,422,402	29,931,167

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
At 31 December 2016						
Long-term loans	2,406,935	3,123,886	7,657,254	10,163,185	23,351,260	17,414,930
Long-term bonds	61,460	1,019,368	303,408	–	1,384,236	1,294,597
Other non-current liabilities	312,230	235,891	718,376	229,675	1,496,172	1,335,704
Accounts payables and accrued liabilities	5,543,209	–	–	–	5,543,209	5,543,209
Taxes payables	111,751	–	–	–	111,751	111,751
Short-term loans	2,246,125	–	–	–	2,246,125	2,189,561
Short-term bonds	305,245	–	–	–	305,245	300,000
	10,986,955	4,379,145	8,679,038	10,392,860	34,437,998	28,189,752
At 30 September 2017						
Long-term loans	2,066,097	2,519,604	6,393,701	13,610,892	24,590,294	17,466,060
Long-term bonds	1,032,318	305,823	–	–	1,338,141	1,297,498
Other non-current liabilities	95,350	235,664	715,367	244,323	1,290,704	1,162,310
Accounts payables and accrued liabilities	4,934,613	–	–	–	4,934,613	4,934,613
Taxes payables	75,734	–	–	–	75,734	75,734
Dividends payables	116,076	–	–	–	116,076	116,076
Short-term loans	3,370,281	–	–	–	3,370,281	3,306,061
	11,690,469	3,061,091	7,109,068	13,855,215	35,715,843	28,358,352

(d) Interest rate risk

As the Target Groups have no significant interest-bearing assets except for bank deposits, the Target Groups' operating cash flows are substantially independent of changes in market interest rates.

Most of the bank deposits are maintained in the savings and fixed deposits accounts in the PRC. The interest rates are regulated by the People's Bank of China while the Target Groups closely monitor the fluctuation on such rates periodically. As the average interest rates applied to the deposits are relatively low, the directors of the Company are of the opinion that the Target Groups are not exposed to any significant interest rate risk for these assets held as at 31 December 2014, 2015, 2016 and 30 September 2017.

The Target Groups' exposure to interest rate risk arises from their loans. Certain loans bear interests at variable rates varied with the then prevailing market condition, thus exposing the Target Groups to cash flow interest rate risk. The Target Groups analyse interest rate exposures on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

As at 31 December 2014, 2015, 2016 and 30 September 2017, if interest rates had been 50 basis points lower respectively with all other variables held constant, the Target Groups' combined profit or loss after tax for each of the Relevant Periods would have been RMB59,055 thousand, RMB53,679 thousand, RMB49,339 thousand respectively higher and RMB56,006 thousand lower, arising mainly as a result of lower interest expense on the loans. If interest rates had been 50 basis points higher respectively with all other variables held constant, the Target Groups' combined profit or loss after tax for each of the Relevant Periods would have been RMB59,055 thousand, RMB53,679 thousand, RMB49,339 thousand respectively lower and RMB56,006 thousand higher, arising mainly as a result of higher interest expense on the loans.

(e) Categories of financial instruments at the end of each of the Relevant Periods

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Loans and receivables (including cash and cash equivalents)	4,557,579	4,330,258	4,064,814	4,197,555
Available-for-sale financial assets	411,775	411,775	416,775	45,000
Financial liabilities:				
Financial liabilities measured at amortised cost	34,846,157	29,931,167	28,189,752	28,358,352

(f) Fair values

The carrying amounts of the Target Groups' financial assets and financial liabilities as reflected in the Historical Financial Information approximate their respective fair values.

7. OPERATING REVENUE

An analysis of the Target Groups' operating revenue for the Relevant Periods is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of electricity	17,147,363	18,530,795	16,400,606	12,548,821	12,485,460
Heat supply	1,019,134	1,051,432	1,139,872	662,769	698,858
Others	656,905	848,920	996,795	585,489	669,499
	18,823,402	20,431,147	18,537,273	13,797,079	13,853,817

8. OTHER GAIN/(LOSS)

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Gain on disposal of a subsidiary	160	–	–	–	–
Gain/(loss) on disposal of an associate	238	(982)	246	246	–
	398	(982)	246	246	–

9. SEGMENT INFORMATION

No operating segment or geographical information is presented as more than 90% of the Target Group's revenue during the Relevant Periods was derived from one single operating segment, i.e. power generation, and all of their customers and non-current assets as at the end of each of the Relevant Periods were located in the PRC.

10. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expenses on:					
Short-term loans	167,545	96,723	38,760	28,993	45,358
Long-term loans	1,379,050	1,241,622	870,463	673,584	625,374
Short-term bonds	–	4,117	11,008	8,718	5,486
Long-term bonds	51,800	51,308	59,740	44,222	47,041
Finance leases payables	27,583	50,504	38,582	23,575	30,127
Discounted notes receivables	18	492	286	95	652
Others	135	–	764	–	1,180
Total borrowing costs	1,626,131	1,444,766	1,019,603	779,187	755,218
Amount capitalised	(31,206)	(12,300)	(29,035)	(27,889)	(45,321)
	1,594,925	1,432,466	990,568	751,298	709,897
Others	6,679	14,561	13,640	11,228	8,237
	1,601,604	1,447,027	1,004,208	762,526	718,134

Borrowing costs on funds borrowed generally are capitalised at a rate of 1.78%, 4.85%, 4.41%, 4.41% and 4.40% per annum respectively for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017.

11. INCOME TAX EXPENSE

Income tax has been recognised in combined profit or loss as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax – PRC Enterprise Income Tax					
Provision for the year/ period	398,576	771,232	553,659	523,568	94,484
Under/(over)-provision in prior years/periods	12,200	10,831	(6,830)	(5,036)	2,288
	410,776	782,063	546,829	518,532	96,772
Deferred tax *(note 21)*	(36,473)	(12,811)	(22,590)	(27,468)	(4,878)
	374,303	769,252	524,239	491,064	91,894

The Target Groups, other than as stated below, are generally subject to PRC Enterprise Income Tax statutory rate of 25% during the Relevant Periods.

Pursuant to the relevant laws and regulation in the PRC, certain subsidiaries of the Target Groups are exempted from PRC Enterprise Income Tax for the three years starting from 1 January 2011/2012/2014/2016, followed by a 50% reduction of the statutory rate of 25% for the next three years ended/ending 31 December 2016/2017/2019/2021.

The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by PRC Enterprise Income Tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before tax	1,447,011	3,443,996	2,391,129	2,230,892	(413,076)
Tax at PRC Enterprise Income Tax rate of 25%	361,753	860,999	597,782	557,723	(103,269)
Tax effect of share of results of associates	(457)	(20,015)	(15,723)	(14,823)	(120)
Tax effect of income that is not taxable	(32,639)	(47,340)	(45,980)	(45,980)	–
Tax effect of expenses that are not deductible	28,993	22,506	17,509	5,360	66,445
Tax effect of utilisation of tax losses previously not recognised	(73,684)	(128,871)	(47,751)	(21,449)	(19,629)
Tax effect of temporary differences not recognised	77,603	65,850	38,400	30,115	141,616
Under/(over)-provision in prior years/periods	12,200	10,831	(6,830)	(5,036)	2,288
Tax effect of tax concession	(3,461)	(4,787)	(17,169)	(15,863)	(7,997)
Others	3,995	10,079	4,001	1,017	12,560
Income tax expense	374,303	769,252	524,239	491,064	91,894

12. PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD

The Target Groups' profit/(loss) for the Relevant Periods is stated after charging/(crediting) the following:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Allowance for accounts receivables	19,729	21,566	4,273	–	1,790
Allowance for inventories	–	31,579	–	–	–
Allowance for other receivables	456	58,367	619	–	873
Government grant	(90,892)	(27,997)	(73,791)	(55,342)	(15,096)
Amortisation of other non-current assets	3,545	8,918	9,637	6,509	9,984
Amortisation of intangible assets	9,430	11,732	12,297	9,223	10,703
Cost of major inventories sold and consumed					
– Fuel	8,722,853	7,908,233	8,274,386	5,684,830	8,524,928
– Spare parts and consumable supplies	220,577	252,393	216,890	160,770	158,275
Rental income generated from investment properties	(1,100)	(1,100)	(270)	(67)	(607)
Dividend income from equity investments	130,556	189,358	183,920	183,920	–
Net losses/(gains) on disposals of property, plant and equipment	148,306	110,459	(539)	(271)	835
Impairment losses on property, plant and equipment (included in operating costs)	81,414	39,519	–	–	–
Reversal of allowance for accounts receivables	–	(99)	(939)	–	–
Reversal of allowance for other receivables	(5)	(5)	(1)	–	(75)
Staff costs excluding directors' and supervisors' emoluments					
– Salaries and welfares	1,036,064	1,236,784	1,126,590	814,399	721,159
– Retirement benefits	280,277	297,565	285,288	230,431	222,774
– Housing benefits	141,398	137,007	122,703	91,008	94,098
– Other costs	38,845	139,593	231,547	127,616	124,905
	1,496,584	1,810,949	1,766,128	1,263,454	1,162,936

13. BENEFITS AND INTEREST OF DIRECTORS AND SUPERVISORS

(a) Directors' and supervisors' emoluments

Details of the remuneration of every directors and supervisors are set out below:

		Emoluments paid or receivable in respect of a person's service as a director and supervisor whether of the Target Companies or their subsidiary undertakings						
			Salaries, allowances and bonus					
	Notes	**Fees** *RMB'000*	**Basic salaries and allowances** *RMB'000*	**Discretionary bonus** *RMB'000 (Note vi)*	**Subtotal** *RMB'000*	**Retirement benefits** *RMB'000*	**Other benefits** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2014								
Directors		–	625	1,102	1,727	25	202	1,954
Supervisors		–	513	892	1,405	23	183	1,611
		–	1,138	1,994	3,132	48	385	3,565
Year ended 31 December 2015								
Directors		–	711	669	1,380	31	271	1,682
Supervisors		–	442	1,246	1,688	28	213	1,929
		–	1,153	1,915	3,068	59	484	3,611
Year ended 31 December 2016								
Directors		–	742	1,395	2,137	34	319	2,490
Supervisors		–	239	456	695	14	110	819
		–	981	1,851	2,832	48	429	3,309

	Notes	Emoluments paid or receivable in respect of a person's service as a director and supervisor whether of the Target Companies or their subsidiary undertakings						
			Salaries, allowances and bonus					
		Fees	Basic salaries and allowances	Discretionary bonus	Subtotal	Retirement benefits	Other benefits	Total
		RMB'000	*RMB'000*	*RMB'000 (Note vi)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2016 (unaudited)								
Directors		–	597	1,124	1,721	26	237	1,984
Supervisors		–	181	367	548	12	88	648
		–	778	1,491	2,269	38	325	2,632
Nine months ended 30 September 2017 (audited)								
Directors		–	549	814	1,363	31	259	1,653
Supervisors		–	161	335	496	8	61	565
		–	710	1,149	1,859	39	320	2,218

Note: Discretionary bonus is determined based on individual performance.

(b) Directors' and supervisors' termination and other benefits

During the Relevant Periods, no remunerations were paid by the Target Groups to any of the directors or the supervisors of the Target Companies as an inducement to join or upon joining the Target Groups or as compensation for loss of office.

During the Relevant Periods, no directors or supervisors waived or agreed to waive any emoluments.

(c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Target Groups' business to which the Target Companies were a party and in which a director of the Target Companies and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of each of the Relevant Periods or at any time during the Relevant Periods.

14. EMPLOYEE BENEFITS

(a) Retirement benefits

The Target Groups are required to make specific contributions to the state-sponsored retirement plan at a rate of 20% of the specified salaries of the PRC employees for the Relevant Periods. The PRC government is responsible for the pension liability to the retired employees. The PRC employees of the Target Groups are entitled to a monthly pension upon their retirements.

In addition, the Target Groups have implemented a supplementary defined contribution retirement scheme. Under this scheme, the employees of the Target Groups make a specified contribution based on their service duration. The Target Groups are required to make a contribution equal to 3 to 5 times of the staff's contributions. The Target Groups may, at their discretion, provide additional contributions to the retirement fund depending on the operating results of the Relevant Periods. The employees will receive the total contributions and any returns thereon, upon their retirements.

The total retirement costs incurred by the Target Groups during the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017 pursuant to these arrangements amounted to RMB280,325 thousand, RMB297,624 thousand, RMB285,336 thousand, RMB230,469 thousand and RMB222,813 thousand respectively.

(b) Housing benefits

In accordance with the PRC housing reform regulations, the Target Groups are required to make contributions to the state-sponsored housing fund during the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017 at rates 12% to 20%, 12% to 20%, 12%, 12% and 12% respectively of the specified salaries of the PRC employees. At the same time, the employees are required to make a contribution based on certain percentages. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. The Target Groups have no further obligations for housing benefits beyond the contributions made above. During the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, the Target Groups provided RMB141,398 thousand, RMB137,007 thousand, RMB122,703 thousand, RMB91,008 thousand and RMB94,098 thousand respectively to the fund.

(c) Five highest paid individuals

The five highest paid individuals in the Target Groups during the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017 included one director and one supervisor, one director and one supervisor, two directors, two directors, and two directors and one supervisor respectively whose emoluments are reflected in the analysis presented in Note 13 to the Historical Financial Information. The emoluments during the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017 of the remaining three, three, three, three and two respectively individual(s) are set out below:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Basic salaries and allowances	691	691	706	560	322
Bonus	1,343	1,487	1,146	1,041	670
Retirement benefits	51	57	63	33	16
Other benefits	359	411	496	271	122
	2,444	2,646	2,411	1,905	1,130

The emoluments of the five highest paid individuals (including directors and supervisors) fell within the following bands:

	Number of individuals				
	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
				(unaudited)	
Nil to HK$1,000,000	5	5	4	5	5
HK$1,000,001 to HK$1,500,000	–	–	1	–	–
	5	5	5	5	5

15. DIVIDENDS

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Dividends recognised as distribution to CDC	–	64,000	200,000	–	–

16. PROPERTY, PLANT AND EQUIPMENT

	Land use rights	Buildings and structures	Electricity utility plants	Transportation facilities	Others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2014	516,746	12,267,264	35,139,110	239,870	179,116	2,380,105	50,722,211
Transfer in/(out)	–	469,830	2,787,848	20,882	5,975	(3,284,535)	–
Additions	232	10,082	53,598	14,792	11,006	2,221,367	2,311,077
Capital injection	5,372	1,432,174	3,137,868	3,464	140,752	61,962	4,781,592
Reclassification	(15,310)	–	(340,969)	–	–	356,279	–
Disposal of a subsidiary	–	–	(27,151)	(665)	(210)	(388)	(28,414)
Disposals/write-offs	–	(29,589)	(460,306)	(8,981)	(5,122)	–	(503,998)
At 31 December 2014 and 1 January 2015	507,040	14,149,761	40,289,998	269,362	331,517	1,734,790	57,282,468
Transfer in/(out)	–	595,810	960,286	4,708	11,465	(1,572,269)	–
Additions	187,889	18,769	290,700	5,861	8,736	1,875,973	2,387,928
Reclassification	(13,775)	–	(3,812)	–	–	17,587	–
Disposals/write-offs	–	(91,488)	(829,171)	(19,081)	(8,637)	(35,225)	(983,602)
At 31 December 2015 and 1 January 2016	681,154	14,672,852	40,708,001	260,850	343,081	2,020,856	58,686,794
Transfer in/(out)	–	53,176	979,583	2,089	20,138	(1,054,986)	–
Additions	895	93,895	352,921	8,852	21,106	2,108,624	2,586,293
Reclassification	–	(216,596)	(97,384)	–	–	313,980	–
Disposals/write-offs	–	–	(5,362)	(3,996)	–	(633)	(9,991)
At 31 December 2016 and 1 January 2017	682,049	14,603,327	41,937,759	267,795	384,325	3,387,841	61,263,096
Transfer (out)/in	(13,809)	48,783	505,458	2,135	1,048	(543,615)	–
Additions	–	388	20,129	1,051	3,051	969,242	993,861
Reclassification	(183,310)	444,628	(286,624)	306	–	25,000	–
Disposals/write-offs	(880)	(2,890)	(1,781)	(6,807)	(693)	(1,542)	(14,593)
At 30 September 2017	484,050	15,094,236	42,174,941	264,480	387,731	3,836,926	62,242,364

	Land use rights *RMB'000*	Buildings and structures *RMB'000*	Electricity utility plants *RMB'000*	Transportation facilities *RMB'000*	Others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation and impairment losses							
At 1 January 2014	43,828	3,306,468	13,096,171	158,083	56,848	872	16,662,270
Charge for the year	10,244	608,257	2,469,239	23,555	12,563	–	3,123,858
Impairment losses	–	13,708	526	–	–	67,180	81,414
Reclassification	(415)	–	–	–	–	–	(415)
Disposal of a subsidiary	–	–	(430)	(131)	(22)	–	(583)
Disposals/write-offs	–	(3,178)	(312,132)	(7,858)	(4,816)	–	(327,984)
At 31 December 2014 and 1 January 2015	53,657	3,925,255	15,253,374	173,649	64,573	68,052	19,538,560
Charge for the year	13,088	605,469	2,373,838	25,409	14,640	–	3,032,444
Impairment losses	–	8,696	21,366	–	–	9,457	39,519
Reclassification	(630)	–	–	–	–	–	(630)
Disposals/write-offs	–	(26,848)	(285,143)	(19,329)	(6,647)	(35,035)	(373,002)
At 31 December 2015 and 1 January 2016	66,115	4,512,572	17,363,435	179,729	72,566	42,474	22,236,891
Charge for the year	13,847	599,655	2,381,369	22,351	19,116	–	3,036,338
Disposals/write-offs	–	–	(843)	(3,802)	–	(633)	(5,278)
At 31 December 2016 and 1 January 2017	79,962	5,112,227	19,743,961	198,278	91,682	41,841	25,267,951
Charge for the year	7,469	451,031	1,528,813	17,283	12,843	–	2,017,439
Reclassification	(6,382)	6,382	–	–	–	–	–
Disposals/write-offs	(183)	(2,890)	(1,781)	(3,301)	(192)	(1,542)	(9,889)
At 30 September 2017	80,866	5,566,750	21,270,993	212,260	104,333	40,299	27,275,501
Carrying amount							
At 31 December 2014	453,383	10,224,506	25,036,624	95,713	266,944	1,666,738	37,743,908
At 31 December 2015	615,039	10,160,280	23,344,566	81,121	270,515	1,978,382	36,449,903
At 31 December 2016	602,087	9,491,100	22,193,798	69,517	292,643	3,346,000	35,995,145
At 30 September 2017	403,184	9,527,486	20,903,948	52,220	283,398	3,796,627	34,966,863

During the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, depreciation expenses charged into operating costs and construction in progress amounted to RMB2,817,244 thousand and RMB306,614 thousand, RMB3,016,265 thousand and RMB16,179 thousand, RMB3,021,826 thousand and RMB14,512 thousand, RMB2,126,706 thousand and RMB10,214 thousand and RMB2,008,940 thousand and RMB8,499 thousand respectively.

During the year ended 31 December 2014, one of the subsidiaries of the Target Groups incurred continuing increasing losses as compared to the corresponding period last year and indication of impairment was shown in relation to its property, plant and equipment. The recoverable amount of its property, plant and equipment was based on the fair value according to the valuations performed by independent professional qualified valuers on 5 December 2014 at RMB730 thousand. It led to the recognition of impairment losses of RMB14,234 thousand that had been recognised in combined profit or loss. In addition, certain subsidiaries of the Target Groups made impairment loss of RMB67,180 thousand on their construction in progress. As the Target Groups concluded that these construction in progress will not generate the level of profitability previously estimated, their recoverable amounts which have been determined on the basis of their value in use using discounted cash flow method were estimated at zero.

During the year ended 31 December 2015, one of the subsidiaries of the Target Groups incurred continuing increasing losses as compared to the corresponding period last year and indication of impairment was shown in relation to its property, plant and equipment. The Target Groups carried out reviews of the recoverable amount of these property, plant and equipment. The reviews led to the recognition of impairment losses of RMB30,062 thousand that had been recognised in profit or loss. The recoverable amount of the relevant assets which has been reduced to RMB2,162,018 thousand had been determined on the basis of its value in use using discounted cash flow method. The discount rates used were 8.56%. In addition, certain subsidiaries of the Target Groups made impairment loss of RMB9,457 thousand on their construction in progress. As the Target Groups concluded that these construction in progress will not generate the level of profitability previously estimated, their recoverable amounts which have been determined on the basis of their value in use using discounted cash flow method were estimated at zero.

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the carrying amount of property, plant and equipment under finance leases are as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Electricity utility plants	1,155,019	910,188	1,493,395	887,408

17. INVESTMENT PROPERTIES

	RMB'000
Cost	
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016 and 1 January 2017	20,127
Additions	56
At 30 September 2017	20,183

	RMB'000
Accumulated depreciation	
At 1 January 2014	6,284
Charge for the year	658
At 31 December 2014 and 1 January 2015	6,942
Charge for the year	658
At 31 December 2015 and 1 January 2016	7,600
Charge for the year	659
At 31 December 2016 and 1 January 2017	8,259
Charge for the period	493
At 30 September 2017	8,752
Carrying amount	
At 31 December 2014	13,185
At 31 December 2015	12,527
At 31 December 2016	11,868
At 30 September 2017	11,431

As at 31 December 2014, 2015, 2016 and 30 September 2017, the Target Groups' total future minimum lease payments receivables under non-cancellable operating leases of investment properties are as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,100	1,100	1,100	912
In the second to fifth years, inclusive	2,200	1,100	1,700	1,063
	3,300	2,200	2,800	1,975

18. INTANGIBLE ASSETS

	Goodwill *RMB'000*	Computer software *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2014	54,232	53,822	186	108,240
Additions	–	27,506	2	27,508
Capital injection	–	7,743	–	7,743
At 31 December 2014 and 1 January 2015	54,232	89,071	188	143,491
Additions	–	14,940	128	15,068
At 31 December 2015 and 1 January 2016	54,232	104,011	316	158,559
Additions	–	23,470	79	23,549
Write-offs	–	(133)	–	(133)
At 31 December 2016 and 1 January 2017	54,232	127,348	395	181,975
Additions	–	4,052	–	4,052
Write-offs	–	–	(6)	(6)
At 30 September 2017	54,232	131,400	389	186,021
Accumulated amortisation				
At 1 January 2014	–	32,597	21	32,618
Amortisation for the year	–	9,402	28	9,430
At 31 December 2014 and 1 January 2015	–	41,999	49	42,048
Amortisation for the year	–	11,690	42	11,732
At 31 December 2015 and 1 January 2016	–	53,689	91	53,780
Amortisation for the year	–	12,259	38	12,297
Write-offs	–	(96)	–	(96)
At 31 December 2016 and 1 January 2017	–	65,852	129	65,981
Amortisation for the period	–	10,674	29	10,703
Write-offs	–	–	(2)	(2)
At 30 September 2017	–	76,526	156	76,682
Carrying amount				
At 31 December 2014	54,232	47,072	139	101,443
At 31 December 2015	54,232	50,322	225	104,779
At 31 December 2016	54,232	61,496	266	115,994
At 30 September 2017	54,232	54,874	233	109,339

Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the CGU that is expected to benefit from that business combination. The carrying amount of goodwill had been allocated to power generation segment.

The recoverable amount of the CGU has been determined on the basis of its value-in-use using discounted cash flow method. The key assumptions for the discounted cash flow method for power generation units include the expected tariff rates, demand of electricity in the specific region where the power plant is located and fuel cost. The Target Groups estimate discount rate using pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the CGU.

The Target Groups prepare cash flow forecasts derived from the most recent financial budgets approved by the board of directors of Hebei Power Company for the next five years.

The discount rates used in value in use calculations as at 31 December 2014, 2015 and 2016 and 30 September 2017 are 11.10%, 11.10%, 11.10% and 11.10% respectively per annum.

Based on the assessments, the Target Groups believe that there is no impairment of goodwill as at 31 December 2014, 2015 and 2016 and 30 September 2017.

19. INVESTMENTS IN ASSOCIATES

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments:				
Share of carrying amount of interests	427,587	424,430	406,704	352,457

Details of the Target Groups' associates as at the end of each of the Relevant Periods are as follows:

			Percentage of equity interest attributable to the Target Groups					
			As at 31 December			As at 30 September	As at the date of	
Name	Place of incorporation/ registration	Paid up registered capital *RMB'000*	2014	2015	2016	2017	this report	Principal activities
大唐黑龍江物資有限公司 Datang Heilongjiang Materials Co., Ltd.*	The PRC	3,000	49%	49%	49%	49%	49%	Provision of office and administration services
河北大唐電力工程有限責任公司 Hebei Datang Electricity Engineering Co., Ltd.*	The PRC	3,000	21.67%	21.67%	21.67%	21.67%	21.67%	Provision of construction and installation services

Name	Place of incorporation/ registration	Paid up registered capital *RMB'000*	Percentage of equity interest attributable to the Target Groups					Principal activities
			As at 31 December			As at 30 September	As at the date of this report	
			2014	2015	2016	2017		
保定華誠餘熱發電有限公司 Baoding Huacheng Residual Thermal Power Generation Co., Ltd. ("Baoding Huacheng")* *(Note a)*	The PRC	3,000	33.33%	–	–	–	–	Power generation
中水物資集團河北商貿有限公司 China Water Resources and Power Group Hebei Trading Co., Ltd.*	The PRC	12,930	–	–	49%	49%	49%	Trading
安徽省合肥聯合發電有限公司 Anhui Hefei United Power Generation Co., Ltd. ("Hefei United")* *(Note b)*	The PRC	1,160,000	27.50%	27.50%	27.50%	27.50%	27.50%	Power generation
安徽大唐物資有限公司 Anhui Datang Materials Co., Ltd.*	The PRC	30,000	41%	41%	41%	41%	41%	Trading of power generation and supply equipment and parts

Note a: The Target Groups disposed of their interest in Baoding Huacheng during the year ended 31 December 2015 for a cash consideration of RMB11,781 thousand.

Note b: The Target Groups acquired the equity interest from CDC on 31 December 2014 (note 35(e)).

* *The English name is for identification purpose only.*

The following table shows information on an associate that is material to the Target Groups. This associate is accounted for in the Historical Financial Information of the Target Groups using the equity method. The summarised financial information presented is based on the IFRS financial statements of the associate.

Name	**Hefei United**			
				As at
	As at 31 December			**30 September**
	2014	**2015**	**2016**	**2017**
Principal place of business/ country of incorporation	The PRC	The PRC	The PRC	The PRC
% of ownership interests/voting rights held by the Target Groups	27.50%	27.50%	27.50%	27.50%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	1,498,074	1,321,612	1,200,968	1,114,298
Current assets	432,644	590,755	398,935	439,653
Non-current liabilities	(80,097)	(77,703)	(62,844)	(51,532)
Current liabilities	(409,860)	(354,709)	(117,537)	(272,087)
Net assets	1,440,761	1,479,955	1,419,522	1,230,332
The Target Groups' share of net assets	396,209	406,988	390,369	338,342
The Target Groups' share of carrying amount of interests	396,209	406,988	390,369	338,342

	Year ended 31 December			**Nine months ended 30 September**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	N/A	1,437,899	1,300,470	1,081,425	950,158
Profit and total comprehensive income	N/A	287,945	238,066	217,433	9,811
Dividends received from the associate	N/A	68,406	82,088	82,088	54,725

The following tables show, in aggregate, the Target Groups' share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amounts of interests	31,378	17,442	16,336	14,115

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) and total comprehensive income	1,829	876	(2,576)	(498)	(2,220)

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity securities, at cost	411,775	411,775	416,775	45,000

All the unlisted equity securities were carried at cost less impairment at the end of the reporting periods as they do not have a quoted market price in an active market and the range of reasonable fair value estimates is so significant that their fair values cannot be reliably measured.

21. DEFERRED TAX ASSETS

	Deductible tax losses	Deferred income	Impairment of assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	–	–	1,858	1,858
Credit to profit or loss for the year	23,437	9,104	3,932	36,473
At 31 December 2014 and 1 January 2015	23,437	9,104	5,790	38,331
(Charge)/credit to profit or loss for the year	(17,149)	28,089	1,871	12,811
At 31 December 2015 and 1 January 2016	6,288	37,193	7,661	51,142
(Charge)/credit to profit or loss for the year	(6,288)	30,327	(1,449)	22,590
At 31 December 2016 and 1 January 2017	–	67,520	6,212	73,732
Credit/(charge) to profit or loss for the period	19,977	(20,070)	4,971	4,878
At 30 September 2017	19,977	47,450	11,183	78,610

The Target Group had unused tax losses as at 31 December 2014, 2015 and 2016 and 30 September 2017 of RMB1,749,901 thousand, RMB1,246,228 thousand, RMB915,371 thousand and RMB1,411,002 thousand respectively. These unrecognised tax losses will expire in the following years ending 31 December:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2015	161,831	–	–	–
2016	842,859	397,743	–	–
2017	207,654	193,489	178,043	30,616
2018	288,358	254,688	223,664	251,577
2019	249,199	249,199	215,695	215,695
2020	–	151,109	148,275	145,828
2021	–	–	149,694	149,664
2022	–	–	–	617,622
	1,749,901	1,246,228	915,371	1,411,002

No deferred tax asset has been recognised in respect of certain unused tax losses as at 31 December 2014, 2015 and 2016 and 30 September 2017 of RMB1,656,151 thousand, RMB1,221,076 thousand, RMB915,371 thousand and RMB31,331,045 thousand respectively due to the unpredictability of future profit streams.

22. INVENTORIES

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	1,193,993	708,174	1,043,304	1,051,208
Finished goods	5,114	6,071	4,481	3,102
Others	–	1,653	–	–
	1,199,107	715,898	1,047,785	1,054,310

23. ACCOUNTS AND NOTES RECEIVABLES

Accounts and notes receivables of the Target Groups primarily represent receivables from regional or provincial grid companies for tariff revenue and comprise the following:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivables from third parties	2,685,601	2,250,940	2,087,369	2,007,893
Notes receivables from third parties	158,114	207,613	180,905	264,826
Accounts receivables from related parties	41,130	17,362	24,257	59,010
	2,884,845	2,475,915	2,292,531	2,331,729

The Target Groups usually grant credit period of approximately one month to local power grid customers from the month end after sales and sale transactions were made. The Target Groups generally allows local customers for heat supply to settle the outstanding balance before the end of a calendar year irrespective of the month heat supplies were provided.

The ageing analysis of accounts and notes receivables, presented based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	2,777,227	2,381,025	2,188,548	2,251,244
Between one to two years	58,652	24,885	34,147	12,413
Between two to three years	31,875	40,890	17,024	9,977
Over three years	17,091	29,115	52,812	58,095
	2,884,845	2,475,915	2,292,531	2,331,729

At 31 December 2014, 2015 and 2016 and 30 September 2017, the Target Groups applied tariff collection rights in securing loans, for which details please refer to Note 28 to the Historical Financial Information.

Reconciliation of allowance for accounts and notes receivables:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	11,395	31,124	52,591	55,925
Allowance for the year/period	19,729	21,566	4,273	1,790
Reversal of allowance for the year/ period	–	(99)	(939)	–
At the end of the year/period	31,124	52,591	55,925	57,715

The directors of the Target companies believe that all the Target Group's unimpaired receivables can be recovered because the customers had no recent history of default. At 31 December 2014, 2015 and 2016 and 30 September 2017, accounts and notes receivables of RMB107,618 thousand, RMB94,890 thousand, RMB103,983 thousand and RMB80,485 thousand respectively were past due but not impaired. The major portion of the past due accounts and notes receivables were due from certain individual corporate customers. The ageing analysis of these accounts and notes receivables is as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Between one to two years	58,652	24,885	34,147	12,413
Between two to three years	31,875	40,890	17,024	9,977
Over three years	17,091	29,115	52,812	58,095
	107,618	94,890	103,983	80,485

24. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments				
Prepayments for fuel and materials	60,569	33,081	41,100	96,200
VAT recoverable	337,156	135,822	244,069	292,455
Other taxes recoverable	8,363	13,931	3,892	5,949
Prepayments to related parties	2,097	8,744	44,107	75,026
Prepayments for transportation cost	728	670	244	1,144
Others	62,958	62,671	14,037	18,978
	471,871	254,919	347,449	489,752
Other receivables				
Advances constructors	91,103	121,659	91,082	100,879
Staff advances	1,589	315	254	2,217
Receivables from sales of materials	78,734	76,485	261	1,786
Receivables from related parties	8,693	26,309	12,547	15,273
Other deposits	24,055	55,001	34,583	2,313
Others	165,116	74,446	151,121	124,466
	369,290	354,215	289,848	246,934
Allowance for doubtful debts	(15,075)	(73,437)	(74,055)	(74,853)
	354,215	280,778	215,793	172,081
	826,086	535,697	563,242	661,833

Reconciliation of allowance for other receivables:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	14,624	15,075	73,437	74,055
Allowance for the year/period	456	58,367	619	873
Reversal of allowance for the year/ period	(5)	(5)	(1)	(75)
At the end of the year/period	15,075	73,437	74,055	74,853

25. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank deposits	55,547	49,319	28,318	41,639
Deposits with a fellow subsidiary	1,353,920	1,645,741	1,619,228	1,752,985
Cash on hand	155	164	26	–
Cash and cash equivalents	1,409,622	1,695,224	1,647,572	1,794,624

26. PAID-IN CAPITAL

	RMB'000
Fully paid:	
At 1 January 2014	6,125,166
Capital injection *(note 35(e))*	3,398,208
At 31 December 2014 *(Note)*, 1 January 2015, 31 December 2015 *(Note)*, 1 January 2016, 31 December 2016 *(Note)* and 1 January 2017	9,523,374
Capitalisation of long-term loan *(note 35(e))*	27,950
At 30 September 2017 *(Note)*	9,551,324

Note: The paid-in capital at the end of each of the Relevant Periods represent the aggregate paid-up capital of the Target Companies at those dates.

Except for that the registration of the paid-in capital of RMB27,950 thousand for one of the Target Companies is in progress as at 30 September 2017, all paid-in capital has been registered as at the end of each of the Relevant Periods.

The Target Groups' objectives when managing capital are to safeguard the Target Groups' ability to continue as a going concern and to maximise the returns to the owner of the Target Companies through the optimisation of the capital structure.

The Target Groups set the amount of capital in proportion to risk. The Target Groups manage the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Target Groups may adjust the payment of dividends, issue new shares, raise new debts or sell assets to reduce debts.

The Target Groups monitor capital on the basis of the assets-to-liabilities ratio. This ratio which is calculated as total liabilities divided by total assets as at 31 December 2014, 2015 and 2016 and 30 September 2017 were as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	36,405,343	31,729,438	30,131,848	29,894,406
Total assets	45,204,398	43,032,136	42,797,992	41,594,179
Assets-to-liabilities ratio	0.81	0.74	0.70	0.72

Taking into consideration of the expected operating cash flows of the Target Groups and the available banking facilities and their experience in refinancing short-term borrowings, the directors of the Target companies believe that their respective group of companies can meet their current obligations when they fall due.

27. RESERVES

(a) Target Groups

The amounts of the Target Group's reserves and movements therein are presented in the combined statements of profit or loss and other comprehensive income and combined statements of changes in equity.

(b) Nature and purpose of reserves

(i) Capital reserve

Capital reserve mainly comprised: (i) loss on business gratuitously transferred to the Target Groups from CDC in 2005; (ii) excess of the paid-in capital of acquirees over the consideration arisen from the business combination under common control in 2014 as detailed in Note 35(e) to the Historical Financial Information; (iii) loss on acquisition of non-controlling interests that does not result in loss on control recognised in 2016 and (iv) loss on certain available-for-sale financial assets gratuitously transferred by the Target Groups to CDC in 2017. The capital reserve is non-distributable.

(ii) Statutory surplus reserve

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Target Companies, it is required to appropriate 10% of its net profit under China Accounting Standards for Business Enterprises, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such reserve reaches 50% of the Target Companies' share capital, any further appropriation is optional.

The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into registered capital, provided that the remaining balance of the reserve after such conversion is not less than 25% of registered capital. The statutory surplus reserve is non-distributable.

28. LONG-TERM LOANS

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term bank loans	23,744,367	19,823,940	17,063,980	17,199,560
Other long-term loans	433,350	217,150	350,950	266,500
	24,177,717	20,041,090	17,414,930	17,466,060

Long-term loans are repayable (based on scheduled repayment dates) as follows:

	As at 31 December									As at 30 September		
	2014			2015			2016			2017		
	Long-term bank loans	Other long-term loans	Total	Long-term bank loans	Other long-term loans	Total	Long-term bank loans	Other long-term loans	Total	Long-term bank loans	Other long-term loans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	3,222,635	216,200	3,438,835	1,985,820	31,500	2,017,320	1,522,009	113,450	1,635,459	1,216,634	71,500	1,288,134
More than one year, but not exceeding two years	2,397,542	125,500	2,523,042	2,013,115	59,450	2,072,565	2,389,670	35,500	2,425,170	1,737,519	62,000	1,799,519
More than two years, but not exceeding five years	6,671,166	90,950	6,762,116	7,308,623	31,500	7,340,123	6,302,505	78,000	6,380,505	4,665,003	18,000	4,683,003
More than five years	11,453,024	700	11,453,724	8,516,382	94,700	8,611,082	6,849,796	124,000	6,973,796	9,580,404	115,000	9,695,404
	23,744,367	433,350	24,177,717	19,823,940	217,150	20,041,090	17,063,980	350,950	17,414,930	17,199,560	266,500	17,466,060
Less: Amount due for settlement within 12 months (shown under current liabilities)	(3,222,635)	(216,200)	(3,438,835)	(1,985,820)	(31,500)	(2,017,320)	(1,522,009)	(113,450)	(1,635,459)	(1,216,634)	(71,500)	(1,288,134)
Amount due for settlement after 12 months	20,521,732	217,150	20,738,882	17,838,120	185,650	18,023,770	15,541,971	237,500	15,779,471	15,982,926	195,000	16,177,926

Long-term loans are classified as follows:

	As at 31 December									As at 30 September		
	2014			2015			2016			2017		
	Long-term bank loans	Other long-term loans	Total	Long-term bank loans	Other long-term loans	Total	Long-term bank loans	Other long-term loans	Total	Long-term bank loans	Other long-term loans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Secured loans	797,600	–	797,600	594,100	–	594,100	549,600	–	549,600	428,800	–	428,800
Guaranteed loans	7,145,030	–	7,145,030	4,844,330	–	4,844,330	2,391,010	–	2,391,010	2,180,100	–	2,180,100
Unsecured loans	15,801,737	433,350	16,235,087	14,385,510	217,150	14,602,660	14,123,370	350,950	14,474,320	14,590,660	266,500	14,857,160
	23,744,367	433,350	24,177,717	19,823,940	217,150	20,041,090	17,063,980	350,950	17,414,930	17,199,560	266,500	17,466,060
Less: Amount due for settlement within 12 months (shown under current liabilities)												
Secured loans	43,500	–	43,500	43,500	–	43,500	203,800	–	203,800	14,000	–	14,000
Guaranteed loans	772,790	–	772,790	576,070	–	576,070	257,600	–	257,600	472,600	–	472,600
Unsecured loans	2,406,345	216,200	2,622,545	1,366,250	31,500	1,397,750	1,060,609	113,450	1,174,059	730,034	71,500	801,534
	3,222,635	216,200	3,438,835	1,985,820	31,500	2,017,320	1,522,009	113,450	1,635,459	1,216,634	71,500	1,288,134
Non-current portion												
Secured loans	754,100	–	754,100	550,600	–	550,600	345,800	–	345,800	414,800	–	414,800
Guaranteed loans	6,372,240	–	6,372,240	4,268,260	–	4,268,260	2,133,410	–	2,133,410	1,707,500	–	1,707,500
Unsecured loans	13,395,392	217,150	13,612,542	13,019,260	185,650	13,204,910	13,062,761	237,500	13,300,261	13,860,626	195,000	14,055,626
	20,521,732	217,150	20,738,882	17,838,120	185,650	18,023,770	15,541,971	237,500	15,779,471	15,982,926	195,000	16,177,926

The interest rates for long-term loans per annum at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
Long-term bank loans	4.41%–6.88%	4.28%–6.15%	4.28%–5.54%	4.28%–5.90%
Other long-term loans	5.40%–6.55%	4.41%–6.15%	4.35%–5.40%	4.35%–5.40%

Long-term loans of RMB8,429,768 thousand, RMB6,346,648 thousand, RMB5,195,002 thousand and RMB4,215,829 thousand as at 31 December 2014, 2015 and 2016 and 30 September 2017 respectively are arranged at fixed interest rates and expose the Target Groups to fair value interest rate risk. The remaining long-term loans are arranged at floating rates, thus exposing the Target Groups to cash flow interest rate risk.

As at 31 December 2014, 2015 and 2016 and 30 September 2017, long-term bank loans amounted to RMB797,600 thousand, RMB549,100 thousand, RMB549,600 thousand and RMB428,800 thousand respectively were secured by tariff collection rights of the Target Groups.

As at 31 December 2014, 2015 and 2016 and 30 September 2017, long-term bank loans amounted to RMB7,145,030 thousand, RMB4,844,330 thousand, RMB2,391,010 thousand and RMB2,180,100 thousand respectively were guaranteed by the following parties:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Companies	33,735	1,312,000	456,710	342,000
CDC	612,765	3,532,330	1,934,300	1,838,100
Certain non-controlling owners of the Target Companies	6,498,530	–	–	–
	7,145,030	4,844,330	2,391,010	2,180,100

As at 31 December 2014, 2015 and 2016 and 30 September 2017, other long-term loans amounted to RMB268,580 thousand, RMB115,580 thousand, RMB111,580 thousand and RMB90,000 thousand respectively which were borrowed from CDC were unsecured and interest-bearing ranging from 5.40% to 6.55%, 5.15% to 5.70%, 4.35% to 5.40% and 4.35% to 5.40% respectively.

As at 31 December 2014, 2015, 2016 and 30 September 2017, other long-term loans amounted to RMB164,070 thousand, RMB100,870 thousand, RMB239,370 thousand and RMB176,500 thousand respectively which were borrowed from a fellow subsidiary were unsecured and interest-bearing ranging from 5.40% to 6.55%, 4.41% to 6.15%, 4.41% to 5.40% and 4.41% to 5.40% respectively.

29. LONG-TERM BONDS

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Medium-term *(Notes (i))*	990,600	993,600	1,294,597	1,297,498
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	–	–	(996,600)
Amount due for settlement after 12 months	990,600	993,600	1,294,597	300,898

Note:

(i) Medium-term notes represented unsecured notes issued by the Target Companies in inter-bank market on 25 January 2013, 15 May 2013 and 7 March 2016 with par value of RMB100 each totalling RMB1.3 billion. Such medium-term notes have a term ranging from 3 to 5 years with fixed annual coupon and effective interest rates of 5.30%/5.00%/3.22% and 5.33%/5.33%/3.22% respectively. As at 31 December 2014, 2015 and 2016 and 30 September 2017, accrued interest for these notes amounted to RMB42,367 thousand, RMB42,367 thousand, RMB50,306 thousand and RMB34,902 thousand respectively.

30. DEFERRED INCOME

At the end of each of the Relevant Periods, deferred income primarily represented charges, approved by governmental authorities, received by the Target Groups from users for installation and maintenance of pipeline networks and subsidies received from local environmental protection authorities for undertaking approved environmental protection projects. In relation to government subsidies received for financing the Target Groups' capital investments, the amounts are transferred to income over the useful lives of the relevant assets commencing when the asset is available for use.

31. OTHER NON-CURRENT LIABILITIES

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease payables	887,110	1,194,415	1,335,704	1,162,310
Others	4,959	4,614	2,648	2,648
	892,069	1,199,029	1,338,352	1,164,958
Less: Amount due for settlement within 12 months (shown under current liabilities)	(159,994)	(508,210)	(283,301)	(60,851)
	732,075	690,819	1,055,051	1,104,107

Finance lease payables

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at 30 September	As at 31 December			As at 30 September
	2014	2015	2016	2017	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	186,860	538,032	312,230	95,350	159,994	508,210	283,301	60,851
In the second to fifth years, inclusive	709,099	722,773	954,267	951,031	638,078	635,170	873,450	878,503
After five years	129,197	57,125	229,675	244,323	89,038	51,035	178,953	222,956
	1,025,156	1,317,930	1,496,172	1,290,704	887,110	1,194,415	1,335,704	1,162,310
Less: Future finance charges	(138,046)	(123,515)	(160,468)	(128,394)	N/A	N/A	N/A	N/A
Present value of lease obligations	887,110	1,194,415	1,335,704	1,162,310	887,110	1,194,415	1,335,704	1,162,310
Less: Amount due for settlement within 12 months (shown under current liabilities)					(159,994)	(508,210)	(283,301)	(60,851)
Amount due for settlement after 12 months					727,116	686,205	1,052,403	1,101,459

It is the Target Groups' policy to lease certain of its property, plant and equipment under finance leases. The average lease term as at 31 December 2014, 2015 and 2016 and 30 September 2017 are 6 years, 5 years, 6 years and 6 years respectively. At the end of each of the Relevant Periods, the average effective borrowing rate was 6.41%, 4.81%, 4.66% and 4.67% respectively per annum. Interest rates are fixed at the contract dates and thus expose the Target Groups to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Target Groups have the option to purchase the plant and machinery at nominal prices.

As at 31 December 2014, 2015 and 2016 and 30 September 2017, finance lease payables amounted to RMB200,000 thousand, RMB387,655 thousand, RMB439,586 thousand and RMB439,065 thousand respectively which were due to fellow subsidiaries were unsecured and interest-bearing at/ranging from 6.55%, 4.90% to 4.99%, 4.73% to 4.90% and 4.73% to 4.90% respectively per annum.

32. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts and notes payables				
Fuel and materials payables to third parties	1,833,101	1,585,189	1,711,980	1,903,077
Fuel and materials payables to related parties	121,792	70,354	26,130	32,435
Notes payables to third parties	179,243	330,265	219,427	137,882
	2,134,136	1,985,808	1,957,537	2,073,394
Construction payables to third parties	2,789,948	2,264,864	2,139,931	1,827,201
Construction payables to related parties	157,545	113,761	90,850	72,744
Receipts in advance from third parties	543,752	563,856	651,068	355,772
Receipts in advance from related parties	–	3,000	–	–
Salaries and welfares payables	166,612	170,894	174,964	179,458
Interests payables	51,122	63,793	67,721	54,510
Other payables to related parties	691,687	323,523	353,519	301,672
Consideration payable	206,000	–	–	–
Others	627,662	973,682	758,687	425,634
	7,368,464	6,463,181	6,194,277	5,290,385

The ageing analysis of the accounts and notes payables, presented based on invoice date at the end of reporting period, is as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,751,161	1,693,424	1,534,930	1,929,585
Between one to two years	127,080	29,883	383,744	112,032
Between two to three years	49,349	44,609	7,261	7,308
Over three years	206,546	217,892	31,602	24,469
	2,134,136	1,985,808	1,957,537	2,073,394

33. SHORT-TERM LOANS

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term bank loans	1,095,000	1,100,000	2,004,561	3,276,061
Other short-term loans	730,000	246,000	185,000	30,000
	1,825,000	1,346,000	2,189,561	3,306,061

Short-term loans are classified as follows:

	As at 31 December									As at 30 September		
	2014			2015			2016			2017		
	Short-term bank loans	Other short-term loans	Total	Short-term bank loans	Other short-term loans	Total	Short-term bank loans	Other short-term loans	Total	Short-term bank loans	Other short-term loans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Guaranteed loans	115,000	–	115,000	–	–	–	–	–	–	–	–	–
Unsecured loans	980,000	730,000	1,710,000	1,100,000	246,000	1,346,000	2,004,561	185,000	2,189,561	3,276,061	30,000	3,306,061
	1,095,000	730,000	1,825,000	1,100,000	246,000	1,346,000	2,004,561	185,000	2,189,561	3,276,061	30,000	3,306,061

The interest rates for short-term loans per annum at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
Short-term bank loans	5.04%–6.00%	3.21%–6.00%	3.79%–5.35%	3.00%–4.35%
Other short-term loans	6.00%	6.00%	3.83%–3.92%	4.35%

Short-term loans of RMB1,825,000 thousand, RMB726,000 thousand, RMB1,252,490 thousand and RMB1,621,490 thousand respectively as at 31 December 2014, 2015 and 2016 and 30 September 2017 are arranged at fixed interest rates and expose the Target Groups to fair value interest rate risk. The remaining short-term loans are arranged at floating rates, thus exposing the Target Groups to cash flow interest rate risk.

As at 31 December 2014, short-term bank loans amounted to RMB115,000 thousand were guaranteed by the Target Companies. Such loans were fully settled during the year ended 31 December 2015.

As at 31 December 2014, other short-term loans amounted to RMB200,000 thousand which were borrowed from CDC were unsecured, interest-bearing at 6.00% per annum and repayable within one year from date of drawn down. Such loans were fully settled during the year ended 31 December 2015.

As at 31 December 2014, 2015 and 2016 and 30 September 2017, other short-term loans amounted to RMB530,000 thousand, RMB246,000 thousand, RMB185,000 thousand and RMB30,000 thousand respectively which were borrowed from a fellow subsidiary were unsecured, interest-bearing at/ranging from 6.00%, 6.00%, 3.83% to 3.92% and 4.35% respectively per annum and repayable within one year from date of drawn down.

34. SHORT-TERM BONDS

As at 31 December 2015, short-term bonds represented unsecured bonds issued by one of the Target Companies on 12 August 2015 with par value of RMB100 each totalling RMB300,000 thousand with fixed annual coupon rate and effective interest rate both of 3.80% per annum and matured with 12 months.

As at 31 December 2016, short-term bonds represented unsecured bonds issued by one of the Target Companies on 26 July 2016 with par value of RMB100 each totally RMB300,000 thousand with fixed annual coupon rate and effective interest rate both of 3.07% per annum and matured within 12 months.

35. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation from profit/(loss) before tax to cash generated from operations

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before tax	1,447,011	3,443,996	2,391,129	2,230,892	(413,076)
Adjustments for:					
Depreciation of property, plant and equipment	2,817,244	3,016,265	3,021,826	2,126,706	2,008,940
Depreciation of investment properties	658	658	659	493	493
Amortisation of intangible assets	9,430	11,732	12,297	9,223	10,703
Amortisation of other non-current assets	3,545	8,918	9,637	6,509	9,984
Government grant	(90,892)	(27,997)	(73,791)	(55,342)	(15,096)
Net losses/(gains) on disposals of property, plant and equipment	148,306	110,459	(539)	(271)	835
Interest income	(13,075)	(12,950)	(12,566)	(8,024)	(14,261)
Finance costs	1,594,925	1,432,466	990,568	751,298	709,897
Investment income	(135,798)	(189,358)	(183,920)	(183,920)	–
Impairment losses on property, plant and equipment	81,414	39,519	–	–	–
Allowance for inventories	–	31,579	–	–	–
Allowance for accounts receivables	19,729	21,566	4,273	–	1,790
Allowance for other receivables	456	58,367	619	–	873
Reversal of allowance for accounts receivables	–	(99)	(939)	–	–
Reversal of allowance for other receivables	(5)	(5)	(1)	–	(75)
Shares of profits of associates	(1,829)	(80,061)	(62,892)	(59,296)	(478)
Other (gain)/loss	(398)	982	(246)	(246)	–

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating profit before working capital changes	5,880,721	7,866,037	6,096,114	4,818,022	2,300,529
(Increase)/decrease in development costs	(68)	(10)	7	(49)	(18)
(Increase)/decrease in deferred revenue	(6,471)	100,889	69,808	137,031	(50,101)
Decrease/(increase) in other non-current assets	340,216	(3,840)	10,389	71,585	(939)
Decrease/(increase) in inventories	73,141	451,630	(323,713)	(77,572)	(6,525)
Decrease/(increase) in accounts and notes receivables	44,607	(234,796)	111,372	631,723	(40,988)
Decrease/(increase) in prepayments and other receivables	222,994	187,480	(86,549)	71,611	(119,138)
(Increase)/decrease in taxes recoverables	(30,863)	15,291	(35,034)	(26,276)	30,872
Increase/(decrease) in other non-current liabilities	41,335	(347)	(1,966)	91	–
Decrease in accounts payables and accrued liabilities	(1,087,734)	(182,963)	(274,412)	(509,663)	(362,215)
Increase/(decrease) in taxes payables	555,701	3,744	(12,953)	(282,102)	(67,538)
Cash generated from operations	6,033,579	8,203,115	5,553,063	4,834,401	1,683,939

(b) Disposal of a subsidiary

On 31 March 2014, the Target Groups disposed of 55% interest in Datang Handanjinan Thermal Power Co. Ltd.

Net assets at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	27,831
Prepayments and other receivables	1,038
Cash and cash equivalents	2,625
Accounts payables and accrued liabilities	(13,436)
Other non-current liabilities	(14,414)
Net assets disposed of	3,644
Non-controlling interests	(1,640)
Gain on disposal of a subsidiary *(note 8)*	160
Total consideration, satisfied by cash	2,164
Net cash outflow arising on disposal:	
Cash consideration received	2,164
Cash and cash equivalents disposed of	(2,625)
	(461)

(c) Acquisition of non-controlling interests

On 31 October 2016, the Target Groups acquired 5% equity interest in Datang Huaibei Power Generation Co., Ltd. at a consideration of RMB2,020 thousand resulting in an increase in their interest to that subsidiary to 100%. The effect of the acquisition of non-controlling interests on the equity attributable to the owner of the Target Companies is as follows:

	RMB'000
Carrying amount of non-controlling interests increased	(25,107)
Consideration paid for acquisition of non-controlling interests	(2,020)
Loss on acquisition of non-controlling interests recognised directly in equity	(27,127)

(d) Capital withdrawal from non-controlling interests

During the year ended 31 December 2015, the non-controlling interests of Hebei Datang Power Fuel Co., Ltd., a 87.10% owned subsidiary of the Target Groups, withdrew all their capital resulting in an increase in the Target Groups' interest in that subsidiary to 100%. The effect of the capital withdrawal on the equity attributable to the owner of the Target Companies is as follows:

	RMB'000
Carrying amount of non-controlling interests decreased	757
Capital withdrawal from non-controlling interests	(233)
Gain on capital withdrawal recognised directly in equity	524

(e) Material non-cash transactions

(i) On 31 December 2014, CDC made capital contribution of RMB1,371,349 thousand to the Target Companies by injecting certain assets and liabilities to the Target Groups.

The assets and liabilities injected were as follows:

	RMB'000
Property, plant and equipment	4,781,592
Intangible assets	7,743
Other non-current assets	449,000
Inventories	212,592
Accounts and notes receivables	500,721
Prepayments and other receivables	678,163
Cash and cash equivalents	189,056
Long-term loans	(1,917,150)
Other non-current liabilities	(1,980)
Accounts payables and accrued liabilities	(2,854,106)
Taxes payables	(9,132)
Current portion of non-current liabilities	(665,150)
Capital contribution	1,371,349
Net cash inflow arising from capital contribution:	
Cash and cash equivalents contributed	189,056

(ii) On 31 December 2014, CDC made capital contribution of RMB1,630,650 thousand to the Target Companies by injecting 100% equity interests of Datang Anhui Power Generation Fuel Investment Co., Ltd. and Ma'anshan Dangtu Power Generation Co., Ltd., 95% equity interest of Datang Huaibei Power Generation Co., Ltd., 66.67% equity interest of Datang Anqing Biomass Power Generation Co., Ltd., 52.80% equity interest of Anhui Huainan Luoneng Power Generation Co., Ltd. and 50% equity interest of Anhui Electric Power Co., Ltd. (collectively the "Injected Entities") to the Target Groups.

The above injection became effective on 31 December 2014. Thereafter, the Target Groups became the controlling equity holder of the Injected Entities. As the Target Groups and the Injected Entities are under the common control of CDC before and after the injection, these transactions were accounted for using merger accounting.

(iii) On 31 December 2014, CDC injected its entire equity interests in the then associate, Hefei United to the Target Groups as capital contribution to the Target Companies of RMB396,209 thousand.

(iv) During the year ended 31 December 2016, dividends to non-controlling interests of RMB30,100 thousand were satisfied by transfer of notes receivable to the non-controlling interests.

(v) During the nine months ended 30 September 2017, the Target Groups increased the paid-in capital by capitalisation of long-term loans of RMB27,950 thousand owed to CDC and settled finance lease payables of RMB31,500 thousand by the deposit paid under the same finance lease contract.

(vi) During the nine months ended 30 September 2017, the Target Groups made gratuitous transfer of certain available-for-sale financial assets with a carrying amount of RMB371,775 thousand to CDC.

(f) Reconciliation of liabilities arising from financial activities

	Loan-term loans (including current portion) *RMB'000*	**Long-term bonds (including current portion)** *RMB'000*	**Finance lease payables (including current portion)** *RMB'000*	**Short-term loans** *RMB'000*	**Short-term bonds** *RMB'000*	**Total** *RMB'000*
At 1 January 2014	23,598,652	987,600	353,080	2,800,950	–	27,740,282
Cash inflows	1,572,971	–	650,000	2,155,000	–	4,377,971
Cash outflows	(3,576,206)	–	(143,553)	(3,130,950)	–	(6,850,709)
Non-cash changes						
– finance costs	–	3,000	27,583	–	–	30,583
– capital injection *(note 35(e))*	2,582,300	–	–	–	–	2,582,300
At 31 December 2014 and 1 January 2015	24,177,717	990,600	887,110	1,825,000	–	27,880,427
Cash flows	1,989,911	–	465,973	2,876,000	300,000	5,631,884
Cash outflows	(6,126,538)	–	(209,172)	(3,355,000)	–	(9,690,710)
Non-cash changes						
– finance costs	–	3,000	50,504	–	–	53,504

	Loan-term loans (including current portion) *RMB'000*	Long-term bonds (including current portion) *RMB'000*	Finance lease payables (including current portion) *RMB'000*	Short-term loans *RMB'000*	Short-term bonds *RMB'000*	Total *RMB'000*
At 31 December 2015 and 1 January 2016	20,041,090	993,600	1,194,415	1,346,000	300,000	23,875,105
Cash inflows	2,598,044	297,300	638,000	4,128,561	300,000	7,961,905
Cash outflows	(5,224,204)	–	(535,293)	(3,285,000)	(300,000)	(9,344,497)
Non-cash changes						
– finance costs	–	3,697	38,582	–	–	42,279
At 31 December 2016 and 1 January 2017	17,414,930	1,294,597	1,335,704	2,189,561	300,000	22,534,792
Cash inflows	1,771,073	–	50,000	2,812,900	–	4,633,973
Cash outflows	(1,691,993)	–	(222,021)	(1,696,400)	(300,000)	(3,910,414)
Non-cash changes						
– finance costs	–	2,901	30,127	–	–	33,028
– settlement by deposit paid	–	–	(31,500)	–	–	(31,500)
– capitalisation of loans	(27,950)	–	–	–	–	(27,950)
At 30 September 2017	17,466,060	1,297,498	1,162,310	3,306,061	–	23,231,929
At 1 January 2016	20,041,090	993,600	1,194,415	1,346,000	300,000	23,875,105
Cash inflows (unaudited)	2,691,953	297,300	538,000	1,938,725	300,000	5,765,978
Cash outflows (unaudited)	(5,374,886)	–	(463,833)	(2,226,825)	(300,000)	(8,365,544)
Non-cash changes						
– finance costs (unaudited)	–	2,250	23,575	–	–	25,825
At 30 September 2016 (unaudited)	17,358,157	1,293,150	1,292,157	1,057,900	300,000	21,301,364

36. CAPITAL COMMITMENTS

At the end of each of the Relevant Periods, the Target Groups did not have material capital commitments.

37. LEASE COMMITMENTS

At the end of each of the Relevant Periods, the Target Groups did not have material commitments for future minimum payment as a lessee.

38. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, the Target Groups had the following significant transactions and balances with its related parties during/at the end of each of the Relevant Periods:

(a) Significant transactions with related parties

(i) Significant transactions with CDC and its subsidiaries (excluding the Target Groups) (collectively referred to as "China Datang Group") and associates of the Target Groups

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
China Datang Group					
Sales of desulfurisation and denitrification materials	26,704	88,384	33,186	28,372	10,955
Sales of electricity	33,927	15,604	85,295	28,016	68,620
Provision of repairs and maintenance services	1,530	3,770	8,776	8,097	4,455
Provision of consulting services	151	364	827	694	14
Provision of technical support services	4,182	926	10,013	–	26,772
Sales of equipment	37,350	162	–	–	–
Purchases of materials and equipment	262,734	167,554	337,848	61,501	170,989
Purchase of fuel	695,103	453,965	164,031	51,576	295,203
Receipt of technical support services	24,082	59,352	81,863	20,091	35,739
Receipt of repairs and maintenance services	2,349	7,982	3,987	1,639	405
Receipt of construction consulting services	125,234	76,920	16,752	–	5,744
Receipt of energy management services	11,647	6,508	843	244	210
Receipt of desulphurisation and denitrification services	311,093	638,193	463,123	350,474	193,735
Receipt of custody services	1,885	2,004	2,023	1,748	1,516
Receipt of construction services	–	–	13,491	8,653	92,714
Receipt of valuation services	–	529	1,171	189	–
Receipt of finance lease services	200,000	465,973	100,000	–	50,000
Drawdown of loans	1,177,950	886,000	1,281,000	758,000	365,000
Interest expense on loans	137,783	40,519	18,194	10,512	21,292
Rental expense	4,493	15,318	30,559	20,764	25,715
Rental income	480	6,173	861	598	861
Interest expense on finance leases	1,928	17,818	19,080	13,571	17,588
Interest income on deposits	12,973	12,917	14,079	9,986	10,004
Interest income	5,242	–	–	–	–

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Associates of the Target Groups					
Provision of property management services	400	220	510	–	281
Provision of labour services	–	–	4,152	–	–
Purchase of materials and equipment	74,187	40,969	1,317	–	10,608
Rental income	1,428	360	343	–	–

(ii) Significant transactions with government-related entities

Government-related entities, other than entities under China Datang which is a state-owned enterprise and its subsidiaries, directly or indirectly controlled by the Central People's Government of the PRC ("Government-Related Entities") are also regarded as related parties of the Target Groups.

For the purpose of the related party transactions disclosure, the Target Groups have established procedures for determination, to the extent possible, of the identification of the ownership structure of its customers and suppliers as to whether they are Government-Related Entities to ensure the adequacy of disclosure for all material related party transactions given that many Government-Related Entities have multi-layered corporate structures and the ownership structures change over time as a result of transfers and privatisation programs.

During the Relevant Periods, the Group sold substantially all of its electricity to local government-related power grid companies. The Target Groups maintained most of their bank deposits in government-related financial institutions while lenders of most of the Target Groups' loans are also government-related financial institutions, associated with the respective interest income or interest expense incurred.

During the Relevant Periods, other collectively significant transactions with Government-Related Entities also included purchases of fuel and property, plant and equipment.

(iii) Compensation to key management personnel of the Target Groups

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term-employee benefits	6,888	7,465	8,557	6,786	5,867
Post-employment benefits	95	108	119	91	172
	6,983	7,573	8,676	6,877	6,039

Further details of directors' and supervisors' remunerations are included in Note 13 to the Historical Financial Information.

(b) Significant balances with related parties

(i) Significant balances with China Datang Group and an associate of the Target Groups

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
China Datang Group				
Accounts receivables	40,710	17,362	24,257	59,010
Prepayments and other receivables	10,790	35,053	56,654	90,299
Accounts payables and accrued liabilities	971,024	510,638	470,499	406,851
Long-term loans (including current portion)	432,650	216,450	350,950	266,500
Other non-current liabilities (including current portion)	200,000	387,655	439,586	439,065
Short-term loans	730,000	246,000	185,000	30,000
An associate of the Target Groups				
Accounts receivables	420	–	–	–

Except for long-term loans, other non-current liabilities and short-term loans stated above, all the above balances are unsecured, interest-free and due on demand.

Terms of long-term loans, other non-current liabilities and short-term loans are described in Notes 28, 31 and 33 respectively to the Historical Financial Information.

(ii) Significant balances with Government-Related Entities

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the long-term loans (including current portion) and short-term loans payable to Government-Related Entities included in long-term loans (including current portion) and short-term loans amounted to RMB23,744,367 thousand, RMB19,823,940 thousand, RMB17,063,980 thousand and RMB17,199,560 thousand respectively and RMB1,095,000 thousand, RMB1,100,000 thousand, RMB2,004,561 thousand and RMB3,276,061 thousand respectively.

The balances with Government-Related Entities also included substantially all the accounts receivables of local government-related power grid companies, most of the bank deposits which placed in government-related financial institutions as well as accounts payables and accrued liabilities arising from the purchases of property, plant and equipment. These balances are unsecured, interest-free and due within 12 months.

39. NON-CONTROLLING INTERESTS

The following table shows information on the non-wholly-owned subsidiaries of the Target Groups that have material non-controlling interests ("NCI").

Name	**Datang Qitaihe Power Generation Co., Ltd.**			
	As at 31 December			**As at 30 September**
	2014	**2015**	**2016**	**2017**
Principal place of business/ country of incorporation	The PRC	The PRC	The PRC	The PRC
% of ownership interests/ voting rights held by NCI	39.85%	39.85%	39.85%	39.85%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	3,960,386	3,675,335	3,391,675	3,209,551
Current assets	973,978	735,863	487,370	726,577
Non-current liabilities	(2,035,135)	(1,601,877)	(1,012,084)	(824,867)
Current liabilities	(801,893)	(570,631)	(634,344)	(1,029,968)
Net assets	2,097,336	2,238,690	2,232,617	2,081,293
Accumulated NCI	835,788	892,118	889,698	829,395

	Year ended 31 December			**Nine months ended 30 September**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	2,422,667	2,398,463	2,073,224	1,507,477	1,527,856
Profit	253,658	355,010	316,017	216,882	130,616
Total comprehensive income	253,658	355,010	316,017	216,882	130,616
Profit allocated to NCI	101,463	141,471	125,933	86,427	52,050
Dividends paid to NCI	44,611	85,141	128,353	128,353	112,353
Net cash from operating activities	976,257	985,081	855,647	698,204	308,351
Net cash (used in)/from investing activities	(264,345)	(101,901)	(33,032)	23,557	(57,699)
Net cash used in financing activities	(850,097)	(801,723)	(916,043)	(855,188)	(39,588)
Net (decrease)/increase in cash and cash equivalents	(138,185)	81,457	(93,428)	(133,427)	211,064

Name	Datang Shuangyashan Thermal Power Co., Ltd.			
	As at 31 December			As at 30 September
	2014	2015	2016	2017
Principal place of business/ country of incorporation	The PRC	The PRC	The PRC	The PRC
% of ownership interests/ voting rights held by NCI	3.63%	3.63%	3.63%	3.63%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	1,303,402	1,209,020	1,111,832	1,074,873
Current assets	211,424	245,715	232,488	176,129
Non-current liabilities	(424,574)	(420,264)	(362,734)	(459,836)
Current liabilities	(782,318)	(683,087)	(576,549)	(411,938)
Net assets	307,934	351,384	405,037	379,228
Accumulated NCI	11,178	12,755	14,703	13,766

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	666,619	655,168	657,076	448,114	415,219
Profit/(loss)	38,057	43,450	53,652	50,885	(25,810)
Total comprehensive income/ (loss)	38,057	43,450	53,652	50,885	(25,810)
Profit/(loss) allocated to NCI	1,381	1,577	1,948	1,847	(937)
Dividends paid to NCI	–	–	–	–	–
Net cash from/(used in) operating activities	300,384	206,835	226,594	187,864	(3,692)
Net cash used in investing activities	(88,023)	(24,257)	(16,233)	(11,520)	(26,182)
Net cash used in financing activities	(294,176)	(146,504)	(216,421)	(202,300)	(12,112)
Net (decrease)/increase in cash and cash equivalents	(81,815)	36,074	(6,060)	(25,956)	(41,986)

Name	Jixi Longtang Heat Supply Co., Ltd.			
	As at 31 December			As at 30 September
	2014	2015	2016	2017
Principal place of business/ country of incorporation	The PRC	The PRC	The PRC	The PRC
% of ownership interests/ voting rights held by NCI	20%	20%	20%	20%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	278,839	301,332	295,304	279,947
Current assets	83,426	61,368	114,558	74,575
Non-current liabilities	(45,545)	(171,762)	(139,319)	(164,653)
Current liabilities	(255,076)	(108,656)	(171,645)	(81,872)
Net assets	61,644	82,282	98,898	107,997
Accumulated NCI	12,329	16,457	19,780	21,599

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	116,566	130,979	138,093	78,878	89,724
Profit	13,477	20,638	16,616	5,133	9,099
Total comprehensive income	13,477	20,638	16,616	5,133	9,099
Profit allocated to NCI	2,695	4,128	3,323	1,027	1,819
Dividends paid to NCI	–	–	–	–	–
Net cash from/(used in) operating activities	148,804	45,042	40,574	(8,011)	3,441
Net cash used in investing activities	(33,306)	(13,904)	(20,337)	(11,545)	(10,171)
Net cash (used in)/from financing activities	(142,609)	(37,771)	23,259	45,106	(24,813)
Net (decrease)/increase in cash and cash equivalents	(27,111)	(6,633)	43,496	25,550	(31,543)

Name	**Shuangyashan Longtang Heat Supply Co., Ltd.**			
	As at 31 December			**As at 30 September**
	2014	**2015**	**2016**	**2017**
Principal place of business/ country of incorporation	The PRC	The PRC	The PRC	The PRC
% of ownership interests/ voting rights held by NCI	20%	20%	20%	20%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	194,616	189,619	177,119	167,473
Current assets	40,544	49,392	72,983	62,730
Non-current liabilities	(29,626)	(162,033)	(158,897)	(145,133)
Current liabilities	(169,934)	(40,275)	(53,672)	(56,508)
Net assets	35,600	36,703	37,533	28,562
Accumulated NCI	7,120	7,341	7,507	5,712

	Year ended 31 December			**Nine months ended 30 September**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	77,057	76,688	77,131	44,121	45,738
(Loss)/profit	(8,207)	1,102	831	(6,461)	(8,972)
Total comprehensive (loss)/ income	(8,207)	1,102	831	(6,461)	(8,972)
(Loss)/profit allocated to NCI	(1,641)	221	166	(1,292)	(1,795)
Dividends paid to NCI	–	–	–	–	–
Net cash from/(used in) operating activities	5,260	9,185	23,917	(1,547)	(5,288)
Net cash used in investing activities	(13,825)	(3,663)	(506)	(506)	(511)
Net cash used in financing activities	(5,667)	(2,223)	(5,650)	(4,245)	(14,058)
Net (decrease)/increase in cash and cash equivalents	(14,232)	3,299	17,761	(6,298)	(19,857)

Name	Datang Wu'an Power Generation Co., Ltd.			
	As at 31 December			As at 30 September
	2014	2015	2016	2017
Principal place of business/ country of incorporation	The PRC	The PRC	The PRC	The PRC
% of ownership interests/ voting rights held by NCI	26%	26%	26%	26%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	2,451,738	2,475,884	2,367,485	2,261,392
Current assets	175,990	98,488	200,801	191,796
Non-current liabilities	(1,723,746)	(1,536,386)	(1,401,386)	(1,396,386)
Current liabilities	(216,705)	(300,476)	(512,532)	(446,817)
Net assets	687,277	737,510	654,368	609,985
Accumulated NCI	178,692	191,753	170,136	158,596

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	992,064	906,855	846,765	632,810	655,072
Profit/(loss)	87,110	132,427	36,042	70,696	(44,382)
Total comprehensive income/ (loss)	87,110	132,427	36,042	70,696	(44,382)
Profit/(loss) allocated to NCI	22,648	34,431	9,371	18,381	(11,540)
Dividends paid to NCI	–	21,370	30,988	–	–
Net cash from operating activities	351,902	511,813	214,437	183,794	117,031
Net cash used in investing activities	(172,986)	(115,737)	(50,574)	(40,218)	(31,139)
Net cash used in financing activities	(179,245)	(379,308)	(161,682)	(130,634)	(73,378)
Net (decrease)/increase in cash and cash equivalents	(329)	16,768	2,181	12,942	12,514

Name	**Datang Baoding Huayuan Thermal Power Co., Ltd.**			
	As at 31 December			**As at 30 September**
	2014	**2015**	**2016**	**2017**
Principal place of business/ country of incorporation	The PRC	The PRC	The PRC	The PRC
% of ownership interests/ voting rights held by NCI	39%	39%	39%	39%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	471,182	431,546	389,532	363,778
Current assets	66,593	82,797	72,974	73,732
Non-current liabilities	(354,000)	(354,000)	(522)	(496)
Current liabilities	(520,690)	(408,462)	(659,682)	(678,192)
Net liabilities	(336,915)	(248,119)	(197,698)	(241,178)
Accumulated NCI	(131,397)	(96,766)	(77,102)	(94,060)

	Year ended 31 December			**Nine months ended 30 September**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	570,959	542,109	497,002	366,678	373,813
Profit/(loss)	37,156	88,796	50,422	54,683	(43,481)
Total comprehensive income/ (loss)	37,156	88,796	50,422	54,683	(43,481)
Profit/(loss) allocated to NCI	14,491	34,631	19,664	21,326	(16,958)
Dividends paid to NCI	–	–	–	–	–
Net cash (used in)/from operating activities	(167,857)	189,485	355,380	245,949	127,811
Net cash used in investing activities	(104,276)	(41,591)	(10,936)	(6,699)	(10,110)
Net cash from/(used in) financing activities	280,166	(129,183)	(354,541)	(263,485)	(137,290)
Net increase/(decrease) in cash and cash equivalents	8,033	18,711	(10,097)	(24,235)	(19,589)

Name	Datang Baoding Heat Supply Co., Ltd.			
	As at 31 December			As at 30 September
	2014	2015	2016	2017
Principal place of business/ country of incorporation	The PRC	The PRC	The PRC	The PRC
% of ownership interests/ voting rights held by NCI	35%	35%	35%	35%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	764,359	867,868	1,028,070	977,341
Current assets	113,916	82,462	273,262	109,196
Non-current liabilities	(361,317)	(348,969)	(352,110)	(390,531)
Current liabilities	(326,416)	(371,921)	(674,711)	(393,566)
Net assets	190,542	229,440	274,511	302,440
Accumulated NCI	66,690	80,304	96,079	105,854

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	553,303	537,661	570,830	354,917	404,728
Profit	28,024	38,898	45,071	18,701	27,929
Total comprehensive income	28,024	38,898	45,071	18,701	27,929
Profit allocated to NCI	9,808	13,614	15,775	6,545	9,775
Dividends paid to NCI	–	–	–	–	–
Net cash from/(used in) operating activities	122,148	152,738	228,659	35,380	(30,439)
Net cash used in investing activities	(91,622)	(102,785)	(95,410)	(67,196)	(138,051)
Net cash (used in)/from financing activities	(27,923)	(36,235)	(14,194)	16,739	57,304
Net increase/(decrease) in cash and cash equivalents	2,603	13,718	119,055	(15,077)	(111,186)

Name	**Anhui Huainan Luoneng Power Generation Co., Ltd.**			
	As at 31 December			**As at 30 September**
	2014	**2015**	**2016**	**2017**
Principal place of business/ country of incorporation	The PRC	The PRC	The PRC	The PRC
% of ownership interests/ voting rights held by NCI	47.20%	47.20%	47.20%	47.20%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	3,339,927	2,970,871	2,734,473	2,530,379
Current assets	403,513	403,090	332,214	490,942
Non-current liabilities	(1,942,907)	(1,325,407)	(1,018,844)	(1,018,366)
Current liabilities	(468,352)	(324,968)	(492,548)	(585,419)
Net assets	1,332,181	1,723,586	1,555,295	1,417,536
Accumulated NCI	628,789	813,533	734,099	669,077

	Year ended 31 December			**Nine months ended 30 September**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	3,256,747	2,703,631	2,208,846	1,693,641	1,806,281
Profit/(loss)	207,263	391,405	131,709	173,050	(137,759)
Total comprehensive income/ (loss)	207,263	391,405	131,709	173,050	(137,759)
Profit/(loss) allocated to NCI	97,828	184,743	62,167	81,680	(65,022)
Dividends paid to NCI	–	–	(141,600)	–	–
Net cash from operating activities	1,055,459	660,169	436,105	558,306	104,344
Net cash (used in)/from investing activities	(190,320)	86,822	(69,164)	(18,885)	(62,467)
Net cash used in financing activities	(901,431)	(714,206)	(424,266)	(591,191)	(26,878)
Net (decrease)/increase in cash and cash equivalents	(36,292)	32,785	(57,325)	(51,770)	14,999

Name	**Datang Anqing Biomass Power Generation Co., Ltd.**			
	As at 31 December			**As at 30 September**
	2014	**2015**	**2016**	**2017**
Principal place of business/ country of incorporation	The PRC	The PRC	The PRC	The PRC
% of ownership interests/ voting rights held by NCI	33.33%	33.33%	33.33%	33.33%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	148,585	136,002	129,702	122,107
Current assets	10,330	25,750	24,030	30,373
Non-current liabilities	(29,000)	(316,450)	(322,450)	(340,450)
Current liabilities	(276,554)	(34,983)	(52,676)	(60,080)
Net liabilities	(146,639)	(189,681)	(221,394)	(248,050)
Accumulated NCI	(48,875)	(63,221)	(73,791)	(82,675)

	Year ended 31 December			**Nine months ended 30 September**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	–	46,107	109,225	75,890	85,225
Loss	(30,149)	(43,043)	(31,713)	(25,508)	(26,657)
Total comprehensive loss	(30,149)	(43,043)	(31,713)	(25,508)	(26,657)
Loss allocated to NCI	(10,049)	(14,346)	(10,570)	(8,502)	(8,884)
Dividends paid to NCI	–	–	–	–	–
Net cash used in operating activities	(155)	(15,661)	(294)	(3,752)	(6,717)
Net cash used in investing activities	(263)	(961)	(6,942)	(2,284)	(2,550)
Net cash from/(used in) financing activities	9,628	20,022	(335)	(1,720)	4,369
Net increase/(decrease) in cash and cash equivalents	9,210	3,400	(7,571)	(7,756)	(4,898)

40. EVENTS AFTER END OF RELEVANT PERIODS

There were no events after 30 September 2017 that were considered significant with regard to the financial performance, financial position or cash flows of the Target Groups.

41. SUBSEQUENT FINANCIAL STATEMENTS

As at the date of the report, no audited financial statements of the Target Groups or any of the Target Companies have been prepared in respect of any period subsequent to 30 September 2017.

The following is the summary of the asset valuation report prepared by China United in relation the valuation of Hebei Company under the Transfer Agreement as at 30 September 2017.

The English version of this document is for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Asset Valuation Report on Proposed Transfer of Entire Equity Interest Held by China Datang Corporation in Datang Hebei Power Generation Co., Ltd. to Datang International Power Generation Co., Ltd.

Zhong Lian Ping Bao Zi [2017] No. 2096

China United Assets Appraisal Group Co., Ltd.

7 November 2017

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STATEMENT OF ASSET APPRAISERS

I. This Asset Valuation Report was prepared in accordance with the Asset Valuation Standards – Basic Standards issued by the Ministry of Finance and professional conduct standards for asset valuation and professional ethics for asset valuation issued by China Appraisal Society.

II. The clients or other users of the asset valuation report shall use the Asset Valuation Report under the scope under the provisions of the laws, administrative rules and regulations and set out in the Asset Valuation Report. Where the clients or other users of the asset valuation report are in breach of the above regulations, the asset appraisal institute and its asset appraisers would not bear the responsibilities.

III. This Asset Valuation Report shall only be used by the clients, other users of the asset valuation report specified in the asset valuation entrustment contract, and users of asset valuation report under the provisions of laws, administrative rules and regulations. Save for the above, any other institutions and individuals shall not be the users of the Asset Valuation Report.

IV. Users of the Asset Valuation Report shall correctly acknowledge the conclusion of valuation, which should not be viewed as the realizable value of the valuation target nor should it be deemed to be a guarantee for the realizable value of the valuation target.

V. The asset appraisal institute and its asset appraisers have complied with the laws, administrative rules and regulations and asset valuation standards on the principles of independence, objectivity and impartiality, and are responsible, under the laws, for the asset valuation report issued by them.

VI. Users of the Asset Valuation Report should be aware of the assumptions as the premise of the conclusion of valuation, and the special notes and the restrictions on the use of the Asset Valuation Report.

Asset Valuation Report on Proposed Transfer of Entire Equity Interest Held by China Datang Corporation in Datang Hebei Power Generation Co., Ltd. to Datang International Power Generation Co., Ltd.

Zhong Lian Ping Bao Zi [2017] No. 2096

SUMMARY

As engaged by China Datang Corporation, Datang International Power Generation Co., Ltd. and Datang Hebei Power Generation Co., Ltd., China United Assets Appraisal Group Co., Ltd. appraised the market value of all of the shareholders' interests of Datang Hebei Power Generation Co., Ltd. on the Benchmark Date in respect of the economic activity being the proposed transfer of 100% equity interest held by China Datang Corporation in Datang Hebei Power Generation Co., Ltd. to Datang International Power Generation Co., Ltd.

The valuation target is entire shareholders' interests of Datang Hebei Power Generation Co., Ltd., and the scope of valuation covers all the assets and related liabilities of Datang Hebei Power Generation Co., Ltd. including current assets, non-current assets and related liabilities.

Benchmark Date: 30 September 2017.

The type of value under appraisal is the market value.

This valuation was conducted on the premise of continued use and open market. After comprehensively considering all kinds of factors that may affect the valuation in light of the actual conditions of the valuation target, we conducted an overall valuation of Datang Hebei Power Generation Co., Ltd. by adopting the asset-based approach and the income approach respectively before checking and comparison. Upon considering the premises of these two approaches and whether they satisfy the purpose of this valuation, we selected the valuation results obtained by adopting the asset-based approach as the final conclusion of this valuation.

After the implementation of valuation procedures such as checking and verification, on-site inspection, market research and inquiry, assessment and estimation by using the asset-based approach, we arrived at the following conclusion of valuation in respect of total assets and liabilities of Datang Hebei Power Generation Co., Ltd. as at the Benchmark Date, i.e., 30 September 2017:

The book value of total assets was RMB6,996.3428 million and the appraised value was RMB8,426.9280 million, representing an increase of RMB1,430.5852 million and an appreciation rate of 20.45%.

The book value of liabilities was RMB4,019.2760 million and the appraised value was RMB3,984.5580 million, representing a decrease of RMB34.7180 million and a depreciation rate of 0.86%.

The book value of net assets was RMB2,977.0668 million and the appraised value was RMB4,442.3700 million, representing an increase of RMB1,465.3032 million and an appreciation rate of 49.22%.

When using this conclusion and this Report, the report users are hereby reminded to pay attention to the special notes and any post-balance-sheet events as specified in this Report.

According to the relevant regulations on the administration of state-owned asset valuation, the asset valuation report shall not be used until it has been filed. The filed valuation result shall be valid for one year from 30 September 2017 till 29 September 2018.

The above abstract is extracted from the text of the Asset Valuation Report. For the purpose of understanding details of this valuation and a reasonable comprehension of the conclusion of valuation, please read the text of the Asset Valuation Report.

Asset Valuation Report on Proposed Transfer of Entire Equity Interest Held by China Datang Corporation in Datang Hebei Power Generation Co., Ltd. to Datang International Power Generation Co., Ltd.

Zhong Lian Ping Bao Zi [2017] No. 2096

China Datang Corporation, Datang International Power Generation Co., Ltd. and Datang Hebei Power Generation Co., Ltd.:

As engaged by the Company, China United Assets Appraisal Group Co., Ltd. appraised, by using the asset-based approach and the income approach, the market value of all of the shareholders' interests of Datang Hebei Power Generation Co., Ltd. on the Benchmark Date (i.e., 30 September 2017) in respect of the economic activity being the proposed transfer of 100% equity interest held by China Datang Corporation in Datang Hebei Power Generation Co., Ltd. to Datang International Power Generation Co., Ltd. in accordance with the relevant laws, regulations and asset valuation standards, as well as necessary valuation procedures. Details of asset valuation are reported as follows:

I. THE CLIENTS, EVALUATED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT

In this asset valuation, the clients are China Datang Corporation, Datang International Power Generation Co., Ltd. and Datang Hebei Power Generation Co., Ltd. and the entity to be evaluated is Datang Hebei Power Generation Co., Ltd.

(I) Profile of the clients

1. Profile of the first client

Name of Company: China Datang Corporation

Type of Enterprise: ownership by the whole people

Registered Address: No. 1 Guangningbo Street, Xicheng District, Beijing

Legal Representative: Chen Jinhang

Unified Social Credit Code: 911100007109311097

Registered Capital: RMB18,009.3169 million

Date of Incorporation: 9 April 2003

Scope of Business: Operation of all state-owned assets formed by the investment of the State and owned by group companies in the said companies and related enterprises; development, investment, construction, operation and management of power energy; organization of production and sales of electric (thermal) power; manufacturing, repair and maintenance, and commissioning of power equipment; power technology development and consultation; contracting and consultation of power engineering and power-related environmental protection projects; development of new energy as well as self-operated and commissioned import and export business for various commodities and technologies (other than commodities and technologies the operation, import or export of which is restricted or prohibited by the State). (Enterprise is allowed to choose the business to be engaged in and carry out such business activities pursuant to laws; for business activities for which approval is required under the laws, they can be carried out after obtaining approval from relevant authorities; no business activities which are prohibited and restricted by the industrial policies of the municipality shall be carried out.)

Company Profile: China Datang Corporation is a mega power generation group established on 29 December 2002 on the basis of certain business units of the former State Power Corporation. It is a solely state-owned corporation, directly managed by the Central Government, and is the pilot state-authorized investment and shareholding enterprise ratified by the State Council with a registered capital of RMB18,009 million.

China Datang Corporation implements a group management system and operation mode on a three-tier responsibility basis covering the group company, subsidiaries and grass-rooted enterprises. China Datang Corporation has established 13 provincial power generation companies, including Datang Hebei Power Generation Co., Ltd., Datang Jilin Power Generation Co., Ltd., Datang Heilongjiang Power Generation Co., Ltd., Datang Jiangsu Power Generation Co., Ltd., Datang Anhui Power Generation Co., Ltd., Datang Shandong Power Generation Co., Ltd., Datang Henan Power Generation Co., Ltd., Datang Sichuan Power Generation Co., Ltd., Datang Guizhou Power Generation Co., Ltd., Datang Yunnan Power Generation Co., Ltd., Datang Shaanxi Power Generation Co., Ltd., Datang Gansu Power Generation Co., Ltd. and Datang Xinjiang Power Generation Co., Ltd., and 6 branches including Hunan Branch, Guangxi Branch, Shanxi Branch, Tibet Branch, Shanghai Branch, Ningxia Branch, and a professional company namely Datang Electric Power Fuel Company Limited.

Currently, China Datang Corporation has five listed companies including Datang International Power Generation Co., Ltd. being the first Chinese enterprise listed in London and the first power enterprise listed in Hong Kong; Datang Huayin Electric Power Co., Ltd. and Guangxi Guiguan Electric Power Co., Ltd. which are listed in China, and China Datang Corporation Renewable Power Co., Limited and Datang Environment Industry Group Co., Ltd. which are listed in Hong Kong. China Datang Corporation has the largest domestic thermal power plant in service in China – Inner Mongolia Datang International Tuoketuo Power Generation Company Limited and the world's largest wind power plant in service – Inner Mongolia Chifeng Saihanba Wind Power Plant; and owns Longtan Hydropower Station, one of the largest hydropower stations in China that has been built and put into operation for power generation, and Datang and China National Water Resources & Electric Power Materials & Equipment Co., Ltd. which has logistics network across China.

Table 1 Shareholding Structure of the Company

Name of shareholder	**Shareholding percentage**
The State-owned Assets Supervision and Administration Commission of the State Council	100.00%
Total	100.00%

2. Profile of the second client

Name of Enterprise: Datang International Power Generation Co., Ltd. ("**Datang Power**")

Stock Code: 601991

Registered Address: No. 9 Guangningbo Street, Xicheng District, Beijing

Legal Representative: Chen Jinhang

Registered Capital: RMB13,310.0375 million

Date of Incorporation: 13 December 1994

Type of Enterprise: company limited by shares (Taiwan, Hong Kong or Macau and domestic joint venture; listed)

Scope of Business: construction and operation of power plants, sales of electric power and thermal power, maintenance and commissioning of power equipment and power-related technical services. (For business activities for which approval is required under the laws, they can be carried out after obtaining approval from relevant authorities.)

Company Profile: Datang International Power Generation Co., Ltd. is a sino-foreign joint venture controlled by China Datang Corporation, which is a flagship enterprise of Datang Group. Established in December 1994, the Company is the first Chinese enterprise listed in London, the first Chinese power enterprise listed in Hong Kong and the first Chinese enterprise triple listed in Hong Kong, London and Shanghai.

Datang Power is one of the largest independent power generation companies in China, which has major assets in service and in construction in 18 provinces, municipalities and autonomous regions across China. It is primarily engaged in power generation business with its main focus on thermal power generation. Meanwhile, the Company is involved in coal, transportation, circular economy and other fields, and has gradually developed into an integrated energy company from merely a power generation company. Datang Power has established a three-tier management and control system with two professional companies and eight regional companies under it, is directly or indirectly managing over 140 controlled and participating stock enterprises with approximately 20,000 employees.

Datang Power endeavors to promote clean and efficient utilization of coal by proactively adjusting the structure of thermal power generating units, and prioritizing the development of energy saving and environmental protection units. In 2016, the Company has an installed capacity of thermal power amounting to 35.17 million kW

and a total installed capacity amounting to 11.72 million kW with large-scale and high efficiency units mainly located in the economically developed southeast coastal regions. Among all thermal power generating units, stand-alone units with capacity of 300,000kW and above account for 91.68%, and units with capacity of 600,000kW and above account for 65.88%. Datang International adheres to maintain balance between wind power and solar power, and makes full use of both ocean and land resources to accelerate the increase in the proportion of power generation by non-hydro renewable energy and proactively strives for the development of new energy. In 2016, clean energy and renewable energy accounted for 25.71% of the Company's total installed capacity. As at today, Datang Power has completed modification works related to ultra-low emission on 59 power generating units, maintaining its leading level among enterprises of the same kind. During the "13th Five-year Plan" period, Datang Power will complete modification works related to ultra-low emission on all of its coal-fired power generating units.

Table 2 Shareholding Structure of the Company

Class of shares	**Number of shares held** *(0'000 shares)*	**Percentage of the total share capital**
China Datang Corporation	413,897.74	31.10%
Tradable H shares	329,142.49	24.73%
Tradable A shares	587,963.53	44.17%
Total	1,331,003.76	100.00%

(II) Profile of the client and the evaluated entity

Name of Company: Datang Hebei Power Generation Co., Ltd.

Date of Incorporation:10 October 2004

Residential Address: No. 66 Huaiandong Road, Shijiazhuang City

Registered Capital: RMB3,001.9855 million

Legal Representative: Wu Daqing

Type of Enterprise: limited liability company (wholly owned by a legal person, a company not invested or controlled by a natural person)

Unified Social Credit Code: 911300007666410552

1. History

Established on 10 October 2004, Datang Hebei Power Generation Co., Ltd. is a wholly-owned subsidiary established by China Datang Corporation by way of capital contribution, which is principally engaged in the development, investment and construction of electric power and energy and other power related businesses.

In accordance with the Articles of Association and information related to industrial and commercial registration, the shareholders' structure in proportion to their capital contribution is as follows:

Table 3 Name of Shareholder, Amount and Proportion of Capital Contribution

Name of shareholder	**Registered capital** *(RMB0'000)*	**Actual amount of capital contribution** *(RMB0'000)*	**Shareholding percentage** *(%)*
China Datang Corporation	300,198.5592	300,198.5592	100
Total	300,198.5592	300,198.5592	100

2. Scope of Business

It is engaged in the development, investment, construction, operation and management of power energy, organization of production of electric (thermal) power, operation and sales (branches only), maintenance and commissioning of power equipment, power technology development and consultation, contracting and consultation of power engineering projects; and any other businesses approved or permitted by China Datang Corporation within the scope of business permitted by State laws and regulations (for any of the above which is subject to special approval can be operated with appropriate qualification certificates).

3. Organizational Structure

As of the Benchmark Date, i.e., 30 September 2017, Datang Hebei Power Generation Co., Ltd. has a total of five operating branches registered with the industrial and commercial registration authorities that fall under the scope of this valuation, details of which are as follows:

No.	Name of Branch	Date of incorporation	Place of business
1	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	23 June 2009	Yuannei of Hebei Matou Power Generation Co., Ltd., Matou County, Handan City
2	Datang Baoding Thermal Power Plant	2 June 1990	No. 1 Guangming Street, Baoding City
3	Datang Wangkuai Hydropower Plant	9 April 1991	Wangkuai Reservoir, Quyang County
4	Datang Weishui Power Plant	18 June 1980	Weishui Town, Jingxing County
5	Datang Fengfeng Power Plant	1 July 1984	Gushannan Street, Fengfeng Mining District, Handan City

Among 11 second-tier subsidiaries under Datang Hebei Power Generation Co., Ltd., two are participating stock subsidiaries, five are wholly-owned subsidiaries, and four are controlled subsidiaries. Set out below are the particulars of controlled and participating stock companies and the shareholding percentage of the investee companies:

Unit: RMB

No.	Name of investee company	Date of investment	Shareholding percentage	Book value
1	Datang Hebei Renewable Energy (Zhangbei) Co., Ltd.	2010/9/1	100%	214,587,000.00

No.	Name of investee company	Date of investment	Shareholding percentage	Book value
2	Datang Baoding Huayuan Thermal Power Co., Ltd.	2004/10/15	60.999%	138,140,600.00
3	Hebei Datang Power Fuel Co., Ltd.	2005/6/1	100%	4,354,800.00
4	Hebei Datang Electricity Engineering Co., Ltd.	2007/8/1	21.67%	1,578,823.86
5	Datang Qingyuan Thermal Power Co., Ltd.	2010/11/1	99.04%	513,832,600.00
6	Datang Wu'an Power Generation Co., Ltd.	2010/11/1	74%	441,003,775.44
7	Datang Baoding Heat Supply Co., Ltd.	2005/9/23	65%	109,743,862.34
8	Datang Wuyuan Renewable Energy Co., Ltd.	2013/11/1	100%	32,000,000.00
9	Datang Wulate Houqi Renewable Energy Co., Ltd.	2013/11/19	100%	96,500,000.00
10	Datang Hebei Energy Marketing Co., Ltd.	2016/12/1	100%	20,000,000.00
11	China Water Resources and Power Group Hebei Trading Co., Ltd.	2016/12/1	49%	1,178,195.85
Total				1,879,694,824.49
Less: provisions for impairment of long-term equity investments				–
Net amount				1,879,694,824.49

4. Assets, financial condition and operation

As of the Benchmark Date, i.e., 30 September 2017, total assets of the Company amounted to RMB6,996.3428 million, total liabilities amounted to RMB4,019.2760 million, and net assets amounted to RMB2,977.0668 million. It recorded an operating income of RMB2,109.2512 million and net profits of RMB422.3141 million. Set out below are the assets and financial condition of the Company as of the Benchmark Date and in the past three years:

Table 4 Assets, Liabilities and Financial Position of the Company

Item	As at 31 December 2014 *(RMB0'000)*	As at 31 December 2015 *(RMB0'000)*	As at 31 December 2016 *(RMB0'000)*	As at 30 September 2017 *(RMB0'000)*
Total assets	694,393.36	687,990.19	681,973.43	699,634.28
Liabilities	521,025.43	450,985.06	393,320.64	401,927.60
Net assets	173,367.93	237,005.13	288,652.78	297,706.68

Item	For the year ended 2014 *(RMB0'000)*	For the year ended 2015 *(RMB0'000)*	For the year ended 2016 *(RMB0'000)*	For the nine month ended 2017 *(RMB0'000)*
Operating income	257,442.97	244,625.04	271,214.49	210,925.12
Total profits	24,273.56	63,637.20	60,162.32	40,631.46
Net profits	24,273.56	63,637.20	52,694.15	42,231.41

As of the Benchmark Date, i.e., 30 September 2017, consolidated total assets of the Company amounted to RMB12,124.9660 million, total liabilities amounted to RMB9,055.7460 million, and net assets amounted to RMB3,069.2200 million. It recorded an operating income of RMB4,050.7802 million and losses of RMB219.2410 million.

(III) Relationship between the clients and the evaluated entity

Datang Hebei Power Generation Co., Ltd., as the client and the evaluated entity, is a wholly-owned subsidiary of one of the clients – China Datang Corporation.

(IV) Other users of the Asset Valuation Report as agreed by the clients and as stipulated in the Engagement Letter

Users of this Asset Valuation Report are the clients, the evaluated entity and related regulatory authorities with which the Report shall be filed in accordance with the relevant regulations on the administration of assets.

Unless otherwise specified by State laws and regulations, no organization or individual shall become a user of the Asset Valuation Report after obtaining this Report without the consent of the appraisal institute and the clients.

II. PURPOSE OF VALUATION

In accordance with the Notice of Commencement of Preliminary Work of Asset Reorganization of the Group Companies (Da Tang Ji Tuan Zi [2017] No. 1098), China Datang Corporation intends to transfer its entire equity interest held in Datang Hebei Power Generation Co., Ltd. to Datang International Power Generation Co., Ltd.

The purpose of this asset valuation is to reflect the market value of all of the shareholders' interests of Datang Hebei Power Generation Co., Ltd. as at the Benchmark Date, and to provide a reference value for the aforesaid economic activity.

III. VALUATION TARGET AND SCOPE

The Valuation Target is all of the shareholders' interests of Datang Hebei Power Generation Co., Ltd. The scope of valuation covers total assets and related liabilities of Datang Hebei Power Generation Co., Ltd. as at the Benchmark Date. The book value of total assets was RMB6,996,342,777.00, the book value of total liabilities was RMB4,019,276,018.51 and the book value of net assets was RMB2,977,066,758.49. In details, it included current assets of RMB2,052,333,254.26, non-current assets of RMB4,944,009,522.74, current liabilities of RMB1,443,528,571.69 and non-current liabilities of RMB2,575,747,446.82.

The above assets and liabilities are extracted from the balance sheet of Datang Hebei Power Generation Co., Ltd. as at 30 September 2017 prepared by BDO China Shu Lun Pan Certified Public Accountants LLP on audited basis.

The evaluated entity entrusted and the scope of valuation are consistent with the evaluated entity and the scope of valuation related to the economic activity.

(I) Major assets within the scope of valuation

An overall valuation was conducted on the controlled subsidiaries of Datang Hebei Power Generation Co., Ltd. (with more than 50% shareholding).

1. The immaterial assets of Datang Heibei Power Generation Co., Ltd. within the scope of valuation include current assets, long-term receivable, long-term equity investments, fixed assets, construction-in-progress, intangible assets, goodwill and long-term unamortized expenses.

   (1) Current assets include cash and cash equivalents, bill receivable, receivables, payments in advance, dividend receivable, inventory and other current assets, which have better liquidity.

   (2) There are a total of 11 long-term equity investments covering five wholly-owned subsidiaries, four controlled subsidiaries and two participating stock subsidiaries. Details of which are as follows:

Table 5 Summary of long-term equity investments

Unit: RMB

No.	Name of investee company	Date of investment	Term of agreed investments	Shareholding %	Investment cost	Book value
1	Datang Hebei Renewable Energy (Zhangbei) Co., Ltd.	2010/9/1	Long term	100%	214,587,000.00	214,587,000.00
2	Datang Baoding Huayuan Thermal Power Co., Ltd.	2004/10/15	Long term	60.999%	138,140,600.00	138,140,600.00
3	Hebei Datang Power Fuel Co., Ltd.	2005/6/1	Long term	100%	4,354,800.00	4,354,800.00
4	Hebei Datang Electricity Engineering Co., Ltd.	2007/8/1	Long term	21.67%	650,000.00	1,578,823.86
5	Datang Qingyuan Thermal Power Co., Ltd.	2010/11/1	Long term	99.04%	513,832,600.00	513,832,600.00
6	Datang Wu'an Power Generation Co., Ltd.	2010/11/1	Long term	74%	441,003,775.44	441,003,775.44

No.	Name of investee company	Date of investment	Term of agreed investments	Shareholding %	Investment cost	Book value
7	Datang Baoding Heat Supply Co., Ltd.	2005/9/23	Long term	65%	100,594,522.00	109,743,862.34
8	Datang Wuyuan Renewable Energy Co., Ltd.	2013/11/1	Long term	100%	32,000,000.00	32,000,000.00
9	Datang Wulate Houqi Renewable Energy Co., Ltd.	2013/11/19	Long term	100%	32,000,000.00	96,500,000.00
10	Datang Hebei Energy Marketing Co., Ltd.	2016/12/1	Long term	100%	20,000,000.00	20,000,000.00
11	China Water Resources and Power Group Hebei Trading Co., Ltd.	2016/12/1	Long term	49%	1,470,000.00	1,178,195.85
Total						1,572,919,657.49
Less: provisions for impairment of long-term equity investments						–
Net amount						1,572,919,657.49

(3) As of the Benchmark Date, the intangible assets recorded in the books which were submitted by Datang Hebei Power Generation Co., Ltd. and its subsidiaries for the purpose of valuation include intangible assets being land use rights and other software. There are 60 land use rights, among which 57 rights have been granted the land use certificates, of which, 39 are granted land parcels and 18 are allocated land parcels measuring 1,915,380.93 m^2 with book value of RMB206,960,767.23. Land use certificates in respect of 3 land parcels with an area of 62,732.5 m^2 and book value of RMB25,227,206.22 have not yet been obtained.

(4) As of the Benchmark Date, the fixed assets recorded in the books which were submitted by Datang Hebei Power Generation Co., Ltd. and its subsidiaries for the purpose of valuation include 30 land parcels, among which 29 rights for which the land use certificates have been obtained are allocated land parcels measuring 4,469,831.39 m^2; and land use certificate in respect of 1 land parcel with an area of 114,302.00 m^2 and book value of RMB8.6676 million has not yet been obtained.

2. The book value of physical assets of the parent company of Datang Hebei Power Generation Co., Ltd. which fall under the scope of valuation was RMB3,319.3881 million, representing 47.44% of the total assets within the scope of valuation, which mainly include inventory, buildings, construction-in-progress, machinery and equipment. These assets bear the following characteristics:

(1) The physical assets are mainly located in the plant zones of Datang Hebei Power Generation Co., Ltd.

(2) Inventories include raw materials in stock which are raw materials required for production, spare parts and consumable materials required for office use. They are mainly in the warehouses of the branch plants of the evaluated entity.

(3) Buildings (structures)

The scope of this valuation covers buildings, structures, pipes and trenches of Datang Hebei Power Generation Co., Ltd., which primarily include production plants, offices, staff dormitories, auxiliary rooms, buildings, structures, pipes and trenches. They are located in the headquarter of Datang Hebei Power Generation Co., Ltd. and offices and production areas of its subsidiaries such as Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd., Datang Wangkuai Hydropower Plant, Datang Fengfeng Power Plant and Datang Baoding Thermal Power Plant, respectively. Among which, some of the buildings, structures, pipes and trenches of Matou Thermal Power Branch are to be scrapped due to dismantling of units.

(4) Equipment assets

1) Equipment assets of Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd. include two sets of 220MW steam turbine generating units and two sets of 300MW steam turbine generating units and auxiliary system equipment. 7#220MW steam turbine generating units were built in 1983, 8#200MW (220MW after expansion and transformation) steam turbine generating units were newly built in 1995, and 9# and 10#300MW steam turbine generating units were newly built in 2010. Major equipment includes NC300/246–16.7/0.35/537/537, N220–130–535/535 and 12.7/535/53 steam turbines, SFSN-300–2-20B and QFQS-200–2 generating units, SFPS-120000/220, SFP-240000/220 and SFP-370000/220 transformers, DG1025/17.4-II12, DG-670/140–5 and DG670/13.7–8 boilers, desulfurisation and denitrification equipment etc. The enterprise implements hierarchical management of equipment and a stringent equipment maintenance system to ensure maintenance and overhaul and replacement of quick-wear parts in a timely manner and on a regular basis. It has a well-established management system with complete equipment records to meet the demands of normal production and use.

Datang Baoding Thermal Power Plant has installed capacity of 2×200MW which was put into operation in 2007. Its major equipment includes N200/CC144–12.75/535/535/0.981/0.245 steam turbines, QFSN3–200–2 steam turbine generating units, SFP-240000/220 transformers, DG670/13.7–19670t/h boilers, desulfurisation and denitrification equipment etc. Due to the fact that the plant was established in an early time, most of the equipment, except for some dismantled equipment, is capable of meeting the demands for production and use.

Equipment assets of Datang Wangkuai Hydropower Plant include 2 sets of hydropower generating units and related auxiliary equipment, one 110KV electricity transformation station equipped with two generating units with a power generation capacity of 21,500KW: 15,000KW 1# unit and 6500KW 2# unit. The auxiliary equipment mainly includes transformers, related power distribution cabinet and switchboard. The enterprise implements hierarchical management of equipment and a

stringent equipment maintenance system to ensure maintenance and overhaul and replacement of quick-wear parts in a timely manner and on a regular basis. It has a well-established management system with complete equipment records. As of the Benchmark Date, the declared assets are in good condition to meet the demands for production and use exclusive of the equipment to be scrapped.

Equipment assets of Datang Fengfeng Power Plant include various pumps, switchboards, power distribution cabinets, pipes, valves, wires, cables and power generation equipment. Hydropower generation equipment is in idle.

2) The vehicles to be evaluated are those owned by the headquarter and subsidiaries which are mainly used for business and production purposes, all of which are in regular services. These vehicles mainly include Yutong bus, King Long bus, Jinbei SY6504WS3BH bus, JAC HFC6512A4HC8V bus, KJ5242GFL truck for materials in bulk, SHAC SH6492 van, Buick GL8 commercial sedan, Passat SVW7203Api sedan, Audi FV7201T sedan, Passat SVW7183Lj sedan, Buick SGM7252GL sedan etc., most of which were purchased in succession from 2001 to 2017. As of the Benchmark Date, the declared vehicles are in use exclusive of four vehicles owned by Matou Thermal Power Branch are to be scrapped due to expiry of service life span.

3) Electronic devices mainly include copy machines, laptops, desktop computers, printers, air conditioners, projectors, scanners, servers, office furniture, various devices and meters and other office equipment owned by the headquarter and its subsidiaries, most of which were purchased in succession from 1973 to 2017. The electronic devices owned by the headquarter and subsidiaries are in regular services exclusive of those to be scrapped.

4) Construction-in-progress includes civil construction-in-progress and equipment in construction. Costs of civil construction-in-progress mainly include upfront costs of the Datang Hebei Fuping Thermal Power Project and the Northwest Suburb Project, upfront expenditures of the civil construction and infrastructure of the Phase IX of the Baoding Thermal Power Plant etc., among which the Northwest Suburb Project and the Thermal Power Project for Level 9F Turbines in

Southwest of Shijiazhuang have been terminated due to failure to obtain approvals from the provincial development and reform commission; the construction works of the Tail Tunnel and Rubber Dam Project of Datang Wangkuai Hydropower Plant have been ceased; and costs of equipment in construction mainly include upfront costs of small-scale technological transformation projects and the Weizhou Project.

(II) Information on intangible assets recorded or unrecorded in books as submitted by the enterprise

As of the Benchmark Date, the intangible assets, which fall under the scope of this valuation, that were recorded in the books and submitted by the evaluated entity and its subsidiaries include land use rights and other intangible assets. Among 60 land parcels, 57 of which have been granted the State-owned Land Use Rights Certificates, which include 39 granted land parcels and 18 allocated land parcels measuring 1,915,380.93 m^2 with book value of RMB206,960,767.23. The remaining three land parcels, with an area of 62,732.5 m^2 and book value of RMB25,227,206.22, have not yet been granted the State-owned Land Use Right Certificates; other intangible assets include customized or purchased office software etc.

As of the Benchmark Date, i.e., 30 September 2017, no unrecorded intangible assets have been submitted by the evaluated entity for the purpose of valuation.

(III) Type and number of off-the-book assets

As of the Benchmark Date, i.e., 30 September 2017, no off-the-book assets have been submitted by the evaluated entity for the purpose of valuation.

(IV) Types, quantity and carrying amount of assets in reports issued by other organizations

In this Asset Valuation Report, we referred to the audit results issued by BDO China Shu Lun Pan Certified Public Accountants LLP for the carrying amounts of assets and liabilities on the Benchmark Date.

With regard to the conclusion of valuation of intangible assets – land use rights on the Benchmark Date in this Asset Valuation Report, we quoted the conclusion in the Land Valuation Report ((Beijing) Zhong Di Hua Xia (2017) Ping (Gu) Zi No. 110) issued by Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co. Ltd.

Nothing else from any reports of other organizations was quoted in this valuation.

IV. TYPE AND DEFINITION OF VALUE

The type of value to be evaluated is determined to be the market value according to the purpose of this valuation.

Market value refers to the estimated value of an arm's-length transaction made by the evaluated entity in the ordinary course of business on the Benchmark Date between a willing buyer and a willing seller who has each acted rationally and without compulsion.

V. BENCHMARK DATE

The Benchmark Date of this valuation is 30 September 2017.

The Benchmark Date has been determined by the clients based on the following considerations: asset size, workload, expected time, compliance and other factors of the evaluated entity.

VI. BASIS OF VALUATION

This valuation is conducted in accordance with the valuation bases which mainly include economic bases, legal bases, valuation standards, asset ownership bases and price determination bases used in estimation and other references. Details of which are as follows:

(I) Basis of economic activity

The Notice of Commencement of Preliminary Work of Asset Reorganization of Group Company (Da Tang Ji Tuan Zi [2017] No. 1098) (《關於開展集團公司開展資產重組前期工作的通知》(大唐集團資[2017]1098號)).

(II) Legal bases

1. Asset Appraisal Law of the People's Republic of China (Order No. 46 of the President on 2 July 2016) (《中華人民共和國資產評估法》(2016年7月2日主席令第46號));

2. Company Law of the People's Republic of China (Order No. 8 of the President on 28 December 2013) (《中華人民共和國公司法》(2013年12月28日主席令第8號));

3. Interim Measures for the Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council in 2003) (《企業國有資產監督管理暫行條例》(國務院第378號令，2003年));

4. Detailed Rules for the Implementation of the Administrative Measures for State-owned Asset Appraisal (Guo Zi Ban Fa [1992] No. 36) (《國有資產評估管理辦法實施細則》(國資辦發[1992]第36號));

5. Interim Measures for the Administration of Appraisal of State-owned Assets of Enterprises (Order of the State-owned Assets Supervision and Administration Commission of the State Council (2005)) (《企業國有資產評估管理暫行辦法》(國務院國有資產監督管理委員會令第12號(2005年)));

6. Interim Measures for the Management of the Transfer of the State-owned Property Rights of Enterprises (Decree No. 3 of the SASAC and the Ministry of Finance on 31 December 2003) (《企業國有產權轉讓管理暫行辦法(國資委、財政部第3號令，2003年12月31日));

7. Notice on Relevant Issues Concerning Strengthening the Administration of Appraisal of State-owned Assets of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》(國資委產權[2006]274號));

8. Measures for the Supervision and Administration of State-owned Assets Transaction of Enterprises (Decree No. 32 of the SASAC) (《企業國有資產交易監督管理辦法》國資委32號令);

9. Notice on Relevant Issues Concerning the Agreement-based Transfer of State-owned Property Rights of Central Enterprises (Guo Zi Fa Chan Quan [2010] No. 11) (《關於中央企業國有產權協定轉讓有關事項的通知》國資發產權[2010]11號);

10. Opinions of the Ministry of Finance on Reforming State-owned Asset Appraisal Administration Method and Strengthening Asset Appraisal Administration Work (Guo Ban Fa [2001] No. 102) (《財政部關於改革國有資產評估行政管理方式、加強資產評估監督管理工作的意見》(國辦發[2001]102號))；

11. The Guidelines for the Filing of the Appraisal Projects of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64) (《企業國有資產評估項目備案工作指引》(國資發產權[2013]64號));

12. Securities Law of the People's Republic of China (No. 14 of the Order of the President, revised on 31 August 2014) (《中華人民共和國證券法》(主席令第14號，2014年8月31日修訂));

13. Administrative Measures for the Issuance of Securities by Listed Companies (Decree No. 30 of the CSRC) (《上市公司證券發行管理辦法》(證監會令第30號));

14. Decision on Amending the Provisions on the Material Asset Reorganization and Ancillary Financing of Listed Companies (Decree No. 73 of China Securities Regulatory Commission) (《關於修改上市公司重大資產重組與配套融資相關規定的決定》(中國證券監督管理委員會令第73號));

15. Enterprise Income Tax Law of the People's Republic of China (adopted at the 5th Meeting of the 10th National People's Congress of the People's Republic of China on 16 March 2007) (《中華人民共和國企業所得税法》);

16. Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (adopted by the State Council at the 197th Executive Meeting on 28 November 2007) (《中華人民共和國企業所得税法實施條例》);

17. Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value Added Tax (Decree No. 50 of the Ministry of Finance and the State Administration of Taxation of the People's Republic of China) (《中華人民共和國增值税暫行條例實施細則》中華人民共和國財政部國家税務總局令第50號);

18. Measures for the Administration of the Material Asset Restructuring of Listed Companies (Order No. 109 adopted at the 52nd Meeting of the China Securities Regulatory Commission on 7 July 2014) (《上市公司重大資產重組管理辦法》);

19. Land Administration Law of the People's Republic of China (revised at the 11th Meeting of the Standing Committee of the Tenth National People's Congress on 28 August 2004) (《中華人民共和國土地管理法》);

20. Urban Real Estate Administration Law of the People's Republic of China (Order No. 29 of the President of the People's Republic of China, revised at the 29th Meeting of the Standing Committee of the 10th National People's Congress of the People's Republic of China on 30 August 2007) (《中華人民共和國城市房地產管理法》);

21. Other laws, regulations and rules relating to the valuation.

(III) Valuation standards

1. Assets Appraisal Standards – Basic Standards (Cai Zi [2017] No. 43) (《資產評估準則－基本準則》(財資[2017]43號));

2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30) (《資產評估職業道德準則》(中評協[2017]30號));

3. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2017] No. 31) (《資產評估執業準則－資產評估程序》(中評協[2017]31號));

4. Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2017] No. 32) (《資產評估執業準則－資產評估報告》(中評協[2017]32號));

5. Practice Guidelines for Asset Valuation – Asset Valuation Entrustment Contract (Zhong Ping Xie [2017] No. 33) (《資產評估執業準則－資產評估委託合同》(中評協[2017]33號));

6. Practice Guidelines for Asset Valuation – Asset Valuation File (Zhong Ping Xie [2017] No. 34) (《資產評估執業準則－資產評估檔案》(中評協[2017]34號));

7. Practice Guidelines for Asset Valuation – Utilization of Experts and Related Reports (Zhong Ping Xie [2017] No. 35) (《資產評估執業準則－利用專家工作及相關報告》(中評協[2017]35號));

8. Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2017] No. 36) (《資產評估執業準則－企業價值》(中評協[2017]36號));

9. Practice Guidelines for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37) (《資產評估執業準則－無形資產》(中評協[2017]37號));

10. Practice Guidelines for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38) (《資產評估執業準則－不動產》(中評協[2017]38號));

11. Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39) (《資產評估執業準則－機器設備》(中評協[2017]39號));

12. Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42) (《企業國有資產評估報告指南》(中評協[2017]42號));

13. Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46) (《資產評估機構業務品質控制指南》(中評協[2017]46號));

14. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47) (《資產評估價值類型指導意見》(中評協[2017]47號));

15. Guiding Opinions on the Legal Ownership of the Target of Asset Valuation (Zhong Ping Xie [2017] No. 48) (《資產評估對象法律權屬指導意見》(中評協[2017]48號));

16. Notice of China Appraisal Society on Amending the Signature and Seal Clause in Valuation Report Standards (Zhong Ping Xie [2011] No. 230) (《中評協關於修改評估報告等準則中有關簽章條款的通知》(中評協[2011]230號));

17. Standards for Real Estate Valuation (《房地產估價規範》) (GB-T50291–2015);

18. Regulations for Appraisal of Urban Land (《城鎮土地估價規程》) (GB-T18508–2014);

19. Regulations on Classification and Grading of Urban Land (《城鎮土地分等定級規程》) (GB-T18507–2014);

20. Accounting Standards for Business Enterprises – Basic Standards (Decree No. 33 of the Ministry of Finance) (《企業會計準則－基本準則》(財政部令第33號));

21. 38 specific standards including the Accounting Standards for Business Enterprises No. 1 – Inventory (Cai Kuai [2006] No. 3) (《企業會計準則第1號－存貨》(財會[2006]3號));

22. Accounting Standards for Business Enterprises – Application Guidelines (Cai Kuai [2006] No. 18) (《企業會計準則－應用指南》(財會[2006]18號));

23. Appraisal Norms Using Income Approach (CMVS12100–2008) (《收益途徑評估方法規範》);

24. Appraisal Norms Using Cost Approach (CMVS12200–2008) (《成本途徑評估方法規範》) and Appraisal Norms Using Market Approach (CMVS12300–2008) (《市場途徑評估法規範》).

(IV) Bases of asset ownership

1. State-owned Land Use Right Certificate;

2. Building Ownership Certificate;

3. Motor Vehicle Driving License;

4. Purchase contracts or certificates of major assets;

5. Other references.

(V) Price determination bases

1. Notice of the Ministry of Finance on Issuing the Provisions on the Accounting Management of Basic Construction Projects (Cai Jian [2016] No. 504) (財政部關於印發《基本建設財務管理規定》的通知(財建[2016]504號));

2. Notice of the State Planning Commission and the Ministry of Construction on Issuing the Administration Rules for Project Survey and Design Fees (Ji Jia Ge [2002] No. 10) (國家計委、建設部關於發佈《工程勘察設計收費管理規定》的通知(計價格[2002]10號));

3. Supplemental Notice of the General Office of the State Planning Commission and the General Office of the Ministry of Construction on Relevant Issues concerning the Administration Rules for Project Survey and Design Fees (Ji Ban Jia Ge [2002] No. 1153) (國家計委辦公廳、建設部辦公廳《關於工程勘察設計收費管理規定有關問題的補充通知》(計辦價格[2002]1153號));

4. Notice of the National Development and Reform Commission and the Ministry of Construction on Issuing the Administration Rules for Construction Project Supervision and Related Service Fees (Fa Gai Jia Ge [2007] No. 670) (國家發展改革委、建設部關於印發《建設工程監理與相關服務收費管理規定》的通知(發改價格[2007]670號));

5. Notice of the National Development and Reform Commission on Issuing the Provisional Rules for Bidding Agency Service Fees (Ji Jia Ge [2002] No. 1980) (國家發展和改革委員會發佈的《招標代理服務收費管理暫行辦法》(計價格[2002]1980號));

6. Notice of the State Planning Commission and the State Environmental Protection Administration on Regulating Certain Issues concerning Environmental Impact Assessment Fees (Ji Jia Ge [2002] No. 125) (國家發展計畫)委員會、國家環境保護總局《關於規範環境影響諮詢收費有關問題的通知》(計價格[2002]125號));

7. Notice on Preparing for Adjusting the Pricing Basis of Construction Projects in the Construction Industry by Replacing Business Tax with Value-Added Tax (Jian Ban Biao [2016] No. 4) (《關於做好建築業營改增建設工程計價依據調整準備工作的通知》(建辦標[2016]4號))；

8. Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號));

9. Compilation of Price of Common Equipment for National Power Projects (《全國電力工程建設常用設備價格彙編》);

10. Rations of Cost Estimates for Power Construction Projects – Construction Projects (《電力建設工程概算定額－建築工程》)(2013 edition);

11. Quota for Duration of Power Construction Projects (《電力建設工程工期定額》) (2012 edition);

12. Reference Cost Indicators for Limitation Design of Thermal Power Projects (《火電工程限額設計參考造價指標》)(2016 Standard);

13. Regulations on Preparation and Calculation of Construction Budgets of Thermal Power Generation Projects (《火力發電工程建設預算編製與計算規定》)(2013edition);

14. Guiding Opinions on Calculation and Listing of Upfront Costs and Other Professional Service Fees of Power Projects (Zhong Dian Lian Quota [2015] No. 162) (《電力建設工程項目前期工作費等專業服務費用計列的指導意見》中電聯定額[2015]162號);

15. Notice on Issuing the 2013 Edition of the Budget Quota of Power Construction Projects for the 2016 Price Adjustment (Quota [2016] No. 50) (《關於發佈2013版電力建設工程概預算定額2016年度價格水準調整的通知》定額[2016]50號);

16. Notice on Issuing the Adaption of the Pricing Basis of Power Projects to the Interim Implementation Plan of Replacing Business Tax with Value-Added Tax (Quota [2016] No. 9) (《關於發佈電力工程計價依據適應營業税改徵增值税調整過渡實施方案的通知》定額[2016]9號);

17. Regulation on Preparation of Design Estimates of Hydroprojects (《水利工程設計概(估)算編製規定》) (2015 edition);

18. Measures for Adjusting the Pricing Basis of Hydroprojects by Replacing Business Tax with Value-Added Tax (2016) (《水利工程營業税改徵增值税計價依據調整辦法(2016)》);

19. Consumption Quota of Hebei Province in the Base Quota for National Unified Construction Projects (《全國統一建築工程基礎定額河北省消耗量定額》) (2012);

20. Consumption Quota of Hebei Province in the Consumption Quota for National Unified Architectural Decoration Projects (《全國統一建築裝飾裝修工程消耗量定額河北省消耗量定額》) (2012);

21. Consumption Quota of Hebei Province in the Budget Quota for National Unified Installation Projects (《全國統一安裝工程預算定額河北省消耗量定額》) (2012);

22. Information on the Construction Cost of Construction Projects in Hebei Province (《河北省工程建設造價信息》) (Ninth issue of 2017);

23. Budget Quota of Construction Projects in Inner Mongolia Autonomous Region (《內蒙古自治區建築工程預算定額》) (2009);

24. Budget Quota of Decoration Projects in Inner Mongolia Autonomous Region (《內蒙古自治區裝飾裝修工程預算定額》) (2009);

25. Budget Quota of Installation Projects in Inner Mongolia Autonomous Region (《內蒙古自治區安裝工程預算定額》) (2009);

26. Cost Quota of Construction Projects in Inner Mongolia Autonomous Region (《內蒙古自治區建設工程費用定額》) (2009);

27. Implementation Plan on Adjusting the Current Pricing Basis of the Construction Industry in Inner Mongolia Autonomous Region by Replacing Business Tax with Value-Added Tax (《關於建築業營業税改徵增值税調整內蒙古自治區現行計價依據實施方案》) effective in April 2016;

28. Regulations on Preparation of Design Estimates and Standard Fees of Onshore Wind Farms (《陸上風電場工程設計概算編製規定及費用標準》) (2011 edition);

29. Quota for Duration of National Construction and Installation Projects (《全國建築安裝工程工期定額》);

30. Regulations on Preparation of Design Estimates and Standard Fees of Photovoltaics Power Generation Projects (光伏發電工程設計概算編製規定及費用標準) (NB32027–2016);

31. Notice on Several Issues Concerning the National Implementation of Value-added Tax Reform (Cai Shui [2008] No. 170) (《關於全國實施增值税轉型改革若干問題的通知》(財税[2008]170號));

32. Interim Regulations of the People's Republic of China on Value Added Tax (Decree No. 538 of the State Council) (《中華人民共和國增值税暫行條例》(國務院令第538號));

33. Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value Added Tax (Decree No. 50 of the Ministry of Finance and the State Administration of Taxation) (《中華人民共和國增值税暫行條例實施細則》(財政部、國家税務總局令第50號));

34. Interim Regulations of the People's Republic of China on Vehicle Purchase Taxes (Decree No. 294 of the State Council of the People's Republic of China on 22 October 2000) (《中華人民共和國車輛購置税暫行條例》(中華人民共和國國務院令第294號));

35. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (2012 Decree No. 12 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection) (《機動車強制報廢標準規定》(商務部、發改委、公安部、環境保護部令2012年第12號));

36. Interest Rate Schedule of Loans of the People's Bank of China implemented from 24 October 2015;

37. 2017 Price Information System for Electromechanical Products (《2017機電產品價格信息查詢系統》);

38. Data from Price Information Database of China United Assets Appraisal Group Co., Ltd.;

39. Other references.

(VI) Other references

1. Audit Reports of Datang Hebei Power Generation Co., Ltd. for 2014, 2015 and 2016 and on the Benchmark Date;

2. Common Methods and Parameters for Assets Appraisal (China Machine Press, 2011 edition);

3. Wind Financial Terminal;

4. Other references.

VII. VALUATION METHODOLOGY

(I) Selection of valuation methods

According to the requirements of asset valuation standards, three methods can be adopted in the evaluation of enterprise value, namely the income approach, the market approach and the asset-based approach. The income approach refers to the capitalization of the expected profitability generated in future of the evaluated entity by estimation and on the basis of the expected return rate, emphasizing the overall expected profitability of the enterprise, which means that the concept of "making money with capital" is applied in the valuation of the overall value of the enterprise. Its applicable basic conditions include the basis and conditions of ongoing concern operation, a relatively stable correspondence between operation and income and predictable and quantifiable future income and risks of the enterprise. The market approach adopts market comparison, which takes the same transacted enterprise value as or similar with the evaluated entity or the value of listed companies as reference. By comparison between the evaluated entity and the reference and subject to

necessary adjustments, the overall value of the evaluated entity is appraised. The asset-based approach refers to the practice of determining the value of the valuation target based on the reasonable valuation of each of the assets and liabilities of the enterprise.

The asset-based approach reflects enterprise value from the perspective of acquisition and establishment of the enterprise so as to provide a basis for the operation, management and performance appraisal of the enterprise after the economic activity has been carried out. Therefore, the asset-based approach was adopted in this valuation.

The enterprise has the basis and conditions for an ongoing operation and predictable and measurable prospective income and risks. Therefore, the income approach can be adopted in this valuation.

Since there are no market transaction cases from the same industry for the evaluated entity, with similar size and comparability, thus there is no objective condition of adopting the market approach in this valuation.

Given the above, the asset-based approach and the income approach are adopted for this valuation.

(II) Introduction to asset-based approach

The asset-based approach refers to the valuation method that determines the value of the evaluated entity on the basis of a reasonable appraisal of the values of various assets and liabilities.

The valuation methods for various assets and liabilities are as follows:

1. Current assets

(1) Cash and cash equivalents include cash at hand and bank deposits

With regard to the valuation of cash at hand, the appraisers conducted a physical inventory of cash and arrived, in a retrospect manner, at the amount as at the Benchmark Date, according to the inventory amount and the account records during the period from the Benchmark Date to the date of inventory, proved to be consistent with the amount recorded in the book. The carrying amount after verification is taken as the appraised value.

With regard to the valuation of bank deposits, the appraisers verified the actual existence of bank deposits by sending enquiry letters to the bank in respect of all bank deposits, and in the meantime, checked the existence of any unrecorded bank deposits and the truthfulness of the deposits in transit in the Statement of Bank Reconciliation, and appraised the income after the Benchmark Date. For the bank deposits denominated in RMB, the carrying amount after verification is taken as the appraised value.

(2) Bills receivables

The appraisers checked detailed accounts against general accounts and statement balance and the evaluated statements for consistency, reviewed and checked the consistency between par value, time of occurrence, details of business and par interest rate of the bills receivables and those in the account records to verify the truthfulness and completeness of the bills receivables, and checked the consistency of the amounts in the resulted accounts, tables and sheets. It was verified that the amounts of the bills receivables are true and accurate and do not bear interests. The carrying amount of the bills receivables after verification of the truthfulness, is taken as the appraised value.

(3) Account receivables

On the basis of verification of the account receivables, by utilizing historical data and current situations, the appraisers analyzed the amount, time and reason of the debts, collection of the receivables, and funds, creditworthiness and operation and management conditions of the debtors. Based on the financial situation, historical repayment records and performance of contracts of the debtors, the amount of risk losses were determined by the business personnel and management of the enterprise and the appraisers after analysis.

The assessed risk losses are 0% for full collection of account receivables from related parties based on good reasons.

For those accounts that cannot be collected with solid proofs or with extra-long aging, the risk losses were assessed to be 100%.

For account receivables that a portion of which cannot be collected or the uncollectable amount of which is difficult to determine, the assessed risk losses were estimated according to aging and historical collection analysis in accordance with the accounting methods of calculating provisions for bad debts. According to the understanding of and analysis to the debtors, aging analysis, and combined with professional judgments, the appraisers determined that the risk losses for account receivables with aging within one year (inclusive), between one and two years (inclusive), between two and three years (inclusive), between three and four years (inclusive), between four and five years (inclusive), and over five years were 0%, 5%, 10%, 30%, 50% and 80% respectively.

For other account receivables that a portion of which cannot be collected or the uncollectable amount of which is difficult to determine, the risk losses of other account receivables were specifically determined according to the accounting methods of calculating provisions for bad debts.

For those accounts that cannot be collected with solid proofs or with extra-long aging, the risk losses were assessed to be 100%.

Due to the fact that the appraised value of all of the shareholders' interests in the controlled subsidiary namely Datang Baoding Huayuan Thermal Power Co., Ltd. is negative, the appraisers specifically recognized and made provisions for the assessed risk losses of Datang Baoding Huayuan Thermal Power Co., Ltd.

The risk losses were determined in accordance with the aforesaid standards, and the amount of the total account receivables after deduction of the assessed risk losses is taken as the appraised value. Provisions for bad debts were assessed to be zero in accordance with relevant provisions.

(4) Prepayments

With regard to the valuation of prepayments, the appraisers checked general accounts, detailed accounts, accounting statements and the evaluated statements, and checked against the original documents and confirmations. The carrying amount after verification is taken as the appraised value.

(5) Dividends receivables

With regard to the valuation of dividends receivables, the appraisers checked detailed accounts against general accounts and statement balance and the evaluated statements for consistency, reviewed and verified the dividend distribution policy of the subsidiaries to prove the truthfulness and completeness of the dividends receivables. The consistency of the resulted accounts and tables was verified. The carrying amount after verification is taken as the appraised value.

(6) Inventories

Inventories include raw materials.

For certain spare parts that the purchase dates of which are close to the Benchmark Date and with a quick turnover, the carrying amount after verification is taken as the appraised value; for coal and diesel oil with fast changing prices, the market prices as at the Benchmark Date after deduction of deductible input VAT is taken as the appraised value; for spare parts that bear no value for use due to shutdown of units, the net realizable value is taken as the appraised value.

(7) Other current assets

Other current assets mainly include prepaid enterprise income tax, the entrusted loan to the Zhangbei company and input VAT for deduction. With regard to the valuation of the aforesaid, the appraisers reviewed relevant proofs of payment and loan contracts to understand the prepaid tax and loans as at the Benchmark Date. The carrying amount of other current assets after checking and verification is taken as the appraised value.

2. Non-current assets

(1) Long-term receivables

The appraisers inquired about relevant contracts and proofs of payment and attachments to understand the amounts and agreements and details of the account receivables. It was verified that the amounts recorded in the book are true. The carrying amount of long-term receivables after verification is taken as the appraised value.

(2) Long-term equity investments

The appraisers first verified the carrying amount and actual conditions of long-term equity investments, and referred to the investment agreements, resolutions of the shareholders' meeting, articles of association, relevant accounting records and other information to determine the truthfulness and completeness of long-term equity investments and evaluated the investee entity on such basis. In light of the actual conditions of long-term equity investments, appropriate valuation methods have been adopted respectively.

1) In respect of the long-term equity investment with a shareholding percentage above 50% and actual control, the valuation of the overall assets of the investee entity was conducted. The appraised value of its long-term equity investments = net profits of the investee entity after overall valuation × shareholding percentage.

2) In respect of the company whose accounting statements are provided by the enterprise in the absence of other information or the long-term equity investment with a shareholding percentage lower than 50%, the carrying amount of net assets of the investee entity as at the Benchmark Date to be multiplied by the investment percentage is taken as the appraised value. The appraised value of equity investments = book value of the net assets of the investee entity × shareholding percentage.

(3) Fixed assets – buildings

For the purpose of this asset valuation, buildings (structures) to be evaluated are classified by their characteristics. Buildings built by the enterprise were evaluated by the replacement cost approach, while those purchased were evaluated by the market approach.

1) Replacement cost approach

Appraised value = Full replacement cost × newness rate

For important construction projects, the "budget adjustment approach" was adopted in the calculation of replacement cost, which made appropriate adjustments based on the estimated or budgetary engineering quantity and then assessed the construction cost as at the Benchmark Date by applying current budget norm and pricing standards.

Replacement unit price and net appraised value of other buildings which were built by the enterprise were determined and calculated on the basis of on-site investigation, adopting analogical method and taking full account of various valuation elements.

Buildings, structures, pipelines and trenches of Matou Thermal Power Branch, which are disposed as scrapping due to obsolescence of generating units, are deemed to possess no value in this valuation.

Determination of full replacement cost

Full replacement cost = construction and installation cost after tax + upfront and other expenses after tax + capital cost

According to the Notice on Preparation of the Adjustment of Pricing Basis of Construction Projects on Change from Business Tax to Value-added Tax for Construction Industry (Jian Ban Biao [2016] No. 4) and the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36), after the program of levying value-added tax (VAT) in lieu of business tax takes effect on the construction industry, construction cost is based on the principle of "price separated from tax", with applicable VAT rate for cost calculation of each element subject to relevant requirements announced by competent authorities. Construction cost before tax represents the sum of entity fee (labor cost, material cost, machinery cost, management fee and profit), measures to project cost, other measure-related expenses, registration fee and price difference. Each cost item is calculated at the level that excludes VAT (deductible input tax).

Tax payable under general taxation method represents the balance of current output tax offset against current input tax.

Formula for tax payable: Tax payable = current output tax – current input tax

If current output tax is less than current input tax, the shortfall would be carried forward to next period for offsetting.

Deductible VAT = Tax-inclusive construction cost/(1 + 11%) × 11%

① Determination of integrated construction and installation cost

A. Determination of construction and installation cost for buildings (used for production purpose) of thermal power plant

Construction and installation cost represents the total cost of construction project and installation project, calculated by the budget adjustment approach. Construction and installation cost for buildings (used for production purpose) of Matou Thermal Power Branch and Baoding Thermal Power Plant is based on calculation standards set out in the Budget Quota of Power Construction Projects (2013 Edition), the Notice on Issuing the 2013 Edition of the Budget Quota of Power Construction Projects for the 2016 Price Adjustment (Quota [2016] No. 50) and the Notice on Issuing the Adaptation of the Pricing Basis of Power Projects to the Interim Implementation Plan of Replacing Business Tax with Value-Added Tax (Quota [2016] No. 9) (both of which are documents issued by China Electric Power Project Cost Administration (電力工程造價與定額管理總站), with reference to construction material prices of various cities provided in the Information on the Construction Cost of Construction Projects in Hebei Province (《河北省工程建設造價信息》) published in September 2017.

B. Determination of construction and installation cost for buildings (used for production purpose) of hydropower plants

As Datang Wangkuai Hydropower Plant has a relatively longer history, information about its budgets and final accounts are not available. Therefore, this valuation referred to investments into similar buildings of the same industry, made appropriate adjustments to the engineering quantity, and determined pricing by reference to the Regulation on Preparation of Design Estimates of Hydroprojects (2015 edition) (《水利工程設計概(估)算編製規定》(2015年

版)) and the Measures for Adjusting the Pricing Basis of Hydroprojects by Replacing Business Tax with Value-Added Tax (2016) (《水利工程營業税改徵增值税計價依據調整辦法(2016)》), and calculated the construction and installation cost with reference to construction material prices of various cities provided in the Information on the Construction Cost of Construction Projects in Hebei Province (《河北省工程建設造價信息》) published in September 2017.

C. Determination of construction and installation cost for other units and buildings (used for non-production purpose)

Total construction cost for other units and buildings (used for non-production purpose) was determined by applying the regulations set out in the Consumption Quota of Hebei Province in the Base Quota for National Unified Construction Projects (2012)(2012年《全國統一建築工程基礎定額河北省消耗量定額》), the Consumption Quota of Hebei Province in the Consumption Quota for National Unified Architectural Decoration Projects [2012](2012年《全國統一建築裝飾裝修工程消耗量定額河北省消耗量定額》), the Consumption Quota of Hebei Province in the Budget Quota for National Unified Installation Projects([2012](2012年《全國統一安裝工程預算定額河北省消耗量定額》) and the Notice of Hebei Department of Housing and Urban-Rural Development on Issuing the 'Measures on Adjustment of Construction Pricing Basis for Hebei Construction Industry in respect of Replacing Business Tax with Value-Added Tax' (《河北省住房和城鄉建設廳關於印發<建築業營改增河北省建築工程計價依據調整辦法>的通知》), and by adjusting material prices with reference to the Information on the Construction Cost of Construction Projects in Hebei Province (《河北省工程建設造價信息》) published in September 2017.

As for Datang Wuyuan Renewable Energy Co., Ltd. and Datang Wulate Houqi Renewable Energy Co., Ltd., the construction and installation cost was calculated in accordance with the Budget Quota of Construction Projects in Inner Mongolia Autonomous Region [2009](2009年《內蒙古自治區建築工程預算定額》), the Budget Quota of Decoration Projects in Inner Mongolia Autonomous Region

(2009) (2009年《內蒙古自治區裝飾裝修工程預算定額》), the Budget Quota of Installation Projects in Inner Mongolia Autonomous Region (2009) (2009年《內蒙古自治區安裝工程預算定額》), the Cost Quota of Construction Projects in Inner Mongolia Autonomous Region (《內蒙古自治區建設工程費用定額》), and the Implementation Plan on Adjusting the Current Pricing Basis of the Construction Industry in Inner Mongolia Autonomous Region by Replacing Business Tax with Value-Added Tax (《關於建築業營業税改徵增值税調整內蒙古自治區現行計價依據實施方案》) issued in April 2016, and with reference to the market prices of construction materials available in the local markets for the same period.

② Determination of upfront and other expenses

A. Upfront expenses incurred by thermal power enterprises

Such expenses were determined in accordance with the regulations set out in the Regulations on Preparation and Calculation of Construction Budgets of Thermal Power Generation Projects (2013, State Power System), the Guiding Opinions on Calculation and Listing of Upfront Costs and Other Professional Service Fees of Power Projects (Zhong Dian Lian Quota [2015] No. 162) (中電聯定額[2015]162號《電力建設工程項目前期工作費等專業服務費用計列的指導意見》) and relevant local regulations on administrative charges.

Upfront and other expenses of other sectors include management fee, survey and design fee, bidding agency fee, project supervision fee and environmental impact assessment fee incurred by construction entities, both of which were determined according to industry standards and relevant local regulations on administrative charges.

B. Upfront expenses incurred by hydropower enterprises

Upfront expenses incurred by hydropower enterprises were calculated in accordance with the Regulation on Preparation of Design Estimates of Hydroprojects (2015 edition) (《水利工程設計概(估)算編製規定》(2015年版)) and relevant State policies.

C. Upfront expenses incurred by wind power enterprises

Upfront and other expenses were calculated by adopting the Regulations on Preparation of Design Estimates and Standard Fees of Onshore Wind Farms (2011) and relevant State policies.

D. Upfront expenses incurred by PV enterprises

Such expenses were calculated in accordance with the Regulations on Preparation of Design Estimates and Standard Fees of Photovoltaics Power Generation Projects (NB32027–2016) (光伏發電工程設計概算編製規定及費用標準(NB32027–2016)) and relevant State policies.

E. Upfront expenses incurred by other enterprise

Other enterprise refers to Datang Fengfeng Power Plant which has ceased production. Therefore, upfront expenses of the buildings involved in this valuation comprise construction costs being charged according to local government regulations and other costs (other than construction and installation cost) incurred by the construction company in respect of its construction works. Upfront and other expenses were calculated in accordance with relevant regulations and cost calculation procedures set by the State Planning Commission and the Ministry of Construction, and local regulations.

③ Determination of capital cost

A. Capital cost incurred by thermal power enterprises

Capital cost incurred by thermal power enterprises was estimated at the prevailing lending rate published by the People's Bank of China, the construction period of generating units and the annual investment proportion during reasonable construction periods. The Quota for Duration of Power Construction Projects (2012 edition) (《電力建設工程工期定額》(2012版)) stated that the reasonable construction period of all new projects shall

be deemed to be two years. Therefore, the interest rate on loans shall be 4.75% applicable to 1–2 year loans as at the Benchmark Date. Annual static investment proportion of coal-fired generating units was calculated in accordance with the Management Mechanism and Regulations on Budgets of Basic Construction Projects in Electric Power Sector (2013 edition) (《電力工業基本建設預算管理制度及規定》(2013年版)) and the Reference Cost Indicators for Limitation Design of Thermal Power Projects (2016 Standard) (《火電工程限額設計參考造價指標》(2016年水平)).

B. Capital cost incurred by other enterprises

For other enterprises, the capital cost refers to the loan interest incurred from the funds invested in the construction works, which was calculated at the lending rate (RMB) published by the People's Bank of China as at the Benchmark Date, and the construction period was calculated based on the normal construction cycle by considering that the funds have been evenly injected during the construction period:

Capital cost = (Construction and installation cost + upfront and other expenses) × reasonable construction period × lending rate × 50%

④ Determination of newness rate

The newness rate of buildings being evaluated was determined by the remaining useful life, the assessment of which takes account of actual utilization of the base, the load-bearing structure (beams, plates and pillars), the walls, the floors, the roofs, doors and windows, painting of interior and exterior walls, the ceiling, water supply and relevant appliances, and the lighting inside the buildings (structures).

Newness rate = Remaining useful life/(used life + remaining useful life) × 100%

⑤ Calculation of appraised value

Appraised value = Replacement cost × newness rate

2) Market comparison approach

Market comparison approach compares the valuation target with similar real properties assets traded recently on or around the Benchmark Date and makes appropriate adjustments to the known prices of such similar real properties to estimate an objective and reasonable value of the real property to be evaluated.

Appraised value of the real property to be evaluated = Price of comparable real property × transaction correction coefficient × correction coefficient for transaction date × correction coefficient for regional factor × correction coefficient for specific factor

(4) Fixed assets – equipment

In light of the objectives of this valuation, such asset category was evaluated by the replacement cost approach based on market prices, following the principle of continued use, considering the features of equipment which fall under the scope of valuation and taking data collected into account.

In light of the objectives of this valuation, different approaches were adopted for equipment to be evaluated based on the features of each category and market prices, following the principle of continued use and taking data collected into account.

Replacement cost approach was applied in the valuation of working equipment.

Appraised value = Full replacement cost × newness rate

Note: As at the Benchmark Date, the generating unit No. 7 of Matou Branch of Datang Hebei Power Generation Co., Ltd. has been closed down. However, the Notice of Hebei Development and Reform Commission on Issuing the "Interim Measures for Compensated Use of Obsolete Coal-fired Generating Unit Capacity in Hebei Province" (Ji Fa Gai Wei Neng Yuan [2017] No. 1162) (冀發改委能源[2017]1162號文件《河北省發展和改革委員會關於印發(河北省淘汰煤電機組容量有償使用暫行辦法)》) stated that owners of the replacement project for new coal-fired power generators with equivalent capacity which is initiated by the provincial government (referred to as the "Equivalent Capacity Replacement Project") can offer funds at their discretion to support companies with obsolete coal-fired generating units. The funds in form of compensation for obsolete coal-fired generating units are no higher than RMB500/kW based on the capacity of generating units and to be determined through negotiations between the Equivalent Capacity Replacement Project and companies with obsolete generating units. As physical assets related to the generating unit No. 7 are of realizable value with an installed capacity of 220MW, the sum of fund to be

given will be up to RMB110 million according to the aforesaid document, which will be classified as an equity item. The document only sets the cap without provisions on timing and actual amount. It is hard to determine the equity value related to such assets. As such, appraised value of the generating unit No.7 is stated at its book value.

Determination of full replacement cost

1) Full replacement cost of machinery and equipment

Full replacement cost = Purchase price of equipment + freight and miscellaneous charges + installation fee + other expenses + capital cost – deductible VAT in purchase price – deductible VAT in freight – deductible VAT in installation fee – deductible VAT in other expenses

① Purchase price of equipment

Prices of main equipment and principal auxiliary equipment (including boilers, steam turbines, water turbines, generators, transformers and pumps) were mainly determined with reference to the market price checked with the manufacturers as at the Benchmark Date, or the current market prices available in the information on price quotes or with reference to the contract prices of comparable equipment being recently purchased.

② Freight and miscellaneous charges

A. Equipment for thermal power plants

Pursuant to the Regulations on Preparation and Calculation of Construction Budgets of Thermal Power Generation Projects (2013 edition), the charge rate is calculated by taking account of distance between the manufacturer and the destination and means of transport. Such expenses cover charges on loading and unloading at the manufacturing plant and the project site, freight, procurement fee and storage fee. The formula is listed below:

Freight and miscellaneous charges = Purchase price of equipment × freight and miscellaneous charge rate

The valuation excludes general equipment of low value, ready for use without any installation, or easy to install and charging a low installation fee and those easily shipped and charging a small sum of freight.

B. Equipment for hydropower stations

Charges are calculated with reference to the Regulation on Preparation of Design Estimates of Hydroprojects (2015 edition) (《水利工程設計概(估)算編製規定》(2015年版)).

Miscellaneous charges of equipment comprise railway transportation charges and road transportation charges, as listed below:

Freight and miscellaneous charges on main equipment = Original price of main equipment × (railway transportation charge rate on main equipment + road transportation charge rate)

C. Other equipment

The freight and miscellaneous charges are collected at the rate of 1–4% of tax-inclusive purchase price, as Hebei is classified as a separate category according to the standards set out in the Manual of Asset Valuation Methods and Parameters (《資產評估常用方法與參數手冊》).

③ Installation fee

Installation fee for power equipment comprises direct project fee, indirect fee, profit and tax.

A. Equipment for thermal power plants

Such fee is calculated based on the features of thermal power equipment and industry practice, and in accordance with the Rations of Cost Estimates for Power Construction Projects (2013 edition) and the Regulations on Preparation and Calculation of Construction Budgets of Thermal Power Generation Projects (2013 edition), and with reference to the Manual of Asset Valuation Methods and Parameters (2011, China Machine Press) (《資產評估常用方法與參數手冊》(機械工業出版社2011年版)) and taking account of the latest survey and analysis about purchase cost composition of the evaluated entity.

B. Equipment for hydropower stations

Such fee is calculated based on the Rations of Cost Estimates for Hydropower Equipment Installation Projects (《水電設備安裝工程概算定額》), the Regulation on Preparation of Design Estimates of Hydroprojects (2015 edition) (《水利工程設計概(估)算編製規定》(2015年版)) and the Measures for Adjusting the Pricing Basis of Hydroprojects by Replacing Business Tax with Value-Added Tax (2016) (《水利工程營業稅改徵增值稅計價依據調整辦法2016》), and with reference to the Manual of Asset Valuation Methods and Parameters (2011, China Machine Press) (《資產評估常用方法與參數手冊》(機械工業出版社2011年版)).

C. Other equipment

Installation fee for other equipment is based on tax-inclusive purchase price and actual installation charge rate, taking account of the features and weight of the equipment and installation complexity.

Installation and commissioning fee is excluded from the replacement cost for small equipment, or those ready for use without any installation, easy to install and charging a low installation fee, or those, as common practices, the installation and commissioning of which will be provided by vendors.

④ Upfront and other expenses

A. Equipment for thermal power plants

Upfront expenses and other expenses incurred by the thermal power sector comprise management fees and technical service fees related to project construction, and other expenses; both of which are subject to the Regulations on Preparation and Calculation of Construction Budgets of Thermal Power Generation Projects (2013 edition), the Guiding Opinions on Calculation and Listing of Upfront Costs and Other Professional Service Fees of Power Projects (Zhong Dian Lian Quota [2015] No. 162) (中電聯定額[2015]162號《電力建設工程項目前期工作費等專業服務費用計列的指導意見》) and relevant local regulations on administrative charges.

B. Upfront expenses incurred by hydropower stations

By reference to the Regulation on Preparation of Design Estimates of Hydroprojects (2015 edition) (《水利工程設計概(估)算編製規定》(2015年版)), upfront and other expenses incurred by hydropower stations comprise management fees and technical service fees related to project construction, and other expenses.

C. Upfront expenses incurred by wind power enterprises

Upfront and other expenses are calculated by applying the Regulations on Preparation of Design Estimates and Standard Fees of Onshore Wind Farms (2011) and relevant State policies.

D. Upfront expenses incurred by PV enterprises

Such expenses are calculated by applying the Regulations on Preparation of Design Estimates and Standard Fees of Photovoltaics Power Generation Projects (NB32027–2016) (光伏發電工程設計概算編製規定及費用標準(NB32027–2016)) and relevant State policies.

E. Upfront expenses incurred by other branches and subsidiaries

Upfront and other expenses incurred by other branches include management fees, survey and design fees, bidding agency fees, project supervision fees and environmental impact assessment fees incurred by construction companies, both of which are determined according to industry standards and relevant local regulations on administrative charges.

⑤ Capital cost

A. Thermal power plant

Capital cost incurred by the thermal power sector represents the interest on loans incurred in the construction period, which is based on the actual power construction statistics of recent years and taking account of two years as a reasonable construction period. The interest is settled at the interest rate for 1–5 year loans executed by financial institutions as at the Benchmark Date and on a quarterly basis. The nominal interest rate stands at 4.75%, and the effective interest rate is 4.85%.

In accordance with the Settlement Method for Completion of Stand-alone Units of Power Projects (電力工程單機竣工結算辦法), the interest rate coefficient is calculated on the basis of the stand-alone settlement percentage of each generating unit, construction period and the percentage of each generating unit to total investment.

B. Other branches and subsidiaries

Capital cost incurred by other branches was calculated with reference to the scale of buildings to be evaluated, reasonable construction period based on the working-day norm and the selected interest rate on loans, assuming that the funds have been evenly injected during the period.

Capital cost = (Purchase price of equipment + freight and miscellaneous charges + installation and commissioning fees + other expenses) × interest rate on loans × construction period × 1/2

⑥ Deductible VAT

The Notice (Cai Shui [2008] No. 170) stated that with effect from 1 January 2009, the input tax incurred by general taxpayers or on self-built fixed assets can be deducted from the output tax in accordance with the Interim Regulations of the People's Republic of China on Value Added Tax (Decree No. 538 of the State Council) and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value Added Tax (Decree No. 50 of the Ministry of Finance and the State Administration of Taxation), by evidence of the special VAT invoice, customs special bill of payment of import VAT and freight settlement voucher. The input tax amount is included into the item "Tax payable – VAT payable (input tax)". As such:

Deductible VAT = Purchase price/1.17 × 17% + freight and miscellaneous charges/1.11 × 11% + installation fee/1.11 × 11% + deductible VAT in other fees

As from 1 May 2016, the pilot program of levying business tax in lieu of value-added tax (VAT) took effect in the whole country, under which all business tax payers in the construction, real estate, financial and service sectors are required to pay value-added tax instead of business tax. VAT shall be deducted from all other expenses and installation and commissioning fees as at the Benchmark Date in the course of calculating the full replacement cost.

2) Transport vehicles

Full replacement cost of transport vehicles comprise purchase price, vehicle purchase tax and license fee for new car. According to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36), as from 1 May 2016, the pilot program of levying business tax in lieu of value-added tax (VAT) took effect in the whole country, under which all business tax payers in the construction, real estate, financial and service sectors are required to pay value-added tax instead of business tax. Input VAT can be deducted from output VAT pursuant to the Interim Regulations of the People's Republic of China on Value Added Tax (Decree No. 538 of the State Council) and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value Added Tax (Decree No. 50 of the Ministry of Finance and the State Administration of Taxation). Therefore, the input tax of vehicles purchased is to be deducted from the full replacement cost. Formula for the calculation of the full replacement cost is listed below:

Full replacement cost = Purchase price (tax exclusive) + vehicle purchase tax + License fee for new car

① Current purchase price is derived from current quotation from the local auto market or online quotations;

② Vehicle purchase tax is subject to relevant requirements set by the Interim Regulations of the People's Republic of China on Vehicle Purchase Tax;

③ License fee for new car is subject to the regulations of local traffic management authorities in the district where the new car belongs to.

For any vehicle which was purchased long time ago, if the model is no longer available in the market but the vehicle is still in service, its full replacement cost is determined by reference to prices in the second-hand auto market. End-of-life vehicles are evaluated at their realizable values.

3) Electronic equipment

Full replacement cost of electronic equipment is recognized at the price of electronic equipment as at the Benchmark Date being determined by information from the local market and price quotations provided by ZOL.COM.CN and PConline.com.cn, taking consideration of free delivery, installation and commissioning services offered by manufacturers:

Full replacement cost = Purchase price (tax exclusive)

For any electronic equipment which was purchased long time ago, if the model is no longer available in the market but the equipment is still in service, its full replacement cost is determined by reference to prices in the second-hand market.

4) Determination of newness rate

A. Newness rate of machinery and equipment

In this valuation, the newness rate is determined by estimating the remaining useful life based on the economic useful life, the actual used life and on-site investigation, as listed below:

Newness rate = Remaining useful life/(actual used life + remaining useful life) × 100%

B. Newness rate of vehicles

For transport vehicles, the final newness rate is determined as the lowest of the following obtained through the following method in accordance with the Provisions on the Standards for Compulsory Retirement of Motor Vehicles (2012 Decree No. 12 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection):

Newness rate of useful life = (1 – Used life/specified or Economic useful life) × 100%

Newness rate of vehicle miles of travel (VMT) = (1 – Miles travelled/specified VMT) × 100%

Newness rate = Min (Newness rate of useful life, VMT newness rate) + a

Where, a represents the adjustment coefficient under special circumstances, subject to on-site investigation on vehicles to be evaluated. If the conclusion from the investigation is different from the newness rate which is determined by the method stated above, appropriate adjustments should be made on the theoretical newness rate. No adjustment is required when they are the same or similar.

Note: No calculation of the newness rate is required for vehicles which are evaluated at prices in the second-hand auto market.

C. Newness rate of electronic equipment

The integrated newness rate is determined based on the economic useful life of electronic equipment; the integrated newness rate of large electronic equipment is determined by taking account of the environment and operation of the equipment. The formula is as follows:

Newness rate = Remaining useful life/(actual used life + remaining useful life) × 100% or newness rate = (1 – actual used life/ economic useful life) x 100%

Note: No calculation of the newness rate is required for electronic equipment which are evaluated at prices in the second-hand market.

5) Determination of appraised value

Appraised value = Full replacement cost × newness rate

(5) Fixed assets – land

Fixed assets – land within the scope of this valuation represent 30 land parcels used by Datang Hebei Power Generation Co., Ltd. (29 are allocated land parcels and 1 parcel for which the State-owned Land Use Right Certificate has not been obtained), belonging to Matou Thermal Power Branch, Datang Weishui Power Plant and Datang Fengfeng Power Plant respectively and covering a total of 4,584,133.39 square meters.

These land parcels have been evaluated by Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. who issued the Land Valuation Report ((Beijing) Zhong Di Hua Xia [2017] Ping (Gu) Zi No. 110). Based on verification of the definition of land price, valuation assumptions, principles, methods, basis and procedures as stated in the Land Valuation Report, the appraisers directly adopted the data of the Report in relation to the appraised value of land use rights regarding each land parcel.

As for land parcels for which land use right certificates have not been obtained, land acquisition costs incurred are deemed as the book value. Having reviewed relevant records in the statements and the original proof, the appraisers checked the payment details, term of amortization and the remaining benefit period and determined the appraised value by the amortized book value after verifying the authenticity of expenses and the amortization policy.

(6) Construction-in-progress

Construction-in-progress includes building projects and equipment installation.

1) Construction-in-progress (building projects)

Construction-in-progress which is still in its construction period are evaluated by the cost approach based on project status and progress and the analysis of data collected, taking account of confirmation on contract completion schedules and determination of the percentage of project funds payable against actual progress.

A. Uncompleted projects which were commenced within six months prior to the Benchmark Date are evaluated at the verified book value plus a reasonable capital cost as they have reflected the acquisition cost as at the Benchmark Date.

B. For projects which are terminated due to disapproval of administrative departments, upfront expenses and re-construction expenses included in fixed assets under valuation are deemed to possess no value.

C. Expenses incurred in the course of building projects are evaluated at the verified book value.

D. For ongoing projects which were commenced over six months prior to the Benchmark Date, the appraised value is based on a reasonable construction period plus capital cost if the book value does not contain such capital cost. If the book value is greatly different from the price level as of the Benchmark Date, the appraised value is subject to adjustments based on the price level as of the Benchmark Date.

Capital cost = (Declared book value – unreasonable charges) × interest rate × construction period/2

In which:

① The interest rate is determined at the lending rate published by the People's Bank of China as at the Benchmark Date;

② The construction period is reasonably determined by project scale and the actual completion rate, with reference to working-day norm of such project;

③ Capital cost will not be accrued when the declared value of construction-in-progress contains such cost.

2) Construction-in-progress (equipment installation)

Construction-in-progress (equipment installation) includes technological transformation projects related to equipment of Matou Thermal Power Branch and Baoding Thermal Power Plant.

Uncompleted projects which were commenced within six months prior to the Benchmark Date are evaluated at the verified book value as they have reflected the acquisition cost as at the Benchmark Date.

For ongoing projects which were commenced over six months prior to the Benchmark Date, the appraised value is based on the verified book value plus capital cost if the book value does not contain such capital cost.

Capital cost = (Declared book value – unreasonable charges) × interest rate × construction period/2

(7) Intangible assets – land use rights

Intangible assets – land use rights within the scope of this valuation relate to 12 land parcels under branches of Datang Hebei Power Generation Co., Ltd., belonging to Matou Thermal Power Branch, Datang Baoding Thermal Power Plant and Datang Wangkuai Hydropower Plant respectively. The land use rights cover 989,065.15 square meters in total.

These land parcels have been evaluated by Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. who issued the Land Valuation Report ((Beijing) Zhong Di Hua Xia [2017] Ping (Gu) Zi No. 110). Based on verification of the definition of land price and valuation assumptions, principles, methods, basis and procedures as stated in the Land Valuation Report, the appraisers directly adopted the data of the Report in relation to the appraised value of land use rights regarding each land parcel.

As for land parcels for which land use right certificates have not been obtained, land acquisition costs incurred are deemed as the book value. Having reviewed relevant records in the statements and the original proof, the appraisers checked the payment details, term of amortization and the remaining benefit period and determined the appraised value by the amortized book value after verifying the authenticity of expenses and the amortization policy.

(8) Intangible assets – others

For application software which are purchased externally, the appraisers reviewed relevant supporting documents, obtained information about the composition of recording value, the amortization method and the term, and checked the original proof. The verification indicates that recording amounts tally with those presented in financial statements. Software not in use will not be evaluated, while those still in use will be evaluated based on market price net of deductible VAT.

(9) Goodwill

Goodwill is formed by the acquisition of equity interests of Hebei Matou Power Generation Co., Ltd. The appraisers recognize such goodwill as formed by business merger involving entities not under common control with reference to the Notice of the General Office of the National Development and Reform Commission and the General Office of State-owned Assets Supervision and Administration Commission of the State Council on Issues Concerning the Transfer of Equity of Hebei Matou Power Generation Co., Ltd. (Fa Gai Ban Jing Ti [2014] No. 2767) (發改辦經體[2014]2767號《國家發展改革委辦公廳國資辦公廳關於河北馬頭發電有限責任公司股權轉讓有關問題的通知》) and the verified accounting proof. The book value of goodwill represents the net of consideration (being RMB225,640,000.00) paid by Hebei Matou Power Generation Co., Ltd. for business merger involving entities not under common control on 31 March 2015 over the fair value of net assets of the investee entity as at 31 March 2015 (being RMB171,408,048.28). As at the Benchmark Date, the generating unit involved in the acquisition has been closed down. However, the Notice of Hebei Development and Reform Commission on Issuing the "Interim Measures for Compensated Use of Obsolete Coal-fired Generating Unit Capacity in Hebei Province" (Ji Fa Gai Wei Neng Yuan [2017] No. 1162) (冀發改委能源[2017]1162號文件《河北省發展和改革委員會關於印發(河北省淘汰煤電機組容量有償使用暫行辦法)》) stated that owners of the replacement

project for new coal-fired power generators with equivalent capacity which is initiated by the provincial government (referred to as the "Equivalent Capacity Replacement Project") can offer funds at their discretion to support companies with obsolete coal-fired generating units. The funds in form of compensation for obsolete coal-fired generating are no higher than RMB500/kW based on the capacity of generating units and to be determined through negotiations between the Equivalent Capacity Replacement Project and companies with obsolete generating units. As physical assets related to the generating unit No. 7 are of realizable value with an installed capacity of 220MW, the sum of fund to be given will be up to RMB110 million according to the aforesaid document, which will be classified as an equity item. The document only sets the cap without provisions on timing and actual amount. It is hard to determine the equity value related to such assets. As such, the appraised value of goodwill is stated at its book value.

(10) Long-term unamortized expenses

For long-term unamortized expenses, the appraised value is based on the verified expenses and the amortization policy and determined by the values of assets and rights whose owners still exist after the realization of the objectives of valuation and do not act as owners of other valuation target at the same time. Book value verified as accurate is deemed as the appraised value.

(11) Liabilities

Actual debtors and amounts of all liabilities after realization of the objectives of valuation shall be verified, and the appraised value is determined based on liability items and amounts to be undertaken by property owners after realization of the objectives of valuation.

(III) Introduction to the income approach

1. Overview

In accordance with the Standards for Asset Appraisal – Enterprise Value, the value of equity to be reorganized for transfer purpose is estimated by the discounted cash flow (DCF) method based on income channels.

The DCF method is an asset appraisal method which appraises asset value by discounting the expected future cash flow into present value. Under this method, appraised value is obtained by converting the future expected cash flow into the present value at a proper discount rate. The basic conditions of application are: the enterprise has the foundation and conditions for continuous operation, there is a stable correlation between operation and income, and that the future income and risks can be forecast and quantified. The key of deployment of DCF method lies with the forecast of expected future cash flow, the objectiveness and reliability of data collection and processing. An objective forecast of future expected cash flow and a reasonable selection of discount rate will produce a relatively objective valuation result readily accepted by the market.

2. Basic considerations for appraisal

With reference to due diligence, asset composition and characteristics of main businesses of the valuation target, this valuation is to estimate the value of equity capital based on audited financial statements of the valuation target. Value of operating assets is first obtained by adopting DCF method based on income channels, and the sum of such value of operating assets and that of other non-operating or surplus assets (liabilities) represents the enterprise value. The value of total shareholders' equity is obtained by deducting the value of interest-bearing debts from the enterprise value.

Detailed considerations of this valuation are as follows:

(1) For the assets and principal activities included in the financial statements, estimate their expected income (net cash flow) according to the trend in the operation history and type of business and obtain the value of operating assets by discounting;

(2) For cash assets (liabilities) included into the financial statements but not considered in estimating the expected income (net cash flow) (including cash and cash equivalents, dividends receivable and payable that exist on the Benchmark Date), and other assets including inactive or idle equipment, define them as surplus or non-operating assets (liabilities) as at the Benchmark Date and measure their value separately;

(3) Obtain the enterprise value by summing the value of each of the aforesaid assets and liabilities, and the value of equity capital (total shareholders' equity) is such enterprise value deducted by the value of interest-bearing debts as at the Benchmark Date.

3. Valuation model

(1) Basic model

The basic model used for this valuation is:

$$E = B - D \quad (1)$$

In which:

E: represents the value of total shareholders' equity (net assets);

B: represents the enterprise value;

$$B = P + I + C \quad (2)$$

P: represents the value of operating assets;

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n} \quad (3)$$

In which:

Ri: represents the expected income to be obtained in Year i (free cash flow);

r: represents the discount rate;

n: represents the future operation period;

I: represents the value of long-term investment as at the Benchmark Date;

C: represents the value of surplus or non-operating assets (liabilities) that exist on the Benchmark Date;

$C = C1 + C2$ (4)

C1: represents the value of current surplus or non-operating assets (liabilities) that exist on the Benchmark Date;

C2: represents the value of non-current surplus or non-operating assets (liabilities) that exist on the Benchmark Date;

D: represents the value of interest-bearing debts.

(2) Income indicator

This valuation adopts free cash flow as the income indicator for operating assets, which is basically defined as:

R = EBIT × (1 – income tax rate) + depreciation amortization – additional capital (5)

Estimate the free cash flow during the future operating period based on operation history of the valuation target and future market development. The value of operating assets is obtained by discounting and summing up the estimated free cash flow during the future operating period.

(3) Discount rate

The discount rate r is determined using the weighted average cost of capital (WACC) model:

$r = r_d \times w_d + r_e \times w_e$ (6)

In which:

W_d: represents the debt ratio;

$$w_d = \frac{D}{(E+D)} \quad (7)$$

W_e: represents the equity ratio;

$$w_e = \frac{E}{(E+D)} \quad (8)$$

r_d: represents the interest rate applicable to interest-bearing debts after tax;

r_e: represents cost of equity capital. The cost of equity capital re is determined using the capital asset pricing model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (9)$$

In which:

r_f: represents risk-free return rate;

r_m: represents expected rate of return;

ε : represents the characteristic risk adjustment coefficient;

β_e: represents the expected market risk coefficient of equity capital;

$$\beta_e = \beta_u \times (1 + (1-t) \times \frac{D}{E}) \quad (10)$$

β_u: represents the expected leverage-free market risk coefficient of comparable company;

$$\beta_u = \frac{\beta_t}{1 + (1-t)\frac{D_i}{E_i}} \quad (11)$$

β_t: represents the expected average market risk coefficient for stocks (assets) of comparable company;

$$\beta_t = 34\%K + 66\%\beta_x \quad (12)$$

In which:

K: represents the average risk level expected for future stock market, generally assuming K=1;

β_x: represents the historical average market risk coefficient for stocks (assets) of comparable company;

D_i and E_i: represent interest-bearing debts and equity capital of comparable company respectively.

VIII. EXECUTION OF VALUATION PROCEDURES

The whole valuation is carried out in four stages:

(I) Preparation

1. The client convene negotiation meeting with the parties and intermediaries involved, discussing about and reaching an agreement on valuation objectives, Benchmark Date, valuation scope and other issues, and formulating a work plan for this valuation.

2. Engagement staff collaborate with companies in asset stocktaking and completion of statements for asset valuation and declaration. Engagement staff acquire details about assets within the valuation scope, make arrangement for asset valuation, assist companies with declaration of asset within the valuation scope and collect documents and information necessary for asset valuation.

(II) On-site survey

On-site survey conducted by the engagement team aims to acquire information about the following aspects:

1. Listen to overall company introduction given by responsible staff of the clients and evaluated entity, together with introduction of history and status of assets to be evaluated, so as to have an overall picture about companies' financial system, state of operation and configuration of fixed assets.

2. Review statements for asset stocktaking, valuation and declaration provided by companies, make reconciliation to relevant financial records and collaborate with companies to make adjustment when issues are identified.

3. Conduct complete fixed asset checking based on the statements for asset stocktaking, valuation and declaration, and test counts on inventory assets in the current assets.

4. Review and collect property right supporting documents.

5. Determine specific valuation method for each category of assets to be evaluated based on their actual state and characteristics.

6. For key machinery and equipment, review technical documents, information about final accounts and project completion and acceptance documents; conduct market survey and desk research to collect price information related to general-purpose equipment; acquire information about management and maintenance, re-construction, extension project related to buildings.

7. Verify ownership documents provided by companies.

8. Make preliminary valuation and estimation for assets and liabilities within valuation scope on the basis of stocktaking and verification.

(III) Result analysis and summary

Analyze preliminary and summarise results from asset valuation and liability review, adjust, update and improve such valuation results where necessary.

(IV) Submission of the Report

Draft an Asset Valuation Report based on work performed; communicate such valuation results with the client. Upon full consideration of opinions received, repeatedly modify and amend the report in accordance with the valuer's internal review mechanism and procedure for Asset Valuation Reports, and then issue the final Asset Valuation Report.

IX. VALUATION ASSUMPTIONS

Appraisers followed the following assumptions in this valuation:

(I) General Assumptions

1. Transaction Assumption

The transaction assumption is that all assets to be evaluated are in the process of transaction, and the appraisers will make estimation in a simulated market according to the transaction conditions of assets to be evaluated. The transaction assumption is a most fundamental assumption for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is that with respect to the asset traded or to be traded in the market, the transacting parties are equal and have sufficient opportunity and time to access the market information so as to make a rational judgment on the function, purpose and transaction price of assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. Continuing Operations of Assets Assumption

The continuing operations assumption of assets is an assumption that the assets to be valued can be used continuously based on the intended purpose, method of operation, scale, frequency and environmental conditions, or can be used on a changed basis. In this case, the corresponding valuation method, parameters and basis shall be determined accordingly.

(II) Special Assumptions

1. It is assumed that the external economic environment remain unchanged and there is no significant change in current macroeconomic policies up to the Benchmark Date;

2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates, etc.;

3. All assets under valuation are based on the actual inventories as of the Benchmark Date, and the domestic effective prices are used as the basis for the prevailing market prices of assets;

4. It is assumed that all basic information and financial information provided by the clients and the evaluated entity are true, correct and complete;

5. The scope of valuation shall be subject to the financial statements provided by the clients and the evaluated entity without considering any possible contingent assets or liabilities out of the lists provided by the clients and the evaluated entity.

6. All parameters used for valuation purpose take no consideration of inflation factor;

7. The evaluated entities continue to operate with diligent work of its management in future operation periods;

8. The valuation takes no consideration of gains or losses due to changes in the circumstances of the main businesses resulted from changes in management, operation strategies and business environment;

9. It is assumed that tariffs remain at the same level as at the Benchmark Date, with tariff determination taking full account of the circumstances of obtaining subsidies for desulfurisation, denitrification and dedusting, and composition of historical annual tariff. It is also assumed that tariffs remain unchanged in the forecast period and future periods;

10. The value of project investments and project progress coincide with investment plans, project feasibility research reports and estimated investment budgets provided by the company; projects are funded in time to realize scheduled operation;

11. Datang Hebei Renewable Energy (Zhangbei) Co., Ltd. (大唐河北新能源(張北)有限責任公司):

Pursuant to Ji Jia Guan [2010] Document No. 61 and Ji Jia Guan [2013] Document No. 93 (冀價管[2010]61號、[2013]93號文件) issued by Hebei Price Bureau and Notice of the National Development and Reform Commission on Improving On-grid Tariff Policy for Wind Power (Fa Gai Jia Ge [2009] No. 1906) (《國家發改委關於完善風力發電上網電價政策的通知》(發改價格[2009]1906號)), on-grid tariff (tax inclusive) for Phase II and Phase III of Zhangbei Wind Power Plant stands at RMB0.54/kWh as set by the State, as adjusted by adjustments made by the State to the benchmark on-grid tariff;

According to relevant regulation under Clause 2 under Article 27 of Enterprise Income Tax Law of People's Republic of China and Article 87 of Rules for Implementation of Enterprise Income Tax Law of People's Republic of China, environmental protection projects including those related to wind power are entitled to preferential policy with effect from 1 January 2008. Starting from the first taxable year in which operation revenue is recorded, those projects enjoy three years of tax exemption and another three years of half-rate tax discount. As at the Benchmark Date, phase II, phase III and phase IV of the evaluated entity's project have obtained the preferential tax filing from relevant authorities of State Administration of Taxation;

The revenue of the valuation target is mainly derived from sale of electricity from wind power. It is assumed that scale of assets, composition of revenue and cost, sales strategies and cost control in future operation periods will continue with status as at the Benchmark Date. The annual power generation volume in future operation periods is based on verified capacity of wind power generating units and average utilization hours, taking no account of special changes resulted from possible ultra-reduction of power generation. The assumption takes no consideration of possible changes in operation ability, business scale and business structure due to changes in operation strategies and business environment (even though such changes may probably occur). That is to say, this valuation is based on the continuation of the operation capacities, business scale and operation mode of power generation as at the Benchmark Date;

Datang Hebei Renewable Energy (Zhangbei) Co., Ltd. is qualified for preferential tax according to Notice on Issues Relevant to Implementation of the List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences (Cai Shui [2008] No. 46) (財稅[2008]46號《關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知》), List of Public Infrastructure Projects Entitled to Enterprise

Income Preferential Tax (2008) (Cai Shui [2008] No. 116) (財税[2008]116號《公共基礎設施項目企業所得税優惠目錄(2008年版)》) and Notice on Issues Relevant to Implementation of Enterprise Income Preferential Tax for Public Infrastructure Projects Supported by the State (Guo Shui Fa [2009] No. 80) (國税發[2009]80號《關於實施國家重點扶持的公共基礎設施項目企業所得税優惠問題的通知》). Upon the approval of Zhangbei Municipal Office, SAT, Wudengshan (Zhangbei) phase II Wind Power Project is entitled to tax exemption from 2011 to 2013 and half-rate enterprise income tax discount from 2014 to 2016; Wudengshan (Zhangbei) phase III Wind Power Project is entitled to tax exemption from 2014 to 2016 and half-rate enterprise income tax discount from 2017 to 2019; Wudengshan (Zhangbei) phase IV is entitled to tax exemption from 2016 to 2018 and half-rate enterprise income tax discount from 2019 to 2021;

12. Datang Wuyuan Renewable Energy Co., Ltd. (大唐五原新能源有限公司):

In accordance with Approval of Inner Mongolia Development and Reform Commission on On-grid Tariffs for Renewable Energy Power Generation Projects Including Wulanchulu 40MWp PV Project and Wendu'erhua 10MWp PV Project (Nei Fa Gai Jia Zi [2013] No. 2697) (《內蒙古自治區發展和改革委員會關於核定烏蘭楚魯40MWp光伏發電項目、溫都爾花10MWp光伏發電項目等可再生能源發電項目上網電價的批覆》(內發改價字[2013]2697號)) issued by Inner Mongolia Development and Reform Commission, on-grid tariff (tax inclusive) stands at RMB1.00/kWh with effect from the date of on-grid power generation, subject to adjustments in light of state adjustments to the benchmark on-grid tariff. As at the Benchmark Date, such project has been listed in List of Tariff Premium Subsidy Funds for Renewable Energy (《可再生能源電價附加資金補助目錄》), and is entitled to appropriate subsidies based on the volume of on-grid power generation;

The revenue of the evaluated entity is mainly derived from sales of electricity generated by solar power. It is assumed that scale of assets, composition of revenue and cost, sales strategies and cost control in future operation periods will continue with status as at the Benchmark Date. The annual power generation volume for each year in future operation periods is based on verified capacity of PV power generating units and average utilization hours, taking no account of special changes resulting from possible ultra-reduction of power generation. During the future periods, electricity restriction level and policy of the evaluated entity is deemed to remain the same as that on Benchmark Date. The assumption takes no consideration of possible changes in operation ability, business scale and business structure due to changes in operation strategies and business environment (even though such changes may probably occur). That is to say, this valuation is based on the continuation of the operation capacities, business scale and operation mode of power generation as at the Benchmark Date;

Datang Wuyuan Renewable Energy Co., Ltd. is qualified for preferential tax according to Article 87 under Chapter IV of the Preferential Tax Treatments of Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法實施條例》第四章税收優惠), pursuant to which, Wuyuan Solar Power Project is entitled to tax exemption and from 2014 to 2016 and half-rate enterprise income tax discount from 2017 to 2019;

13. Datang Wulate Houqi Wind Power Generation Co., Ltd. (大唐烏拉特後旗風電有限公司):

Datang Wulate Houqi Renewable Energy Co., Ltd. includes 2 segments, namely the wind power project and the photovoltaics project. In accordance with Approval of Inner Mongolia Development and Reform Commission on On-grid Tariffs for Renewable Energy Power Generation Projects Including Wulanchulu 40MWp PV Project and Wendu'erhua 10MWp PV Project (Nei Fa Gai Jia Zi [2013] No. 2697) (《內蒙古自治區發展和改革委員會關於核定烏蘭楚魯40MWp光伏發電項目、溫都爾花10MWp光伏發電項目等可再生能源發電項目上網電價的批覆》(內發改價字[2013]2697號)) issued by Inner Mongolia Development and Reform Commission, on-grid tariff (tax inclusive) stands at RMB1.00/kWh with effect from the first date of on-grid power generation, subject to adjustments in light of state adjustments to the benchmark on-grid tariff. As at the Benchmark Date, such project has been enrolled into List of Tariff Premium Subsidy Funds for Renewable Energy (《可再生能源電價附加資金補助目錄》), and is entitled to appropriate subsidies based on on-grid power generation (being RMB0.01/kWh (tax inclusive));

In accordance with Reply Concerning the On-grid Tariffs for Renewable Wind Power Generation Project in Bayannao'er (Nei Fa Gai Jia Zi [2010] No. 2903) (關於巴彥淖爾市部分企業風力發電項目上網電價的批覆》(內發改價字[2010]2903號)) issued by Inner Mongolia Development and Reform Commission, on-grid tariff (tax inclusive) stands at RMB0.51/kWh with effect from the first date of on-grid power generation, subject to adjustments in light of state adjustments to the benchmark on-grid tariff. As at the Benchmark Date, such project has been included into List of Tariff Premium Subsidy Funds for Renewable Energy (《可再生能源電價附加資金補助目錄》), and is entitled to appropriate subsidies according to the volume of on-grid power generation (being RMB0.01/kWh (tax inclusive));

Revenue of the evaluated entity is mainly derived from the sale of electricity generated by wind power. It is assumed that scale of assets, composition of revenue and cost, sales strategies and cost control in future operation periods will continue with status as at the Benchmark Date. The annual power generation volume in future operation periods is based on verified capacity of wind power generating units and average

utilization hours, taking no account of special changes resulting from possible ultra-reduction of power generation. The assumption takes no consideration of possible changes in operation ability, business scale and business structure due to changes in operation strategies and business environment (even though such changes may probably occur). That is to say, this valuation is based on the continuation of the operation capacities, business scale and operation mode of power generation as at the Benchmark Date;

Pursuant to Announcement of Inner Mongolia Provincial Office of SAT on Issues Concerning Implementation of Enterprise Income Tax Preferential Related to Western Region Development (No. 9) (《內蒙古自治區國家税務局關於執行西部大開發企業所得税優惠政策有關具體問題的公共》(第9號)) and Announcement of the State Administration of Taxation on Issues Concerning Enterprise Income Tax Related with Enhancing the Western Region Development Strategy ([2012] No. 12) (《國家税務局關於深入實施西部大開發有關企業所得税問題的公告》(2012年第12號)), enterprise income tax rate is reduced to 15% with effect from 2014;

Datang Wulate Houqi Renewable Energy Co., Ltd. is qualified for preferential tax according to Article 87 under Chapter IV Preferential Tax Treatments of Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法實施條例》第四章税收優惠), pursuant to which, Wulate Houqi Solar Power Project is entitled to tax exemption and from 2014 to 2016 and half-rate enterprise income tax discount from 2017 to 2019;

14. Datang Baoding Heat Supply Co., Ltd.:

For future forecast periods, the valuation target's assets and their composition, composition of revenue and cost of main businesses, sales strategies and cost control will continuously develop as coverage of heat supply expands. Gains or losses on changes to assets and their composition, main businesses and product structures resulting from changes in coverage of heat supply fall within the scope of consideration;

During future forecast periods, all expenses incurred by the valuation target, based on the current level, will follow the trends over recent years and move in tandem with changes in operation scale.

15. It is assumed that subsequent to the Benchmark Date, the valuation target's average inflows represent cash inflows subsequent to and average outflows represent subsequent cash outflows.

When conditions stated above change, valuation results will become invalid.

X. CONCLUSION OF VALUATION

(1) Conclusion of asset-based approach

The evaluation conclusion according to the use of asset-based approach as at the Benchmark Date (i.e. 30 September 2017):

The book value of the total assets was RMB6,996.3428 million and the appraised value was RMB8426.9280 million, representing an increase of RMB1,430.5862 million and 20.45%.

The book value of the total liabilities was RMB4,019.2760 million and the appraised value was RMB3,984.5580 million, representing a decrease of RMB34.7180 million and 0.86%.

The book value of the net assets was RMB2,977.0668 million and the appraised value was RMB4,442.3700 million, representing an increase of 49.22%. The details are shown in the following table.

Table of Summary of Asset Valuation Results

Unit: RMB0'000

Item		Book value	Appraised value	Increase or decrease	Increase or decrease %
		B	C	D = C – B	E = D/B × 100%
1	Current assets	205,233.33	199,110.41	-6,122.92	-2.98
2	Non-current assets	494,400.95	643,582.39	149,181.44	30.17
3	Available-for-sale financial assets	–	–	–	
4	Long-term receivable	1,800.00	1,800.00	–	–
5	Including: long-term equity investments	157,291.97	184,190.58	26,898.61	17.10
6	Fixed assets	321,766.94	413,398.10	91,631.16	28.48
	Including: buildings	79,653.39	124,616.80	44,963.41	56.45
	Equipment	238,535.51	229,442.34	-9,093.17	-3.81
	Lands	3,578.05	59,338.95	55,760.90	1,558.42
7	Construction-in-progress	2,780.72	2,791.29	10.57	0.38
8	Intangible assets	3,602.50	34,243.60	30,641.10	850.55
	Including: land use rights	2,677.70	33,043.86	30,366.16	1,134.04

Item		Book value	Appraised value	Increase or decrease	Increase or decrease %
		B	C	D = C – B	E = D/B × 100%
9	Goodwill	5,423.20	5,423.20	–	–
10	Long-term deferred expenses	1,735.63	1,735.63	–	–
11	Total assets	699,634.28	842,692.80	143,058.52	20.45
12	Current liabilities	144,352.86	144,352.86	–	–
13	Non-current liabilities	257,574.74	254,102.94	-3,471.80	-1.35
14	Total liabilities	401,927.60	398,455.80	-3,471.80	-0.86
15	Net assets (owners' equity)	297,706.68	444,237.00	146,530.32	49.22

(2) Results of income approach

After the conduction of checking and verification, on-site inspection, market research and inquiry, assessment and estimation and other valuation procedures, income approach was used for the valuation of the total shareholders' equity of the enterprise. The book value of net assets of Datang Hebei Power Generation Co., Ltd. as at 30 September 2017, the Benchmark Date, was RMB2,977.0668 million and the appraised value was RMB3,166.3700 million, representing an increase of RMB189.3032 million and 6.36%.

(3) Analysis of valuation results and the final valuation conclusion

1. Variance analysis of the valuation results

The appraised value of total shareholders' equity using income approach was RMB3,166.3700 million, which was RMB1,276.00 million or 28.72% lower than the value of total shareholders' equity using the asset-based approach, being RMB4,442.3700 million. The main reasons for the difference between results from the two valuation methods are as follows:

(1) The asset-based approach adopts the replacement cost of assets as the value standard, reflecting the socially necessary labour consumed by the asset investment (the cost of acquisition and construction). Such cost of acquisition and construction usually changes with the change in the national economy;

(2) The income approach adopts the expected return on assets as the value standard, taking into full account the operating capability (profitability) of the assets in the future. This profitability is often subject to impacts of various factors such as the macro economy, government control and the efficient use of assets.

Given the above, there is a variance between the results obtained by using the asset-based approach and the income approach.

(4) Selection of valuation results

The valuated entity belongs to the municipal infrastructure service industry, of which income is mainly generated from electricity supply and heat supply. The parent company and most of the subsidiaries are assets related to thermal power industry. Only a few subsidiaries are assets categorized as photovoltaic and wind power assets. Due to the uncertainties of thermal power industry and the move to a market-oriented industry being the general trend, certain uncertainties exist in the electricity price and electricity volume. Moreover, fluctuation of coal prices has relatively high impacts on the cost of electricity generation, and asset-based approach reflects the net asset value of the enterprise from the perspective of enterprise acquisition, which is the basic condition of enterprise operation and development. Accordingly, the coal-fire related assets were appraised by adopting asset-based approach.

Photovoltaic power generation and wind power are clean energies which enjoys assistance from state policies including subsidies in electricity tariffs and deductions in tax. Moreover, as the emphasis on environmental protection by the State increases, the energy development policy of the State will be favourable towards clean energies for a long period of time. Accordingly, this creates favourable external conditions for the stable income growth of enterprises engaged in photovoltaic power and wind power generation. Under the trend of continuous growth in market demand of the evaluated entity with the supports from industry policies and market trend, the income approach can relatively comprehensively reflect the overall value of the enterprise focusing on the above resources. For this valuation, photovoltaic and wind power assets (i.e. Datang Hebei Renewable Energy (Zhangbei) Co., Ltd., Datang Wuyuan Renewable Energy Co., Ltd and Datang Wulate Houqi Renewable Energy Co., Ltd.) were appraised based on income approach.

Through the above analysis, we selected the asset-based approach as the reference for the net asset value of Datang Hebei Power Generation Co., Ltd. The owners' equity of the enterprise as at the Benchmark Date obtained on this basis was RMB4,442.37 million.

XI. SPECIAL NOTES

(1) Title defects and restricted matters

1. Most of the real estates reported by Datang Hebei Power Generation Co., Ltd. (including branches) and its subsidiaries have not yet obtained the real estate certificates. The details are as follows:

Table 6 Statistics of housing buildings without property certificate

No.	Company	Number of items	Area (m^2)	With Building Ownership Certificate issued by Real Estate Bureau (items)	With Building Ownership Certificate issued by Real Estate Bureau (Area/Volume)
1	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	105	867,132.87	75	489,279.73
2	Datang Wangkuai Hydropower Plant	12	6,829.63	12	6,829.63
3	Datang Fengfeng Power Plant	22	5,373.97		
4	Datang Baoding Thermal Power Station	100	341,092.95	100	341,092.95
5	Datang Hebei Renewable Energy (Zhangbei) Co., Ltd.	2	269.49	2	269.49
6	Datang Baoding Huayuan Thermal Power Co., Ltd.	28	222,025.00	28	222,025.00
7	Datang Qingyuan Thermal Power Co., Ltd.	31	481,492.40	31	481,492
8	Datang Wu'an Power Generation Co., Ltd.	47	326,981.50	47	326,981.50
9	Datang Baoding Heat Supply Co., Ltd.	14	25,451.73	9	22,826.73

No.	Company	Number of items	Area *(m^2)*	With Building Ownership Certificate issued by Real Estate Bureau *(items)*	With Building Ownership Certificate issued by Real Estate Bureau *(Area/Volume)*
10	Datang Wuyuan Renewable Energy Co., Ltd.	6	1,878.75	6	1,878.75
11	Datang Wulate Houqi Renewable Energy Co., Ltd.	3	885.80	3	885.80
Total		370	2,279,414.09	313	1,893,561.98

For the above assets, their areas are reported according to the on-site inspection. The appraiser conducts the valuation based on the reported area after verification. In the event that its area is inconsistent with the reported area for the future handling of relevant ownership certificates in future, the valuation results shall be adjusted according to the area stipulated in the ownership certificates. The respective enterprise undertake that they own the title ownerships.

Note: The land owned by Datang Wulate Houqi Renewable Energy Co., Ltd. is leased by the local herdsmen, for a term of 25 years. Therefore, the housing buildings are not subject to housing ownership certificates.

2. For the housing buildings in this valuation, the owner of 52 right ownerships was the predecessor of the evaluated entity, which are currently undergoing under the procedure of name change. The details are as follows:

No.	Company	Certificate No.	Name of building	Unit	Area/Volume of building	Book value *(RMB)* Original value	Net value	Ownership
1	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Coal Transmission Control Room	㎡	118.30	6,600.88	29,308.30	Matou Power Generation Head Plant

No.	Company	Certificate No.	Name of building	Unit	Area/Volume of building	Book value *(RMB)* Original value	Net value	Ownership
2	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Fuel Electricity Allocation Room	㎡	206.00	156,031.09	28,666.00	Matou Power Generation Head Plant
3	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Thermal Coal and Ash Removal Power Distribution Room	㎡	28.00	25,341.71	32,871.00	Matou Power Generation Head Plant
4	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Chemical Office	㎡	858.00	191,647.50	30,779.00	Matou Power Generation Head Plant
5	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Jinxiang Complex Building	㎡	346.56	125,358.19	28,806.56	Matou Power Generation Head Plant
6	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Channel Balance Room	㎡	418.00	175,260.00	33,261.00	Matou Power Generation Head Plant
7	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Water Looping Treatment Room	㎡	207.00	178,248.55	30,858.00	Matou Power Generation Head Plant
8	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Hoist room No. 1, 2	㎡	142.50	98,601.85	28,602.50	Matou Power Generation Head Plant
9	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Hoist room No. 3	㎡	45.36	21,900.10	30,696.36	Matou Power Generation Head Plant

No.	Company	Certificate No.	Name of building	Unit	Area/Volume of building	Book value *(RMB)* Original value	Net value	Ownership
10	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Furnace Maintenance Room	㎡	420	1,508,021.60	28,880.00	Matou Power Generation Head Plant
11	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Thermal Engineering Complex Trial Building	㎡	2197.38	343,330.99	31,022.38	Matou Power Generation Head Plant
12	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Telecommunication Complex Building	㎡	582.00	260,893.40	29,772.00	Matou Power Generation Head Plant
13	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Chemical Oil Laboratory	㎡	342.90	53,802.31	25,515.90	Matou Power Generation Head Plant
14	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Coal Experiment House	㎡	322.00	101,069.86	29,512.00	Matou Power Generation Head Plant
15	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Thermal Coal and Ash Removal Ventilator Room	㎡	85.50	14,078.73	32,928.50	Matou Power Generation Head Plant
16	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Coal Thruster Room	㎡	307.50	194,975.04	28,767.50	Matou Power Generation Head Plant
17	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Plug Weld and Welding Maintenance Room	㎡	98.00	21,276.00	30,749.00	Matou Power Generation Head Plant

No.	Company	Certificate No.	Name of building	Unit	Area/Volume of building	Book value *(RMB)* Original value	Net value	Ownership
18	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002080	Management Office Building	㎡	5929.86	1,086,159.61	34,389.86	Matou Power Generation Head Plant
19	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Complex Office Building	㎡	1974.00	728,683.75	30,434.00	Matou Power Generation Head Plant
20	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Security Building	㎡	800.00	32,177.50	29,990.00	Matou Power Generation Head Plant
21	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Motor Office Building	㎡	1162.00	217,193.09	29,987.00	Matou Power Generation Head Plant
22	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Fire Pump Room	㎡	28.00	16,616.56	28,488.00	Matou Power Generation Head Plant
23	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Equipment Warehouse	㎡	1137.75	286,883.81	29,597.75	Matou Power Generation Head Plant
24	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Material Warehouse	㎡	953.25	292,278.34	29,413.25	Matou Power Generation Head Plant
25	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Component Warehouse	㎡	600.00	226,597.59	29,060.00	Matou Power Generation Head Plant

No.	Company	Certificate No.	Name of building	Unit	Area/Volume of building	Book value *(RMB)* Original value	Net value	Ownership
26	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Iron Material Warehouse	㎡	308.00	73,166.39	29,133.00	Matou Power Generation Head Plant
27	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Warehouse Office Building	㎡	308.00	49,535.63	32,055.00	Matou Power Generation Head Plant
28	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Thermal Engineering Protection Maintenance Room	㎡	230	51,156.36	25,768.00	Matou Power Generation Head Plant
29	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Fuel Sampling House	㎡	135.00	46,973.37	25,308.00	Matou Power Generation Head Plant
30	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066, Han Fang Quan Zi No. 002067	Transmission Station No. 2	㎡	2108.00	248,129.58	30,568.00	Matou Power Generation Head Plant, Hebei Matou Electricity Company Limited
31	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066, Han Fang Quan Zi No. 002067	Transmission Station No. 3	㎡	846.00	136,386.25	29,306.00	Matou Power Generation Head Plant, Hebei Matou Electricity Company Limited
32	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Metalworking Shop	㎡	1008.00	388,920.96	29,468.00	Matou Power Generation Head Plant

No.	Company	Certificate No.	Name of building	Unit	Area/Volume of building	Book value *(RMB)* Original value	Net value	Ownership
33	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Blacksmith Workshop	㎡	230.60	126,735.32	29,420.60	Matou Power Generation Head Plant
34	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002079	Fire Vehicle Warehouse	㎡	1984.25	117,903.97	31,905.25	Matou Power Generation Head Plant
35	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Riveting Room	㎡	672.00	268,724.63	34,976.00	Matou Power Generation Head Plant
36	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002079	Male Quarter No. 1	㎡	2186.88	505,901.06	30,646.88	Matou Power Generation Head Plant
37	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002079	Male Quarter No. 2	㎡	2186.88	318,825.50	31,376.88	Matou Power Generation Head Plant
38	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002079	Male Quarter No. 3	㎡	2186.88	318,825.50	31,376.88	Matou Power Generation Head Plant
39	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Female Quarter No. 4	㎡	2176.88	343,055.44	32,097.88	Matou Power Generation Head Plant
40	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002079	Staff Canteen	㎡	1984.25	404,728.52	32,270.25	Matou Power Generation Head Plant

No.	Company	Certificate No.	Name of building	Unit	Area/Volume of building	Book value *(RMB)* Original value	Net value	Ownership
41	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Electricity Gas Store No. 1	㎡	283.50	78,979.77	30,569.50	Matou Power Generation Head Plant
42	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002079	Clubhouse	㎡	2510.47	895,692.30	33,161.47	Matou Power Generation Head Plant
43	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Electricity Gas Store No. 2	㎡	201.60	21,207.96	31,583.60	Matou Power Generation Head Plant
44	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Thermal Station and Bathrooms	㎡	115.00	77,038.08	28,940.00	Matou Power Generation Head Plant
45	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002079	Staff Canteen Office Building	㎡	231.68	77,985.99	30,882.68	Matou Power Generation Head Plant
46	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002081	Boiler Office Building	㎡	2040.00	908,941.80	37,440.00	Matou Power Generation Head Plant
47	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002067	Coal Transmission Control Room	㎡	255.00	602,393.00	35,014.00	Hebei Matou Electricity Company Limited
48	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002067	Coal Breaking Plant Room	㎡	1300.00	2,406,051.00	36,059.00	Hebei Matou Electricity Company Limited

No.	Company	Certificate No.	Name of building	Unit	Area/Volume of building	Book value *(RMB)* Original value	Net value	Ownership
49	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002067	Coal Bulldozer Store	㎡	270.00	266,464.00	35,029.00	Hebei Matou Electricity Company Limited
50	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Water Treatment Room	㎡	970.70	448,038.87	29,430.70	Matou Power Generation Head Plant
51	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Titanium Production Station (including walls)	㎡	207.00	89,662.38	29,032.00	Matou Power Generation Head Plant
52	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	Han Fang Quan Zi No. 002066	Titanium Production Station (including walls)	㎡	105	107,624.65	30,756.00	Matou Power Generation Head Plant
Total					39,150.79	15,742,076.33	1,595,930.43	

3. For the evaluated vehicles of Datang Hebei Power Generation Co., Ltd. (including branches) and its subsidiaries, there are 32 units whose owners indicated in the ownership certificates are inconsistent with the name of the evaluated entity, for which procedures of name change have not yet commenced. The details are as follows:

Table 7 Statistics of inconsistency in vehicle ownership certificates between owners and the valuated entity

No.	Name of unit	Number of items	Original book value *(RMB)*	Net book value *(RMB)*
1	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	14	4,467,057.56	215,425.60
2	Datang Baoding Thermal Plant	3	1,132,855.33	23,838.67
3	Datang Baoding Huayuan Thermal Power Co., Ltd.	4	2,332,285.08	69,502.20
4	Datang Baoding Heat Supply Co., Ltd.	8	1,808,765.20	69,027.70
5	Datang Wulate Houqi Renewable Energy Co., Ltd.	3	547,380.94	164,527.74
Total		32	10,288,344.11	542,321.91

For the above matter, the above companies have undertaken that the vehicles are owned by themselves without ownership disputes.

4. Certain lands of Datang Hebei Power Generation Co., Ltd. (including the branches) and its subsidiaries has not yet obtained the land use right certificates. The details are as follows:

Table 8 Statistics of lands without property certificate

No.	Name of unit	Name of parcel	Area *(m^2)*	Book value *(RMB)*
1	Datang Fengfeng Power Plant	Factory area	114,302	8,667,645.60
2	Datang Hebei Renewable Energy (Zhangbei) Co., Ltd.	Wind turbine base of Phase 3 of Zhangbei	15,100.00	1,459,199.94
3	Datang Baoding Huayuan Thermal Power Co., Ltd.	Datang Baoding Huayuan Thermal Power Co., Ltd. (Original Oil Storage Area)	5,274.50	1,190,552.20

No.	Name of unit	Name of parcel	Area (m^2)	Book value (RMB)
4	Datang Qingyuan Thermal Power Co., Ltd.	Qingyuan thermal power railway reserved land	42,358.00	22,577,454.08
Total			171,760.00	33,894,851.82

5. For land use rights, Datang Hebei Power Generation Co., Ltd. (including the branches) and its subsidiaries have 17 items of certificate ownership which have inconsistency with the name of the evaluated entity, and for which the procedures of name change have not yet commenced. The details are as follows:

Table 9 Statistics of inconsistency in land use rights between owners and the evaluated entity

No.	Name of unit	Number of items	Area	Book value (RMB)
1	Matou Thermal Power Branch of Datang Hebei Power Generation Co., Ltd.	8	2,909,988.39	25,170,000.00
2	Datang Weishui Power Plant	1	14,083.00	29,897.12
3	Datang Fengfeng Power Plant	2	2,649.79	–
4	Datang Baoding Huayuan Thermal Power Co., Ltd.	4	26,273.40	9,488,777.19
5	Datang Wulate Houqi Renewable Energy Co., Ltd.	1	10,906.00	–
Total		17	2,963,900.58	34,688,674.31

(2) Uncertain issues such as pending lawsuits and legal disputes

As of the Benchmark Date, the evaluated entity does not have uncertain issues such as pending lawsuits and legal disputes.

(3) Secured (pledged) and its contingent liabilities, contingent assets, amounts and its corresponding assets and liabilities

1. As of the Benchmark Date, Datang Hebei Power Generation Co., Ltd. has borrowed RMB500 million from Baoding Wusi West Road Branch of China Construction Bank for the term from November 2006 to November 2021 at the loan rate of 4.41%. The loan is used for the purpose of the construction of phase 8 of Datang Baoding Thermal Plant. Datang Hebei Power Generation Co., Ltd. has entered into a loan pledge contract with Baoding Wusi West Road Branch of China Construction Bank Limited, pursuant to which, the loan was guaranteed by pledge of right to charge for a proportion of electricity fees equivalent to the proportion of the RMB500 million from the loan in the total project investment used in the construction of 2 x 200MW coal-fired power and heat generation units of the phase 8 of expansion project of Datang Baoding Thermal Plant. The project was secured by the right to charge for electricity fees of the project.

2. As of the Benchmark Date, Datang Hebei Renewable Energy (Zhangbei) Co., Ltd. borrowed 5 batches of loans from Zhangbei Branch of China Agriculture Bank with the security of credit guarantee in construction period and the right to charge electricity fees during operation period, amounted to RMB33.8120 million, RMB53.0000 million, RMB63.5175 million, RMB13.8100 million and RMB36.0200 million, respectively. The maturity date is 10 December 2028. The proceeds will be used for the construction of 49.5MW project of phase 4 of Datang Zhangbei Wudengshan Wind Power Plant. As of the Benchmark Date, the remaining book value of 5 batches of long-term loans was RMB157,677,010.00.

3. On 27 June 2014, CMB Financial Leasing Co., Ltd. and Datang Hebei Power Generation Co., Ltd. has entered into a sale-leaseback contract, to lease 54 units of equipment including boilers, steam turbines, precipitators and power generators, at the consideration of RMB512.4353 million. The total financing amount was RMB450.00 million. CMB Financial Leasing Co., Ltd. has made the payment to Datang Hebei Power Generation Co., Ltd. according to the consideration agreed under the contract and the date of lease payment as the leasing date with a term of 6 years. The rental fee shall be settled in 25 instalments. The lease rate is 5-year RMB Loan Benchmark Interest Rate-12% published by the People's Bank of China. The commission fee of the total financing lease was 4.40% of the total financing amount. The total margin was 4.00% of the total financing amount. After the expiry of the lease period, the leased equipment would be purchased by Datang Hebei Power Generation Co., Ltd. at the agreed purchase nominal consideration of RMB1 pursuant to the contract. The ownership of the leased equipment would be held by Datang Hebei Power Generation Co., Ltd.

4. On 26 April 2016, Datang Hebei Renewable Energy (Zhangbei) Co., Ltd. has entered into a sale-leaseback contract with CCB Financial Leasing Co., Ltd., to lease back the machinery and equipment of the original book value of RMB521.9343 million by the way of financing lease after selling to CCB Financial Leasing Co., Ltd. at the consideration of RMB412.2270 million with the lease term from 27 April 2016 to 21 April 2024. The rental fee shall be settled in 32 instalments. The rental fee was calculated on the basis of the combination of lease cost and lease interest rate. The minimum financing lease payment was RMB310.0000 million. The lease interest rate was calculated based on over-5-year RMB Loan Benchmark Interest Rate -10% (tax inclusive) announced by People's Bank of China, and the actual interest rate was calculated based on 5-year Loan Benchmark Interest Rate -10% (tax inclusive) of People's Bank of China. The commission fee of the first instalment of financing lease was 0.2% (tax inclusive) of the total financing. The commission fee of the remaining financing lease was 0.73% (tax inclusive) of the total financing. Upon the expiry of the lease and after Datang Hebei Renewable Energy (Zhangbei) Co., Ltd. settled the entire rental payable and other payables, the ownership of leased equipment would be held by Datang Hebei Renewable Energy (Zhangbei) Co., Ltd..

As of the Benchmark Date, the list of financing leased equipment is as follows:

Table 10 Financing leased equipment list

Unit: RMB0'000

No.	Name of equipment	Model	Quantity	Original purchase price	Original book value	Net book value
1	Wind turbine	SE7715	33 units	26,038.70	26,038.70	18,696.10
2	Wind turbine (Phase 3 of Zhangbei)	SE9320	25 units	21,691.54	21,691.54	17,448.55
3	Tower tube (Phase 3 of Zhangbei)	1600KVA/35	25 units	4,463.19	4,463.19	4,052.86
Total			83 units	52,193.43	52,193.43	40,197.51

5. On 31 March 2016, Hebei Financial Leasing Co., Ltd. has entered into a contract with Datang Qingyuan Thermal Power Co., Ltd., to purchase a set of boiler, the self-owned machinery and equipment of Datang Qingyuan Thermal Power Co., Ltd., and lease to Datang Qingyuan Thermal Power Co., Ltd. for its use by the way of financing lease at

a consideration of RMB100.00 million with the term of 5 years (from 31 March 2016 to 29 March 2021). The rental fee shall be paid in 20 instalments at the lease interest rate of 4.275% per annum. After the expiry of the lease, Datang Qingyuan Thermal Power Co., Ltd. would lease back the equipment at the nominal consideration of RMB100. Hebei Financial Leasing Co., Ltd. would transfer the entire ownership of the equipment to Datang Qingyuan Thermal Power Co., Ltd.

As of the Benchmark Date, the list of financing leased equipment is as follows:

Table 11 Financial leased equipment list

Unit: RMB0'000

No.	Name of equipment	Model	Quantity	Original purchase price	Original book value	Net book value
1	Boiler	SG-1025/17.5-M4006	1 set	11,491.02	24,445.88	16,962.72
Total				11,491.02	24,445.88	16,962.72

6. On 27 April 2016, Datang Wulate Houqi Renewable Energy Co., Ltd. has entered into a sale-leaseback contract with CCB Financial Leasing Co., Ltd. Datang Wulate Houqi Renewable Energy Co., Ltd. has transferred 39 sets of wind power turbines with the original value of RMB319.6136 million to CCB Financial Leasing Co., Ltd. at the minimum leasing consideration of RMB128.00 million, and the turbines were leased back to Datang Wulate Houqi by CCB Financial Leasing Co., Ltd. The lease term was 5 years (from 28 April 2016 to 21 April 2021) and the rental fee shall be paid in 20 instalments. The lease interest rate was calculated based on over-5-year RMB Loan Benchmark Interest Rate -10% (tax inclusive) announced by People's Bank of China, and the actual interest rate was calculated based on 5-year Loan Benchmark Interest Rate -10% (tax inclusive) of People's Bank of China. The commission fee of the first instalment of financing lease was 0.2% (tax inclusive) of the total financing. The commission fee of the remaining financing lease was 0.7% (tax inclusive) of the total financing. Upon the expiry of the lease, the ownership of entire leased equipment would be held by Datang Wulate Houqi Renewable Energy Co., Ltd.

7. On 17 October 2014, Datang Wulate Houqi Renewable Energy Co., Ltd. has entered into a sale-leaseback contract with Datang Financial Leasing Co., Ltd. Datang Wulate Houqi Renewable Energy Co., Ltd. would transfer the photovoltaic components with the original value of RMB106.78 million to Datang Financial Leasing Co., Ltd. at a consideration of RMB100.00 million, and lease back to Datang Wulate Houqi by Datang Financial Leasing Co., Ltd. Datang Wulate Houqi Renewable Energy Co., Ltd. shall pay the lease fees according to the agreed interest rate. The lease term was 72 months (commencing from 17 October 2014 to 16 October 2020). The lease commission fee was RMB3.00 million and the lease interest rate was 6.55%. Upon the expiry of the lease, the leased equipment would be purchased by Datang Wulate Houqi Renewable Energy Co., Ltd. at the nominal consideration of RMB1. Datang Financial Leasing Co., Ltd. would transfer the ownership of leased equipment to Datang Wulate Houqi Renewable Energy Co., Ltd.

As of the Benchmark Date, the list of financing leased equipment is as follows:

Table 12 Financing leased equipment list

Unit: RMB0'000

No.	Name of equipment	Model	Quantity	Original purchase price	Original book value	Net book value
1	Polysilicon cell module	LDK250PAFW	80,000 pieces	9,080.00	9,892.17	8,130.13
2	35KV Outgoing unit		2 units	138.00	84.33	73.31
3	Inverter		40 units	1,460.00	890.17	773.90
Total				10,678.00	10,866.67	8,977.34

8. On 15 April 2016, Datang Financial Leasing Co., Ltd. has entered into a financial lease contract with Datang Wuyuan Renewable Energy Co., Ltd., which would transfer the photovoltaic components with the original value of RMB105.12 million to Datang Financial Leasing Co., Ltd. at the consideration of RMB100.00 million. Such components would be leased to Wuyuan Renewable Energy Company by Datang Financial Leasing Co., Ltd. Datang Wuyuan Renewable Energy Co., Ltd. would pay the leasing fee according to the agreed contract. The lease period was 72 months (commencing from 17 October 2014 to 16 October 2020). The lease interest rate was 6.55%. Upon the expiry of the lease, Datang Wuyuan Renewable Energy Co., Ltd.

would purchase the leased equipment at the nominal consideration of RMB1 and Datang Financial Leasing Co., Ltd. would transfer the ownership of the entire leased equipment to Datang Wuyuan Renewable Energy Co., Ltd..

As of the Benchmark Date, the list of financing leased equipment is as follows:

Table 13 Financing leased equipment list

Unit: RMB0'000

No.	Name of equipment	Model	Quantity	Original purchase price	Original book value	Net book value
1	Polysilicon cell module	LDK250PAFW	80,000 pieces	9,080.00	11,111.27	9,083.77
2	Inverter	SG500KTL	40 units	880.00	852.45	741.10
3	35KV box-type transformers		20 units	440.00	441.67	383.98
4	Direct-current thunder-proof junction box	16 in 1 out	160 units	64.00	68.96	59.95
5	Direct-current thunder-proof junction box Direct-current thunder-proof junction box	14 in 1 out	120 units	48.00	51.72	44.96
Total				10,512.00	12,526.07	10,313.75

The financing leased equipment is appraised as self-owned equipment according to the actual terms of the above contracts.

Save for the above mentioned, there is no security (pledge) and its contingent liabilities and contingent assets.

(4) Major subsequent events

None.

(5) Other issues to be explained

1. Beijing Zhongdi Land and Real Estate Appraisal Co. Ltd. was engaged by the client to conduct land valuation and separately issued the valuation report of land use rights. The appraised value of the land use rights is directly quoted from the valuation report result issued by Beijing Zhongdi Land and Real Estate Appraisal Co. Ltd. The land range, valuation purpose and Benchmark Date set out in the valuation report are the same in this report. The valuation report and this report will be jointly submitted to China Datang Corporation for filing.

2. The appraisers and the valuer are legally responsible for the professional judgment made on the value of assets intended for the purpose of valuation as stated in this report and the responsibility does not extend to the judgment of the appraisers and the valuation organization on the economic conduct corresponding to the purpose of valuation of the project is involved. The valuation work, to a large extent, relies on relevant information provided by the client and the evaluated entity. Hence, the valuation work is implemented under the precondition that relevant documents regarding economic conduct, relevant documents, and certificates and accounting certificates regarding asset ownership and relevant legal documents provided by the entrusting party and the appraisee are true and legitimate.

3. During the valuation, the appraisers observed the appearance of the buildings subject to valuation, and whenever possible, the interior decoration and use status of the buildings, without conducting any structural or material testing. The judgment on the status of equipment, due to limited testing methods and some equipment being in operation, mainly depend on the observation of their appearance by appraisers, the recent testing reports provided by the evaluated entity, and enquiries made to operators.

4. The client and the evaluated entity shall be responsible for the authenticity and integrity of the data, statements and relevant documents provided by the evaluated entity.

5. The clients and the evaluated entity shall be responsible for the legality and authenticity of the title certificates and relevant documents provided by the evaluated entity.

6. When conducting a valuation on available-for-sale financial assets, the appraisers did not take into account the premium and the discount arising from factors such as controlling interest and minority interests.

7. The purpose of engaging in assets valuation business by appraisers is to estimate the value of the valuation target and provide professional opinions without bearing any responsibility for the decision-making of relevant parties. The conclusion of valuation shall not be regarded as a guarantee for any price of the valuation target.

8. The profitability forecast of the evaluated entity obtained by the valuer is based on the income approach. Appraisers conducted necessary investigations, analysis and judgment for the profitability forecast. After repeated discussions with the management and main shareholders of the evaluated entity, the evaluated entity accepted the data relating to the profitability forecast after further amended and improved by the valuated entity. The use of the profitability forecast by the valuated entity shall not be deemed to assure the future profitability of the evaluated entity.

9. During the effective term after the Benchmark Date, if the quantity and pricing standard of the assets change, it shall be dealt with according to following principles:

   (1) when the quantity of assets changes, the amount of assets shall be adjusted according to the original valuation method;

   (2) when the pricing standard of the assets changes, which greatly affects the valuation result of assets, the client shall engage qualified assets valuation firm on a timely basis to determine the appraisal value;

   (3) for any changes of quantity or pricing standard of the assets after the Benchmark Date, the client shall make due consideration and adjust accordingly when determining the actual price of the assets.

10. In February 2017, Hebei Province NDRC has promulgated the Notice of Suspension of Thermal Power Installation in 2017. Hebei Province NDRC has planned to prepare a programme of optimizing the thermal power structure. It is proposed to eliminate pure power generation units lower than 30.00 million KWH and thermal power installations lower than 20.00 million KWH and fully eliminate the breached self-developed power plants by declining the emission of coal volume and substitution of clean fuels. According to the Mission List of Elimination of First Set of Thermal Power Industry in Hebei Province in 2017, the generating unit No. 8 (installed volume of 220MW) of Matou Branch of the evaluated entity should be closed by 31 December 2017.

However, the Notice of Hebei Development and Reform Commission on Issuing the "Interim Measures for Compensated Use of Obsolete Coal-fired Generating Unit Capacity in Hebei Province" (Ji Fa Gai Wei Neng Yuan [2017] No. 1162) (冀發改委能源[2017]1162號文件《河北省發展和改革委員會關於印發(河北省淘汰煤電機組容量有償使用暫行辦法)》) stated that owners of the replacement project for new coal-fired power generators with equivalent capacity which is initiated by the provincial government (referred to as the "Equivalent Capacity Replacement Project") can offer funds at their discretion to support companies with obsolete coal-fired generating units. The funds in form of compensation for obsolete coal-fired generating units are no higher than RMB500/kW based on the capacity of generating units and to be determined through negotiations between the Equivalent Capacity Replacement Project and companies with obsolete generating units. Such funds will be classified as an equity item. As the document only sets the cap without provisions on timing and actual amount, it is hard to determine the equity value related to such assets. In view that the time of closing down and the amount of compensation related to the above generating unit has not yet been confirmed, the generating unit No. 8 is therefore evaluated on the premise of continued use. The impact of the recent closing down of this generating unit on the conclusion of valuation has not been taken into account. Users of this Report should be aware of this.

The small-sized generating unit of Datang Baoding Huayuan Thermal Power Co., Ltd. falls under the scope that the State requires their closing down and switching to small-sized thermal power generating units. As the local Development and Reform Commission has not yet issued a notice to close down the unit and Huayuan Thermal Power is responsible for local power supply, the time to close down the unit is not scheduled. In this valuation, the generating unit is therefore evaluated on the premise of continued use. Users of this Report should be aware of this.

11. The goodwill was formed after the acquisition of Hebei Matou Power Generation Co., Ltd. The Notice of Hebei Development and Reform Commission on Issuing the "Interim Measures for Compensated Use of Obsolete Coal-fired Generating Unit Capacity in Hebei Province" (Ji Fa Gai Wei Neng Yuan [2017] No. 1162) (冀發改委能源[2017]1162號文件《河北省發展和改革委員會關於印發(河北省淘汰煤電機組容量有償使用暫行辦法)》) stated that owners of the replacement project for new coal-fired power generators with equivalent capacity which is initiated by the provincial government (referred to as the "Equivalent Capacity Replacement Project") can offer funds at their discretion to support companies with obsolete coal-fired generating units. The funds in form of compensation for obsolete coal-fired generating units are no higher than RMB500/kW based on the capacity of generating units and to

be determined through negotiations between the Equivalent Capacity Replacement Project and companies with obsolete generating units. It is verified that book vale of physical assets related to the generating unit No. 7 amounts to the generating unit No. 7 amounts to RMB83 million, and that book value of intangible asset-goodwill is RMB54.2320 million. As physical assets related to the generating unit No. 7 are of realizable value with an installed capacity of 220MW, the sum of fund to be given will be up to RMB110.00 million according to the aforesaid document, which will be classified as an equity item. The document only sets the cap without provisions on timing and actual amount. It is hard to determine the equity value related to such assets. As such, the appraised value of the generating unit No. 7 and its goodwill is stated at its book value. Users of this Report should be aware of this.

12. Datang Wuyuan Renewable Energy Co., Ltd. is under the amount of temporary accounting and there is difference of its actual completion with constructions of water pump rooms in two housing buildings and sewage treatment facilities not yet completed. The valuation was nil.

13. Certain land of Datang Baoding Thermal Power Plant is used by Datang Baoding Huayuan Thermal Power Co., Ltd. Due to the proximity of these two units, they share one set of ancillary facilities. The report users should take notice.

14. For the land without land use right certificate, the book value shall be the land requisition fee of the enterprise. The appraisers reviewed the relevant records and original certification in the breakdown and verified the payment, amortization term and remaining benefit term. Under the basis of no errors in expenses and amortization policies, the valuation is indicated under book values. The report users should take notice.

XII. STATEMENT OF RESTRICTIONS ON THE USE OF THE VALUATION REPORT

(1) This Valuation Report can only be used for the purpose as described in the Report. Meanwhile, the conclusion of valuation in this Report is purported to reflect the current fair market value as determined by open market principles and for the purpose of the valuation under this Report. It does not take into consideration the impact that any possible pledge or security and additional price that a special party to the transaction may have to pay may have on the appraised price. Furthermore, this Report does not take into consideration either changes in State macroeconomic policies and effects of natural forces and other forms of force majeure may have on asset prices. When the above mentioned conditions and the principle of continuous operation are changed, the conclusion of valuation will generally lose its validity. This appraisal institute may not be held legally responsible for such invalidity of conclusion of valuation due to any change in the abovementioned conditions.

The prerequisite for the validity of this Valuation Report is that the economic activity hereunder complies with any and all applicable State laws and regulations, and is approved by relevant authorities.

(2) This Valuation Report can only be used by the users as specified herein. The right to use the Valuation Report shall belong to the clients, and the valuer will not disclose this Report to any other party without the consent of the clients.

(3) The valuer and its asset appraisers shall not be held liable for any use of the Asset Valuation Report by the clients or other report users in breach of the laws, administrative regulations and out of the user range set out in the Asset Valuation Report.

(4) Except for the clients, other users of the Asset Valuation Report as agreed in the entrustment contract on asset valuation and users of the Asset Valuation Report as set out under the laws and administrative rules and regulations, no other institutions and individuals can be the users of the Asset Valuation Report.

(5) Without permission from this valuer and verifying the relevant contents, all or part of the Valuation Report may not be copied, quoted or disclosed in public media, unless otherwise provided for by laws, regulations and otherwise agreed on by the related entrusting parties.

(6) Users of the Asset Valuation Report shall correctly acknowledge the conclusion of the valuation, which should not be viewed as the realizable value of the valuation target nor should it be deemed to be a guarantee for the realizable value of the valuation target.

(7) The term of validity of the conclusion of valuation: according to the related regulations of the administration of asset valuation, the conclusion of the Asset Valuation Report can only be used after filing. The filed conclusion of valuation shall be valid for one year commencing from 30 September 2017 till 29 September 2018. Upon expiry of the one-year period, new asset valuation is required to be carried out.

XIII. DATE OF VALUATION REPORT

The date of the Valuation Report is 7 November 2017.

(No Text on This Page)

Legal Representative of Appraisal Institute:

Asset Appraisers: *Asset Appraisers:*

China United Assets Appraisal Group Co., Ltd.

7 November 2017

List of Documents Available for Inspection

1. Copies of economic activity-related document;

2. Copies of Business Licenses for Enterprise Legal Person of the clients and the evaluated entity;

3. Audited financial statements of the evaluated entity as at the Benchmark Date;

4. Land Valuation Report issued by Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. as at the Benchmark Date;

5. Major ownership certification relating to the evaluated entity (to be provided separately);

6. Letters of Undertaking of the clients and the evaluated entity;

7. Letter of Commitment of the undersigned asset appraisers;

8. Copy of Business Licenses for Enterprise Legal Person of China United Assets Appraisal Group Co., Ltd.;

9. Copy of the Qualification Certificate in Asset Valuation of China United Assets Appraisal Group Co., Ltd.;

10. Copy of the Qualification Certificate for Securities and Futures-related Business of China United Assets Appraisal Group Co., Ltd.;

11. Copy of the Qualification Certificates of the undersigned asset appraisers.

The following is the summary of the asset valuation report prepared by China Enterprise in relation the valuation of Anhui Company under the Transfer Agreement as at 30 September 2017.

The English version of this document is for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Asset Valuation Report on the Value of All of Shareholders' Interests of Datang Anhui Power Generation Co., Ltd. under the Proposed Transfer by China Datang Corporation of the Equity of Datang Anhui Power Generation Co., Ltd.

Zhong Qi Hua Ping Bao Zi (2017) No. 1296-01
(Volume 1 of 1)

China Enterprise Appraisals Co., Ltd.
7 November 2017

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STATEMENT

1. This Asset Valuation Report was prepared in accordance with the Asset Valuation Standards – Basic Standards issued by the Ministry of Finance and professional conduct standards for asset valuation and professional ethics for asset valuation issued by China Appraisal Society.

2. The asset appraisal institute and its asset appraisers have complied with the laws, administrative rules and regulations and asset valuation standards on the principles of independence, objectivity and impartiality, and are responsible, under the laws, for the asset valuation report issued by them.

3. The clients or other users of the asset valuation report shall use the Asset Valuation Report under the scope under the provisions of the laws, administrative rules and regulations and set out in the Asset Valuation Report. Where the clients or other users of the asset valuation report are in breach of the above regulations, the asset appraisal institute and its asset appraisers would not bear the responsibilities.

   This Asset Valuation Report shall only be used by the clients, other users of the asset valuation report specified in the asset valuation entrustment contract, and users of asset valuation report under the provisions of laws, administrative rules and regulations. Save for the above, any other institutions and individuals shall not be the users of the asset valuation report.

   The asset appraisal institute and the asset appraisers advise that users of this Asset Valuation Report shall correctly acknowledge the conclusion of valuation, which should not be viewed as the realizable value of the valuation target nor should it be deemed to be a guarantee for the realizable value of the valuation target.

4. The list of assets and liabilities and business operation forecast of the valuation target have been reported and confirmed with signatures and chops or otherwise under the laws by the clients and the evaluated entity; the truthfulness, legality and completeness of the information provided shall be the responsibility of the clients and other relevant parties.

5. The asset appraisers have carried out on-site inspection on the valuation target and its assets; we have put necessary attention to the legal ownership of the valuation target and the assets involved, verified the information on the legal ownership of the valuation target and the assets involved, made proper disclosure of the identified issues, and requested the clients and other relevant parties to perfect the title to meet the requirements for the issuance of an asset valuation report.

6. The asset appraisal institute and the asset appraisers have no existing or expected relationship of interests with the valuation target set out in the Asset Valuation Report or with the relevant parties, and have no prejudice against the relevant parties.

7. The analyses, judgements and results in the Asset Valuation Report issued by the asset appraisal institute are subject to the assumptions and limitations in the Asset Valuation Report. Users of the Asset Valuation Report shall take into full account of the assumptions, limitations and special notes stipulated in the Asset Valuation Report and their impact on the conclusion of valuation.

SUMMARY OF ASSET VALUATION REPORT

IMPORTANT NOTICE

This abstract is extracted from the text of the Asset Valuation Report. For the purpose of understanding details of this valuation and a reasonable comprehension of the conclusion of valuation, please read the text of the Asset Valuation Report.

China Datang Corporation:
Datang International Power Generation Co., Ltd.:
Datang Anhui Power Generation Co., Ltd.:

Jointly entrusted by China Datang Corporation, Datang International Power Generation Co., Ltd. and Datang Anhui Power Generation Co., Ltd., China Enterprise Appraisals Co., Ltd. appraised, in accordance with the relevant laws, administrative rules and regulations and asset valuation standards on the principles of independence, objectivity and impartiality, as well as the necessary valuation procedures, the market value on the Benchmark Date of all of the shareholders' interests of Datang Anhui Power Generation Co., Ltd. under the proposed transfer by China Datang Corporation of the equity of Datang Anhui Power Generation Co., Ltd. to Datang International Power Generation Co., Ltd.. The summary of the Asset Valuation Report is as follows:

Purpose of valuation: According to the Notice of Commencement of Preliminary Work of Asset Reorganization of Group Companies (Da Tang Ji Tuan Zi [2017] 1098), China Datang Corporation intends to transfer its 100% equity interests held in Datang Anhui Power Generation Co., Ltd. to Datang International Power Generation Co., Ltd. For this purpose, it is necessary to conduct valuation of the market value of the equity interests held by China Datang Corporation in Datang Anhui Power Generation Co., Ltd. on the Benchmark Date, and provide the reference value for the relevant economic activity.

Valuation Target: Value of the entire shareholders' equity of Datang Anhui Power Generation Co., Ltd.

Scope of valuation: Total assets and liabilities of Datang Anhui Power Generation Co., Ltd., including current assets, available-for-sale financial assets, long-term equity investment, fixed assets, construction-in-progress, intangible assets, long-term unamortized expenses, other non-current assets, current liabilities and non-current liabilities.

Benchmark Date: 30 September 2017

Valuation type: Market value

Valuation Methods: Asset-based approach, income approach

Conclusion of valuation: The result concluded from the asset-based approach is used as the conclusion of valuation in this Asset Valuation Report. The specific conclusion of valuation is as follows:

As of the Benchmark Date, the book value of total assets of Datang Anhui Power Generation Co., Ltd. was RMB8,645.7110 million, the appraised value was RMB11,923.7013 million and the amount of increase was RMB3,277.9904 million, representing an appreciation rate of 37.91%;

The book value of total liabilities was RMB4,137.9023 million, the appraised value was RMB4,119.3773 million and the amount of decrease was RMB18.5250 million, representing a depreciation rate of 0.45%;

The book value of net assets was RMB4,507.8087 million, the appraised value of net assets was RMB7,804.3240 million and the amount of increase was RMB3,296.554 million, representing an appreciation of 73.13%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results by using the asset-based approach

Benchmark Date: 30 September 2017

Item			Book value A *(RMB0'000)*	Appraised value B *(RMB0'000)*	Increase or decrease C=B–A *(RMB0'000)*	Appreciation rate D=C/A×100 *(%)*
Current assets		1	199,225.26	197,708.17	-1,517.09	-0.76
Non-current assets		2	665,345.84	994,661.96	329,316.13	49.50
In which:	Available-for-sale financial assets	3	500.00	512.09	12.09	0.00
	Long-term equity investment	4	202,899.19	328,041.34	125,142.15	61.68
	Fixed assets	5	397,196.65	615,477.56	218,280.91	54.96
	Construction-in-progress	6	9,510.07	9,613.03	102.96	1.08
	Intangible assets	7	1,175.51	4,169.95	2,994.44	254.74
	In which: land use rights	8	432.00	3,263.04	2,831.04	655.33
	Long-term unamortized expenses	9	17.52	17.52	–	–
	Other non-current assets	10	54,046.89	36,830.47	-17,216.42	-0.00
Total Assets		11	864,571.10	1,192,370.13	327,799.04	37.91
Current liabilities		12	203,628.99	203,628.99	–	–
Non-current liabilities		13	210,161.24	208,308.74	-1,852.50	-0.88
Total liabilities		14	413,790.23	411,937.73	-1,852.50	-0.45
Net assets		15	450,780.87	780,432.40	329,651.54	73.13

This Asset Valuation Report is solely designed to the reference value for the economic activity described in the Asset Valuation Report. The conclusion of valuation is valid for one year from the Benchmark Date.

Users of the Asset Valuation Report shall take into full account the assumptions, limitations, special notes stipulated in the Asset Valuation Report and their impact on the conclusion of valuation.

TEXT OF THE ASSET VALUATION REPORT ON THE VALUE OF ENTIRE SHAREHOLDERS' INTERESTS OF DATANG ANHUI POWER GENERATION CO., LTD. UNDER THE PROPOSED TRANSFER BY CDC OF THE EQUITY OF DATANG ANHUI POWER GENERATION CO., LTD.

China Datang Corporation:

Datang International Power Generation Co., Ltd.:

Datang Anhui Power Generation Co., Ltd.:

Entrusted by the Company, China Enterprise Appraisals Co., Ltd. appraised, by using the asset-based approach and the income approach and in accordance with the relevant laws, administrative rules and regulations and asset valuation standards on the principles of independence, objectivity and impartiality, as well as the necessary valuation procedures, the market value on 30 September 2017 of all of the shareholders' interests of Datang Anhui Power Generation Co., Ltd. under the proposed transfer by China Datang Corporation of the equity of Datang Anhui Power Generation Co., Ltd. to Datang International Power Generation Co., Ltd. Details of asset valuation are reported as follows:

I. THE CLIENTS, EVALUATED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT SPECIFIED IN THE ASSET VALUATION ENTRUSTMENT CONTRACT

The clients of this valuation are China Datang Corporation, Datang International Power Generation Co., Ltd. and Datang Anhui Power Generation Co., Ltd. The entity to be evaluated is Datang Anhui Power Generation Co., Ltd. Other users of the Asset Valuation Report specified in the asset valuation entrustment contract include the state-owned assets supervision and administration authorities and other users specified under the laws and regulations.

(1) Profile of the first client

1. Name of Company: China Datang Corporation ("**CDC**")

2. Registered address: No. 1 Guangningbo Street, Xicheng District, Beijing

3. Legal representative: Chen Jinhang

4. Registered capital: RMB18,009.3169 million

5. Date of incorporation: 09 April 2003

6. Type of enterprise: Ownership by the whole people

7. Scope of business: Operation of all state-owned assets formed by the investment of the State and owned by group companies in the said companies and related enterprises; development, investment, construction, operation and management of power energy; organization of power (thermal power) production and sales; manufacturing, repair and maintenance, and commissioning of power equipment; power technology development and consultation; contracting and consultation of power engineering and power-related environmental protection projects; development of new energy as well as self-operated and commissioned import and export business for various commodities and technologies (other than commodities and technologies the operation, import or export of which is restricted or prohibited by the State).

8. Company profile: China Datang Corporation is a mega power generation group established on the basis of certain business units of the former State Power Corporation on 29 December 2002, which is a solely state-owned enterprise managed by the Central Government, as well as the state-authorized investment institution approved by the State Council and the pilot state-holding company. The registered capital is RMB18.009 billion.

   China Datang Corporation operates a group management system and operation model on a three-tier responsibility basis covering group companies, subsidiaries and basic enterprises. China Datang Corporation has established 13 provincial power generation companies, including Datang Hebei Power Generation Co., Ltd., Datang Jilin Power Generation Co., Ltd., Datang Heilongjiang Power Generation Co., Ltd., Datang Jiangsu Power Generation Co., Ltd., Datang Anhui Power Generation Co., Ltd., Datang Shandong Power Generation Co., Ltd., Datang Henan Power Generation Co., Ltd., Datang Sichuan Power Generation Co., Ltd., Datang Guizhou Power Generation Co., Ltd., Datang Yunnan Power Generation Co., Ltd., Datang Shaanxi Power Generation Co., Ltd., Datang Gansu Power Generation Co., Ltd. and Datang Xinjiang Power Generation Co., Ltd. CDC has incorporated six branch entities including Hunan Branch, Guangxi Branch, Shanxi Branch, Tibet Branch, Shanghai Branch and Ningxia Branch, and a professional company namely Datang Electric Power Fuel Company Limited.

Currently, China Datang Corporation has five listed companies including Datang International Power Generation Co., Ltd. being the first listed Chinese enterprise in London and the first listed power enterprise in Hong Kong; Datang Huayin Electric Power Co., Ltd. and Guangxi Guiguan Electric Power Co., Ltd. which are listed in China, and China Datang Corporation Renewable Power Co., Limited and Datang Environment Industry Group Co., Ltd. which are listed in Hong Kong. China Datang Corporation has the largest power plant in terms of thermal power capacity in China – Inner Mongolia Datang International Tuoketuo Power Generation Company Limited and the largest operational wind power plant – Inner Mongolia Chifeng Saihanba Wind Power Plant; CDC has one of the largest operating hydropower plants in China namely Datang Longtan Hydropower Plant, and China National Water Resources & Electric Power Materials & Equipment Co., Ltd. which has logistics network across China.

As of the end of July 2017, total assets of the group company were RMB700.6 billion and the operating power generating units reached 142 million kW with 32.8% being clean energy. Of which, coal-fired and gas-fired power generating units reached 102 million kW while hydropower reached 26 million kW, wind power reached 13.83 million kW and solar power reached 940,000 kW.

9. As of the Benchmark Date, the shareholding structure of the company was:

Name of shareholder	**Shareholding percentage**
The State-owned Assets Supervision and Administration Commission of the State Council	100.00%
Total	100.00%

(2) Profile of the second client

1. Name of Company: Datang International Power Generation Co., Ltd. ("**Datang Power**")

2. Stock code: 601991

3. Registered address: No. 9 Guangningbo Street, Xicheng District, Beijing

4. Legal representative: Chen Jinhang

5. Registered capital: RMB13,310.0375 million

6. Date of incorporation: 13 December 1994

7. Type of enterprise: company limited by shares (Taiwan, Hong Kong or Macao and domestic joint venture; listed)

8. Scope of business: development and operation of power plants, sales of electric power and thermal power, repair, maintenance and commissioning of power equipment, and power-related technical services (items that shall be approved according to laws can be operated upon approval of relevant departments).

9. Profile of the company: Datang International Power Generation Co., Ltd. is a sino-foreign joint venture owned by China Datang Corporation, which is a flagship enterprise of Datang Group. The company was incorporated in December 1994 which is the first listed Chinese enterprise in London, the first listed Chinese power enterprise in Hong Kong and also the first triple listed Chinese enterprise in Hong Kong, London and Shanghai.

   Datang Power is one of the largest individual power generation companies in China, which has operations and asset-construction-in-progress in 18 provinces, municipalities and autonomous regions across China with business focusing on thermal power generation and other fields including coal, transportation and circular economy. The scope of business has been developed from single power generation to integrated energy company. Datang Power has established a three-tier management and control system covering two professional companies and eight regional companies and more than 140 directly and indirectly managed controlled and participating stock enterprises. The number of employees is nearly 20,000.

In 2016, the size of thermal power generating units reached 35.17 million kW. Large and highly-efficient units are mainly located in regions with a well-established economy in south-eastern coastal areas with a total installed capacity of 11.72 million kW. Amongst all thermal power generating units, single units of 300,000 kW and above account for 91.68% while those of 600,000 kW and above account for 65.88%. Datang International insists on paying equal attention to wind and solar power energy, and ocean and continent, while accelerating the proportion of power generation from non-hydro renewable energy to strive for the development of new energy. In 2016, clean energy and renewable energy represented 25.71% of the total installed capacity of the company. As at today, Datang Power has completed modification works related to ultra-low emission for 59 power generating units.

10. As of the Benchmark Date, the shareholding structure of the company was:

Class of shares	**Number of shares held** *('000 million shares)*	**Percentage of the total share capital**
China Datang Corporation	413,897.74	31.10%
Tradable H share	329,142.49	24.73%
Tradable A share	587,963.53	44.17%
Total	1,331,003.76	100.00%

(3) Profiles of the third client and the entity to be evaluated

1. Profile of the company

Name of company: Datang Anhui Power Generation Co., Ltd. ("**Datang Anhui**")

Registered address: No. 5537 Feicui Road, Hefei Economic and Technological Development Zone, Anhui Province

Legal representative: Yan Yufeng

Registered capital: RMB3,598.2084 million

Date of incorporation: 27 December 2013

Term of operation: 27 December 2013 to long term

Type of enterprise: limited liability company (wholly owned by a legal person, a company not invested or controlled by a natural person)

Scope of business: general items of business operation: development, investment, construction, operation and management of power energy, organization of power (thermal) production and sales, power technology development and consultation, development of new energy, construction of automation projects, sales of power equipment, metal resources and construction materials, sales of coal, leasing and logistics business.

2. Shareholders, shareholding ratio and change of equity of the company

Datang Anhui Power Generation Co., Ltd. was established in December 2013 with registered capital of RMB200 million, which was invested by China Datang Corporation. The shareholding ratio is 100%.

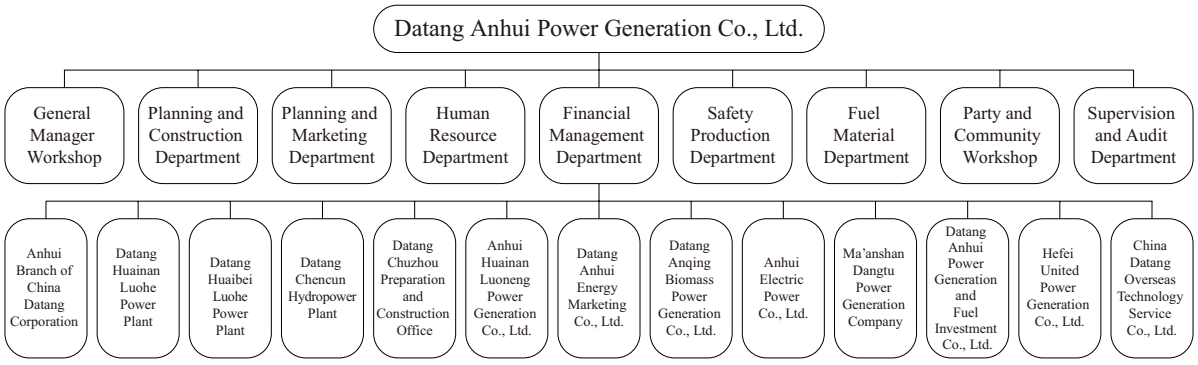
In accordance with the Reply on Relevant Issues in Regard to the Adjustment of Benchmark Date related to the Change From Anhui Branch to Subsidiary (Da Tang Ji Tuan Zi [2014] No. 1134) dated 26 December 2014, China Datang Corporation has assigned the assets (equities) managed by Anhui Branch of China Datang Corporation to Datang Anhui Power Generation Co., Ltd. The date of assignment was 31 December 2014. After asset assignment, the paid-up capital of Datang Anhui Power Generation Co., Ltd. increased by RMB3,398,208,463.76, and its paid-up capital subsequent to the capital increase was RMB3,598.2084 million, turning it into a wholly-owned subsidiary of China Datang Corporation.

In 2017, China Datang Corporation, in accordance with the resolution of China Datang Corporation, contributed an additional capital of RMB27.95 million to Datang Anhui Power Generation Co, Ltd. The paid-up capital upon capital increase was RMB3,626,158,463.76. As of the Benchmark Date, the entity is proceeding with the relevant procedures for changes of registered items with the industrial and commercial authority.

3. Operation of major power assets

As of the Benchmark Date, Datang Anhui Power Generation Co, Ltd. managed and operated 8 power plants including 6 thermal power plants, 1 hydropower plant and 1 biomass power plant with a total installed capacity of 6,944 MW (i.e. 6.944 million kW). Of which, Datang Huainan Luohe Power Plant (the branch) has the installed capacity of two 320MW generating units; Datang Huaibei Power Plant (the branch) has the installed capacity of two 660MW generating units and one 210MW generating unit; Datang Chencun Hydropower Plant (the branch) has Grade 1 installed capacity of three 50MW generating units and Grade 2 installed capacity of two 17MW generating units with a total installed capacity of 184MW; Anhui Huainan Luoneng Power Generation Co., Ltd. has two 320MW generating units (Phase I) and two 630MW generating units (Phase II); Datang Anqing Biomass Power Generation Co., Ltd. has the installed capacity of two 15MW generating units; Huainan Tianjia'an Power Plant of Anhui Electric Power Co., Ltd. has the installed capacity of two 320MW generating units; Ma'anshan Dangtu Power Generation Co., Ltd. has the installed capacity of two 660MW generating units; Anhui Hefei United Power Generation Co., Ltd. has the installed capacity of two 350MW generating units. The above power plants are located in Anhui province.

4. The organizational structure of the company



5. Assets, financial condition and operation in recent years

Financial condition of the evaluated entity in recent years is as follows (combined):

Unit: RMB0'000

Item	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 September 2017
Current assets	211,941.24	149,679.08	143,817.56	179,354.10
Available-for-sale financial assets	4,000.00	4,000.00	4,500.00	4,500.00
Long-term equity investment	41,107.23	41,980.27	40,080.46	34,636.68
Fixed assets	1,220,287.76	1,102,033.97	1,002,387.04	944,843.54
Construction-in-progress	39,587.52	46,539.01	56,472.85	58,514.84
Construction materials	6.87			
Intangible assets	12,550.08	12,043.56	11,416.47	11,066.50
Long-term unamortized expenses	–	–	13.83	17.52
Deferred tax assets	–	–	–	–
Other non-current assets	–	1,500.00	1,681.50	1,601.89
Total assets	1,529,480.69	1,357,775.88	1,260,369.71	1,234,535.09
Current liabilities	431,500.93	317,973.59	307,522.74	318,120.55
Non-current liabilities	753,953.42	579,346.10	482,720.36	485,507.06
Total liabilities	1,185,454.35	897,319.69	790,243.11	803,627.61
Equity to owners	344,026.34	460,456.19	470,126.60	430,907.47
Including: owners' equity attributable to the parent company	292,162.79	391,460.60	411,687.23	388,138.76

Financial condition of the evaluated entity in recent years is as follows (in terms of the parent company):

Unit: RMB0'000

Item	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 September 2017
Current assets	153,254.26	89,669.62	93,235.45	199,225.26
Available-for-sale financial assets			500.00	500.00
Long-term equity investment	206,685.94	207,763.80	208,101.88	202,899.19
Fixed assets	471,757.86	430,749.65	420,810.93	397,196.65
Construction-in-progress	5,522.89	5,009.10	7,309.81	9,510.07
Construction materials	1.60			
Intangible assets	1,340.27	1,301.06	1,344.45	1,175.51
Long-term unamortized expenses	–	–	13.83	17.52
Deferred tax assets	–	–	–	–
Other non-current assets	44,900.00	100,545.00	52,326.50	54,046.89
Total assets	883,462.83	835,038.23	783,642.85	864,571.10
Current liabilities	261,953.18	215,580.46	190,387.00	203,628.99
Non-current liabilities	264,258.01	216,743.16	209,161.24	210,161.24
Total liabilities	526,211.18	432,323.62	399,548.24	413,790.23
Equity to owners	357,251.65	402,714.61	384,094.61	450,780.87

The operating condition of the evaluated entity in recent years is as follows (combined):

Unit: RMB0'000

Item	For the year ended 2014	For the year ended 2015	For the year ended 2016	For the nine months ended January to September 2017
1. Operating income	696,859.48	888,450.96	753,947.37	594,651.34
Less: operating costs	595,803.09	674,537.72	660,857.73	601,143.23
Taxes and surcharges	4,444.55	6,035.80	10,511.10	9,738.62
Selling expenses	–	–	–	–
Management fees	3,964.37	4,786.89	4,861.26	3,744.07
Financial expenses	39,909.97	43,658.15	27,846.86	21,128.37
Asset impairment loss	-0.48	88.64	-0.07	–
Add: gains from change in fair value	–	–	–	–
Gains on investments	643.11	8,567.36	6,863.07	28.72
2. Operating profits	53,381.08	167,911.11	56,733.56	-41,074.23
Add: income, net of operation	4,473.25	1,438.00	3,410.75	299.26
Less: expenditure, net of operation	3,241.90	3,112.90	525.46	258.72
3. Total profits	54,612.44	166,236.22	59,618.85	-41,033.69
Less: income tax expenses	17,973.16	43,406.36	15,586.27	980.44
4. Net profits	36,639.28	122,829.85	44,032.58	-42,014.13
Including: net profits attributable to the owners of the parent company	30,007.32	105,697.81	42,939.40	-26,343.47

The operating condition of the evaluated entity in recent years is as follows (in terms of the parent company):

Unit: RMB0'000

Item	For the year ended 2014	For the year ended 2015	For the year ended 2016	For the nine months ended January to September 2017
1. Operating income	–	398,125.76	357,466.02	320,624.55
Less: operating costs	–	321,700.91	317,894.76	321,125.97
Taxes and surcharges	49.36	1,313.70	4,058.09	3,443.81
Selling expenses	–	–	–	
Management fees	3,427.68	4,313.16	4,337.98	3,259.84
Financial expenses	-28.05	16,912.62	11,716.45	10,043.19
Asset impairment loss	–	–	–	–
Add: gains from change in fair value	–	–	–	–
Gains on investments	878.76	12,663.21	28,285.58	81,059.75
2. Operating profits	-2,570.22	66,548.58	47,744.32	63,811.50
Add: income, net of operation	–	1,145.02	1,860.54	142.73
Less: expenditure, net of operation	–	382.41	360.38	100.07
3. Total profits	-2,570.22	67,311.20	49,244.48	63,854.16
Less: income tax expenses	–	15,448.23	6,215.93	-37.10
4. Net profits	-2,570.22	51,862.96	43,028.55	63,891.26

The accounting statements of the evaluated entity as of the Benchmark Date, 2016, 2015 and 2014 were audited by ShineWing Certified Public Accountants LLP, who issued unqualified audit reports.

6. Summary of Major Enterprises Invested by the Company

(1) Anhui Huainan Luoneng Power Generation Co., Ltd.

1) Company profile

Name of Company: Anhui Huainan Luoneng Power Generation Co., Ltd. ("**Huainan Luoneng**")

Unified social credit code: 91340400733034777X

Domicile: Luohe Town, Huainan, Anhui Province

Legal representative: Yan Yufeng

Registered capital: RMB1,420.0000 million

Paid-up capital: RMB1,420.0000 million

Date of incorporation: 20 December 2001

Registration authority: Administration for Industry and Commerce of Huainan City

Type of enterprise: Other limited liability company (state-owned holding enterprise)

Scope of business: Generation and sales of power and electricity, and operation of relevant derivative industries and supplementary industries (excluding projects requiring prerequisite approval).

2) History

Anhui Huainan Luoneng Power Generation Co., Ltd. was established in December 2001 with registered capital of RMB570.0000 million, of which Anhui Electric Power Company contributed RMB300.9600 million, accounting for 52.80% of the registered capital, Anhui Province Energy Group Company Limited contributed to RMB262.2000 million,

accounting for 46% of the registered capital and Huainan Investment Company contributed RMB6.8400 million, accounting for 1.20% of the registered capital.

In August 2003, the original shareholder changed from Anhui Electric Power Company to China Datang Corporation in accordance with the Articles of Association.

In May 2007, the registered capital of the Company was changed to RMB902.2600 million, while the shareholding ratio of each shareholder remains unchanged.

In April 2008, the registered capital of the Company was changed to RMB1,420.0000 million, while the shareholding ratio of each shareholder remains unchanged.

In 2014, China Datang Corporation transferred 52.8% equity interest of Huainan Luoneng Company (equivalent to the contribution of RMB749.76 million) held by it to Datang Anhui Power Generation Co., Ltd. on a royalty-free basis according to the Resolutions of the Fifteenth General Meeting of Anhui Huainan Luoneng Power Generation Co., Ltd.

In 2015, Anhui Province Wenergy Company Limited acquired 46% of equity interest held by Anhui Province Energy Group Company Limited according to the Resolutions of the Sixteenth General Meeting of Anhui Huainan Luoneng Power Generation Co., Ltd. and the Reply on Approval of Matters in relation to the Transfer of 46% Equity Interest of Anhui Huainan Luoneng Power Generation Co., Ltd. held by Anhui Province Energy Group Company Limited by way of Agreement issued by the Provincial SASAC (Wan Guo Zi Chan Quan Han [2015] No. 667).

Anhui Huainan Luoneng Power Generation Co., Ltd. mainly operated two 300 MW units under Phase II project in Luohe and two 630 MW coal-fired power generating units under Phase III project in Luohe, among which, the two 300 MW units of Phase II project in Luohe were put into operation on 6 September 1998 and 2 February 1999 respectively; 2 units under Phase III project in Luohe were under the Key Project of Power Transmission from Anhui to East China, which were put into operation on 30 November and 8 December 2007 respectively.

The 2 units under Phase III project in Luohe were granted approval for their upgrading to 630 MW by the Electricity Regulatory Bureau of East China under the State Electricity Regulatory Commission on 5 February 2010. In June 2015, the 2 domestic 300 MW units were approved by the State Electricity Regulatory Commission for their upgrading to 320 MW.

3) The shareholding structure on the Benchmark Date

As of the Benchmark Date, the shareholding structure of the Company was as follows:

Currency unit: RMB0'000

No.	Name of shareholders	Contribution amount	Proportion of contribution
1	Datang Anhui Power Generation Co., Ltd.	74,976.00	52.80%
2	Anhui Province Wenergy Company Limited	65,320.00	46.00%
3	Huainan Investment Company	1,704.00	1.20%
Total		142,000.00	100.00%

(2) Ma'anshan Dangtu Power Generation Co., Ltd.

1) Company profile

Name of Company: Ma'anshan Dangtu Power Generation Co., Ltd. ("**Dangtu Power**")

Unified social credit code: 91340521769021863N

Domicile: Dangtu Industrial Park, Ma'anshan, Anhui Province

Legal representative: Zhan Chun

Registered capital: RMB618.4500 million

Paid-up capital: RMB618.4500 million

Date of incorporation: 2 December 2004

Registration authority: Market Supervision Administration of Dangtu County

Type of enterprise: Limited liability company (wholly owned by a legal person, a company not invested or controlled by a natural person)

Scope of business: Power generation and relevant derivative industries and supplementary industries, generation and supply of thermal power, sales of process water, sales of power equipment and spare parts and components, lease of housing, automobile and machinery equipment (items that shall be approved according to laws can be operated upon approval of relevant departments).

2) History

Established in December 2004, Ma'anshan Dangtu Power Generation Co., Ltd. was founded by way of capital contribution from Anhui Electric Power Co., Ltd., Shanghai Industrial Investment Co., Ltd. and Shanghai Weiyun Enterprises Co., Ltd. with registered capital of RMB200.00 million, of which the subscribed contribution of Anhui Electric Power Co., Ltd., Shanghai Industrial Investment Co., Ltd. and Shanghai Weiyun Enterprises Co., Ltd. were RMB100.00 million, RMB90.00 million and RMB10.00 million respectively.

The initial contribution amounted to RMB60.00 million, of which Anhui Electric Power Co., Ltd. contributed RMB30.00 million, Shanghai Industrial Investment Co., Ltd. subscribed for contribution of RMB27.00 million and Shanghai Weiyun Enterprises Co., Ltd. subscribed for contribution of RMB3.00 million. Anhui Yonghan Certified Public Accountants has verified the above-mentioned contribution and issued a Capital Verification Report (Yong Yan Zi [2004] No. 11233).

Anhui Electric Power Co., Ltd. received the second tranche and third tranche of contribution of RMB50.00 million and RMB20.00 million on 19 February 2008 and 28 February 2008 respectively. Huainan Jiusheng Certified Public Accountants has verified the above-mentioned contribution and issued Capital Verification Reports (Jiu Sheng Yan [2008] No. 029 and No. 030) respectively.

In November 2008, China Datang Corporation contributed the fourth tranche of capital of an amount of RMB70.00 million, which have been verified by the Capital Verification Report (Yong Yan [2009] No. 07061) issued by Anhui Yonghan Certified Public Accountants.

In 2008, China Datang Corporation and Anhui Electric Power Co., Ltd., Shanghai Industrial Investment Co., Ltd. and Shanghai Weiyun Enterprises Co., Ltd. entered into Equity Transfer Agreements respectively. Upon the transfer of equity, Ma'anshan Dangtu Power Generation Co., Ltd. became a wholly-owned subsidiary of China Datang Corporation.

China Datang Corporation increased its registered capital by RMB100 million and RMB200.00 million in 2009 and 2011 respectively, which have been verified by the Capital Verification Report (Wan Jiang Kuai Yan [2012] No. 484) issued by Anhui Jiangnan Certified Public Accountants. The paid-up capital of China Datang Corporation as of the end of 2013 has been accumulated to RMB578.45 million.

In December 2014, China Datang Corporation increased its registered capital by RMB40.00 million and the parent company of which changed to Datang Anhui Power Generation Co., Ltd.

Datang Anhui Power Generation Co., Ltd. is a wholly-owned subsidiary of China Datang Corporation.

3) The shareholding structure on the Benchmark Date

As of the Benchmark Date, the shareholding structure was indicated as follows：

No.	Name of shareholder	Contribution amount *(RMB0'000)*	Proportion of contribution
1	Datang Anhui Power Generation Co., Ltd.	61,845.00	100.00%
Total		61,845.00	100.00%

(3) Datang Anhui Power Generation and Fuel Investment Co., Ltd.

1) Company profile

Name of Company: Datang Anhui Power Generation and Fuel Investment Co., Ltd. ("**Fuel Investment**")

Unified social credit code: 91340000051460883G

Domicile: No. 5537 Feicui Road, Hefei, Anhui Province

Legal representative: Jiang Gaochao

Registered capital: RMB10.00 million

Paid-up capital: RMB10.00 million

Date of incorporation: 30 July 2012

Term of operation: 30 July 2012 to 25 July 2032

Registration authority: Anhui Administration for Industry and Commerce

Type of enterprise: Limited liability company (wholly owned by a legal person, a company not invested or controlled by a natural person)

Scope of business: business permitted to be carried out: wholesale and operation of coal; general items of business operation: investment in, development of and management of energy and related transportation; sales of machinery and electronic equipment (excluding those subject to the administrative approval of licensing by the State); warehousing (excluding combustible substances); development, technological services and consultation services of new and high technology of power and energy; sales of coal sampling, preparation and inspection devices and hardware and electrical equipment.

2) History

Datang Anhui Power Generation and Fuel Investment Co., Ltd. was established in July 2012 with registered capital of RMB10 million, which is a limited liability company established by China Datang Corporation through capital contribution.

In October 2014, China Datang Corporation transferred all of the equity interests it held in Datang Anhui Power Generation and Fuel Investment Co., Ltd. to Datang Anhui Power Generation Co., Ltd.

3) The shareholding structure on the Benchmark Date

As of the Benchmark Date, the shareholding structure was indicated as follows:

No.	**Name of shareholder**	**Contribution amount** *(RMB0'000)*	**Proportion of contribution**
1	Datang Anhui Power Generation Co., Ltd.	1,000.00	100.00%
Total		1,000.00	100.00%

(4) Anhui Hefei United Power Generation Co., Ltd.

1) Company profile

Name of company: Anhui Hefei United Power Generation Co., Ltd. ("**United Power**")

United social credit code: 91340000704901747G

Domicile: Yinbao Building, No. 2 Meishan Road, Hefei, Anhui Province

Legal representative: Yan Yufeng

Registered capital: RMB1,160.00 million

Paid-up capital: RMB1,160.00 million

Date of incorporation: 18 May 1996

Term of operation: 18 May 1996 to 18 May 2020

Type of enterprise: Limited liability company (Sino-foreign joint venture)

Scope of business: Construction and operation of Hefei Second Power Plant and comprehensive utilization of ash and residual heat discharged by the Power Plant.

2) History

Anhui Hefei United Power Generation Co., Ltd. was established in May 1996 with registered capital of RMB1,000.00 million, which is a Sino-foreign joint venture established by Singapore United Power (Private) Co., Ltd., East China Electric Power Corporation, Anhui Energy Investment Corporation, Anhui Electric Power Company and Hefei Construction Investment Company in Anhui Province of China.

Anhui Hefei United Power Generation Co., Ltd. was granted approval from the Ministry of Foreign Trade and Economic Cooperation and obtained the Approval Certificate (Wai Jing Mao Zi Shen Zi [1996] No. 0096) on 16 May 1996, and the Business License of Enterprise as a Legal Person (Qi He Wan Zong Zi No. 001493) from the State Administration for Industry and Commerce on 18 May 1996.

In June 1997, the Board of Directors of the Company resolved to increase the registered capital by RMB160.00 million which had been approved by the Ministry of Foreign Trade and Economic Cooperation, and the registered capital subsequent to the capital increase was RMB1,160.00 million.

China Datang Corporation will take over 20.00% and 7.50% of equity interests of the Company held by East China Electric Power Corporation and Anhui Electric Power Company respectively according to the Reply on Approval of Matters in relation to Establishment of China Datang Corporation issued by the State Council.

In January 2004, Anhui Electric Power Company had formally transferred all the 7.50% equity interests held by it to China Datang Corporation.

In June 2005, East China Electric Power Corporation had formally transferred the 20.00% equity interests held by it to China Datang Corporation.

In December 2014, China Datang Corporation entered into the Agreement on Transfer of the State-owned Assets with Datang Anhui Power Generation Co., Ltd. pursuant to which China Datang Corporation transferred the 27.50% equity interests held by it to Datang Anhui Power Generation Co., Ltd.

3) The shareholding structure on the Benchmark Date

As of the Benchmark Date, the shareholding structure was indicated as follows:

Currency unit: RMB0'000

No.	Name of shareholder	Contribution amount	Proportion of contribution
1	Datang Anhui Power Generation Co., Ltd.	31,900.00	27.50%
2	Singapore United Power (Private) Co., Ltd.	56,840.00	49.00%
3	Hefei Construction Investment Company	8,700.00	7.50%
4	Anhui Province Energy Group Company Limited	18,560.00	16.00%
Total		116,000.00	100.00%

(5) Anhui Electric Power Co., Ltd.

1) Company profile

Name of Company: Anhui Electric Power Co., Ltd. ("**Anhui Electric Power**")

Unified social credit code: 91340000711770706J

Domicile: No. 5537 Feicui Road, Hefei Economic and Technological Development Zone, Anhui Province

Legal representative: Xing Changhong

Registered capital: RMB535.2800 million

Paid-up capital: RMB535.2800 million

Date of incorporation: 8 February 1999

Registration authority: Anhui Administration for Industry and Commerce

Type of enterprise: company limited by shares (unlisted)

Scope of business: Development and production of electric power, thermal power and relevant materials and equipment; power technology consultation and development; electrical and mechanical installation, inspection and maintenance; labor dispatch.

2) History

Anhui Electric Power Co., Ltd. was founded in February 1999 the establishment of which was jointly promoted by Anhui Electric Power Company, Anhui Liyuan Electric Power Development Co., Ltd., Anhui Kangyuan Heat Co., Ltd., Anhui Province Energy Group Company Limited and Huainan Investment Company.

Upon approval by the Reply on Approval of Feasibility Study Report in relation to Promoting the Establishment of Anhui Electric Power Co., Ltd. (Guo Dian Cai [1998] No. 730) issued by State Electric Power Corporation, the Reply on Approval of Establishment of Anhui Electric Power Co., Ltd. (Wan Ti Gai Han [1998] No. 87) issued by Anhui Commission for Restructuring of the Economic System and the Approval Certificate (Wan Fu Gu Zi [1998] No. 38) issued by the People's Government of Anhui Province, Anhui Electric Power Co., Ltd. underwent conversion on the basis of Huainan Tianjia'an Power Plant under Anhui Electric Power Company and Anhui Huainan Tianyuan Power Generation Co., Ltd. jointly held by Anhui Liyuan Electric Power Development Co., Ltd., Anhui Kangyuan Heat Co., Ltd., Anhui Province Energy Group Company Limited and Huainan Investment Company. Each of the promoters injected the net assets, part of creditors and cash of Huainan Tianjia'an Power Plant and Anhui Huainan Tianyuan Power Generation Co., Ltd. held by them on 31 December 1998 into the Company, and converted the same into the share capital of the Company

on a pro rata basis of conversion of 65.34%. Anhui Electric Power Co., Ltd. was approved by and registered with Anhui Administration for Industry and Commerce in February 1999 with registered capital of RMB410.00 million.

Anhui Electric Power Company, the original controlling shareholder of the Company, transferred 62.00% of equity interests held by it to China Datang Corporation on a royalty-free basis in accordance with the requirements of the Reply from State Planning Commission on Approval in relation to the Transfer Plan of Power Generation Assets Restructuring of State Electric Power Corporation (Kuai Ji Ji Chu [2002] No. 2704) issued by the former State Development Planning Commission in December 2002 and the Reply from the State Council on Approval of Matters in relation to Establishment of China Datang Corporation (Guo Han [2003] No. 16) issued by the State Council in February 2003.

In January 2004, Anhui Electric Power Company and China Datang Corporation executed the Transfer Agreement of Power Generation Enterprises. Upon the completion of transfer procedures, the shareholding of China Datang Corporation, Anhui Liyuan Electric Power Development Co., Ltd., Anhui Kangyuan Heat Co., Ltd. and Anhui Province Energy Group Company Limited were 62.00%, 28.12%, 4.18% and 1.90% respectively.

In 2009, the name of Anhui Kangyuan Heat Co., Ltd. was changed into Anhui Kangyuan Electric Power Group Co., Ltd.; and the name of Anhui Liyuan Electric Power Development Co., Ltd. was changed into Guodian Liyuan Power Development Co., Ltd.

In 2010, Guodian Liyuan Power Development Co., Ltd. transferred the 15.77% equity interests held by it to Anhui Kangyuan Electric Power Group Co., Ltd.

According to the Notice in relation to Special Appropriation for Operating Budget of Central State-owned Capital of China Datang Corporation in 2009 Promulgated by the Ministry of Finance (Cai Qi [2009] No. 378), the increase of capital of China Datang Corporation by RMB118.00 million for the year 2010 was not verified by any certified

public accountants nor underwent the procedures for the change of industrial and commercial registration. The paid-up capital following the capital increase amounted to RMB421.80 million, of which CDC, Guodian Liyuan Co., Ltd., Kangyuan Electric Power Group, Energy Group and Huainan Investment Company accounted for 63.06%, 12.01%, 19.39%, 3.69% and 1.85% respectively.

In 2011, the increase of capital of China Datang Corporation by RMB1.6400 million was not verified by any certified public accountants nor underwent the procedures for the change of industrial and commercial registration. The paid-up capital following the capital increase amounted to RMB423.4400 million, of which CDC, Guodian Liyuan Co., Ltd., Kangyuan Electric Power Group, Energy Group and Huainan Investment Company accounted for 63.21%, 11.96%, 19.31%, 3.68% and 1.84% respectively.

According to the Valuation Report on Equity Transfer and Capital Increase Projects of Anhui Electric Power Co., Ltd. (Zhong Fa Ping Bao Zi [2012] No. 053) issued by DeveChina International Appraisal, as of 31 December 2011, the appraised value of net assets of the Company was RMB480.1216 million, of which the shared interests were RMB465.2746 million and the interests that were allocated solely to China Datang Corporation was RMB14.8470 million. The interests which were allocated solely to China Datang Corporation being the amount of RMB14.8470 million represent the State-owned Capital Operating Budget Fund of RMB13.4400 million funded by CDC to the Company and an appraised value of RMB14.8470 million was allocated solely to CDC.

In 2012, Huainan Mining Industry (Group) Co., Ltd. acquired the equity interests of the other four shareholders other than CDC and increased its capital by RMB126.5129 million, which has been verified and the procedures for the change of industrial and commercial registration have been completed. The paid-up capital following the capital increase amounted to RMB535.2800 million. Each of CDC and Huainan Mining Industry (Group) Co., Ltd. accounted for 50% respectively.

In February 2014, the first extraordinary general meeting of Anhui Electric Power Co., Ltd. for 2014 resolved and approved the Resolution on Equity Transfer and Change of Shareholder of the Company, agreeing to the transfer by China Datang Corporation of its 50% equity interests to Datang Anhui Power Generation Co., Ltd. on the benchmark date of 31 December 2013. Upon the change, each of Datang Anhui Power Generation Co., Ltd. and Huainan Mining Industry (Group) Co., Ltd. shall hold 50% equity interests respectively.

Huainan Tianjia'an Power Plant of Anhui Electric Power Co., Ltd. has an existing installed capacity of 620MW, comprising two 320MW generating units that were put into operation in December 1996 and November 2005 respectively.

3) The shareholding structure on the Benchmark Date

As of the Benchmark Date, the shareholding structure was indicated as follows:

Currency unit: RMB0'000

No.	Name of shareholder	Contribution amount	Proportion of contribution
1	Datang Anhui Power Generation Co., Ltd.	26,764.00	50.00%
2	Huainan Mining Industry (Group) Co., Ltd.	26,764.00	50.00%
Total		53,528.00	100.00%

(6) Datang Anqing Biomass Power Generation Co., Ltd.

1) Company profile

Name of Company: Datang Anqing Biomass Power Generation Co., Ltd. ("**Anqing Biomass**")

Unified social credit code: 91340800799843948L

Domicile: Wanhe Farm, Xijiao, Anqing, Anhui Province

Legal representative: Li Xudong

Registered capital: RMB53.4300 million

Paid-up capital: RMB53.4300 million

Date of incorporation: 11 April 2007

Term of operation: 11 April 2007 to 10 April 2037

Registration authority: Anqing Administration for Industry and Commerce and Quality and Technology Supervision Bureau

Type of enterprise: Other limited liability company

Scope of business: Generation and sales of biomass power; comprehensive utilization and operation of waste disposal of power plants; power technology consultation; sales of electronic machinery; acquisition of crop straws and remnants of agricultural products of a similar nature.

2) History

Datang Anqing Biomass Power Generation Co., Ltd. was established in April 2007 with registered capital of RMB54.8000 million. China Datang Corporation, Anhui Jinli Electric Power Development Co., Ltd., Anhui Wanhe Farm, Anqing Hengjiang Industrial (Group) Company contributed capital to the establishment of Datang Anqing Biomass Power Generation Co., Ltd. in the proportions of 65.00%, 20.00%, 10.00% and 5.00% respectively. Anqing Xinde Certified Public Accountants has verified the capital contribution and issued the Capital Verification Report (Xin De Yan Zi [2007] No. 060).

According to the resolution of general meeting on 10 November 2008, Datang Anqing Biomass Power Generation Co., Ltd. decreased its registered capital by RMB1.3700 million, and the registered capital after change amounted to RMB53.4300 million and the shareholding structure after change was as follows: RMB35.6200 million was subscribed for contribution by China Datang Corporation, accounting for 66.67% of the registered capital; RMB10.9600 million was subscribed for contribution by Anhui Jinli Electric Power Development Co., Ltd., accounting for 20.51% of the registered capital; RMB5.4800 million was subscribed for contribution by Anhui Wanhe Farm, accounting for 10.26% of the registered capital; and RMB1.3700 million was subscribed for contribution by Anqing Hengjiang Industrial (Group) Company, accounting for 2.56% of the registered capital.

According to the resolution of general meeting on 1 October 2014, China Datang Corporation transferred the 66.67% equity interests it held in Datang Anqing Biomass Power Generation Co., Ltd. to Datang Anhui Power Generation Co., Ltd. due to the internal transformation of China Datang Power Corporation.

In July 2017, the name of the shareholder Anqing Hengjiang Industrial (Group) Company was changed into Anqing Hengjiang Group Co., Ltd.

3) The shareholding structure on the Benchmark Date

As of the Benchmark Date, the shareholding structure was indicated as follows:

No.	Name of shareholder	Contribution amount *(RMB0'000)*	Proportion of equity
1	Datang Anhui Power Generation Co., Ltd.	3,562.00	66.67%
2	Anhui Jinli Electric Power Development Co., Ltd.	1,096.00	20.51%
3	Anhui Wanhe Farm	548.00	10.26%
4	Anqing Hengjiang Group Co., Ltd.	137.00	2.56%
Total		5,343.00	100.00%

(7) Datang Anhui Energy Marketing Co., Ltd.

1) Company profile

Name of Company: Datang Anhui Energy Marketing Co., Ltd. ("**Energy Marketing**")

United social credit code: 91340000MA2N2EYC5B

Domicile: No. 5537 Feicui Road, Hefei Economic and Technological Development Zone, Anhui Province

Legal representative: Lv Xiaoming

Registered capital: RMB201.0000 million

Paid-up capital: RMB20.0000 million

Date of incorporation: 7 November 2016

Term of operation: 7 November 2016 to 6 November 2046

Registration authority: Anhui Administration for Industry and Commerce

Type of enterprise: Limited liability company (wholly owned by a legal person, a company not invested or controlled by a natural person)

Scope of business: Purchase and sales of electricity; purchase and sales of thermal power; operation of power distribution network; consultation of comprehensive energy-saving and electricity utilization (items that shall be approved according to laws can be operated upon approval of relevant departments).

2) History

Datang Anhui Energy Marketing Co., Ltd. was established in November 2016 with registered capital of RMB201.0000 million and paid-up capital of RMB20.0000 million, the capital contribution of which was made by Datang Anhui Power Generation Co., Ltd.

3) The shareholding structure on the Benchmark Date

As of the Benchmark Date, the shareholding structure was indicated as follows:

No.	**Name of shareholder**	**Contribution amount** *(RMB0'000)*	**Proportion of equity**
1	Datang Anhui Power Generation Co., Ltd.	2,000.00	100.00%
Total		2,000.00	100.00%

7. Relationship between the clients and the evaluated entity

The clients are China Datang Corporation, Datang International Power Generation Co., Ltd. and Datang Anhui Power Generation Co., Ltd., and the entity to be evaluated is Datang Anhui Power Generation Co., Ltd. China Datang Corporation, the controlling shareholder of Datang International Power Generation Co., Ltd. and Datang Anhui Power Generation Co., Ltd., is the seller under the transaction. Datang International Power Generation Co., Ltd. is the purchaser and Datang Anhui Power Generation Co., Ltd. is the entity to be evaluated under the transaction. The transaction constitutes a connected transaction.

(4) Other users of the Asset Valuation Report specified in the asset valuation entrustment contract

This Asset Valuation Report shall only be used by the clients and the users of the asset valuation report stipulated under the laws and regulations of the PRC, and shall not be used or relied upon by any other third party.

II. PURPOSE OF VALUATION

According to the Notice of Commencement of Preliminary Work of Asset Reorganization of Group Company (Da Tang Ji Tuan Zi [2017] No. 1098) of China Datang Corporation, China Datang Corporation intends to transfer the 100% equity of Datang Anhui Power Generation Co., Ltd. held by it to Datang International Power Generation Co., Ltd. For this purpose, it is necessary to conduct valuation of the market value of the equity interests held by China Datang Corporation in Datang Anhui Power Generation Co., Ltd. on the Benchmark Date, and provide the reference value for the relevant economic behavior.

China Datang Corporation had issued the Notice of Commencement of Preliminary Work of Asset Reorganization of Group Company (Da Tang Ji Tuan Zi [2017] No. 1098) on 25 October 2017 in regard to this matter.

III. VALUATION TARGET AND SCOPE OF VALUATION

(1) Valuation Target

The valuation target is the value of entire shareholders' equity of Datang Anhui Power Generation Co., Ltd.

(2) Scope of valuation

The scope of valuation covers total assets and liabilities of the entity to be evaluated. As of the Benchmark Date, the assets within the scope of valuation included the current assets, available-for-sale financial assets, long-term equity investment, fixed assets, construction-in-progress, intangible assets, long-term unamortized expenses, other non-current assets and the book value of total assets was RMB8,645.7110 million; and liabilities included current liabilities and non-current liabilities and the book value of total liabilities was RMB4,137.9023 million; and the book value of net assets was RMB4,507.8087 million.

As of the Benchmark Date, the types of assets and book amount included in the scope of valuation were as follows:

Unit: RMB0'000

Item			Book value
Current assets		1	199,225.26
Non-current assets		2	665,345.84
In which:	Available-for-sale financial assets	3	500.00
	Long-term equity investment	4	202,899.19
	Fixed assets	5	397,196.65
	Construction-in-progress	6	9,510.07
	Intangible assets	7	1,175.51
	In which: Land use rights	8	432.00
	Long-term unamortized expenses	9	17.52
	Other non-current assets	10	54,046.89
Total assets		11	864,571.10
Current liabilities		12	203,628.99
Non-current liabilities		13	210,161.24
Total liabilities		14	413,790.23
Net Assets		15	450,780.87

The entrusted valuation target and the scope of valuation were consistent with the valuation target and the scope of valuation related to the economic behavior. As of the Benchmark Date, the book values of the assets and liabilities within the scope of valuation were audited by Shinewing Certified Public Accountants LLP who issued a standard unqualified audit report.

Major assets within the scope of valuation are as follows:

1) Legal ownership, economic status and physical status of the major assets that have a significant impact on corporate value

1. Major buildings

The headquarters of Datang Anhui Power Generation Co., Ltd. has a total of four buildings (including a parking space) with a gross building area of 4,998.67m^2. Real estate title certificates have been obtained accordingly and the owner is Datang Anhui Power Generation Co., Ltd.. However, the real estate title certificate provided by the entity being evaluated shows that the building area of the office building of the production command center as shown on the certificate is 23,164.75m^2 and the owner is Datang Anhui Power Generation Co., Ltd.. That the building area as shown on the certificate is inconsistent with the actual building area owned by Datang Anhui Power Generation Co., Ltd. is mainly due to the fact that the construction of the office building of the production command center was jointly funded by five entities namely Ma'anshan Dangtu Power Generation Co., Ltd., Anhui Huainan Luoneng Power Generation Co., Ltd., Datang Huaibei Power Plant, Anhui Electric Power Co., Ltd. and Anhui Branch of China Datang Corporation. Pursuant to the relevant agreement, upon the completion of the office building of the production command center, the area would be divided among the owners according to their respective ownership. As of the Benchmark Date, the real estate title certificate has been obtained in respect of the office building but the respective area to be owned by each of the entities has not yet been divided, thus resulting in the inconsistency between the building area as shown on the certificate and the area actually owned.

Datang Huainan Luohe Power Plant (branch) has a total of 140 buildings with a gross building area of 101,594.45m^2. The procedures for building ownership certificates or real estate title certificates have been completed in respect of five buildings, and the building area associated with the relevant certificates which have been obtained amounts to 2,455.00m^2. In addition to the Real Estate Title Certificate (He Chan Zi No. 8110093638) which represents clear property title, the nature of the land on which the other four buildings (for which the relevant certificates have been obtained) are erected are all allocated land, and

the owners of these buildings are Huainan Luohe Power Plant and Huainan City Luohe Power Plant respectively. While the procedures for building ownership certificates in respect of the remaining 135 buildings have not been completed, the building area for which the relevant certificates have not been obtained amounts to 99,139.45m^2.

Datang Huaibei Power Plant (branch) has a total of 157 buildings with a gross building area of 133,953.68m^2. The procedures for building ownership certificates or real estate title certificates have been completed in respect of 34 buildings, and the building area associated with the relevant certificates which have been obtained amounts to 25,459.45m^2. Except for the nature of the land on which the office building of the production command center is erected being granted land, the nature of the land on which the other 156 buildings (for which the relevant certificates have been obtained) are erected is all allocated land, and the owners of these buildings are Huaibei Power Plant, Huaibei Electric Power Technical School and Datang Anhui Power Generation Co., Ltd. respectively. While the procedures for building ownership certificates in respect of the remaining 123 buildings have not been completed, the building area associated with the relevant certificates which have not been obtained amounts to 108,494.23m^2.

Datang Chencun Hydropower Plant (branch) has a total of 67 buildings with a gross building area of 35,000.75m^2. The procedures for building ownership certificates or real estate title certificates have been completed in respect of 45 buildings, and the building area associated with the relevant certificates which have been obtained amounts to 24,688.19m^2. Except for Room 503, Block 5, Plot C, Central City, No. 66 Yinzhen Road, Hefei Economic Zone, the nature of the land on which the other 66 buildings (for which the relevant certificates have been obtained) are erected is all allocated land, and the owners of these buildings are Chencun Hydropower Station and Jing County Chencun Power Station respectively. While the procedures for building ownership certificates in respect of the remaining 22 buildings have not been completed, the building area associated with the relevant certificates which have not been obtained amounts to 10,312.56m^2.

As of the Benchmark Date, Datang Chuzhou Power Plant is still under preparation.

In summary, Datang Anhui Power Generation Co., Ltd. (headquarters and branches) has a total of 368 buildings with a gross building area of 275,547.55m^2. The procedures for building ownership certificates or real estate title certificates have been completed in respect of 88 buildings, and the building area associated with the relevant certificates which have been obtained amounts to 57,601.31m^2. The nature of the land on which most of the buildings (for which the relevant certificates have been obtained) are erected is all allocated land. While the procedures for building ownership certificates in respect of 280 buildings have not been completed, the building area associated with the relevant certificates which have not been obtained amounts to 217,946.24m^2.

2. Transport vehicles

The headquarters of Datang Anhui Power Generation Co., Ltd. has a total of 11 transport vehicles. The owners as shown on the vehicle licenses are all Datang Anhui Power Generation Co., Ltd.

Datang Huainan Luohe Power Plant (branch) has a total of 14 transport vehicles (including seven vehicles for which no licenses are required), the owners as shown on the vehicle licenses are Datang Huainan Luohe Power Plant and Huainan Luohe Power Plant respectively.

Datang Huaibei Power Plant (branch) has a total of 215 transport vehicles (including 171 vehicles for which no licenses are required), the owners as shown on the vehicle licenses are Huaibei Power Plant, Datang Huaibei Power Plant and Datang Huaibei Power Generation Co., Ltd. respectively.

Datang Chencun Hydropower Plant (branch) has a total of eight transport vehicles (including two vehicles for which no licenses are required), the owners as shown on the vehicle licenses are all Datang Chencun Hydropower Plant.

2) Types, quantity and legal ownership of the intangible assets recorded in the books as submitted by the enterprise

The headquarters of Datang Anhui Power Generation Co., Ltd. is entitled to one land use right with the Land Title Certificate No. Wan (2016) He Real Estate Title No. 0213102, and the holder of the land use right is Datang Anhui Power Generation Co., Ltd.. The land is used for office buildings, public facilities and garage, and the nature of the land is granted land. However, as shown on the Schedule to the Real Estate Title Certificate (Wan (2016) He Real Estate Title No. 0213102) which was provided by the entity being evaluated, the total area of land parcel measures 23,164.75m^2 and the type of land use rights is granted land. Termination date of the grant of the land is 12 December 2056, and the former land certificate no. was He Jing Kai Guo Yong (2007) No. 004. After the appraisers have verified against the State-owned Land Use Rights Certificate (He Jing Kai Guo Yong (2007) No. 004), it was found that the area of the land use rights as recorded on the Land Use Rights Certificate amounted to 10,105.43m^2. After having verified with the entity being evaluated, the land area as shown on the Real Estate Title Certificate (Wan (2016) He Real Estate Title No. 0213102) of the entity being evaluated was incorrect, the corrected area of the land use rights measures 10,105.43m^2. The entity is currently proceeding with the relevant procedures.

Datang Huainan Luohe Power Plant (branch) is entitled to a total of 8 land use rights. The total land area as shown on the certificates amounts to 1,377,300.80m^2, and the land area being actually occupied totaled 1,271,209.13m^2. The main reason for the difference is due to the fact that the current State-owned Land Use Right Certificates were issued to the entity being evaluated at earlier dates and there have been changes to the area of certain land which is actually occupied. This valuation was based on the area measured by the latest survey provided by the entity being evaluated. Details are as follows:

No.	Land Use Rights Certificate No.	Name of land parcel	Holder of land use rights	Date of obtaining	Nature of land use	Area shown on certificate (m^2)	Actual area (m^2)
1	Huai Guo Yong (89) Zi No. 04030001	Shangri-La Hotel	Huainan Luohe Power Plant	1989/12	Allocated	4,445.00	4,073.95
2	Huai Tian Guo Yong (95) Zi No. 030059	Comprehensive utilization plant (brick factory)	Huainan Main Power Plant, Comprehensive utilization plant	1995/9	Allocated	48,926.50	48,926.50
3	Huai Tian Guo Yong (95) Zi No. 030060	Slag brick lime kiln	Huainan Main Power Plant, Comprehensive utilization plant	1995/9	Allocated	11,525.00	11,525.00
4	Huai Guo Yong (91) Zi No. 020261	Western area	Huainan Luohe Power Plant	2001/10	Allocated	82,531.00	68,059.36
5	Huai Guo Yong (92) Zi No. 020014	Plant zone, living area	Huainan Luohe Power Plant	2001/10	Allocated	1,046,491.30	956,972.11
6	Huai Guo Yong (2007) Zi No. 2020027	Plant zone (Phase III)	Datang Huainan Luohe Power Plant	1986/6	Allocated	177,390.00	177,390.00
7	Huai Guo Yong (90) Zi No. 020070	Drainage ditch of gray pipelines	Luohe Power Plant	1986/6	Allocated	4,025.00	2,925.26
8	Huai Guo Yong (90) Zi No. 020071	Water well	Luohe Power Plant	1986/6	Allocated	1,967.00	1,336.95
Total						1,377,300.80	1,271,209.13

Datang Huaibei Power Plant (branch) is entitled to a total of 20 land use rights. The total land area as shown on the certificates amounts to 2,184,667.61m^2, and the land area being actually occupied totaled 2,125,174.09m^2. The main reason for the difference is due to the fact that the current State-owned Land Use Rights Certificates were issued to the entity being evaluated at earlier dates and there have been changes to the area of certain land which is actually occupied. This valuation was based on the area measured by the latest survey provided by the entity being evaluated. Details are as follows:

No.	Land Use Rights Certificate No.	Name of land parcel	Holder of land use rights	Date of obtaining	Nature of land use	Area shown on certificate (m^2)	Actual area (m^2)
1	Huai Guo Yong (95) Zi No. 038	Dormitory of the brick factory of Huaibei Power Plant	Huaibei City Power Plant	1995/8	Allocated	19,265.00	14,063.45
2	Huai Guo Yong (95) Zi No. 039	Pump room No. 2 of Huaibei Power Plant	Huaibei City Power Plant	1995/8	Allocated	940.86	940.86
3	Huai Guo Yong (95) Zi No. 040	Pump room No. 6 of Huaibei Power Plant	Huaibei Power Plant	1995/8	Allocated	5,333.24	5,333.24
4	Huai Guo Yong (95) Zi No. 043	Pump room No. 10 of Huaibei Power Plant	Huaibei Power Plant	1995/8	Allocated	964.95	964.95
5	Huai Guo Yong (95) Zi No. 044	Pump room No. 5 of Huaibei Power Plant	Huaibei Power Plant	1995/8	Allocated	692.30	692.30
6	Huai Guo Yong (95) Zi No. 046	Pump room No. 3 of Huaibei Power Plant	Huaibei Power Plant	1995/8	Allocated	2,964.80	2,964.80
7	Huai Guo Yong (97) Zi No. 034	Expansion of coal yard (formerly a quarry) of Huaibei Power Plant	Huaibei Power Plant	1997/4	Allocated	17,450.00	17,450.00
8	Huai Guo Yong (97) Zi No. 141	Special railway line of Huaibei Power Plant	Huaibei Power Plant	1997/12	Allocated	254,509.55	254,509.55
9	Huai Guo Yong (95) Zi No. 172	Western campus of Electric Power Technical School	Huaibei Electric Power Technical School	1995/11	Allocated	106,321.48	75,427.96

No.	Land Use Rights Certificate No.	Name of land parcel	Holder of land use rights	Date of obtaining	Nature of land use	Area shown on certificate (m^2)	Actual area (m^2)
10	Huai Guo Yong (Hua) Zi No. 2000-003	Coal transportation road of Huaibei Power Plant	Huaibei Power Plant	2000/1	Allocated	23,520.00	23,520.00
11	Huai Guo Yong (98) Zi No. 048	Southern living area of Huaibei Power Plant	Huaibei Power Plant	1998/4	Allocated	53,226.31	37,398.40
12	Huai Guo Yong (98) Zi No. 047	Northern living area of Huaibei Power Plant	Huaibei Power Plant	1998/4	Allocated	101,364.34	93,793.80
13	Huai Tu Guo Yong (2015) No. 17	Main plant area of Hushan Power Plant	Datang Huaibei Power Plant	2015/7	Allocated	313,851.00	313,851.00
14	Huai Tu Guo Yong (2015) No. 18	Domestic water pump room of Hushan Power Plant	Datang Huaibei Power Plant	2015/7	Allocated	1,431.00	1,431.00
15	Huai Tu Guo Yong (2015) No. 19	Ash yard management station of Hushan Power Plant	Datang Huaibei Power Plant	2015/7	Allocated	6,796.00	6,796.00
16	Huai Tu Guo Yong (2015) No. 20	Ash yard of Hushan Power Plant	Datang Huaibei Power Plant	2015/7	Allocated	277,938.00	277,938.00
17	Huai Tu Guo Yong (2015) No. 21	Railway line of Hushan Power Plant	Datang Huaibei Power Plant	2015/7	Allocated	239,616.00	239,616.00
18	Huai Tu Guo Yong (2015) No. 22	Coal transportation system of Hushan Power Plant	Datang Huaibei Power Plant	2015/7	Allocated	68,413.00	68,413.00
19	Huai Zhuan Guo Yong (2003) No. 13	Industrial land for generating unit #8	Huaibei Power Plant	2003/10	Granted	101,887.28	101,887.28
20	Huai Guo Yong (95) Zi No. 050	Production area of Huaibei Power Plant	Huaibei Power Plant	1995/8	Allocated	588,182.50	588,182.50
Total						2,184,667.61	2,125,174.09

Datang Chencun Hydropower Plant (branch) is entitled to a total of nine land use rights. The total land area as shown on the certificates amounts to 612,130.24m^2. Details are as follows:

No.	Land Use Rights Certificate No.	Name of land parcel	Holder of land use rights	Date of obtaining	Nature of land use	Area shown on certificate (m^2)	Actual area (m^2)
1	Jing Guo Yong (2006) Zi No. 1085	City base of Chencun Power Plant	Datang Chencun Hydropower Plant	1994/11	Allocated	751.08	751.08
2	Jing Guo Yong (91) Zi No. 488	Chencun dormitory of Chencun Power Plant	Chencun Hydropower Station	1991/12	Allocated	5,001.66	5,001.66
3	Wan (2017) Jing County Real Estate Title Nos. 0001961, 0001959, 0001991	Chencun dam area of Chencun Power Plant	Datang Chencun Hydropower Plant	1991/12	Allocated	421,711.20	421,711.20
4	Wan (2017) Jing County Real Estate Title No. 0001822	Chencun microwave station of Chencun Power Plant	Datang Chencun Hydropower Plant	1995/5	Allocated	100.00	100.00
5	Wan (2017) Jing County Real Estate Title Nos. 0001969, 0001977, 0002041, 0002057, 0002053	Jicun dam area of Chencun Power Plant	Datang Chencun Hydropower Plant	2008/6	Allocated	106,085.80	106,085.80
6	Jing Guo Yong (2008) No. 1464	Jicun dormitory of Chencun Power Plant	Datang Chencun Hydropower Plant	2008/6	Allocated	72,122.70	72,122.70
7	Wan (2017) Jing County Real Estate Title No. 0001824	Datang Chencun Hydropower Plant	Datang Chencun Hydropower Plant	2008/6	Allocated	57.80	57.80
8	Wan (2017) Jing County Real Estate Title No. 0001938	Datang Chencun Hydropower Plant	Datang Chencun Hydropower Plant	2008/6	Allocated	50.00	50.00
9	Wan (2017) Jing County Real Estate Title No. 0001940	Wanshang substation of Chencun Power Plant	Datang Chencun Hydropower Plant	1991/12	Allocated	6,250.00	6,250.00
Total						612,130.24	612,130.24

3) Types and quantity of off-the-book assets as submitted by the enterprise

As of the Benchmark Date, the entity being evaluated had a total of 124 off-the-book patents (including accepted applications under which the certificates have not yet been issued) and one software copyright, of which 28 were invention patents and 96 were utility model patents. The patent owners are Datang Chencun Hydropower Plant, Datang Huaibei Power Plant and Datang Huainan Luohe Power Plant, all being the subsidiaries of Datang Anhui Power Generation Co., Ltd., respectively.

4) Types, quantity and carrying amount of assets in reports issued by other organizations

① The January–September 2017, 2016, 2015 and 2014 Annual Audit Reports of Datang Anhui Power Generation Co., Ltd. issued by Shinewing Certified Public Accountants LLP (Report No.: XYZH/2017BJA40579), and the type of report was standard unqualified audit report.

② The clients directly appointed Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. to conduct valuation of the land use rights which fall under the scope of this valuation. Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. issued the Land Valuation Report ((Beijing) Zhong Di Hua Xia [2017] Ping (Gu) Zi No. 110) in respect of this economic behavior. As requested by the clients, its valuation results were directly quoted in this Assets Valuation Report.

IV. TYPE OF VALUE

According to the purpose of valuation, the type of value of the valuation target was identified as the market value.

Market value refers to the estimated value of the valuation target in the ordinary course of fair transactions made on the Benchmark Date by the voluntary buyer and voluntary seller acting rationally and without being forced.

V. BENCHMARK DATE

The Benchmark Date of this Report is 30 September 2017.

Factors such as the realization of economic behavior and the end of the accounting period are mainly considered to determine the Benchmark Date. A date which is close to the planned date of realization of the relevant economic behavior will be selected as the Benchmark Date.

VI. BASIS OF VALUATION

(I) Basis of economic activity

1. Notice of Commencement of Preliminary Work of Asset Reorganization of Group Company (Da Tang Ji Tuan Zi [2017] No. 1098);

2. The Asset Valuation Entrustment Contract entered into between China Enterprise Appraisals Co., Ltd. and the clients.

(II) Laws and regulations

1. Assets Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (Adopted at the 21st Meeting of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);

2. The Company Law of the People's Republic of China (《中華人民共和國公司法》) (Revised and Adopted at the 6th Meeting of the Standing Committee of the Twelfth National People's Congress on 28 December 2013);

3. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (Revised at the 10th Meeting of the Standing Committee of the Twelfth National People's Congress on 31 August 2014);

4. Financial Supervision and Management Measures of Assets Evaluation Industry (《資產評估行業財政監督管理辦法》) (Decree No. 86 of the Ministry of Finance of the People's Republic of China) (中華人民共和國財政部令第86號);

5. The Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》)(Revised at the 10th Meeting of the Standing Committee of the Eleventh National People's Congress on 27 August 2009);

6. Property Law of the People's Republic of China (《中華人民共和國物權法》)(Adopted at the 5th Meeting of the Tenth National People's Congress on 16 March 2007);

7. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (Adopted at the 11th Meeting of the Standing Committee of the Tenth National People's Congress on 28 August 2004);

8. Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) (Adopted at the 5th Meeting of the Tenth National People's Congress on 16 March 2007);

9. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (Adopted at the 5th Meeting of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);

10. Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (《企業國有資產監督管理暫行條例》) (Decree No. 588 of the State Council) (國務院令第588號);

11. Interim Measures for the Administration of the Transfer of State-owned Assets of Enterprises (《企業國有產權轉讓管理暫行辦法》) (Decree No. 3 of the SASAC of the State Council and the Ministry of Finance) (《國務院國有資產監督管理委員會、財政部令第3號》);

12. Measures for the Administration of State-owned Assets Appraisal (《國有資產評估管理辦法》) (Decree No. 91 of the State Council) (國務院令第91號);

13. Notice on Publication and Distribution of the Detailed Rules for the Implementation of the Measures for the Administration of State-owned Assets Appraisal (《關於印發〈國有資產評估管理辦法施行細則〉的通知》) (Guo Zi Ban Fa [1992] No. 36) (國資辦發[1992]36號);

14. Interim Measures on the Administration of State-owned Assets Appraisal of Enterprises (《企業國有資產評估管理暫行辦法》) (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council) (國務院國有資產監督管理委員會令第12號);

15. Notice on Strengthening the Administration of State-owned Assets Appraisal (《關於加強企業國有資產評估管理工作有關問題的通知》) (Guo Zi Wei Chan Quan [2006] No. 274)(國資委產權[2006]274號);

16. Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (《關於企業國有資產評估報告審核工作有關事項的通知》) (Guo Zi Chan Quan [2009] No. 941) (國資產權[2009]941號);

17. Notice on Issuing the Opinions on Standardizing the Behavior of State-owned Shareholders in Listed Companies (《關於規範上市公司國有股東行為的若干意見》) (Guo Zi Fa Chan Quan [2009] No. 123)(國資發產權[2009]123號);

18. Approval Guidelines for the Assets Appraisal Projects of Central Enterprises (《中央企業資產評估項目核准工作指引》)(Guo Zi Fa Chan Quan [2010] No. 71) (國資發產權[2010]71號);

19. Guidelines on the Filing of State-owned Assets Appraisal Projects for Enterprises (《企業國有資產評估項目備案工作指引》) (Guo Zi Fa Chan Quan [2013] No. 64) (國資發產權[2013]64號);

20. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (《企業國有資產交易監督管理辦法》) (Decree No. 32 of the SASAC of the State Council and the Ministry of Finance) (國務院國資委、財政部令第32號);

21. Accounting Standards for Business Enterprises – Basic Standards (Decree No. 33 of the Ministry of Finance) (《企業會計準則－基本準則》(財政部令第33號), The Decision of the Ministry of Finance on Amending the Accounting Standards for Business Enterprises – Basic Standards (Decree No. 76 of the Ministry of Finance) (《財政部關於修改〈企業會計準則－基本準則〉的決定》) (財政部令第76號);

22. Rules on the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》) (Decree No. 65 of the Ministry of Finance and State Administration of Taxation) (財政部、國家稅務總局令第65號);

23. Pilot Proposal for the Change from Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》) (Cai Shui [2011] No. 110) (財稅第[2011]110號);

24. Notice on Carrying out Pilot Operation of Change from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (財稅第[2016]36號);

25. Provisional Regulations of the People's Republic of China on Land Use Tax in Cities and Towns (《中華人民共和國城鎮土地使用稅暫行條例》) (Third Revision according to the Decree No. 645 of the State Council on 7 December 2013) (2013年12月7日國務院令第645號第三次修訂).

(III) Evaluation criteria

1. Basic Standards on Assets Valuation (《資產評估基本準則》) (Cai Zi [2017] No. 43) (財資[2017]43號);

2. Code of Ethics for Assets Valuation (《資產評估職業道德準則》) (Zhong Ping Xie [2017] No. 30) (中評協[2017]30號);

3. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (《資產評估執業準則－資產評估程序》) (Zhong Ping Xie [2017] No. 31) (中評協[2017]31號);

4. Practice Guidelines for Asset Valuation – Asset Valuation Report (《資產評估執業準則－資產評估報告》) (Zhong Ping Xie [2017] No. 32) (中評協[2017]32號);

5. Practice Guidelines for Asset Valuation – Asset Valuation Entrustment (《資產評估執業準則－資產評估委託合同》) Contract (Zhong Ping Xie [2017] No. 33) (中評協[2017]33號);

6. Practice Guidelines for Asset Valuation – Asset Valuation File (《資產評估執業準則－資產評估檔案》) (Zhong Ping Xie [2017] No. 34) (中評協[2017]34號);

7. Practice Guidelines for Asset Valuation – Utilization of Experts and Related Reports (《資產評估執業準則－利用專家工作及相關報告》) (Zhong Ping Xie [2017] No. 35) (中評協[2017]35號);

8. Practice Guidelines for Asset Valuation – Enterprise Value (《資產評估執業準則－企業價值》) (Zhong Ping Xie [2017] No. 36) (中評協[2017]36號);

9. Practice Guidelines for Asset Valuation – Intangible Assets (《資產評估執業準則－無形資產》) (Zhong Ping Xie [2017] No. 37) (中評協[2017]37號);

10. Practice Guidelines for Asset Valuation – Real Estate (《資產評估執業準則－不動產》) (Zhong Ping Xie [2017] No. 38) (中評協[2017]38號);

11. Practice Guidelines for Asset Valuation – Machinery and Equipment (《資產評估執業準則－機器設備》) (Zhong Ping Xie [2017] No. 39) (中評協[2017]39號);

12. Guidance on Valuation Report of State-owned Assets of Enterprises (《企業國有資產評估報告指南》) (Zhong Ping Xie [2017] No. 42) (中評協[2017]42號);

13. Quality Control Guidance on the Business of Asset Valuation Agency (《資產評估機構業務質量控制指南》) (Zhong Ping Xie [2017] No. 46) (中評協[2017]46號);

14. Guiding Opinions on Types of Value under Asset Valuation (《資產評估價值類型指導意見》) (Zhong Ping Xie [2017] No. 47) (中評協[2017]47號);

15. Guiding Opinions on Legal Ownership of the Target of Asset Valuation (《資產評估對象法律權屬指導意見》) (Zhong Ping Xie [2017] No. 48) (中評協[2017]48號);

16. Guiding Opinions on Valuation of Patent Assets (《專利資產評估指導意見》) (Zhong Ping Xie [2017] No. 49) (中評協[2017]49號);

17. Guiding Opinions on Valuation of Copyright Assets (《著作權資產評估指導意見》) (Zhong Ping Xie [2017] No. 50) (中評協[2017]50號).

(IV) Basis of ownership

1. Title Registration Certificate of State-owned Assets;

2. State-owned Land Use Certificate;

3. Building Ownership Certificate or Real Estate Title Certificate;

4. Patent Certificate;

5. Related ownership certificate for copyright;

6. Vehicle Registration Certificate;

7. Other title-related certificates.

(V) Pricing basis

1. Financial Rules for Basic Construction (《基本建設財務規則》) (Decree No. 81 of the Ministry of Finance of the People's Republic of China 中華人民共和國財政部令第81號, implemented from 1 September 2016);

2. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (《機動車強制報廢標準規定》) (2012 Decree No. 12 of the Ministry of Commerce, National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection (商務部、發改委、公安部、環境保護部令2012年第12號), implemented from 1 May 2013);

3. The benchmark deposit and lending rate and exchange rate on the Benchmark Date;

4. Notice on the Issuance of the 2013 Edition of the Provisions for the Quota of Electricity Construction Projects and Calculation of Expenses by the National Energy Administration (《國家能源局關於頒佈2013版電力建設工程定額和費用計算規定的通知》) (National Energy Administration, Guo Neng Dian Li [2013] No. 289) (國家能源局，國能電力[2013]289號);

5. Information on Construction Cost for Anhui Province (《安徽省工程造價信息》) (Volume 3 of 2017);

6. Budget Estimate Quota of Electricity Construction Projects (《電力建設工程概算定額》) (2013 Edition);

7. Budget Quota of Electricity Construction Projects (《電力建設工程預算定額》) (2013 Edition);

8. Regulations on the Preparation and Calculation of Budgets for Thermal Power Generation Construction Projects (《火力發電工程建設預算編製與計算規定》) (2013 Edition);

9. Cost Composition and Cost Estimate Standards for Hydropower Construction Projects (《水電工程費用構成及概(估)算費用標準》) (2013 Edition);

10. Quota on Duration of Construction for Electricity Construction Projects (《電力建設工程工期定額》) (2012 Edition);

11. Integrated Budget Price of Equipment Materials for Electricity Construction Projects (《電力建設工程裝置性材料綜合預算價格》) (2013 Edition);

12. Quota Design and Reference Cost Index for Thermal Power Projects (2015 Standard) (《火電工程限額設計參考造價指標(2015年水平)》) (Electric Power Planning and Design Institute) (電力規劃設計總院);

13. Notice on the Issuance of 2016 Price Level Adjustment on the 2013 Edition of the Budget Estimate Quota of Electricity Construction Projects (《關於發佈2013版電力建設工程概預算定額2016年度價格水平調整的通知》) (Ding E [2016] No. 50) (定額[2016]50號);

14. Notice on Issues concerning the Implementation of Tariff-related Support Policies for the Coal-fired Power Plants with Ultra-low Emission (《關於實行燃煤電廠超低排放電價支持政策有關問題的通知》) (Fa Gai Jia Ge [2015] No. 2835) (發改價格[2015]2835號);

15. Notice of National Development and Reform Commission on the Lowering of On-grid Tariffs for Coal-fired Power Generation and Power Tariffs for General Industrial and Commercial Use (《國家發展改革委關於降低燃煤發電上網電價和一般工商業用電價格的通知》) (Fa Gai Jia Ge [2015] No. 3105) (發改價格[2015]3105號);

16. Notice of National Development and Reform Commission on the Lowering of On-grid Tariffs for Coal-fired Power Generation and Power Tariffs for General Industrial and Commercial Use Forwarded by Anhui Price Bureau (《安徽省物價局轉發國家發展改革委關於降低燃煤發電上網電價和工商業用電價格的通知》) (Wan Jia Shang [2015] No. 56) (皖價商[2015]56號);

17. Notice of Anhui Price Bureau on the Price Raising Incentive Policy of Pilot Coal-fired Generating Units with Ultra-low Emission (《安徽省物價局關於試行燃煤發電機組超低排放加價獎勵政策的通知》) (Wan Jia Shang [2015] No. 151) (皖價商[2015]151號);

18. Notice of Anhui Price Bureau on Matters related to Reasonable Adjustment of Tariff Structure (《安徽省物價局關於合理調整電價結構有關事項的通知》) (Wan Jia Shang [2017] No. 101, implemented from 1 July 2017) (皖價商[2017]101號);

19. Letter of Anhui Price Bureau on the Settlement of 2017 First Quarter Price Raising Incentive Policy of Coal-fired Generating Units with Ultra-low Emission in the Province (《安徽省物價局關於省內燃煤發電機組2017年第一季度超低排放加價獎勵款結算的函》) (Wan Jia Shang Han [2017] No. 128) (皖價商函[2017]128號);

20. Notice on Preparation of the Adjustment of Pricing Basis of Construction Projects on Change from Business Tax to Value-added Tax for Construction Industry (《關於做好建築業營改增建設工程計價依據調整準備工作的通知》) (Jian Ban Biao [2016] No. 4) (建辦標[2016]4號);

21. Notice on the Issuance of the Transitional Implementation Plan for the Adaptation on the Adjustment of Change from Business Tax to Value-added Tax for the Pricing Basis of Electricity Construction Projects (《關於發佈電力工程計價依據適應營業税改徵增值税調整過渡實施方案的通知》) (Ding E [2016] No. 9) (定額[2016]9號);

22. Guiding Opinions on the Implementation of the Notice of National Development and Reform Commission on Further Liberalization of the Professional Service Fees for Construction Projects 關於落實(《國家發展改革委關於進一步放開建設項目專業服務價格的通知》) (Fa Gai Jia Ge [2015] No. 299) 的指導意見(發改價格[2015]299號) (Zhong Dian Lian Ding E [2015] No. 162) (中電聯定額[2015]162號);

23. Notice on the Issuance of Interim Provisions on Consultation Fees for Preliminary Work of Construction Projects (《關於印發建設項目前期工作諮詢收費暫行規定的通知》) (Ji Jia Ge [1999] No. 1283) (計價格[1999]1283號);

24. Notice on the Issuance of the Management Regulations on the Costs of Basic Construction Projects by the Ministry of Finance (《財政部關於印發〈基本建設項目建設成本管理規定〉的通知》) (Cai Jian [2016] No. 504) (財建[2016]504號);

25. Notice of National Development and Reform Commission on Lowering Fee Charge Rates for Some of the Construction Projects and Regulating Fee Charging-related Behavior (《國家發展改革委關於降低部分建設項目收費標準規範收費行為等有關問題的通知》) (Fa Gai Jia Ge [2011] No. 534) (發改價格[2011]534號);

26. Fee Quote Manual for Mechanical and Electrical Products (2017) (《機電產品報價手冊》);

27. The feasibility study report of the project, investment budget of the project, estimated budget of the design and other information provided by the enterprise;

28. Relevant budgets and final accounts of the project provided by the enterprise;

29. Statistics of the payment progress for construction-in-progress and relevant proof of payment provided by the enterprise;

30. Financial statements and audit reports for previous years provided by the enterprise;

31. Financial information and future operating plans provided by the relevant departments of the enterprise;

32. Revenue forecast for future years and relevant information provided by the enterprise;

33. Other relevant information related to valuation which is recorded and collected by the appraisers during on-site survey;

34. Wind Info;

35. Other information related to this asset valuation.

(VI) Other references

1. Regulations for Appraisal of Urban Land (《城鎮土地估價規程》) (GB/T18508-2014);

2. Regulations for Gradation and Classification of Urban Land (《城鎮土地分等定級規程》) (GB/T18507-2014);

3. Standards for Real Estate Valuation (《房地產估價規範》) (GB/T 50291-2015);

4. Housing Maintenance Grade and Evaluation Criteria (Trial) (《房屋完損等級評定標準(試行)》) (Cheng Zhu Zi [1984] No. 678) (城住字[1984]第678號);

5. The list of assets and the declaration form for valuation provided by the evaluated entity;

6. The January-September 2017, 2016, 2015 and 2014 Annual Audit Reports of Datang Anhui Power Generation Co., Ltd. issued by Shinewing Certified Public Accountants LLP (Report No.: XYZH/2017BJA40579);

7. The Valuation of the Land Use Rights of the State-owned Construction Land under the Proposed Transfer by China Datang Corporation of the Equity Interests it holds in Datang Hebei Power Generation Co., Ltd., Datang Anhui Power Generation Co., Ltd. and Datang Heilongjiang Power Generation Co., Ltd. issued by Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co. Ltd. (Report No.: (Beijing) Zhong Di Hua Xia [2017] Ping (Gu) Zi No. 110);

8. Database of China Enterprise Appraisals Co., Ltd.

VII. VALUATION METHODOLOGY

Income approach refers to the approach in which the expected return shall be capitalized or discounted so as to determine the value of the evaluated entity.

Market approach refers to the approach in which the target of appraisal shall be compared with other comparable listed companies or transaction cases so as to determine the value of the evaluated entity.

Asset-based approach refers to the approach in which, based on the balance sheet of the evaluated entity on the Benchmark Date, the value of the assets and liabilities in and out of the balance sheet shall be reasonably appraised so as to determine the value of the evaluated entity.

As stated in the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any evaluation of enterprise value, the suitability of the three basic asset valuation methods namely the income approach, the market approach and the asset-based approach shall be analyzed based on the purpose of valuation, the target to be evaluated, the type of value, the collected information etc. in its selection of valuation methods. If different valuation methods are suitable for any evaluation of enterprise value, asset valuation professionals should adopt two or more valuation methods for their valuation.

Based on the purpose of valuation, the target to be evaluated, the type of value, the collected information and other relevant conditions, and subject to the suitability of the three basic asset valuation methods, and in view of the appraisers' understanding of the present condition of the business, business plans and development plans of Datang Anhui Power Generation Co., Ltd., and upon the research and analysis of the related sectors, there are favorable conditions for adopting the income approach. Meanwhile, as the evaluated entity has integrated financial information and asset management information and a wide source of data and information related to the costs of asset acquisition available for use, it also satisfies the conditions for adopting the asset-based approach. On the other hand, the prerequisite for the adoption of the market approach is the existence of a well-developed and fair open market with adequate market data and comparable transaction cases in the open market. Through market research, the appraisers realized that it was difficult to obtain reference enterprises or transaction cases that were comparable to the evaluated entity in terms of scale, business model and present condition of the business, therefore, the market approach was not suitable for this valuation.

Based on the above analysis, the income approach and the asset-based approach are to be adopted in this valuation.

(I) Income approach

The discounted cash flow method under the income approach is used to evaluate the overall enterprise value in order to indirectly obtain the total value of the equity interests of shareholders. The overall enterprise value consists of the value of operating assets arising from normal operating activities and the value of non-operating assets which is not related to normal operating activities. The discounted free cash flow model for enterprises was selected for the determination of the value of operating assets, which is based on the future free cash flow forecast of the enterprise in the coming years to discount them by adopting an appropriate discount rate before adding up the values. The calculation model is as follows:

Value of entire shareholders' equity = Overall enterprise value – value of interest-bearing debts

1. Overall enterprise value

The overall enterprise value refers to the sum of the total equity of shareholders and the value of interest-bearing debts. Based on the allocation and use of assets of the evaluated entity, the overall enterprise value is calculated as follows:

Overall enterprise value = value of operating assets + value of surplus assets + value of non-operating assets and liabilities + value of long-term equity investment

(1) Value of operating assets

Operating assets refer to assets and liabilities under the free cash flow forecast after the Benchmark Date relating to production and operation of the evaluated entity. Value of operating assets is calculated as follows:

$$P = \sum_{i=1}^{n} \frac{F_i}{(1+r)^i} + \frac{F_n \times (1+g)}{(r-g) \times (1+r)^n}$$

Where, P: Value of operating assets as at the Benchmark Date;

F_i: Free cash flow forecast for Year i after the Benchmark Date;

F_n: Free cash flow forecast for the last year in the forecast period;

r: Discount rate;

n: Forecast period;

i: Year i in the forecast period;

g: Perpetual growth rate.

Where, free cash flow is calculated as follows:

Free cash flow = Net profit before interest and after tax + depreciation and amortization – capital expenditure – increase in working capital

Where, discount rate (weighted average cost of capital, or WACC) is calculated as follows:

$$WACC = K_e \times \frac{E}{E + D} + K_d \times (1 - t) \times \frac{D}{E + D}$$

where, k_e : Cost of equity capital;

k_d : Cost of interest-bearing debt capital;

E : Market value of equity;

D : Market value of interest-bearing debts;

t : Income tax rate.

Where, cost of equity capital is calculated using the capital asset pricing model (CAPM) as follows:

$$K_e = r_f + MRP \times \beta + r_c$$

where, r_f : Risk-free interest rate;

MRP : Market risk premium;

B : Systematic risk coefficient of equity;

r_c : Enterprise specific risk adjustment coefficient.

(2) Value of surplus assets

Surplus assets refer to assets that exceed what is required by the production and operation of the enterprise as at the Benchmark Date and are not covered by the free cash flow forecast of the enterprise after the Benchmark Date. Surplus assets are to be analyzed and evaluated separately.

(3) Value of non-operating assets and liabilities

Non-operating assets and liabilities refer to assets and liabilities not relating to production and operation of the evaluated entity and are not covered by the free cash flow forecast of the enterprise after the Benchmark Date. Non-operating assets and liabilities are to be analyzed and evaluated separately.

(4) Value of long-term equity investment

Value of long-term equity investment refers to a total of 7 companies controlled and invested by Datang Anhui Power Generation Co., Ltd.

2. Value of interest-bearing debts

Interest-bearing debts refer to the liabilities bearing interest payable by the evaluated entity as at the Benchmark Date. The book value after verification is recognized as the appraised value of interest-bearing debts.

(II) Asset-based approach

1. Current assets

(1) Monetary funds, including cash and bank deposits, the appraised value of which is determined as the verified value arrived at through cash stocktaking, bank statement checking and enquiry letters to banks, etc.

(2) Notes receivable: The appraisers verified the consistency between the subledger, general ledger, and balance in the statements and the valuation schedules, and verified the consistency between the nominal value, time of occurrence, details of transactions and coupon rate of the notes and the accounting records in order to verify the authenticity and completeness of notes receivable. The results indicated that amounts in the ledgers, statements, and notes were consistent. After verification, the notes receivable is authentic with accurate amount and without accrued interest. The book value after verification is recognized as the appraised value.

(3) Accounts receivable and other receivables: The appraised value of accounts receivable is determined by appraisers according to the respective recoverable amount of each receivable on a verified basis. For receivables which are believed to be fully recoverable on adequate grounds, the appraised value is calculated according to the full amount receivable. For receivables of which a partial amount is likely to be irrecoverable, and in the event that it is difficult to determine the amount of receivables which is irrecoverable, historical information and on-site investigations are used to understand the situation, to specifically analyze the amount, time and reasons of such loans and recovery of the amount, as well as the capital, creditworthiness and current situation of the operation and management of the debtor to estimate the amount which is likely to be irrecoverable by aging analysis as the appraised value calculated after deduction of risk-related losses. For receivables which are proved by conclusive evidences to be irrecoverable, the appraised value will be zero. The "provision for bad debts" on the accounts shall be accounted for as zero.

(4) Dividend receivable: Upon verifying the supporting documents of external equity investment and number of shares being held by the evaluated entity, the resolutions of the board or general meeting of the evaluated entity in respect of profit distribution, the book value after verification is recognized as the appraised value.

(5) Prepayments: The appraisers reviewed relevant contracts on procurement of materials or supply agreements and learned about the services and goods received during the period from the Benchmark Date till the on-site benchmark date. Where there is no indication of bankruptcy or revocation of the suppliers or its failure to provide goods or labour services as scheduled under the contracts, the book value after verification is recognized as the appraised value. For prepayments which are proved by conclusive evidences that the relevant goods cannot be recovered and cannot form any relevant assets or interests, the appraised values will be zero.

(6) External procurement of raw materials: The appraised values of various assets are determined based on the amount verified upon inspection to be multiplied by the prevailing procurement price in the market plus reasonable freight and miscellaneous fees, wastage, inspection and acceptance fees for admission into warehouse and other reasonable fees. For raw materials which are invalid, deteriorated, damaged, scrapped and useless, the appraised value is determined by deducting the corresponding depreciation (the net realizable value to be retained) and calculated through analysis according to the technical appraisal results and relevant evidences.

(7) Non-current assets due within one year: The appraisers verified the consistency between the subledger, general ledger, and balance in the statements, and carried out a random inspection on relevant information such as some of the original vouchers and contracts to verify the authenticity, details of transactions and amounts of the transactions, in particular, the entrusted loans to Anhui Electric Power Co., Ltd. and Datang Anqing Biomass Power Generation Co., Ltd. In view that Anhui Electric Power Co., Ltd. and Datang Anqing Biomass Power Generation Co., Ltd. are suffering serious operating losses, the net book value of assets of these two companies were recorded as negative as at the Benchmark Date, therefore, the evaluation of the recoverable amount of entrusted loans in this valuation was based on the debt repayment ratio after the companies have repaid their priority debts.

(8) Other current assets: The appraisers verified the consistency between the subledger, general ledger, and balance in the statements, and carried out a random inspection on relevant information such as some of the original vouchers and contracts to verify the authenticity, details of transactions and amounts of the transactions. In view that Anhui Electric Power Co., Ltd. is suffering serious operating losses, its net book value of assets was recorded as negative as at the Benchmark Date, therefore, the evaluation of the recoverable amount of entrusted loans in this valuation was based on the debt repayment ratio after the company has repaid its priority debts. With regard to the valuation of others, the book value after verification was recognized as the appraised value.

2. Available-for-sale financial assets

There is a total of 1 available-for-sale financial assets within the scope of this valuation, which belongs to investment in participating stock company.

For the participating stock company, financial statement analysis was adopted in this valuation to verify the total shareholders' equity of the investee company as at the Benchmark Date. The appraised value of the available-for-sale financial assets is estimated based on the shareholding ratio of the investee company.

3. Long-term equity investment

(1) Wholly-owned and controlling long-term equity investment

An overall valuation of wholly-owned and controlling long-term equity investment was conducted. The value of part of the shareholders' equity is calculated by multiplying the total shareholders' equity (which is deduced from valuation) of the investee company by the shareholding ratio.

(2) Non-controlling long-term equity investment

For non-controlling long-term equity investment, in view that there were no favorable conditions for an overall valuation, the appraisers, in light of the actual situation of the investee company, obtained the financial statements of the investee company as at the Benchmark Date. After a proper analysis of the financial statements of the investee company, the appraised value of such non-controlling long-term equity investment was determined by multiplying the reasonable net assets of the investee company by the shareholding ratio.

4. Machinery and equipment

The statements were consistent with those listed in the account books after verifying against the spreadsheets of the machinery and equipment provided by the enterprise. At the same time, the ownership was recognized after examining and verifying the related contracts, legal ownership certificates and accounting documents. On such basis, professional engineering staff was assigned to carry out necessary on-site inspection and verification of the major equipment.

For the purpose of this valuation and subject to the principle of continuity and market price, the replacement cost approach was used after taking into account the characteristics of the equipment to be evaluated and the collected information.

Appraised value = full replacement cost × integrated newness rate

(1) Determination of full replacement cost

A. Machinery and equipment

Full replacement cost = purchase price of equipment (tax inclusive) + transportation expense + installation fees + upfront and other expenses + capital cost – deductible VAT

① Purchase price of equipment

Price of equipment for the electric power sector is mainly determined with reference to the market price checked with the manufacturers as at the Benchmark Date, or the current market prices available in the information on price quotes or with reference to the contract prices of comparable equipment being recently purchased.

Price of general equipment is mainly determined in accordance with the Mechanical and Electronic Products Pricing Handbook (2017) issued by China Machine Press and the recent transaction prices of equipment in the market.

Price of transport vehicle is mainly determined with reference to the latest market prices and transaction prices in the local auto market on the Benchmark Date.

② Transportation expenses

With regard to the calculation of transportation expenses of domestic equipment, in the case of equipment for wind power plants, expenses are determined based on the Requirements on Preparation of Cost Estimate and Cost Standards for Construction and Design of Onshore Wind Farms (NBT/31011-2011); in the case of equipment for thermal power plants, expenses are determined based on the Preparation of Cost Estimate and Calculation Basis for Construction of Thermal Power Projects (2013); in the case of equipment for hydropower plants, expenses are determined based on the Standards for Cost Estimate on Construction and Design of Hydropower Projects (2013).

③ Installation fees

Installation fees of equipment for wind power plants are determined with reference to the Ration of Cost Estimate for Onshore Wind Farms (NB/T31010-2011) which is the standards for the energy sector of the People's Republic of China.

Installation fees of equipment for thermal power plants are determined after adjustment according to the Ration of Cost Estimate for Electric Power Construction Projects (2013) and the Preparation of Cost Estimate and Calculation Basis for Construction of Thermal Power Projects (2013).

Installation fees of equipment for power generation purpose are determined according to the Ration of Cost Estimate for Installation of Equipment for Hydropower Projects and the Cost Composition and Standards for Cost Estimate of Hydropower Projects (2013).

Installation fees of other types of power equipment are determined with reference to installation contracts and relevant handbooks.

No installation fee will be considered for small-sized equipment that installation is not required.

④ Upfront and other expenses (independent fees)

Expenses are calculated based on the Requirements on Preparation of Cost Estimate and Cost Standards for Construction and Design of Onshore Wind Farms (NBT/31011-2011) in the case of equipment for wind power plants; expenses are calculated based on the Preparation of Cost Estimate and Calculation Basis for Construction of Thermal Power Projects (2013) in the case of equipment for thermal power plants; expenses are calculated based on the Standards for Cost Estimate on Construction and Design of Hydropower Projects (2013) in the case of equipment for hydropower plants; and the calculation basis for equipment for hydropower plants is subject to the Cost Composition and

Standards for Cost Estimate of Hydropower Projects (2013). Of which, the independent fees of permanent equipment and the independent fees of installation works are to be calculated separately. Expenses of other types of power equipment are determined with reference to comparable calculation methods.

According to the Notice (Cai Shui [2016] No. 36), the pilot practice of levying value-added tax in lieu of business tax has been carried out in China since 1 May 2016. The rate applicable to the upfront cost which falls under the scope of the pilot practice of levying VAT in lieu of business tax shall be subject to the deduction of the corresponding VAT rate. In this valuation, items under upfront expenses in respect of machinery and equipment that are subject to VAT (which is not deductible) include management fees incurred by the legal person of the project, project upfront costs, production staff training and early admission fees, and entire pilot operation fees.

⑤ Capital cost

Subject to a reasonable construction period for equipment at the lending rate corresponding to the term as at the Benchmark Date, the capital cost is determined on the basis of the sum of the purchase prices of equipment, installation fees and other fees.

For hydropower and thermal power generating units, based on the method for settlement upon completion of a single generating unit of an electric power project, any loan interest payable for the construction period before the first unit is put into operation is to be fully accounted into the construction project investment. After the first unit has been put into operation, part of the interest will be transferred to interest expenses and so on.

For wind power generating units and other types of power equipment, it is determined according to capital being evenly injected in a reasonable construction period.

Based on a reasonable construction period of the project at the lending rate corresponding to the term as at the Benchmark Date, capital cost is determined on the basis of the sum of the purchase prices of equipment, installation fees, upfront and other fees.

⑥ Deductible VAT in the purchase prices of equipment

The amount will be deducted accordingly after the amount of deductible VAT for equipment eligible for VAT credit has been calculated.

B. Transport vehicles

The full replacement cost of vehicles is determined after determining the present tax-inclusive prices of vehicles based on the latest information about the market prices of vehicles such as sales information from the local auto market and taking the vehicle purchase tax into account in accordance with the Interim Regulations of the People's Republic of China on Vehicle Purchase Tax and handling charges for registration of new cars, and according to the deductible VAT for the purchase of vehicles based on the Notice (Cai Shui [2016] No. 36). The formula is as below:

Full replacement cost = purchase price (tax exclusive) + vehicle purchase tax + handling charges for registration of new cars

C. Electronic equipment

Full replacement cost is determined according to the information from the local market and recent online transaction prices.

For usable electronic equipment which were purchased years ago with no similar models now available in the market, the full replacement cost is determined based on the prices (tax exclusive) of such equipment in the second-hand market.

(2) Determination of integrated newness rate

Integrated newness rate is determined after the adjustment of the necessary records related to the operation, incidents, maintenance and functional assessment of equipment (apparatus) following an on-site inspection of the useful life (construction environment, maintenance, appearance, utilization rate and intactness) of equipment (apparatus).

For large and key machinery equipment, the appraisers have, by on-site inspection of the usage of the equipment and reviewing information related to the operation and key technical indicators of the equipment, and making enquiry with relevant technical staff and operation and maintenance personnel about the technical condition, frequency of overhaul and maintenance of the equipment, and taking into account the requirements on the actual useful life of various equipment and the used life of the equipment, and in light of the actual usage of the equipment, recognized the remaining useful life to determine the integrated newness rate. The formula is as below:

Integrated newness rate = remaining useful life/(remaining useful life + used life) × 100%

For general small-sized equipment, the integrated newness rate is determined based on the working environment, existing techniques and the economic useful life of equipment.

For other types of equipment, the integrated newness rate is determined through on-site inspection of the useful life of the equipment and on the basis of the economic useful life applicable to various types of equipment.

Integrated newness rate = (economic useful life – used life)/economic useful life × 100%

For vehicles, in accordance with the Standards for Mandatory Scrapping of Motor Vehicles promulgated by the State, the newness rate is determined by vehicle miles of travel and useful life, whichever is the lower, and adjusted after on-site inspection, the formulae of which are set out below:

Useful life newness rate = (required useful life – used life)/required useful life ×100%

VMT newness rate = (required VMT – miles travelled)/required VMT × 100%

Integrated newness rate = theoretical newness rate × adjustment coefficient

(3) Determination of appraised value

Appraised value of equipment = full replacement cost of equipment × integrated newness rate

5. Buildings (structures)

Replacement cost approach is used for the valuation of buildings and structures. In the event that the combined valuation approach for housing and land is applicable to any commodity house which was purchased externally, the market approach will be used for valuation.

Replacement cost approach

Full replacement cost of buildings generally includes: integrated construction and installation cost, upfront and other expenses, capital cost and deductible VAT. The formula for calculating the full replacement cost of buildings is as follows:

Full replacement cost = Integrated construction and installation cost (tax inclusive) + upfront and other expenses + capital cost – deductible VAT

① Integrated construction and installation cost

For buildings (structures) of large size, high value and great importance, the buildings (structures) to be evaluated will be categorized in terms of structural characteristics, which are categorized as reinforced concrete frame structure, brick and concrete structure, brick-wood structure, reinforced concrete structures and brick structures.

Typical buildings (structures) would be selected for the calculation of the construction fees according to the construction budgets or the volume of works, including the preliminary design, cost estimates, drawings and change of design, by rations applicable to different types of buildings. Of which:

Construction fees of buildings specified for thermal power use are calculated in accordance with the Ration of Cost Estimate for Electric Power Construction Projects – Construction (2013) and the Preparation of Cost Estimate and Calculation Basis for Construction of Thermal Power Projects (2013).

Construction fees of buildings specified for hydropower use are calculated in accordance with the Ration of Cost Estimate for Hydropower Construction Projects (2015) and the Standards for Cost Estimate for Construction and Design of Hydropower Projects (2013).

For other types of power buildings, the construction fees are calculated with reference to the generally accepted method for calculation of the construction fees of similar types of buildings.

For other buildings for non-professional use, the construction fees are calculated on the basis of the existing local ration for construction projects.

For buildings (structures) of small value and simple structure, the cost per square metre method is used to determine the construction fees.

② Determination of upfront and other expenses

Expenses are calculated based on the Requirements on Preparation of Cost Estimate and Cost Standards for Construction and Design of Onshore Wind Farms (NBT/31011-2011) in the case of equipment for wind power plants; expenses are calculated based on the Preparation of Cost Estimate and Calculation Basis for Construction of Thermal Power Projects (2013) in the case of equipment for thermal power plants; expenses are calculated based on the Standards for Cost Estimate on Construction and Design of Hydropower Projects (2013) in the case of equipment for hydropower plants; and the calculation basis for equipment for hydropower plants is subject to the Cost Composition and Standards for Cost Estimate of Hydropower Projects (2013). Of which, the independent fees of permanent equipment and the independent fees of installation works are to be calculated separately. Expenses of other types of power equipment are determined with reference to comparable calculation methods.

According to the Notice (Cai Shui [2016] No. 36), the pilot practice of levying value-added tax in lieu of business tax has been carried out in China since 1 May 2016. The rate applicable to the upfront cost which falls under the scope of the pilot practice of levying VAT in lieu of business tax shall be subject to the deduction of the corresponding VAT rate.

③ Capital cost

The capital cost of equipment of the buildings (structures) which are used as wind power, thermal power, hydropower plants and other types of power generation entities is calculated by the same method as that used to calculate the capital cost of equipment of similar enterprises.

④ Deductible VAT

As prescribed by the relevant document, the amount of deductible VAT for real estate assets eligible for VAT credit will be calculated accordingly, which mainly includes the deductible VAT involved in the construction and installation cost and upfront cost.

(1) Determination of integrated newness rate

The integrated newness rate is determined according to the following formula:

Integrated newness rate = remaining useful life/(used life + remaining useful life)

Where, the remaining useful life is determined as follows:

The remaining useful life is determined in light of the economic useful life and used life of the buildings which fall under the scope of valuation, and based on the on-site survey, the renovation, modification and maintenance of the buildings. Determination of the integrated newness rate is based on the premise that whether the target of valuation can still be used for its intended purpose, subject to the main condition requiring the target to have stable and firm foundation and major structure. The newness rate of the decorations and auxiliary facilities can only be calculated on the premise that the foundation and major structure can still be used. Such rate will be considered as an auxiliary condition for adjusting the newness rate of the foundation and major structure.

(2) Determination of appraised value

Appraised value = full replacement cost × integrated newness rate

Market approach

In respect of any commodity house purchased in a well-developed local real estate market where comparable transactions exist, the market approach will be applied for valuation in which certain comparable real property is selected for the purpose of adjustment based on the condition and date of transaction, geographical factor, title and physical condition of the property to arrive at the appraised value. The formula is as below:

Price of real property to be evaluated = transaction price of the comparable real property × normal condition of transaction/condition of the transaction of the comparable real property × geographical factor value of the real property to be evaluated/geographical factor value of the comparable real property × title value of the real property to be evaluated/title value of the comparable real property × physical condition value of the real property to be evaluated/ physical condition value of the comparable real property × price index for the real property to be evaluated as at the Benchmark Date/price index for the comparable real property as at the transaction date

6. Construction-in-progress

Cost approach is applied in the valuation of construction-in-progress. In order to avoid duplicated valuation or omission of asset measurement, the following valuation methods are adopted in light of the characteristics of construction-in-progress, and the type and specific conditions of each construction-in-progress:

(1) In respect of construction-in-progress where the major equipment or main building has been transferred into fixed assets but certain fees have not yet been transferred, and if its value has already been included in the appraised value of the fixed assets, the appraised value of such type of construction-in-progress is nil.

(2) Uncompleted projects

In respect of a project under construction where the date of commencement of construction is within half a year from the Benchmark Date, the appraised value is determined by deducting the unreasonable expenditures from the declared amount of the project, for which the verification of accounts against physical assets shall be conducted in advance.

In respect of a project under normal construction where the date of commencement of construction is beyond half a year from the Benchmark Date, and if there are no material changes in the prices of equipment, materials and labour involved in the investment during such period, the appraised value is determined by deducting unreasonable expenditures from the book value plus appropriate capital costs; and if there are material changes in the prices of equipment, materials and labour involved in the investment during such period, the replacement value is determined based on all such costs to be incurred corresponding to the volume of works completed of such construction-in-progress under normal conditions as at the Benchmark Date; if serious actual obsolete depreciation, functional obsolete depreciation and economic obsolete depreciation obviously exist, it is required to deduct all depreciation sums or otherwise the depreciation sum would be nil.

(3) Solely unamortized expenses

For solely unamortized expenses, the book value, after verification, would be considered as the appraised value as necessary for the future construction-in-progress, or otherwise the appraised value would be nil.

7. Land use rights

The clients directly appointed Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. to conduct valuation of the land use rights which fall under the scope of this valuation. Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. issued the Land Valuation Report ((Beijing) Zhong Di Hua Xia [2017] Ping (Gu) Zi No. 110) on 31 October 2017 in respect of this economic behavior. As requested by the clients, its valuation results were directly quoted in this Asset Valuation Report.

8. Other intangible assets

Other intangible assets which fall under the scope of this valuation are mainly various software purchased externally by the company and patents and software copyrights which are not recorded in the books. If the external software which were purchased by the company are still available in the market where there are no upgraded versions as at the Benchmark Date, the appraised value will be determined based on the market prices of similar software as at the Benchmark Date. If the external software which were purchased by the company are still available in the market where there are upgraded versions, the appraised value will be determined by deducting the software upgrade fees from the current market price. If no more transactions of the software can be found in the market but the software could still be used for their intended purposes, the original purchase costs of the company and the price trend of similar software in the market will be taken into account to determine the depreciation rate for the calculation of the appraised value. The formula is as follows:

Appraised Value = Original Purchase Price × (1 – depreciation rate)

For patents and software copyrights which are not recorded in the books, the cost approach was used in this valuation in light of the information collected by the appraisers and the characteristics of the patents.

9. Long-term unamortized expenses

For long-term unamortized expenses, the appraisers firstly verified the legality, reasonableness and authenticity of the expenses to understand the expenditures and balance of the expenses. For long-term unamortized expenses, which were confirmed to be accurate, with remaining assets or rights after the Benchmark Date, the appraised value was determined based on the remaining benefit period after verification of

the benefit period and the benefit amount; for long-term unamortized expenses with remaining assets and rights, if the incurred assets or rights have been reflected in other assets, the appraised value would be zero; for long-term unamortized expenses without any remaining assets or rights, the appraised value would be zero.

10. Other non-current assets

Other non-current assets are mainly entrusted loans. The appraisers reviewed the relevant loan contracts to verify the amount, term and interests of each loan. In which, Datang Anqing Biomass Power Generation Co., Ltd. recoded a severe operating loss. In view that the book value of net assets of the company as at the Benchmark Date was recoded as negative, therefore, the evaluation of the recoverable amount of entrusted loans in this valuation was based on the debt repayment ratio after the company has repaid its priority debts. With regard to the valuation of others, the book value after verification was recognized as the appraised value.

11. Liabilities

Liabilities include short-term borrowings, bills payable, accounts receivable, accounts received in advance, payroll payable, tax payable, interest payable, other payables, non-current liabilities due in one year, long-term borrowings, long-term payables and other non-current liabilities. The appraisers verified the book values against the statements and relevant financial documents provided by the company to determine the appraised value based on the liabilities actually assumed by the company.

VIII. IMPLEMENTATION AND PARTICULARS OF VALUATION PROCEDURES

The appraisers conducted valuation of the assets and liabilities of the valuation target during the period between 25 September 2017 and 7 November 2017. The implementation and particulars of the valuation procedures are as follows:

(I) Acceptance of engagement

On 22 September 2017, our company and the clients reached consensus on the basic matters (including the purpose of valuation target, the scope of valuation and the benchmark date etc.) related to the valuation service and the rights and obligations of the parties, and we have, upon negotiations with the clients, prepared an appropriate valuation plan.

(II) First-phase preparation

1. Preparation of valuation scheme

In light of the characteristics of the project, and for the purpose of ensuring the quality, standardizing the valuation methods and parameters, our company prepared the Implementation Plan for Asset Valuation by leveraging our experience from our previous services to similar enterprises.

2. Building of a valuation team

In light of the characteristics of the assets, including the status and distribution of assets, which fall under the scope of this valuation, our company formed on-site valuation teams equipped with appropriate professionals in charge of the valuation of current assets, buildings, machinery and equipment, intangible assets and the income approach respectively.

3. Implementation of project training

(1) Training to the staff of the evaluated entity

In order to give the financial and assets management personnel of the evaluated entity an all-round understanding of asset valuation to facilitate their completion and submission of asset valuation-related materials so as to ensure the quality of the declaration materials for the purpose of valuation, our company prepared the Training Materials for Enterprises to provide training to relevant staff of the evaluated entity and assigned appropriate staff to answer any questions raised in the course of completing asset valuation-related materials.

(2) Training to appraisers

To ensure the quality of the valuation project and to improve efficiency, as well as to thoroughly implement the proposed Implementation Plan for Asset Valuation, our company provided relevant training to the project team members including the background of the relevant economic behavior, the characteristics of the assets of the valuation target, technical ideas and requirements for conducting valuation.

(III) On-site investigation

During the period between 25 September 2017 and 31 October 2017, the appraisers conducted necessary investigations and verification on the assets and liabilities of the valuation target and carried out necessary due diligence on the operation and management of the evaluated entity.

1. Asset verification

(1) Guiding the evaluated entity on how to complete the forms and to prepare materials to be provided to the appraisal institute

Provided that the financial and asset management personnel of the evaluated entity are required to conduct their own checking of assets, the appraisers guided them on how to correctly and carefully fill out each of the required forms covering the assets which fall under the scope of this valuation according to the Detailed Statement of Asset Valuation and their instructions to complete the Statement and the list of information which were provided by the appraisal institute. They are also required to collect and prepare title certification of the assets and documents and information that can reflect their performance, status and economic and technical indexes.

(2) Preliminary review and improvement of the Detailed Statement of Asset Valuation filled out by the evaluated entity

The appraisers checked the relevant information to have an understanding of the details of the assets which fall under the scope of this valuation and carefully reviewed the various Detailed Statements of Asset Valuation to check if there are any incomplete information, errors, or unclear statements of asset items. Based on their experience and the information they had obtained, the appraisers reviewed the Detailed Statements of Asset Valuation to check if there is any omission before providing feedback to the evaluated entity for it to improve the Detailed Statements of Asset Valuation.

(3) On-site survey

In accordance with the relevant asset valuation standards, the appraisers conducted, with the cooperation of the relevant personnel of the evaluated entity, on-site survey on various assets in terms of the types, quantity and distribution of the assets. Different survey methods were used in light of the nature and characteristics of the different types of assets.

(4) Supplementation, modification and improvement of Detailed Statements of Asset Valuation

Based on the on-site survey result, the appraisers further improved the Detailed Statements of Asset Valuation after proper communication with the relevant personnel of the evaluated entity in order to ensure the consistency among the accounts, forms and actual circumstances.

(5) Verification of property title certificates

After verifying the property title certificates of the asses (such as buildings, land use rights and vehicles) which fall under the scope of this valuation, the appraisers requested the enterprise to verify or provide relevant supporting documents related to property title for assets with defective title or unclear ownership.

2. Due diligence

The appraisers conducted necessary due diligence in order to fully understand the operation and management of the evaluated entity and the risks which the entity is facing. The due diligence work mainly covered the following:

(1) History, substantial shareholders and shareholding proportions of the evaluated entity, necessary property title and operation and management structure;

(2) Assets, financial position, production, operation and management of the evaluated entity;

(3) Business plans, development planning and financial forecast of the evaluated entity;

(4) Previous valuations and transactions of the valuation target and the evaluated entity;

(5) Macro and regional economic factors which affect the production and operation of the evaluated entity;

(6) Development trend and outlook of the industry that the evaluated entity is engaged in;

(7) Other relevant information.

(IV) Collection of information

The appraisers collected necessary information for the valuation project, including the information acquired directly and independently from the market and other channels, the information obtained from the clients and relevant parties and the information obtained from government agencies, professional institutions and other relevant departments. They made necessary analysis, induction and collation of the collected information to develop basis for valuation and estimate.

(V) Valuation and estimate

The appraisers adopted, in light of the specific situations of various assets, the corresponding formulae and parameters to make analysis, calculation and judgment on the assets using the selected valuation methods to reach a preliminary conclusion of valuation. Then the project leader summarized the preliminary conclusion of valuation concerning the various assets, and prepared the preliminary asset valuation report.

(VI) Internal audit

According to the Administrative Measures for Valuation Process of our company, the project leader would submit the asset valuation report for our internal audit after the preliminary asset valuation report has been prepared. Upon completion of the internal audit, the project leader will then communicate with the client or other relevant parties as agreed by the client on contents of the asset valuation report. We will issue and submit the asset valuation report after reasonable modification of the report based on the feedback.

IX. VALUATION ASSUMPTIONS

The following assumptions were used for the analysis and estimate in this Asset Valuation Report:

(I) General assumptions

1. It is assumed that there were no material changes in the relevant existing laws, regulations and policies, and macroeconomic conditions of the PRC as well as in the local political, economic and social environment of such places where the parties to the transaction are operating;

2. It is assumed the enterprise will continue to operate as a going concern in light of the actual condition of the assets as at the Benchmark Date;

3. It is assumed that there are no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-based levies related to the evaluated entity after the Benchmark Date;

4. It is assumed that the management of the evaluated entity is accountable, stable and competent to perform their duties after the Benchmark Date; and

5. It is assumed that there is no force majeure or unforeseeable circumstances which may materially and adversely affect the evaluated entity after the Benchmark Date.

(II) Special assumptions

1. It is assumed that the accounting policies adopted by the evaluated entity after the Benchmark Date are consistent with the accounting policies adopted when preparing this Asset Valuation Report in all material aspects;

2. It is assumed that the scope of business and the mode of operation of the evaluated entity after the Benchmark Date are consistent with the current ones based on the existing management mode and management level and that the management of the entity will propel its development plans smoothly;

3. It is assumed that the evaluated entity will have an even cash outflow and cash inflow after the Benchmark Date;

4. The on-grid tariffs applied in this revenue forecast are based on the "Notice on Matters in Respect of the Reasonable Adjustments to the Structure of Tariffs" (Wan Jia Shang [2017] No. 101) issued by Anhui Province Price Bureau, while the impact of other factors on tariffs has not been taken into consideration; and

5. In forecasting future income, it is assumed that the future coal price will remain stable during the income forecast period.

The conclusion of valuation of this Asset Valuation Report is believed to be correct on the Benchmark Date based on the above assumptions. In the event of any material changes to the above assumptions, the undersigned appraisers and the appraisal institute shall not be responsible for deducing different conclusions of valuation due to any changes of the assumptions.

X. CONCLUSION OF VALUATION

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Datang Anhui Power Generation Co., Ltd. was RMB8,645.7110 million, the book value of total liabilities was RMB4,137.9023 million, and the book value of net assets was RMB4,507.8087 million.

According to the valuation using the income approach, the total value of the shareholders' equity was RMB5,883.1079 million, the amount of increase was RMB1,375.2992 million, representing an appreciation rate of 30.51%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Datang Anhui Power Generation Co., Ltd. was RMB8,645.7110 million, the appraised value was RMB11,923.7013 million, the amount of increase was RMB3,277.9904 million, representing an appreciation rate of 37.91%.

The book value of total liabilities was RMB4,137.9023 million, the appraised value was RMB4,119.3773 million, the amount of decrease was RMB18.5250 million, representing a depreciation rate of 0.45%.

The book value of net assets was RMB4,507.8087 million, the appraised value of net assets was RMB7,804.3240 million, the amount of increase was RMB3,296.5154 million, representing an appreciation rate of 73.13%.

The results of asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 September 2017

Item		**Book value A** *(RMB0'000)*	**Appraised value B** *(RMB0'000)*	**Increase or decrease C=B–A** *(RMB0'000)*	**Growth rate D=C/A × 100** *(%)*
Current assets	1	199,225.26	197,708.17	-1,517.09	-0.76
Non-current assets	2	665,345.84	994,661.96	329,316.13	49.50
Including: Available-for-sale financial assets	3	500.00	512.09	12.09	0.00
Long-term equity investment	4	202,899.19	328,041.34	125,142.15	61.68
Fixed assets	5	397,196.65	615,477.56	218,280.91	54.96
Construction-in-progress	6	9,510.07	9,613.03	102.96	1.08
Non-tangible assets	7	1,175.51	4,169.95	2,994.44	254.74
In which: land use rights	8	432.00	3,263.04	2,831.04	655.33
Long-term deferred expenses	9	17.52	17.52	–	–
Other non-current assets	10	54,046.89	36,830.47	-17,216.42	-0.00
Total assets	11	864,571.10	1,192,370.13	327,799.04	37.91
Current liabilities	12	203,628.99	203,628.99	–	–
Non-current liabilities	13	210,161.24	208,308.74	-1,852.50	-0.88
Total liabilities	14	413,790.23	411,937.73	-1,852.50	-0.45
Net assets	15	450,780.87	780,432.40	329,651.54	73.13

(III) Conclusion of valuation

According to the valuation using the income approach, the total value of the shareholders' equity was RMB5,883.1079 million, while according to the valuation using the asset-based approach, the total value of the shareholders' equity was RMB7,804.3240 million. The difference was RMB1,921.2161 million, representing a difference rate of 32.66%.

The differences between these two valuation methods are mainly due to their different focuses. The valuation result under the asset-based approach was arrived from the perspective of re-acquisition of assets, which reflected the replacement cost of the existing assets of the enterprise. The valuation result under the income approach was arrived from the perspective of future profitability of an enterprise, which reflected the consolidated profitability of assets of the enterprise.

According to the analysis, the headquarter of Datang Anhui Power Generation Co., Ltd. is a managing-type company which is mainly engaged in investments in branches and subsidiaries. The branches and subsidiaries are mainly engaged in the business of thermal power generation. The on-grid tariff is being mostly controlled and adjusted by State policies. Currently, coal is still viewed as a significant warranty of long-term development of thermal power in China. Despite the abundant storage of coal in China, the nature of coal being non-renewable makes it impossible for endless combustion. Accordingly, the thermal power sector in China is always constrained by the coal industry. The price fluctuation of the natural coal market is relatively large while the profitability of the thermal power sector in the coming years will be subject to electricity hours and coal prices. Therefore, there are uncertainties in its profitability for the coming years.

In conclusion, based on the current situation, the income approach is unable to reflect the true value of the entity. Given that this valuation is for the purpose of equity transfer, the equity value to be evaluated shall be considered as the internal value of the valuation target under ordinary operation. Based on the existing assets of the entity, the asset-based approach analyses from the perspective of future investors. Its valuation result is therefore more discreet and feasible. As such, this valuation adopted the valuation result of the asset-based approach as the ultimate conclusion of valuation.

According to the above analysis, this Asset Valuation Report adopted the valuation result of the asset-based approach as the conclusion of valuation. That is to say, the appraised value of the total shareholders' equity of Datang Anhui Power Generation Co., Ltd. was RMB7,804.3240 million.

XI. SPECIAL NOTES

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The clients directly appointed Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. to conduct valuation of the land use rights which fall under the scope of this valuation. Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. issued the Land Valuation Report ((Beijing) Zhong Di Hua Xia [2017] Ping (Gu) Zi No. 110) in respect of this economic behavior. Its valuation results were directly quoted in this Asset Valuation Report. Summary of the land valuation results is as follows:

Name of company	Name of subordinate entity	Quantity of land parcel	Area of land parcel *(m^2)*	Total appraised value *(RMB0'000)*
Datang Anhui Power Generation Co., Ltd.	Anhui Electric Power Co., Ltd.	4	342,413.1	8,145.76
	Anhui Hefei United Power Generation Co., Ltd.	6	1,553,769.6	8,412.05
	Datang Anhui Power Generation Co., Ltd.	1	10,105.43	3,263.04
	Datang Anqing Biomass Power Generation Co., Ltd.	1	91,959.75	2,905.93
	Datang Chencun Hydropower Plant	9	612,130.24	7,455.93
	Datang Huaibei Power Plant	20	2,125,174.09	69,761.43
	Datang Huainan Luohe Power Plant	8	1,271,209.13	29,086.89
	Ma'anshan Dangtu Power Generation Co., Ltd.	4	739,108.53	11,323.85
	Sub-total	53	6,745,869.87	140,354.88

Note: Please refer to the Land Valuation Report of each company for details of each land parcel.

(II) The book value of liabilities of the assets which fall under the scope of this valuation was audited by ShineWing Certified Public Accountants LLP who issued the January-September 2017, 2016, 2015 and 2014 Annual Audit Reports of Datang Anhui Power Generation Co., Ltd. (Report No.: XYZH/2017BJA40579), and the type of report was standard unqualified audit report.

(III) In 2017, China Datang Corporation, in accordance with the resolution of China Datang Corporation, contributed an additional capital of RMB27.95 million to Datang Anhui Power Generation Co, Ltd. The paid-up capital upon capital increase was RMB3,626,158,463.76. As of the Benchmark Date, the entity is proceeding with the relevant procedures for changes of registered items with the industrial and commercial authority.

(IV) Ownership

1) Ownership in relation to the headquarter, branches and subsidiaries of Datang Anhui Power Generation Co., Ltd.

① Under the scope of this valuation, the building area of the office building of the production command center of Datang Anhui Power Generation Co., Ltd. as shown on the certificate is 23,164.75m^2 and the owner is Datang Anhui Power Generation Co., Ltd. That the building area as shown on the certificate is inconsistent with the actual building area owned by Datang Anhui Power Generation Co., Ltd. is mainly due to the fact that the construction of the office building of the production command center was jointly funded by 5 entities namely Ma'anshan Dangtu Power Generation Co., Ltd., Anhui Huainan Luoneng Power Generation Co., Ltd., Datang Huaibei Power Plant, Anhui Electric Power Co., Ltd. and Anhui Branch of China Datang Corporation. Pursuant to the relevant agreement, upon the completion of the office building of the production command center, the area would be divided among the owners according to their respective ownership. As of the Benchmark Date, the real estate title certificate has been obtained in respect of the office building but the respective area to be owned by each of the entities has not yet been divided, thus resulting in the inconsistency between the building area as shown on the

certificate and the area actually owned. As such, in this valuation, the area being owned by each of the owners respectively is estimated on the basis of the percentage of the actual amount of their capital contribution to the total investment amount. Details are as follows:

No.	Source of fund	Actual amount of capital contribution *(RMB0'000)*	Percentage of capital contribution	Building area to be divided: Gross building area *(m^2)*	Building area to be divided: Building area owned respectively which is estimated on the basis of percentage of capital contribution *(m^2)*
1	Ma'anshan Dangtu Power Generation Co., Ltd.	2,500.00	22.05%	23,164.75	5,108.86
2	Anhui Huainan Luoneng Power Generation Co., Ltd.	2,500.00	22.05%		5,108.86
3	Datang Huaibei Power Plant	2,500.00	22.05%		5,108.86
4	Anhui Electric Power Co., Ltd.	1,500.00	13.23%		3,065.31
5	Anhui Branch of China Datang Corporation	2,335.58	20.60%		4,772.86
Total		11,335.58	100.00%	23,164.75	23,164.75

② As shown on the Schedule to the Real Estate Title Certificate (Wan (2016) He Real Estate Title No. 0213102) which was provided by Datang Anhui Power Generation Co., Ltd., the total area of land parcel measures 23,164.75m^2 and the type of land use rights is granted land. Termination date of the grant of the land is 12 December 2056, and the former land certificate no. was He Jing Kai Guo Yong (2007) No. 004. After the appraisers have verified against the State-owned Land Use Rights Certificate (He Jing Kai Guo Yong (2007) No. 004), it was found that the area of the land use rights as recorded on the Land Use Rights Certificate amounted to 10,105.43m^2. After having verified with the entity being evaluated, the land area as shown on the Real Estate Title Certificate (Wan (2016) He Real Estate Title No. 0213102) of the entity being evaluated was incorrect. In this valuation, calculation was based on the area of the land use rights measuring 10,105.43m^2 as recorded on the Certificate (He Jing Kai Guo Yong (2007) No. 004). The entity is currently proceeding with the relevant procedures.

③ Datang Huainan Luohe Power Plant (branch) has a total of 140 buildings with a gross building area of 101,594.45m^2. The procedures for building ownership certificates or real estate title certificates have been completed in respect of 5 buildings, and the building area associated with the relevant certificates which have been obtained amounts to 2,455.00m^2. In addition to the Real Estate Title Certificate (He Chan Zi No. 8110093638) which represents clear property title, the nature of the land on which the other four buildings (for which the relevant certificates have been obtained) are erected is all allocated land, and the owners of these buildings are Huainan Luohe Power Plant and Huainan City Luohe Power Plant respectively. While the procedures for building ownership certificates in respect of the remaining 135 buildings have not been completed (among which proof of ownership have been issued by the local governments in respect of 127 buildings), the building area for which the relevant certificates have not been obtained amounts to 99,139.45m^2.

④ Datang Huaibei Power Plant (branch) has a total of 157 buildings with a gross building area of 133,953.68m^2. The procedures for building ownership certificates or real estate title certificates have been completed in respect of 34 buildings, and the building area associated with the relevant certificates which have been obtained amounts to 25,459.45m^2. Except for the nature of the land on which the office building of the production command center is erected being granted land, the nature of the land on which the other 156 buildings (for which the relevant certificates have been obtained) are erected is all allocated land, and the owners of these buildings are Huaibei Power Plant, Huaibei Electric Power Technical School and Datang Anhui Power Generation Co., Ltd. respectively. While the procedures for building ownership certificates in respect of the remaining 123 buildings have not been completed (among which proof of ownership have been issued by the local governments in respect of 99 buildings), the building area associated with the relevant certificates which have not been obtained amounts to108,494.23m^2.

⑤ Datang Chencun Hydropower Plant (branch) has a total of 67 buildings with a gross building area of 35,000.75m^2. The procedures for building ownership certificates or real estate title certificates have been completed in respect of 45 buildings, and the building area associated with the relevant certificates which have been obtained amounts to 24,688.19m^2. Except for Room 503, Block 5, Plot C, Central City, No. 66 Yinzhen Road, Hefei Economic Zone, the nature of the land on which the other 66 buildings (for which the relevant certificates have been obtained) are erected is all allocated land, and the owners of these buildings are Chencun Hydropower Station and Jing County Chencun Power Station respectively. While the procedures for building ownership certificates in respect of the remaining 22 buildings have not been completed (among which proof of ownership have been issued by the local governments in respect of 11 buildings), the building area associated with the relevant certificates which have not been obtained amounts to 10,312.56m^2.

⑥ Datang Huainan Luohe Power Plant (branch) has a total of 14 transport vehicles (including 7 vehicles for which no licenses are required), the owners as shown on the vehicle licenses are Datang Huainan Luohe Power Plant and Huainan Luohe Power Plant respectively; Datang Huaibei Power Plant (branch) has a total of 215 transport vehicles (including 171 vehicles for which no licenses are required), the owners as shown on the vehicle licenses are Huaibei Power Plant, Datang Huaibei Power Plant and Datang Huaibei Power Generation Co., Ltd. respectively; Datang Chencun Hydropower Plant (branch) has a total of 8 transport vehicles (including 2 vehicles for which no licenses are required), the owners as shown on the vehicle licenses are all Datang Chencun Hydropower Plant.

⑦ Datang Huainan Luohe Power Plant (branch) is entitled to a total of 8 land use rights. The total land area as shown on the certificates amounts to 1,377,300.80m^2, and the land area being actually occupied totaled 1,271,209.13m^2. The main reason for the difference is due to the fact that the current State-owned Land Use Rights Certificates were issued to the entity being evaluated at earlier dates and there have been changes to the area of

certain land which is actually occupied. This valuation was based on the area measured by the latest survey provided by the entity being evaluated. As of the Benchmark Date, the above land parcel are all allocated land. Details are as follow:

No.	Land Use Rights Certificate No.	Name of land parcel	Holder of land use rights	Date of obtaining	Nature of land use	Area shown on certificate (m^2)	Actual area (m^2)
1	Huai Guo Yong (89) Zi No. 04030001	Shangri-La Hotel	Huainan Luohe Power Plant	1989/12	Allocated	4,445.00	4,073.95
2	Huai Tian Guo Yong (95) Zi No. 030059	Comprehensive utilization plant (brick factory)	Huainan Main Power Plant, Comprehensive utilization plant	1995/9	Allocated	48,926.50	48,926.50
3	Huai Tian Guo Yong (95) Zi No. 030060	Slag brick lime kiln	Huainan Main Power Plant, Comprehensive utilization plant	1995/9	Allocated	11,525.00	11,525.00
4	Huai Guo Yong (91) Zi No. 020261	Western area	Huainan Luohe Power Plant	2001/10	Allocated	82,531.00	68,059.36
5	Huai Guo Yong (92) Zi No. 020014	Plant zone, living area	Huainan Luohe Power Plant	2001/10	Allocated	1,046,491.30	956,972.11
6	Huai Guo Yong (2007) Zi No. 2020027	Plant zone (Phase III)	Datang Huainan Luohe Power Plant	1986/6	Allocated	177,390.00	177,390.00
7	Huai Guo Yong (90) Zi No. 020070	Drainage ditch of gray pipelines	Luohe Power Plant	1986/6	Allocated	4,025.00	2,925.26
8	Huai Guo Yong (90) Zi No. 020071	Water well	Luohe Power Plant	1986/6	Allocated	1,967.00	1,336.95
Total						1,377,300.80	1,271,209.13

⑧ Datang Huaibei Power Plant (branch) is entitled to a total of 20 land use rights. The total land area as shown on the certificates amounts to 2,184,667.61m^2, and the land area being actually occupied totaled 2,125,174.09m^2. The main reason for the difference is due to the fact that the current State-owned Land Use Rights Certificates were issued to the entity being evaluated at earlier dates and there have been changes to the area of certain land which is actually occupied. This valuation was based on the area measured by the latest survey provided by the entity being evaluated. As of the Benchmark Date, 1 land parcel is granted land while the other 19 land parcel are all allocated land. Details are as follows:

No.	Land Use Rights Certificate No.	Name of land parcel	Holder of land use rights	Date of obtaining	Nature of land use	Area shown on certificate (m^2)	Actual area (m^2)
1	Huai Guo Yong (95) Zi No. 038	Dormitory of the brick factory of Huaibei Power Plant	Huaibei City Power Plant	1995/8	Allocated	19,265.00	14,063.45
2	Huai Guo Yong (95) Zi No. 039	Pump room No. 2 of Huaibei Power Plant	Huaibei City Power Plant	1995/8	Allocated	940.86	940.86
3	Huai Guo Yong (95) Zi No. 040	Pump room No. 6 of Huaibei Power Plant	Huaibei Power Plant	1995/8	Allocated	5,333.24	5,333.24
4	Huai Guo Yong (95) Zi No. 043	Pump room No. 10 of Huaibei Power Plant	Huaibei Power Plant	1995/8	Allocated	964.95	964.95
5	Huai Guo Yong (95) Zi No. 044	Pump room No. 5 of Huaibei Power Plant	Huaibei Power Plant	1995/8	Allocated	692.30	692.30
6	Huai Guo Yong (95) Zi No. 046	Pump room No. 3 of Huaibei Power Plant	Huaibei Power Plant	1995/8	Allocated	2,964.80	2,964.80
7	Huai Guo Yong (97) Zi No. 034	Expansion of coal yard (formerly a quarry) of Huaibei Power Plant	Huaibei Power Plant	1997/4	Allocated	17,450.00	17,450.00
8	Huai Guo Yong (97) Zi No. 141	Special railway line of Huaibei Power Plant	Huaibei Power Plant	1997/12	Allocated	254,509.55	254,509.55

No.	Land Use Rights Certificate No.	Name of land parcel	Holder of land use rights	Date of obtaining	Nature of land use	Area shown on certificate (m^2)	Actual area (m^2)
9	Huai Guo Yong (95) Zi No. 172	Western campus of Electric Power Technical School	Huaibei Electric Power Technical School	1995/11	Allocated	106,321.48	75,427.96
10	Huai Guo Yong (Hua) Zi No. 2000–003	Coal transportation road of Huaibei Power Plant	Huaibei Power Plant	2000/1	Allocated	23,520.00	23,520.00
11	Huai Guo Yong (98) Zi No. 048	Southern living area of Huaibei Power Plant	Huaibei Power Plant	1998/4	Allocated	53,226.31	37,398.40
12	Huai Guo Yong (98) Zi No. 047	Northern living area of Huaibei Power Plant	Huaibei Power Plant	1998/4	Allocated	101,364.34	93,793.80
13	Huai Tu Guo Yong (2015) No. 17	Main plant area of Hushan Power Plant	Datang Huaibei Power Plant	2015/7	Allocated	313,851.00	313,851.00
14	Huai Tu Guo Yong (2015) No. 18	Domestic water pump room of Hushan Power Plant	Datang Huaibei Power Plant	2015/7	Allocated	1,431.00	1,431.00
15	Huai Tu Guo Yong (2015) No. 19	Ash yard management station of Hushan Power Plant	Datang Huaibei Power Plant	2015/7	Allocated	6,796.00	6,796.00
16	Huai Tu Guo Yong (2015) No. 20	Ash yard of Hushan Power Plant	Datang Huaibei Power Plant	2015/7	Allocated	277,938.00	277,938.00
17	Huai Tu Guo Yong (2015) No. 21	Railway line of Hushan Power Plant	Datang Huaibei Power Plant	2015/7	Allocated	239,616.00	239,616.00
18	Huai Tu Guo Yong (2015) No. 22	Coal transportation system of Hushan Power Plant	Datang Huaibei Power Plant	2015/7	Allocated	68,413.00	68,413.00
19	Huai Zhuan Guo Yong (2003) No. 13	Industrial land for generating unit #8	Huaibei Power Plant	2003/10	Granted	101,887.28	101,887.28
20	Huai Guo Yong (95) Zi No. 050	Production area of Huaibei Power Plant	Huaibei Power Plant	1995/8	Allocated	588,182.50	588,182.50
Total						2,184,667.61	2,125,174.09

⑨ Datang Chencun Hydropower Plant (branch) is entitled to a total of 9 land use rights. The total land area as shown on the certificates amounts to 612,130.24m^2. As of the Benchmark Date, the above land parcel are all allocated land. Details are as follows:

No.	Land Use Rights Certificate	No. Name of land parcel	Holder of land use rights	Date of obtaining	Nature of land use	Area shown on certificate (m^2)	Actual area (m^2)
1	Jing Guo Yong (2006) Zi No. 1085	City base of Chencun Power Plant	Datang Chencun Hydropower Plant	1994/11	Allocated	751.08	751.08
2	Jing Guo Yong (91) Zi No. 488	Chencun dormitory of Chencun Power Plant	Chencun Hydropower Station	1991/12	Allocated	5,001.66	5,001.66
3	Wan (2017) Jing County Real Estate Title Nos. 0001961, 0001959, 0001991	Chencun dam area of Chencun Power Plant	Datang Chencun Hydropower Plant	1991/12	Allocated	421,711.20	421,711.20
4	Wan (2017) Jing County Real Estate Title No. 0001822	Chencun microwave station of Chencun Power Plant	Datang Chencun Hydropower Plant	1995/5	Allocated	100.00	100.00
5	Wan (2017) Jing County Real Estate Title Nos. 0001969, 0001977, 0002041, 0002057, 0002053	Jicun dam area of Chencun Power Plant	Datang Chencun Hydropower Plant	2008/6	Allocated	106,085.80	106,085.80
6	Jing Guo Yong (2008) No. 1464	Jicun dormitory of Chencun Power Plant	Datang Chencun Hydropower Plant	2008/6	Allocated	72,122.70	72,122.70
7	Wan (2017) Jing County Real Estate Title No. 0001824	Datang Chencun Hydropower Plant	Datang Chencun Hydropower Plant	2008/6	Allocated	57.80	57.80
8	Wan (2017) Jing County Real Estate Title No. 0001938	Datang Chencun Hydropower Plant	Datang Chencun Hydropower Plant	2008/6	Allocated	50.00	50.00
9	Wan (2017) Jing County Real Estate Title No. 0001940	Wanshang substation of Chencun Power Plant	Datang Chencun Hydropower Plant	1991/12	Allocated	6,250.00	6,250.00
Total						612,130.24	612,130.24

2) Ownership in relation to major subordinate entities:

Anhui Huainan Luoneng Power Generation Co., Ltd.:

① Anhui Huainan Luoneng Power Generation Co., Ltd. has a total of 59 buildings with a gross building area of 129,370.36m^2. Except for the production command center, the procedures for building ownership certificates in respect of the other 58 buildings have not been completed (among which proof of ownership have been issued by the local governments in respect of 55 buildings). The building area of the office building of the production command center measures 5,108.86m^2, and the owner as shown on the Certificate is Datang Anhui Power Generation Co., Ltd. Reason for the ownership is the same as that in the case of Datang Anhui Power Generation Co., Ltd. mentioned above.

② Anhui Huainan Luoneng Power Generation Co., Ltd. has a total of 112 transport equipment (including 96 company cars for which no licenses are required), the owners as shown on 12 vehicle licenses are all Datang Huainan Luohe Power Plant while the owners as shown on the other 4 vehicle licenses are all Anhui Huainan Luoneng Power Generation Co., Ltd.

③ Anhui Huainan Luoneng Power Generation Co., Ltd. is entitled to a total of 2 land use rights namely the land located in Linxiang Village, Luohe Town and the land located at west of the main plant building of Luohe Power Plant (Phase II) with a total land area of 180,411.67m^2. The book value of the evaluated entity mainly represents the land acquisition costs payable. Currently, the procedures for the State-owned Land Use Rights Certificates in respect of 2 buildings have not been completed. This valuation was determined based on its book value.

Datang Anqing Biomass Power Generation Co., Ltd.:

Datang Anqing Biomass Power Generation Co., Ltd. has a total of 11 buildings with a gross building area of 8,888.63m^2. Proof of ownership which are issued by the local governments have been obtained. The State-owned Land Use Rights Certificate in respect of the land on which buildings measuring 8,888.63m^2 are erected has been obtained and the land owner is Datang Anqing Biomass Power Generation Co., Ltd. Dadukou Recycling Station and Farm Recycling Station, with a gross building area of 225.00m^2, are buildings erected on the leased land. Building ownership certificates have not yet been obtained.

Anhui Hefei United Power Generation Co., Ltd.:

① Anhui Hefei United Power Generation Co., Ltd. has a total of 68 buildings with a gross building area of 82,849.36m^2. As of the Benchmark Date, building ownership certificates have not yet been obtained.

② Anhui Hefei United Power Generation Co., Ltd. is a sino-foreign joint venture with a term of 24 years commencing from 18 May 1996 till 18 May 2020. As of the Benchmark Date, the remaining term of operation is 2.63 years. According to the Articles of Association, Singapore United Power (Private) Co., Ltd. is the largest shareholder who is holding 49% equity interests. Besides, the appraisers noticed that the land use rights which fall under the scope of this valuation are quite close to the termination dates. Details are as follows:

Land Use Rights Certificate No.	**Use**	**Area** *(m^2)*	**Termination date of land use rights**	**Remaining term/years of land use rights**
Dong Guo Yong (1997) No. 0150	Main plant zone of the power plant	622,800.00	10 June 2022	4.69
Dong Guo Yong (1997) No. 0152	Living area of the power plant, roads	118,270.00	10 June 2047	Industrial: 29.69 years, Roads: 4.69 years
Dong Guo Yong (1998) No. 00004	Land for pipeline use	36,600.00	29 March 2023	5.49
Dong Guo Yong (1998) No. 00005	Land for water pipeline use	26,559.60	29 March 2023	5.49
Dong Guo Yong (1998) No. 00006	Land for yard use	615,000.00	29 March 2023	5.49
Dong Guo Yong (1997) No. 0151	Rail transport	134,540.00	10 June 2022	4.69

Ma'anshan Dangtu Power Generation Co., Ltd.:

① Ma'anshan Dangtu Power Generation Co., Ltd. has a total of 47 buildings with a gross building area of 95,020.25m^2. The procedures for building ownership certificates have been completed in respect of 3 buildings, and the building area associated with the relevant certificates which have been obtained amounts to 5,754.63m^2. The owners of these buildings are Datang Anhui Power Generation Co., Ltd. and Ma'anshan Dangtu Power Generation Co., Ltd. As of the Benchmark Date, proof of ownership which are issued by the local governments have been obtained in respect of the other buildings. Among all the real estate title certificates which have been obtained, the owner as shown on the Real Estate Title Certificate (Wan (2016) He Real Estate Title No. 0213102) of the office building of the production command center is Datang Anhui Power Generation Co., Ltd. That the building area as shown on this Certificate is inconsistent with the actual building area actually owned by the evaluated entity is mainly due to the issue of ownership in respect of Datang Anhui Power Generation Co., Ltd.

Anhui Electric Power Co., Ltd.:

① Anhui Electric Power Co., Ltd. has a total of 74 buildings with a gross building area of 95,322.23m^2. Among which, the procedures for building ownership certificates or real estate title certificates have been completed in respect of 31 buildings, and the building area associated with the relevant certificates which have been obtained amounts to 39,870.92m^2. The owner of these buildings is Anhui Electric Power Co., Ltd. The procedures for building ownership certificates in respect of 43 buildings have not been completed and the building area for which the relevant certificates have not been obtained amounts to 55,451.31m^2. Among all the buildings for which the real estate title certificates have been obtained, the owner as shown on the Real Estate Title Certificate (Wan (2016) He Real Estate Title No. 0213102) of the office building of the production command center is Datang Anhui Power Generation Co., Ltd. That the building area as shown on this Certificate is inconsistent with the actual building area actually owned by the evaluated entity is mainly due to the issue of ownership in respect of Datang Anhui Power Generation Co., Ltd.

(V) Registered capital of the wholly-owned subsidiary – Datang Anhui Energy Marketing Co., Ltd. is RMB201.00 million, all of which were contributed by Datang Anhui Power Generation Co., Ltd. According to the Articles of Association, all of the capital contribution shall be injected by installments within 10 years, with the first payment of RMB20.00 million to be made before 31 December 2016 and the rest shall be made before 31 December 2026 by installments in light of the openness of the power market of Anhui Province and the development needs of the company. As of the Benchmark Date, the paid-up capital of Datang Anhui Energy Marketing Co., Ltd. was RMB20.00 million.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

XII. RESTRICTIONS ON THE USE OF THE ASSET VALUATION REPORT

(1) This Asset Valuation Report can only be used for the objectives and purposes as stated in the Asset Valuation Report, and can only be used by the users as stated in the Asset Valuation Report. Extracts, quotes or disclosure of this Asset Valuation Report, in whole or in part, on any public media shall be subject to the review and approval of the appraisal institute, unless otherwise specified by laws, regulations or otherwise agreed by the relevant parties;

(2) The asset appraisal institute and its professional appraisers will not assume any responsibilities arising from the failure of the clients or other users to use the Asset Valuation Report in accordance with the laws, administrative rules and regulations and the scope of use as set out in the Asset Valuation Report;

(3) Except for the clients, other users of the Asset Valuation Report as agreed in the entrustment contract on asset valuation and users of the Asset Valuation Report as set out under the laws and administrative rules and regulations, no other institutions and individuals can be the users of the Asset Valuation Report;

(4) Users of the Asset Valuation Report shall correctly acknowledge the conclusion of valuation, which should not be viewed as the realizable value of the valuation target; nor should it be deemed to be a guarantee for the realizable value of the valuation target;

(5) This Asset Valuation Report can be used officially only after being signed and stamped by the asset appraisers undertaking this valuation and filed with (approved by) the funded enterprise;

(6) The conclusion of valuation as stated in this Asset Valuation Report is only valid in relation to the economic behavior described in the Asset Valuation Report, and is valid for 1 year from the Benchmark Date.

XIII. DATE OF ISSUANCE OF THE ASSET VALUATION REPORT

The date of issuance of the Asset Valuation Report is 7 November 2017.

Legal representative: **Quan Zhongguang**

Asset appraisers: **Li Wenbiao**

Asset appraisers: **Shi Laiyue**

China Enterprise Appraisals Co., Ltd.

7 November 2017

ANNEX OF THE VALUATION REPORT

ANNEX I. Economic behavior document in line with the purpose of valuation;

ANNEX II. Audit Report of the evaluated entity (to be provided separately);

ANNEX III. Land Valuation Report of the evaluated entity (to be provided separately);

ANNEX IV. Business licenses of the clients and the evaluated entity;

ANNEX V. Property Title Registration Certificates of the clients and the evaluated entity;

ANNEX VI. Major ownership certification relating to the valuation target;

ANNEX VII. Letters of Undertaking of the clients and other relevant parties;

ANNEX VIII. Letter of Commitment of the undersigned asset appraisers;

ANNEX IX. Copy of the Qualification Certificate in Asset Valuation of China Enterprise Appraisals Co., Ltd.;

ANNEX X. Copy of Qualification Certificate for Securities and Futures-related Business of China Enterprise Appraisals Co., Ltd.;

ANNEX XI. Copy of the Business License of China Enterprise Appraisals Co., Ltd.;

ANNEX XII. Copy of the Qualification Certificates of the asset appraisers.

The following is the summary of the asset valuation report prepared by China Enterprise in relation the valuation of Heilongjiang Company under the Transfer Agreement as at 30 September 2017.

The English version of this document is for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Asset Valuation Report on the Value of Entire Shareholders' Interests of Datang Heilongjiang Power Generation Co., Ltd. under the Proposed Transfer by China Datang Corporation of the Equity of Datang Heilongjiang Power Generation Co., Ltd.

Zhong Qi Hua Ping Bao Zi (2017) No. 1296-02
(Volume 1 of 1)

China Enterprise Appraisals Co., Ltd.
7 November 2017

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STATEMENT

1. The Asset Valuation Report was prepared in accordance with the Asset Valuation Standards – Basic Standards issued by the Ministry of Finance and professional conduct standards for asset valuation and professional ethics for asset valuation by China Appraisal Society.

2. The asset appraisal institute and its asset appraisers have complied with the laws, administrative rules and regulations and asset valuation standards on the principles of independence, objectivity and impartiality, and are responsible, under the laws, for the asset valuation report issued by them.

3. The clients or other users of the asset valuation report shall use the Asset Valuation Report under the scope under the provisions of the laws, administrative rules and regulations and set out in the Asset Valuation Report. Where the clients or other users of the asset valuation report are in breach of the above regulations, the asset appraisal institute and its asset appraisers would not bear the responsibilities.

   The Asset Valuation Report shall only be used by the clients, other users of the asset valuation report specified in the asset valuation entrustment contract, and users of asset valuation report under the provisions of laws, administrative rules and regulations. Save for the above, any other institutions and individuals shall not be the users of the Asset Valuation Report.

   The asset appraisal institute and the asset appraisers advise that users of this Asset Valuation Report shall correctly acknowledge the conclusion of valuation, which should not be viewed as the realizable value of the valuation target nor should it be deemed to be a guarantee for the realizable value of the valuation target.

4. The list of assets and liabilities and business operation forecast of the valuation target have been reported and confirmed with signatures and chops or otherwise under the laws by the clients and the evaluated entity; the truthfulness, legality and completeness of the information provided shall be the responsibility of the clients and other relevant parties.

5. The asset appraisers have carried out on-site inspection on the valuation target and its assets; we have put necessary attention to the legal ownership of the valuation target and the assets involved, verified the information on the legal ownership of the valuation target and the assets involved, made proper disclosure of the identified issues, and requested the clients and other relevant parties to perfect the title to meet the requirements for the issuance of an asset valuation report.

6. The asset appraisal institute and the asset appraisers have no existing or expected relationship of interests with the valuation target set out in the Asset Valuation Report or with the relevant parties, and have no prejudice against the relevant parties.

7. The analyses, judgements and results in the Asset Valuation Report issued by the asset appraisal institute are subject to the assumptions and limitations in the Asset Valuation Report. Users of the Asset Valuation Report shall take into full account of the assumptions, limitations and special notes stipulated in the Asset Valuation Report and their impact on the conclusion of valuation.

SUMMARY OF ASSET VALUATION REPORT

IMPORTANT NOTICE

This abstract is extracted from the text of the Asset Valuation Report. For the purpose of understanding details of this valuation and a reasonable comprehension of the conclusion of valuation, please read the text of the Asset Valuation Report.

China Datang Corporation:
Datang International Power Generation Co., Ltd.:
Datang Heilongjiang Power Generation Co., Ltd.:

Jointly entrusted by China Datang Corporation, Datang International Power Generation Co., Ltd. and Datang Heilongjiang Power Generation Co., Ltd., China Enterprise Appraisals Co., Ltd. appraised, in accordance with the relevant laws, administrative rules and regulations and asset valuation standards on the principles of independence, objectivity and impartiality, as well as the necessary valuation procedures, the market value on the Benchmark Date of all of the shareholders' interests of Datang Heilongjiang Power Generation Co., Ltd. The summary of the Asset Valuation Report is as follows:

Purpose of valuation: China Datang Corporation intends to transfer its equity interests held in Datang Heilongjiang Power Generation Co., Ltd. to Datang International Power Generation Co., Ltd. For this purpose, it is necessary to conduct valuation of the market value of the equity interests held by China Datang Corporation in Datang Heilongjiang Power Generation Co., Ltd. on the Benchmark Date, and provide the reference value for the relevant economic activity.

Valuation Target: Value of entire the shareholders' equity of Datang Heilongjiang Power Generation Co., Ltd.

Scope of valuation: Total assets and liabilities of the evaluated entity, including current assets, long-term equity investment, buildings (structures), machinery and equipment, construction-in-progress, intangible assets, other non-current assets, current liabilities and non-current liabilities.

Benchmark Date: 30 September 2017

Valuation type: Market value

Valuation Methods: Asset-based approach, income approach

Conclusion of valuation: The result concluded from the asset-based approach is used as the conclusion of valuation in this Asset Valuation Report. The specific conclusion of valuation is as follows:

As of the Benchmark Date, the book value of total assets of Datang Heilongjiang Power Generation Co., Ltd was RMB6,322.8709 million, the appraised value was RMB8,963.9905 million and the increased amount was RMB2,641.1196 million, representing an appreciation rate of 41.77%;

The book value of total liabilities was RMB3,110.6769 million, the appraised value was RMB3,083.1730 million and the decreased amount was RMB27.5039 million, representing a depreciation rate of 0.88%;

The book value of net assets was RMB3,212.1940 million and the appraised value of net assets was RMB5,880.8175 million and the increased amount was RMB2,668.6235 million, representing an appreciation rate of 83.08%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 September 2017

Item		Book value *(RMB0'000)*	Appraised value *(RMB0'000)*	Increase or decrease *(RMB0'000)*	Appreciation rate *(%)*
Current assets		58,645.66	58,575.25	-70.41	-0.12
Non-current assets		573,641.43	837,823.80	264,182.37	46.05
In which:	Long-term equity investment	319,046.45	567,387.34	248,340.89	77.84
	Fixed assets	240,455.47	230,654.65	-9,800.82	-4.08
	Construction-in-progress	11,324.34	11,441.94	117.60	1.04
	Intangible assets	2,766.07	28,290.77	25,524.70	922.78
	In which: land use rights	2,305.00	27,733.10	25,428.10	1,103.17
	Other non-current assets	49.10	49.10		
Total Assets		632,287.09	896,399.05	264,111.96	41.77
Current liabilities		171,023.81	169,526.42	-1,497.39	-0.88
Non-current liabilities		140,043.88	138,790.88	-1,253.00	-0.89
Total liabilities		311,067.69	308,317.30	-2,750.39	-0.88
Net assets		321,219.40	588,081.75	266,862.35	83.08

This Asset Valuation Report is solely designed to provide the reference value for the economic behavior activity described in the Asset Valuation Report. The conclusion of valuation is valid for one year from the Benchmark Date.

Users of the Asset Valuation Report shall take into full account the assumptions, limitations, special notes stipulated in the Asset Valuation Report and their impact on the conclusion of valuation.

The above abstract is extracted from the text of the Asset Valuation Report. For the purpose of understanding details of this valuation and a proper comprehension of the conclusion of valuation, please read the text of the Asset Valuation Report.

GENERAL ASSET VALUATION REPORT ON THE VALUE OF ENTIRE SHAREHOLDERS' INTERESTS OF DATANG HEILONGJIANG POWER GENERATION CO., LTD. UNDER THE PROPOSED TRANSFER BY CHINA DATANG CORPORATION OF THE EQUITY OF DATANG HEILONGJIANG POWER GENERATION CO., LTD. TO DATANG INTERNATIONAL POWER GENERATION CO., LTD.

China Datang Corporation:
Datang International Power Generation Co., Ltd.:
Datang Heilongjiang Power Generation Co., Ltd.:

Entrusted by the Company, China Enterprise Appraisals Co., Ltd. appraised, by using the asset-based approach and the income approach and in accordance with the relevant laws, administrative rules and regulations and asset valuation standards on the principles of independence, objectivity and impartiality, as well as the necessary valuation procedures, the market value on 30 September 2017 of all of the shareholders' interests of Datang Heilongjiang Power Generation Co., Ltd. under the proposed transfer by China Datang Corporation of the equity of Datang Heilongjiang Power Generation Co., Ltd. to Datang International Power Generation Co., Ltd. Details of asset valuation are reported as follows:

I. THE CLIENTS, EVALUATED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT SPECIFIED IN THE ASSET VALUATION ENTRUSTMENT CONTRACT

The clients of this valuation are China Datang Corporation, Datang International Power Generation Co., Ltd. and Datang Heilongjiang Power Generation Co., Ltd. The entity to be evaluated is Datang Heilongjiang Power Generation Co., Ltd. No other users of the Asset Valuation Report are specified in the asset valuation entrustment contract.

(1) Profile of the first client

1. Name of Company: China Datang Corporation ("**CDC**")

2. Registered address: No. 1 Guangningbo Street, Xicheng District, Beijing

3. Legal representative: Chen Jinhang

4. Registered capital: RMB18,009.3169 million

5. Date of incorporation: 09 April 2003

6. Type of enterprise: Ownership by the whole people

7. Scope of business: Operation of all state-owned assets formed by the investment of the State and owned by group companies in the said companies and related enterprises; development, investment, construction, operation and management of power energy; organization of power (thermal) production and sales; manufacturing, repair and maintenance, and commissioning of power equipment; power technology development and consultation; contracting and consultation of power engineering and power-related environmental protection projects; development of new energy as well as self-operated and commissioned import and export business for various commodities and technologies (other than commodities and technologies the operation, import or export of which is restricted or prohibited by the State).

8. Company profile: China Datang Corporation is a mega power generation group established on the basis of certain business units of the former State Power Corporation on 29 December 2002, which is a solely state-owned enterprise managed by the Central Government, as well as the state-authorized investment institution approved by the State Council and the pilot state-holding company. The registered capital is RMB18.009 billion.

   China Datang Corporation operates a group management system and operation model on a three-tier responsibility basis covering group companies, subsidiaries and basic enterprises. China Datang Corporation has established 13 provincial power generation companies, including Datang Hebei Power Generation Co., Ltd., Datang Jilin Power Generation Co., Ltd., Datang Heilongjiang Power Generation Co., Ltd., Datang Jiangsu Power Generation Co., Ltd., Datang Anhui Power Generation Co., Ltd., Datang Shandong Power Generation Co., Ltd., Datang Henan Power Generation Co., Ltd., Datang Sichuan Power Generation Co., Ltd., Datang Guizhou Power Generation Co., Ltd., Datang Yunnan Power Generation Co., Ltd., Datang Shaanxi Power Generation Co., Ltd., Datang Gansu Power Generation Co., Ltd. and Datang Xinjiang Power Generation Co., Ltd. CDC has incorporated 6 branch entities including Hunan Branch, Guangxi Branch, Shanxi Branch, Tibet Branch, Shanghai Branch and Ningxia Branch, and a professional company namely Datang Electric Power Fuel Company Limited.

Currently, China Datang Corporation has 5 listed companies, including Datang International Power Generation Co., Ltd. being the first listed Chinese enterprise in London and the first listed power enterprise in Hong Kong; Datang Huayin Electric Power Co., Ltd. and Guangxi Guiguan Electric Power Co., Ltd., which are listed in China, and China Datang Corporation Renewable Power Co., Limited and Datang Environment Industry Group Co., Ltd. which are listed in Hong Kong. China Datang Corporation has the largest power plant in terms of thermal power capacity in China – Inner Mongolia Datang International Tuoketuo Power Generation Company Limited and the largest operational wind power plant – Inner Mongolia Chifeng Saihanba Wind Power Plant; CDC has one of the largest operating hydropower plants in China namely Datang Longtan HydroPower Plant, and China National Water Resources & Electric Power Materials & Equipment Co., Ltd. which has logistics network across China.

As of the end of July 2017, total assets of the group company were RMB700.6 billion and the operating power generating units reached 142 million kW with 32.8% being clean energy. Of which, coal-fired and gas-fired power generating units reached 102 million kW while hydropower reached 26 million kW, wind power reached 13.83 million kW and solar power reached 940,000 kW.

9. Shareholding structure of the company:

Unit: RMB0'000

Name of shareholder	**Shareholding percentage**
The State-owned Assets Supervision and Administration Commission of the State Council	100.00%
Total	100.00%

(2) Profile of the second client

1. Name of Company: Datang International Power Generation Co., Ltd. ("**Datang Power**")

2. Stock code: 601991

3. Registered address: No. 9 Guangningbo Street, Xicheng District, Beijing

4. Legal representative: Chen Jinhang

5. Registered capital: RMB13,310.037578 million

6. Date of incorporation: 13 December 1994

7. Type of enterprise: company limited by shares (Taiwan, Hong Kong or Macao and domestic joint venture; listed)

8. Scope of business: development and operation of power plants, sales of electric power and thermal power, repair, maintenance and commissioning of power equipment, and power-related technical services (items that shall be approved according to laws can be operated upon approval of relevant departments).

9. Profile of the company: Datang International Power Generation Co., Ltd. is a sino-foreign joint venture owned by CDC, which is a flagship enterprise of Datang Group. The company was incorporated in December 1994 which is the first listed Chinese enterprise in London, the first listed Chinese power enterprise in Hong Kong and also the first triple listed Chinese enterprise in Hong Kong, London and Shanghai.

   Datang Power is one of the largest individual power generation companies in China, which has operations and asset construction-in-progress in 18 provinces, municipalities and autonomous regions across China with business focusing on thermal power generation and other fields including coal, transportation and circular economy. The scope of business has been developed from single power generation to integrated energy company. Datang Power has established a three-tier management and control system covering 2 professional companies and 8 regional companies and more than 140 directly and indirectly managed controlled and participating stock enterprises. The number of employees is nearly 20,000.

In 2016, the size of thermal power generating units reached 35.17 million kW. Large and highly-efficient units are mainly located in regions with a well-established economy in south-eastern coastal areas with a total installed capacity of 11.72 million kW. Amongst all thermal power generating units, single units of 300,000 kW and above account for 91.68% while those of 600,000 kW and above account for 65.88%. Datang International insists on paying equal attention to wind and solar power energy, and ocean and continent, while accelerating the proportion of power generation from non-hydro renewable energy to strive for the development of new energy. In 2016, clean energy and renewable energy represented 25.71% of the total installed capacity of the company. As at today, Datang Power has completed modification works related to ultra-low emission for 59 power generating units.

10. Shareholding structure of the company:

Class of shares	**Number of shares held** *(000' million shares)*	**Percentage of the total share capital**
China Datang Corporation	413,897.74	31.10%
Tradable H share	329,142.49	24.73%
Tradable A share	587,963.53	44.17%
Total	1,331,003.76	100.00%

(3) Profiles of the third client and the entity to be evaluated

1. Profile of the company

Name of company: Datang Heilongjiang Power Generation Co., Ltd. ("**Datang Longjiang**")

Type: limited liability company (wholly owned by a legal person, a company not invested or controlled by a natural person)

Registered address: No. 18 Yiyuan Street, Songbei District, Harbin, Heilongjiang Province

Legal Representative: Wang Zhenbiao

Registered capital: RMB2,923,180,277.91

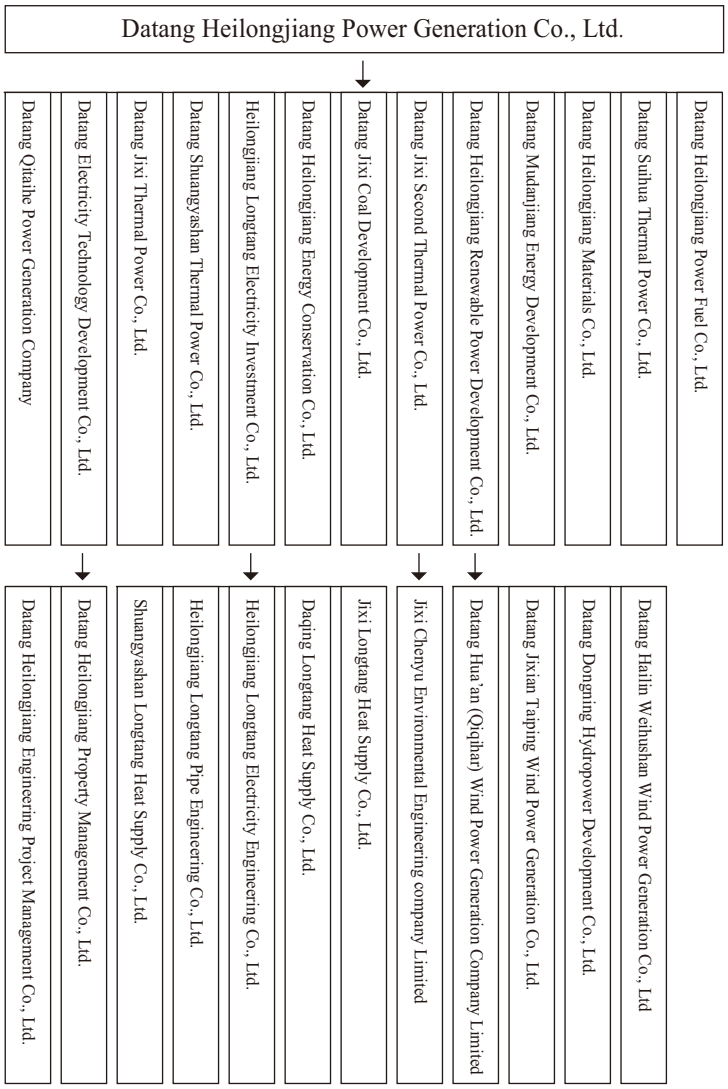
Date of incorporation: 29 September 2004

Term of operation: Long term

Scope of business: Organization of power (thermal power) production and sales. Repair and maintenance, installation, commissioning, operation and maintenance of power equipment and facilities; development of new energy; research and testing of projects and technology; leasing business; corporate management services; management of investment and assets; technology promotion services; supply of power materials; and development of computer systems. Production and sales of construction materials; skill trainings; education services; research and experimental development of projects and technology; scientific technology promotion and application services; sales of coal (sales of raw coal is prohibited in Harbin restricted regions); processing of coal finished products; development services of new fuel technology. (Items that shall be approved according to laws can be operated upon approval of relevant departments)

Datang Heilongjiang Power Generation Co., Ltd. mainly includes the headquarter of Datang Heilongjiang Power Generation Co., Ltd., Harbin First Thermal Power Plant of Datang Heilongjiang Power Generation Co., Ltd., Datang Heilongjiang Power Fuel

Branch, and 13 second-tier entities and 12 third-tier entities. Detailed organizational structure is shown as follows:



2. Shareholders, shareholding ratio and change of equity of the company

Datang Heilongjiang Power Generation Co., Ltd. was established on 29 September 2004, which is a wholly-owned subsidiary of China Datang Corporation in Heilongjiang Province, with registered capital of RMB1,706.6257976 million.

After the capital increase by CDC in 2011, the registered capital increased to RMB2,699.1207 million. After the capital increase of RMB14.06 million by CDC on 27 December 2012, the registered capital increased to RMB2,713.1803 million. After the capital increase of RMB210.00 million by CDC in 2013, in which registered capital of RMB100.00 million was injected on 27 April and registered capital of RMB110.00 million was injected on 30 December, accordingly the capital amount increased to RMB2,923.1803 million.

As of the Benchmark Date, the shareholding ratio and the registered capital is as below:

Unit: RMB

Name of shareholder	Shareholding percentage	Registered capital	Actual capital injected
China Datang Corporation	100%	2,923,180,277.91	2,923,180,277.91
Total	100%	2,923,180,277.91	2,923,180,277.91

3. Assets, financial condition and operation in recent three years

Financial condition of the evaluated entity in recent three years is as follows (combined):

Unit: RMB0'000

Item	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 September 2017
Current assets	229,149.17	236,621.54	233,428.77	251,457.67
Long-term equity investment	203.13	261.40	282.10	333.32
Fixed assets	1,299,258.87	1,267,215.98	1,191,785.86	1,136,428.44
Construction-in-progress	91,672.31	81,420.43	214,660.94	283,805.08
Intangible assets	10,322.37	27,303.56	27,682.28	9,466.08
Total assets	1,651,876.85	1,635,102.42	1,691,629.63	1,712,386.28
Current liabilities	424,959.72	423,033.51	436,002.86	543,966.75
Non-current liabilities	879,206.45	830,284.02	821,642.69	736,271.66
Total liabilities	1,304,166.17	1,253,317.53	1,257,645.55	1,280,238.41
Equity to owners	347,710.68	381,784.89	433,984.08	432,147.87

Financial condition of the evaluated entity in recent three years is as follows (in terms of the parent company):

Unit: RMB0'000

Item	For the year ended 2014	For the year ended 2015	For the year ended 2016	For the nine months ended 2017
Total current assets	42,508.76	33,365.15	35,222.90	58,645.66
Long-term equity investment	281,495.94	291,116.21	311,336.91	319,046.45
Available-for-sale financial assets	4,000.00	4,000.00	4,000.00	–
Fixed assets	272,294.64	255,678.27	253,964.77	240,455.47
Construction-in-progress	11,560.54	7,512.37	7,373.29	11,324.34
Construction materials	7.44	–	8.67	42.03
Intangible assets	2,972.66	3,038.29	2,954.39	2,766.07
Development expenditure	4.75	7.07	7.07	7.07
Deferred tax assets	6.54	6.54	6.54	–
Other non-current assets	27,000.00	456.04	398.80	–
Total assets	641,851.27	595,179.94	615,273.34	632,287.09
Total current liabilities	144,308.69	110,721.46	76,689.75	171,023.81
Total non-current liabilities	271,718.55	253,496.29	254,395.72	140,043.88
Total liabilities	416,027.25	364,217.75	331,085.47	311,067.69
Equity to owners	225,824.03	230,962.19	284,187.87	321,219.40

The operating condition of the evaluated entity in recent three years is as follows (combined):

Unit: RMB0'000

Item	For the year ended 2014	For the year ended 2015	For the year ended 2016	For the nine months ended 2017
1. Operating income	607,643.81	601,557.73	561,853.39	385,652.34
Less: operating costs	487,904.17	458,885.99	433,942.97	328,039.32
Business taxes and surcharges	5,937.07	6,419.65	9,176.88	7,067.33
Selling expenses	3,647.80	1,002.56	309.61	268.25
Management fees	12,333.91	10,124.86	8,371.91	6,493.14
Financial expenses	65,427.31	54,115.09	38,504.12	26,966.66
Asset impairment loss	3,789.36	11,904.29	390.77	266.29
Add: Gains on investments	68.72	706.96	574.83	51.22
2. Operating profits	28,672.91	59,812.25	71,731.99	16,983.13
Add: income, net of operation	9,182.67	8,962.16	13,717.22	5,775.85
Less: expenditure, net of operation	3,348.26	3,544.79	239.59	2,563.85
3. Total profits	34,507.33	65,229.61	85,209.62	20,195.13
Less: income tax expenses	10,242.87	22,605.65	20,126.83	6,753.74
4. Net profits	24,264.46	42,623.96	65,082.79	13,441.39
Including: net profits attributable to the owners of the parent company	14,789.93	29,885.78	52,376.26	9,039.43

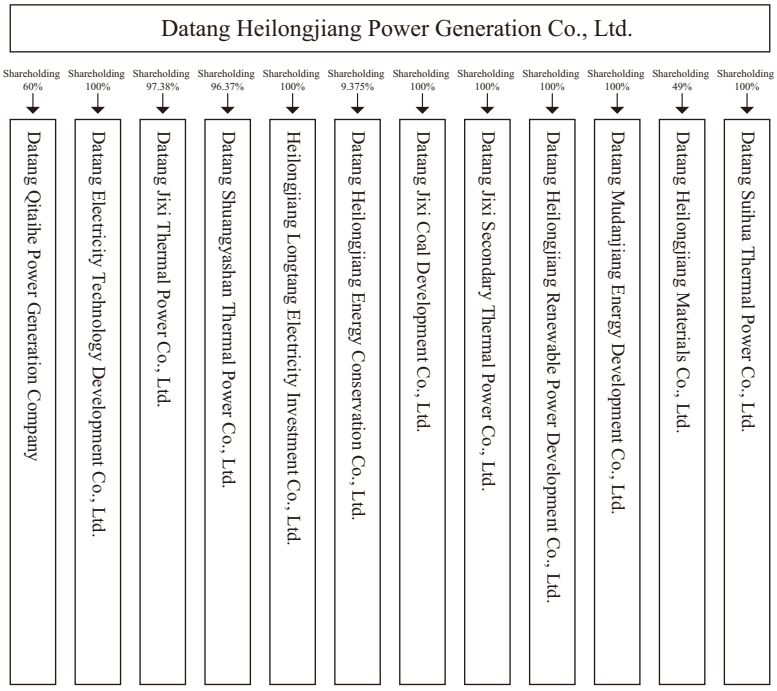
The operating condition of the evaluated entity in recent three years is as follows (in terms of the parent company):

Unit: RMB0'000

Item	For the year ended 2014	For the year ended 2015	For the year ended 2016	For the nine months ended 2017
Operating income	105,948.80	105,099.30	98,558.22	101,297.74
Operating cost	89,871.56	89,113.12	77,079.11	85,904.19
Business taxes and surcharges	992.03	1,206.54	1,802.71	1,345.93
Selling expenses	–	–	–	19.68
Management fees	6,238.44	4,988.92	4,501.28	3,694.12
Financial expenses	23,300.13	18,710.64	13,775.30	9,621.11
Asset impairment loss	417.66	6,015.81	40.36	82.10
Add: Gains on investments	9,636.19	20,909.41	47,427.18	40,480.76
Operating profits	-5,234.84	5,973.68	48,786.65	41,111.37
Add: income, net of operation	1,046.81	1,268.45	4,471.49	890.77
Less: expenditure, net of operation	349.99	2,103.97	32.45	964.07
Total profits	-4,538.01	5,138.16	53,225.68	41,038.07
Less: income tax expenses	–	–	–	6.54
Net profits	-4,538.01	5,138.16	53,225.68	41,031.53

The accounting statements of the evaluated entity as of 2014, 2015, 2016 and the Benchmark Date were audited by Union Power Certified Public Accountants (Special General Partnership) who issued unqualified audit reports.

4. Summary of Major Enterprises Invested by the Company



5. Relationship between the clients and the evaluated entity

The clients are China Datang Corporation, Datang International Power Generation Co., Ltd. and Datang Heilongjiang Power Generation Co., Ltd., and the entity to be evaluated is Datang Heilongjiang Power Generation Co., Ltd. China Datang Corporation, the controlling shareholder of Datang International Power Generation Co., Ltd. and Datang Heilongjiang Power Generation Co., Ltd., is the seller under the transaction. Datang International Power Generation Co., Ltd. is the purchaser and Datang Heilongjiang Power Generation Co., Ltd. is the entity to be evaluated under the transaction. The transaction constitutes a connected transaction.

(4) Other users of the Asset Valuation Report specified in the asset valuation entrustment contract

This Asset Valuation Report shall only be used by the clients and the users of the asset valuation report stipulated under State laws and regulations, and shall not be used or relied upon by any other third party.

II. PURPOSE OF VALUATION

China Datang Corporation intends to transfer the equity of Datang Heilongjiang Power Generation Co., Ltd. held by it to Datang International Power Generation Co., Ltd. For this purpose, it is necessary to conduct valuation of the market value of all of the shareholders' interests of Datang Heilongjiang Power Generation Co., Ltd. on the Benchmark Date, and provide the reference value for the relevant economic behavior.

China Datang Corporation had issued the Notice of Commencement of Preliminary Work of Asset Reorganization of Group Company (Da Tang Ji Tuan Zi [2017] No. 1098) on 25 October 2017 in regard to this matter.

III. VALUATION TARGET AND SCOPE

(1) Valuation Target

The valuation target is the value of entire shareholders' equity of Datang Heilongjiang Power Generation Co., Ltd.

(2) Scope of valuation

The scope of valuation covers the audited total assets and liabilities of the entity to be evaluated. As of the Benchmark Date, the assets within the scope of valuation included current assets, long-term equity investment, fixed assets, construction-in-progress, intangible assets and other current assets, and the book value of total assets was RMB6,322.8709 million; and liabilities included current liabilities and non-current liabilities, and the book value of total liabilities was RMB3,110.6769 million; and the book value of net assets was RMB3,212.1940 million.

The entrusted valuation target and the scope of valuation were consistent with the valuation target and the scope of valuation related to the economic behavior. As of the Benchmark Date, the book values of the assets and liabilities within the scope of valuation were audited by Union Power Certified Public Accountants (Special General Partnership) who issued a standard unqualified audit report.

1) Major assets within the scope of valuation are as follows:

A total of 42 buildings fall under the scope of this valuation, with a gross building area of 90,978.69 m^2. The procedures for building ownership certificates in respect of these buildings have not been completed. As of the Benchmark Date, the abovementioned buildings were in good condition.

Fixed assets – there are a total of 6 land parcels with an aggregate area of 2,349,519.30 m^2. The procedures for land use rights certificates have been completed. All of them are allocated land among which 5 parcels of land are for industrial use and one is for agricultural use.

2) Types, quantity and legal ownership of the intangible assets recorded in the books as submitted by the enterprise

The headquarter of Datang Heilongjiang Power Generation Co., Ltd. is entitled to 4 land use rights with an aggregate land area of 649,167.00 m^2. The entity is proceeding with the procedures for granting of 1 parcel of land measuring 18,449.00 m^2 which is located at No. 99 Longtang Street, Songbei District, Harbin City. Land use certificates have been obtained in respect of the other 3 parcels of land. The owner is Harbin First Thermal Power Plant of Datang Heilongjiang Power Generation Co., Ltd. (being the Branch of Datang Heilongjiang Power Generation Co., Ltd.). The type of land is granted land.

3) Types, quantity and carrying amount (or appraised value) of assets in reports issued by other organizations

① The Specific Audit Report of Datang Heilongjiang Power Generation Co., Ltd. for the period between 2014 and 30 September 2017 was issued by Union Power Certified Public Accountants (Special General Partnership) on 6 November 2017 (Report No.: Zhong Huan Zhuan Zi (2017) No. 022742), and the type of report was standard unqualified audit report.

② The clients directly appointed Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. to conduct valuation of the land use rights which fall under the scope of this valuation. Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. issued the Land Valuation Report ((Beijing) Zhong Di Hua Xia (2017) Ping (Gu) Zi No. 110) in respect of this economic behavior. Its valuation results were directly quoted in this Asset Valuation Report.

IV. TYPE OF VALUE

According to the purpose of valuation, the type of value of the valuation target was identified as the market value.

Market value refers to the estimated value of the valuation target in the ordinary course of fair transactions made on the Benchmark Date by the voluntary buyer and voluntary seller acting rationally and without being forced.

V. BENCHMARK DATE

The Benchmark Date of this Report is 30 September 2017.

Factors such as the realization of economic activity and the end of the accounting period are mainly considered to determine the Benchmark Date. A date which is close to the planned date of realization of the relevant economic activity will be selected as the Benchmark Date.

VI. BASIS OF VALUATION

(I) Basis of economic activity

1. Notice of Commencement of Preliminary Work of Asset Reorganization of Group Company (Da Tang Ji Tuan Zi [2017] No. 1098);

2. The Asset Valuation Entrustment Contract entered into between China Enterprise Appraisals Co., Ltd. and the clients.

(II) Laws and regulations

1. Assets Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (Adopted at the 21st Meeting of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);

2. The Company Law of the People' s Republic of China (《中華人民共和國公司法》) (Revised and Adopted at the 6th Meeting of the Standing Committee of the Twelfth National People's Congress on 28 December 2013);

3. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (Revised at the 10th Meeting of the Standing Committee of the Twelfth National People's Congress on 31 August 2014);

4. Financial Supervision and Management Measures of Assets Evaluation Industry (《資產評估行業財政監督管理辦法》) (Decree No. 86 of the Ministry of Finance of the People's Republic of China) (中華人民共和國財政部令第86號);

5. The Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) (Revised at the 10th Meeting of the Standing Committee of the Eleventh National People's Congress on 27 August 2009);

6. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (Adopted at the 11th Meeting of the Standing Committee of the Tenth National People' s Congress on 28 August 2004);

7. Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (Adopted at the 5th Meeting of the Tenth National People's Congress on 16 March 2007);

8. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (Adopted at the 5th Meeting of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);

9. Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (《企業國有資產監督管理暫行條例》) (Decree No. 588 of the State Council) (國務院令第588號);

10. Interim Measures for the Administration of the Transfer of State-owned Assets of Enterprises (《企業國有產權轉讓管理暫行辦法》) (Decree No. 3 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance) (國務院國有資產監督管理委員會、財政部令第3號);

11. Measures for the Administration of State-owned Assets Appraisal (《國有資產評估管理辦法》) (Decree No. 91 of the State Council) (國務院令第91號);

12. Notice on Publication and Distribution of the Detailed Rules for the Implementation of the Measures for the Administration of State-owned Assets Appraisal (《關於印發<國有資產評估管理辦法施行細則>的通知》) (Guo Zi Ban Fa [1992] No. 36)(國資辦發[1992]36號);

13. Interim Measures on the Administration of State-owned Assets Appraisal of Enterprises (《企業國有資產評估管理暫行辦法》) (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council) (國務院國有資產監督管理委員會令第12號);

14. Notice on Strengthening the Administration of State-owned Assets Appraisal (《關於加強企業國有資產評估管理工作有關問題的通知》) (Guo Zi Wei Chan Quan [2006] No. 274) (國資委產權[2006]274號);

15. Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (《關於企業國有資產評估報告審核工作有關事項的通知》) (Guo Zi Chan Quan [2009] No. 941) (國資產權[2009]941號);

16. Guidelines on the Filing of State-owned Assets Appraisal Projects for Enterprises (《企業國有資產評估項目備案工作指引》) (Guo Zi Fa Chan Quan [2013] No. 64) (國資發產權[2013]64號);

17. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (《企業國有資產交易監督管理辦法》) (Decree No. 32 of the SASAC of the State Council and the Ministry of Finance) (國務院國資委財政部令第32號);

18. Accounting Standards for Business Enterprises – Basic Standards (《企業會計準則—基本準則》) (Decree No. 33 of the Ministry of Finance) (財政部令第33號), The Decision of the Ministry of Finance on Amending the Accounting Standards for Business Enterprises – Basic Standards (《財政部關於修改<企業會計準則—基本準則>的決定》) (Decree No. 76 of the Ministry of Finance) (財政部令第76號);

19. Rules on the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值税暫行條例實施細則》) (Decree No. 65 of the Ministry of Finance and State Administration of Taxation) (財政部、國家税務總局令第65號);

20. Notice on Carrying out Pilot Operation of Change from Business Tax to Value-added Tax (《關於全面推開營業税改徵增值税試點的通知》) (Cai Shui [2016] No. 36) (財税第[2016]36號);

21. Provisional Regulations of the People's Republic of China on Land Use Tax in Cities and Towns (《中華人民共和國城鎮土地使用税暫行條例》) (Third Revision according to the Decree No. 645 of the State Council on 7 December 2013) (2013年12月7日國務院令第645號第三次修訂);

22. Regulations on Grant of State-owned Land Use Rights by Agreements (《協議出讓國有土地使用權規定》) (Order No. 21 from the Ministry of Land and Resources) (國土資源部令第21號).

(III) Evaluation criteria

1. Basic Standards on Assets Valuation (《資產評估基本準則》) (Cai Zi [2017] No. 43) (財資[2017]43號);

2. Code of Ethics for Assets Valuation (《資產評估職業道德準則》) (Zhong Ping Xie [2017] No. 30) (中評協[2017]30號);

3. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (《資產評估執業準則－資產評估程序》) (Zhong Ping Xie [2017] No. 31) (中評協[2017]31號);

4. Practice Guidelines for Asset Valuation – Asset Valuation Report (《資產評估執業準則－資產評估報告》) (Zhong Ping Xie [2017] No. 32) (中評協[2017]32號);

5. Practice Guidelines for Asset Valuation – Asset Valuation Entrustment Contract (《資產評估執業準則－資產評估委託合同》) (Zhong Ping Xie [2017] No. 33) (中評協[2017]33號);

6. Practice Guidelines for Asset Valuation – Asset Valuation File (《資產評估執業準則－資產評估檔案》) (Zhong Ping Xie [2017] No. 34) (中評協[2017]34號);

7. Practice Guidelines for Asset Valuation – Utilization of Experts and Related Reports (《資產評估執業準則－利用專家工作及相關報告》) (Zhong Ping Xie [2017] No. 35) (中評協[2017]35號);

8. Practice Guidelines for Asset Valuation – Enterprise Value (《資產評估執業準則－企業價值》) (Zhong Ping Xie [2017] No. 36) (中評協[2017]36號);

9. Practice Guidelines for Asset Valuation – Intangible Assets (《資產評估執業準則－無形資產》) (Zhong Ping Xie [2017] No. 37) (中評協[2017]37號);

10. Practice Guidelines for Asset Valuation – Real Estate (《資產評估執業準則－不動產》) (Zhong Ping Xie [2017] No. 38) (中評協[2017]38號);

11. Practice Guidelines for Asset Valuation – Machinery and Equipment (《資產評估執業準則－機器設備》) (Zhong Ping Xie [2017] No. 39) (中評協[2017]39號);

12. Guidance on Valuation Report of State-owned Assets of Enterprises (《企業國有資產評估報告指南》) (Zhong Ping Xie [2017] No. 42) (中評協[2017]42號);

13. Guidance on Valuation of Intellectual Property Assets (《知識產權資產評估指南》) (Zhong Ping Xie [2017] No. 44) (中評協[2017]44號);

14. Quality Control Guidance on the Business of Asset Valuation Agency (《資產評估機構業務質量控制指南》) (Zhong Ping Xie [2017] No. 46) (中評協[2017]46號);

15. Guiding Opinions on Types of Value under Asset Valuation (《資產評估價值類型指導意見》) (Zhong Ping Xie [2017] No. 47) (中評協[2017]47號);

16. Guiding Opinions on Legal Ownership of the Target of Asset Valuation (《資產評估對象法律權屬指導意見》) (Zhong Ping Xie [2017] No. 48) (中評協[2017]48號);

17. Guiding Opinions on Valuation of Investment Properties (《投資性房地產評估指導意見》) (Zhong Ping Xie [2017] No. 53) (中評協[2017]53號).

(IV) Basis of ownership

1. Title Registration Certificate of State-owned Assets;

2. Capital contribution certification;

3. State-owned Land Use Certificate;

4. Building Ownership Certificate or Real Estate Title Certificate;

5. Vehicle Registration Certificate;

6. Other title-related certification.

(V) Pricing basis

1. Financial Rules for Basic Construction (《基本建設財務規則》) (Decree No. 81 of the Ministry of Finance of the People's Republic of China (中華人民共和國財政部令第81號), implemented from 1 September 2016);

2. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (《機動車強制報廢標準規定》) (2012 Decree No. 12 of the Ministry of Commerce, National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection (商務部、發改委、公安部、環境保護部令2012年第12號), implemented from 1 May 2013);

3. Notice of Heilongjiang Provincial Price Supervision Bureau on the Lowering of Power Tariffs for Industrial and Commercial Use and Increasing of On-grid Tariffs for Coal-fired Power Generation (《黑龍江省物價監督管理局關於降低工商業電價和提高燃煤發電上網電價的通知》) (Hei Jia Ge [2017] No. 126) (黑價格[2017]126號);

4. The benchmark deposit and lending rate and exchange rate on the Benchmark Date;

5. Information on Construction Costs in Heilongjiang Province (《黑龍江省工程造價信息》) (September 2017);

6. Budget Estimate Quota of Electricity Construction Projects (《電力建設工程概算定額》) (2013 Edition);

7. Budget Quota of Electricity Construction Projects (《電力建設工程預算定額》) (2013 Edition);

8. Regulations on the Preparation and Calculation of Budgets for Thermal Power Generation Construction Projects (《火力發電工程建設預算編製與計算規定》) (2013 Edition);

9. Cost Composition and Cost Estimate Standards for Hydropower Construction Projects (《水電工程費用構成及概(估)算費用標準》) (2013 Edition);

10. Quota on Duration of Construction for Electricity Construction Projects (《電力建設工程工期定額》) (2012 Edition);

11. Integrated Budget Price of Equipment Materials for Electricity Construction Projects (《電力建設工程裝置性材料綜合預算價格》) (2013 Edition);

12. Quota Design and Reference Cost Index for Thermal Power Projects (2015 Standard) (《火電工程限額設計參考造價指標(2015年水平)》) (Electric Power Planning and Design Institute);

13. Notice on the Issuance of 2016 Price Level Adjustment on the 2013 Edition of the Budget Estimate Quota of Electricity Construction Projects (《關於發佈2013版電力建設工程概預算定額2016年度價格水平調整的通知》) (Ding E [2016] No. 50) (定額[2016]50號);

14. Notice on Issues concerning the Implementation of Tariff-related Support Policies for the Coal-fired Power Plants with Ultra-low Emission (《關於實行燃煤電廠超低排放電價支持政策有關問題的通知》) (Fa Gai Jia Ge [2015] No. 2835) (發改價格[2015]2835號);

15. Notice of National Development and Reform Commission on the Lowering of On-grid Tariffs for Coal-fired Power Generation and Power Tariffs for General Industrial and Commercial Use (《國家發展改革委關於降低燃煤發電上網電價和一般工商業用電價格的通知》) (Fa Gai Jia Ge [2015] No. 3105) (發改價格[2015]3105號);

16. Notice on Preparation of the Adjustment of Pricing Basis of Construction Projects on Change from Business Tax to Value-added Tax for Construction Industry (《關於做好建築業營改增建設工程計價依據調整準備工作的通知》) (Jian Ban Biao [2016] No. 4) (建辦標[2016]4號);

17. Notice on the Issuance of the Transitional Implementation Plan for the Adaptation on the Adjustment of Change from Business Tax to Value-added Tax for the Pricing Basis of Electricity Construction Projects (《關於發佈電力工程計價依據適應營業税改徵增值税調整過渡實施方案的通知》) (Ding E [2016] No. 9) (定額[2016]9號);

18. Guiding Opinions on the Implementation of the Notice of National Development and Reform Commission on Further Liberalization of the Professional Service Fees for Construction Projects (《國家發展改革委關於進一步放開建設項目專業服務價格的通知》) (Fa Gai Jia Ge [2015] No. 299) (發改價格[2015]299號) (Zhong Dian Lian Ding E [2015] No. 162) (中電聯定額[2015]162號);

19. Notice on the Issuance of Interim Provisions on Consultation Fees for Preliminary Work of Construction Projects (《關於印發建設項目前期工作諮詢收費暫行規定的通知》) (Ji Jia Ge [1999] No. 1283) (計價格[1999]1283號);

20. Notice on the Issuance of the Management Regulations on the Engineering Survey and Design Fees (《工程勘察設計收費管理規定》) (Ji Jia Ge [2002] No. 10) (計價格[2002]10號);

21. Notice on the Issuance of the Management Regulations on the Costs of Basic Construction Projects by the Ministry of Finance (《財政部關於印發<基本建設項目建設成本管理規定>的通知》) (Cai Jian [2016] No. 504) (財建[2016]504號);

22. Notice of National Development and Reform Commission on Lowering Fee Charge Rates for Some of the Construction Projects and Regulating Fee Charging-related Behavior (《國家發展改革委關於降低部分建設項目收費標準規範收費行為等有關問題的通知》) (Fa Gai Jia Ge [2011] No. 534) (發改價格[2011]534號);

23. Fee Quote Manual for Mechanical and Electrical Products (《機電產品報價手冊》) (2017);

24. The feasibility study report of the project, investment budget of the project, estimated budget of the design and other information provided by the enterprise;

25. Relevant budgets and final accounts of the project provided by the enterprise;

26. Construction contracting agreements entered into between the enterprise and relevant entities;

27. Statistics of the payment progress for construction-in-progress and relevant proof of payment provided by the enterprise;

28. Financial statements and audit reports for previous years provided by the enterprise;

29. Financial information and future operating plans provided by the relevant departments of the enterprise;

30. Current and future market forecast of major products provided by the enterprise;

31. Contracts on purchase of raw materials entered into between the enterprise and relevant entities;

32. Other relevant information related to valuation which is recorded and collected by the appraisers during on-site survey;

33. Notice on the Issuance of the Management Regulations on the Costs of Basic Construction Projects by the Ministry of Finance (《財政部關於印發<基本建設項目建設成本管理規定>的通知》) (Cai Jian [2016] No. 504) (財建[2016]504號);

34. Notice of National Development and Reform Commission on Lowering Fee Charge Rates for Some of the Construction Projects and Regulating Fee Charging-related Behavior (《國家發展改革委關於降低部分建設項目收費標準規範收費行為等有關問題的通知》) (Fa Gai Jia Ge [2011] No. 534) (發改價格[2011]534號);

35. Other information related to this asset valuation.

(VI) Other references

1. Regulations for Appraisal of Urban Land (《城鎮土地估價規程》) (GB/T18508-2014);

2. Regulations for Gradation and Classification of Urban Land (《城鎮土地分等定級規程》) (GB/T18507-2014);

3. Standards for Real Estate Valuation (《房地產估價規範》) (GB/T 50291-2015);

4. Housing Maintenance Grade and Evaluation Criteria (Trial) (《房屋完損等級評定標準(試行)》) (Cheng Zhu Zi [1984] No. 678) (城住字[1984]第678號);

5. Notice on the Issuance of the Management Regulations on the Engineering Survey and Design Fees (《工程勘察設計收費管理規定》) (Ji Jia [2002] No. 10) (計價[2002]10號) issued by the National Development and Reform Commission and the Ministry of Construction;

6. Declaration forms for valuation provided by Datang Heilongjiang Power Generation Co., Ltd. and its subsidiaries;

7. The Audit Report issued by Union Power Certified Public Accountants (Special General Partnership);

8. Database of China Enterprise Appraisals Co., Ltd.

VII. VALUATION METHODOLOGY

Income approach refers to the approach in which the expected return shall be capitalized or discounted so as to determine the value of the evaluated entity.

Market approach refers to the approach in which the target of appraisal shall be compared with other comparable listed companies or transaction cases so as to determine the value of the evaluated entity.

Asset-based approach refers to the approach in which, based on the balance sheet of the evaluated entity on the Benchmark Date, the value of the assets and liabilities in and out of the balance sheet shall be reasonably appraised so as to determine the value of the evaluated entity.

As stated in the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any evaluation of enterprise value, the suitability of the three basic asset valuation methods namely the income approach, the market approach and the asset-based approach shall be analyzed based on the purpose of valuation, the target to be evaluated, the type of value, the collected information etc. in its selection of valuation methods. If different valuation methods are suitable for any evaluation of enterprise value, asset valuation professionals should adopt two or more valuation methods for their valuation.

Based on the purpose of valuation, the target to be evaluated, the type of value, the collected information and other relevant conditions, and subject to the suitability of the three basic asset valuation methods, and in view of the appraisers' understanding of the present condition of the business, business plans and development plans of Datang Heilongjiang Power Generation Co., Ltd., and upon the research and analysis of the related sectors, there are favorable conditions for adopting the income approach. Meanwhile, as the evaluated entity has integrated financial information and asset management information and a wide source of data and information related to the costs of asset acquisition available for use, it also satisfies the conditions for adopting the asset-based approach. On the other hand, the prerequisite for the adoption of the market approach is the existence of a well-developed and fair open market with adequate market data and comparable transaction cases in the open market. In view that the property rights market in China is not mature and there are very few similar transaction cases available for comparison with that of the evaluated entity, therefore, the market approach would not be used in this valuation.

Based on the above analysis, the income approach and the asset-based approach are to be adopted in this valuation.

(I) Income approach

The discounted cash flow method under the income approach is used to evaluate the overall enterprise value in order to indirectly obtain the total value of the equity interests of shareholders. The overall enterprise value consists of the value of operating assets arising from normal operating activities and the value of non-operating assets which is not related to normal operating activities. The discounted free cash flow model for enterprises was selected for the determination of the value of operating assets, which is based on the future free cash flow forecast of the enterprise in the coming years to discount them by adopting an appropriate discount rate before adding up the values. The calculation model is as follows:

Value of entire shareholders' equity = Overall enterprise value – value of interest-bearing debts

1. Overall enterprise value

The overall enterprise value refers to the sum of the total equity of shareholders and the value of interest-bearing debts. Based on the allocation and use of assets of the evaluated entity, the overall enterprise value is calculated as follows:

Overall enterprise value = value of operating assets + value of surplus assets + value of non-operating assets and liabilities

(1) Value of operating assets

Operating assets refer to assets and liabilities under the free cash flow forecast after the Benchmark Date relating to production and operation of the evaluated entity. Value of operating assets is calculated as follows:

$$P = \sum_{i=1}^{n} \frac{F_i}{(1+r)^i} + \frac{F_n \times (1+g)}{(r-g) \times (1+r)^n}$$

Where, P： Value of operating assets as at the Benchmark Date;

F_i： Free cash flow forecast for Year i after the Benchmark Date;

F_n： Free cash flow forecast for the last year in the forecast period;

r：Discount rate (weighted average cost of capital, or WACC);

n：Forecast period;

i：Year i in the forecast period;

g：Perpetual growth rate.

Where, free cash flow is calculated as follows:

Free cash flow = Net profit before interest and after tax + depreciation and amortization – capital expenditure – increase in working capital

Where, discount rate (weighted average cost of capital, or WACC) is calculated as follows:

$$WACC = K_e \times \frac{E}{E + D} + K_d \times (1 - t) \times \frac{D}{E + D}$$

where, k_e : Cost of equity capital;

k_d : Cost of interest-bearing debt capital;

E : Market value of equity;

D : Market value of interest-bearing debts;

t : Income tax rate.

Where, cost of equity capital is calculated using the capital asset pricing model (CAPM) as follows:

$$K_e = r_f + MRP \times \beta + r_c$$

where, r_f : Risk-free interest rate;

MRP : Market risk premium;

ß : Systematic risk coefficient of equity;

r_c : Enterprise specific risk adjustment coefficient.

(2) Value of surplus assets

Surplus assets refer to assets that exceed what is required by the production and operation of the enterprise as at the Benchmark Date and are not covered by the free cash flow forecast of the enterprise after the Benchmark Date. Surplus assets are to be analyzed and evaluated separately.

(3) Value of non-operating assets and liabilities

Non-operating assets and liabilities refer to assets and liabilities not relating to production and operation of the evaluated entity and are not covered by the free cash flow forecast of the enterprise after the Benchmark Date, including long-term equity investment without control. Non-operating assets and liabilities of the evaluated entity, including current assets, current liabilities and non-current liabilities, were appraised by the cost approach in this valuation.

2. Value of interest-bearing debts

Interest-bearing debts refer to the liabilities bearing interest payable by the evaluated entity as at the Benchmark Date. The interest-bearing debts of the evaluated entity include short-term borrowing, non-current liabilities due in one year, long-term borrowing, bonds payable and other non-current liabilities. The book value after verification is recognised as the appraised value of interest-bearing debts.

(II) Asset-based approach

1. Current assets

(1) Monetary funds, including cash and bank deposits, the appraised value of which is determined as the verified value arrived at through cash stocktaking, bank statement checking and enquiry letters to banks, etc.

(2) Bills receivable: The appraisers verified the consistency between the subledger, general ledger, and balance in the statements and the valuation schedules, and verified the consistency between the nominal value, time of occurrence, details of transactions and coupon rate of the bills and the accounting records in order to verify the authenticity and completeness of bills receivable. The results indicated that amounts in the ledgers, statements, and bills were consistent. After verification, the bills receivable is authentic with accurate amount and without accrued interest. The book value after verification is recognised as the appraised value.

(3) Accounts receivable and other receivables: The appraised value of accounts receivable is determined by appraisers according to the respective recoverable amount of each receivable on a verified basis. For receivables which are believed to be fully recoverable on adequate grounds, the appraised value is calculated according to the full amount receivable. For receivables of which a partial amount is likely to be irrecoverable, and in the event that it is difficult to determine the amount of receivables which is irrecoverable, historical information and on-site investigations are used to understand the situation, to specifically analyze the amount, time and reasons of such loans and recovery of the amount, as well as the capital, creditworthiness and current situation of the operation and management of the debtor to estimate the amount which is likely to be irrecoverable by aging analysis as the appraised value calculated after deduction of risk-related losses. For receivables which are proved by conclusive evidences to be irrecoverable, the appraised value will be zero. The "provision for bad debts" on the accounts shall be accounted for as zero.

(4) Prepayments: The appraisers reviewed relevant contracts on procurement of materials or supply agreements and learned about the services and goods received during the period from the Benchmark Date till the on-site benchmark date. Where there is no indication of bankruptcy or revocation of the suppliers or its failure to provide goods or labour services as scheduled under the contracts, the book value after verification is recognized as the appraised value.

(5) Interest receivable: The appraisers obtained borrowing contracts in relation to all borrowings and verified the amount, term, and interest rates of each sum of borrowings, and proof of payment of interests by the evaluated entity as at the Benchmark Date. In respect of interest payable, the book value after verification is recognized as the appraised value.

(6) Dividend receivable: The appraisers verified the resolutions of the board and general meeting in relation to the 2016 profit distribution of the evaluated entity. The book value after verification is recognized as the appraised value.

(7) External procurement of raw materials and external inventory procurement: The appraised values of various assets are determined based on the amount verified upon inspection to be multiplied by the prevailing procurement price in the market plus reasonable freight and miscellaneous fees, wastage, inspection and acceptance fees for admission into warehouse and other reasonable fees. For raw materials which are invalid, deteriorated, damaged, scrapped and useless, the appraised value is determined by deducting the corresponding depreciation (the net realizable value to be retained) and calculated through analysis according to the technical appraisal results and relevant evidences.

(8) Other current assets: The appraisers verified the consistency between the subledger, general ledger, and balance in the statements, and carried out a random inspection on relevant information such as some of the original vouchers and contracts to verify the authenticity, details of transactions and amounts of the transactions. The book value after verification was recognized as the appraised value.

2. Long-term equity investment

(1) Wholly-owned and controlling long-term equity investment

An overall valuation of wholly-owned and controlling long-term equity investment was conducted. The value of part of the shareholders' equity is calculated by multiplying the total shareholders' equity (which is deduced from valuation) of the investee company by the shareholding ratio.

(2) Non-controlling long-term equity investment

For non-controlling long-term equity investment, in view that there were no favorable conditions for an overall valuation, the appraisers, in light of the actual situation of the investee company, obtained the financial statements of the investee company as at the Benchmark Date. After a proper analysis of the financial statements of the investee company, the appraised value of such non-controlling long-term equity investment was determined by multiplying the reasonable net assets of the investee company by the shareholding ratio.

3. Machinery and equipment

The statements were consistent with those listed in the account books after verifying against the spreadsheets of the machinery and equipment provided by the enterprise. At the same time, the ownership was recognized after examining and verifying the related contracts, legal ownership certificates and accounting documents. On such basis, professional engineering staff was assigned to carry out necessary on-site inspection and verification of the major equipment.

For the purpose of this valuation and subject to the principle of continuity and market price, the replacement cost approach was used after taking into account the characteristics of the equipment to be evaluated and the collected information.

Appraised value = full replacement cost x integrated newness rate

(1) Determination of full replacement cost

A. Machinery and equipment

Full replacement cost = purchase price of equipment + transportation expense + installation fees + upfront and other expenses + capital cost – deductible VAT

① Purchase price of equipment

Price of equipment for the electric power sector is mainly determined with reference to the market price checked with the manufacturers as at the Benchmark Date, or the current market prices available in the information on price quotes or with reference to the contract prices of comparable equipment being recently purchased.

Price of general equipment is mainly determined in accordance with the Mechanical and Electronic Products Pricing Handbook (《機電產品報價手冊》) (2017) issued by China Machine Press and the recent transaction prices of equipment in the market.

Price of transport vehicle is mainly determined with reference to the latest market prices and transaction prices in the local auto market on the Benchmark Date.

② Transportation expenses

With regard to the calculation of transportation expenses of domestic equipment, in the case of equipment for wind power plants, expenses are determined based on the Requirements on Preparation of Cost Estimate and Cost Standards for Construction and Design of Onshore Wind Farms (《陸上風電場工程設計概算編製規定及費用標準》) (NBT/31011-2011); in the case of equipment for thermal power plants, expenses are determined based on the Preparation of Cost Estimate and Calculation Basis for Construction of Thermal Power Projects (2013) (《火力發電工程建設預算編製與計算標準(2013年版)》); in the case of equipment for hydropower plants, expenses are determined based on the Standards for Cost Estimate on Construction and Design of Hydropower Projects (2013) (《水電工程設計概算費用標準(2013年版)》).

③ Installation fees

Installation fees of equipment for wind power plants are determined with reference to the Ration of Cost Estimate for Onshore Wind Farms (《陸上風電場工程概算定額》) (NB/T31010-2011) which is the standards for the energy sector of the People's Republic of China.

Installation fees of equipment for thermal power plants are determined after adjustment according to the Ration of Cost Estimate for Electric Power Construction Projects (《電力建設工程概算定額》) (2013) and the Preparation of Cost Estimate and Calculation Basis for Construction of Thermal Power Projects (《火力發電工程建設預算編製與計算標準》) (2013).

Installation fees of equipment for power generation purpose are determined according to the Ration of Cost Estimate for Installation of Equipment for Hydropower Projects (《水電設備安裝工程概算定額》) and the Cost Composition and Standards for Cost Estimate of Hydropower Projects (《水電工程費用構成及概(估)算費用標準》) (2013).

Installation fees of other types of power equipment are determined with reference to installation contracts and relevant handbooks.

No installation fee will be considered for small-sized equipment that installation is not required.

④ Upfront and other expenses (independent fees)

Expenses are calculated based on the Requirements on Preparation of Cost Estimate and Cost Standards for Construction and Design of Onshore Wind Farms (《陸上風電場工程設計概算編製規定及費用標準》) (NBT/31011-2011) in the case of equipment for wind power plants; expenses are calculated based on the Preparation of Cost Estimate and Calculation Basis for Construction of Thermal Power Projects (2013) (《火力發電工程建設預算編製與計算標準(2013年版)》) in the case of equipment for thermal power plants; expenses are calculated based on the Standards for Cost Estimate on Construction and Design of Hydropower Projects (2013) (《水電工程設計概算費用標準(2013年版)》) in the case of equipment for hydropower plants; and the calculation basis for equipment for hydropower plants is subject to the Cost Composition and Standards for Cost Estimate of Hydropower Projects (2013) (《水電工程費用構成及概(估)算費用標準(2013年)》). Of which, the independent fees of permanent equipment and the independent fees of installation works are to be calculated separately. Expenses of other types of power equipment are determined with reference to comparable calculation methods.

According to the Notice (Cai Shui [2016] No. 36) (財税[2016]36號), the pilot practice of levying value-added tax in lieu of business tax has been carried out in China since 1 May 2016. The rate applicable to the upfront cost which falls under the scope of the pilot practice of levying VAT in lieu of business tax shall be subject to the deduction of the corresponding VAT rate.

⑤ Capital cost

Subject to a reasonable construction period for equipment at the lending rate corresponding to the term as at the Benchmark Date, the capital cost is determined on the basis of the sum of the purchase prices of equipment, installation fees and other fees.

For hydropower and thermal power generating units, based on the method for settlement upon completion of a single generating unit of an electric power project, any loan interest payable for the construction period before the first unit is put into operation is to be fully accounted into the construction project investment. After the first unit has been put into operation, part of the interest will be transferred to interest expenses and so on.

For wind power generating units and other types of power equipment, it is determined according to capital being evenly injected in a reasonable construction period.

Based on a reasonable construction period of the project at the lending rate corresponding to the term as at the Benchmark Date, capital cost is determined on the basis of the sum of the purchase prices of equipment, installation fees, upfront and other fees.

⑥ Deductible VAT in the purchase prices of equipment

The amount will be deducted accordingly after the amount of deductible VAT for equipment eligible for VAT credit has been calculated.

B. Transport vehicles

The full replacement cost of vehicles is determined after determining the present tax-inclusive prices of vehicles based on the latest information about the market prices of vehicles such as sales information from the local auto market and taking the vehicle purchase tax into account in accordance with the Interim Regulations of the People's Republic of China on Vehicle Purchase Tax (《中華人民共和國車輛購置税暫行條例》) and handling charges for registration of new cars, and according to the deductible VAT for the purchase of vehicles based on the Notice (Cai Shui [2016] No. 36) (財税[2016]36號). The formula is as below:

Full replacement cost = purchase price (tax exclusive) + vehicle purchase tax + handling charges for registration of new cars

C. Electronic equipment

Full replacement cost is determined according to the information from the local market and recent online transaction prices.

For usable electronic equipment which were purchased years ago with no similar models now available in the market, the full replacement cost is determined based on the prices (tax exclusive) of such equipment in the second-hand market.

(2) Determination of integrated newness rate

Integrated newness rate is determined after the adjustment of the necessary records related to the operation, incidents, maintenance and functional assessment of equipment (apparatus) following an on-site inspection of the useful life (construction environment, maintenance, appearance, utilization rate and intactness) of equipment (apparatus).

For large and key machinery equipment, the appraisers have, by on-site inspection of the usage of the equipment and reviewing information related to the operation and key technical indicators of the equipment, and making enquiry with relevant technical staff and operation and maintenance personnel about the technical condition, frequency of overhaul and maintenance of the equipment, and taking into account the requirements on the actual useful life of various equipment and the used life of the equipment, and in light of the actual usage of the equipment, recognized the remaining useful life to determine the integrated newness rate. The formula is as below:

Integrated newness rate = remaining useful life/(remaining useful life + used life) × 100%

For general small-sized equipment, the integrated newness rate is determined based on the working environment, existing techniques and the economic useful life of equipment.

For other types of equipment, the integrated newness rate is determined through on-site inspection of the useful life of the equipment and on the basis of the economic useful life applicable to various types of equipment.

Integrated newness rate = (economic useful life – used life)/economic useful life × 100%

For vehicles, in accordance with the Standards for Mandatory Scrapping of Motor Vehicles promulgated by the State, the newness rate is determined by vehicle miles of travel and useful life, whichever is the lower, and adjusted after on-site inspection, the formulae of which are set out below:

Useful life newness rate = (required useful life – used life)/required useful life × 100%

VMT newness rate = (required VMT – miles travelled)/required VMT × 100%

Integrated newness rate = theoretical newness rate × adjustment coefficient.

(3) Determination of appraised value

Appraised value of equipment = full replacement cost of equipment × integrated newness rate

4. Buildings (structures)

Cost approach is used for the valuation of buildings and structures.

Cost approach

Full replacement cost of buildings generally includes: integrated construction and installation cost, upfront and other expenses, capital cost and deductible VAT. The formula for calculating the full replacement cost of buildings is as follows:

Full replacement cost = Integrated construction and installation cost + upfront and other expenses + capital cost – deductible VAT

① Integrated construction and installation cost

For buildings (structures) of large size, high value and great importance, the buildings (structures) to be evaluated will be categorized in terms of structural characteristics, which are categorized as reinforced concrete frame structure, brick and concrete structure, brick-wood structure, reinforced concrete structures and brick structures.

Typical buildings (structures) would be selected for the calculation of the construction fees according to the construction budgets or the volume of works, including the preliminary design, cost estimates, drawings and change of design, by rations applicable to different types of buildings. Of which:

Construction fees of buildings specified for thermal power use are calculated in accordance with the Ration of Cost Estimate for Electric Power Construction Projects – Construction (2013) (《電力建設工程概算定額－建築工程(2013年版)》) and the Preparation of Cost Estimate and Calculation Basis for Construction of Thermal Power Projects (2013) (《火力發電工程建設預算編製與計算標準(2013年版)》).

Construction fees of buildings specified for hydropower use are calculated in accordance with the Ration of Cost Estimate for Hydropower Construction Projects (2015) (《水電建築工程概算定額(2015年版)》) and the Standards for Cost Estimate for Construction and Design of Hydropower Projects (2013) (《水電工程設計概算費用標準(2013年版)》).

For other types of power buildings, the construction fees are calculated with reference to the generally accepted method for calculation of the construction fees of similar types of buildings.

For other buildings for non-professional use, the construction fees are calculated on the basis of the existing local ration for construction projects.

For buildings (structures) of small value and simple structure, the cost per square metre method is used to determine the construction fees.

② Determination of upfront and other expenses

Expenses are calculated based on the Requirements on Preparation of Cost Estimate and Cost Standards for Construction and Design of Onshore Wind Farms (《陸上風電場工程設計概算編製規定及費用標準》) (NBT/31011-2011) in the case of equipment for wind power plants; expenses are calculated based on the Preparation of Cost Estimate and Calculation Basis for Construction of Thermal Power Projects (2013) (《火力發電工程建設預算編製與計算標準(2013年版)》) in the case of equipment for thermal power plants; expenses are calculated based on the Standards for Cost Estimate on Construction and Design of Hydropower Projects (2013) (《水電工程設計概算費用標準(2013年版)》) in the case of equipment for hydropower plants; and the calculation basis for equipment for hydropower plants is subject to the Cost Composition and Standards for Cost Estimate of Hydropower Projects (2013) (《水電工程費用構成及概(估)算費用標準(2013年)》). Of which, the independent fees of permanent equipment and the independent fees of installation works are to be calculated separately. Expenses of other types of power equipment are determined with reference to comparable calculation methods.

According to the Notice (Cai Shui [2016] No. 36) (財税[2016]36號), the pilot practice of levying value-added tax in lieu of business tax has been carried out in China since 1 May 2016. The rate applicable to the upfront cost which falls under the scope of the pilot practice of levying VAT in lieu of business tax shall be subject to the deduction of the corresponding VAT rate.

③ Capital cost

The capital cost of equipment of the buildings (structures) which are used as wind power, thermal power, hydropower plants and other types of power generation entities is calculated by the same method as that used to calculate the capital cost of equipment of similar enterprises.

④ Deductible VAT

As prescribed by the relevant document, the amount of deductible VAT for real estate assets eligible for VAT credit will be calculated accordingly.

(1) Determination of integrated newness rate

The integrated newness rate is determined according to the following formula:

Integrated newness rate = remaining useful life/(used life + remaining useful life)

Where, the remaining useful life is determined as follows:

The remaining useful life is determined in light of the economic useful life and used life of the buildings which fall under the scope of valuation, and based on the on-site survey, the renovation, modification and maintenance of the buildings. Determination of the integrated newness rate is based on the premise that whether the target of valuation can still be used for its intended purpose, subject to the main condition requiring the target to have stable and firm foundation and major structure. The newness rate of the decorations and auxiliary facilities can only be calculated on the premise that the foundation and major structure can still be used. Such rate will be considered as an auxiliary condition for adjusting the newness rate of the foundation and major structure.

(2) Determination of appraised value

Appraised value = full replacement cost x integrated newness rate

5. Construction-in-progress

Cost approach is applied in the valuation of construction-in-progress. In order to avoid duplicated valuation or omission of asset measurement, the following valuation methods are adopted in light of the characteristics of construction-in-progress, and the type and specific conditions of each construction-in-progress:

(1) In respect of construction-in-progress where the major equipment or main building has been transferred into fixed assets but certain fees have not yet been transferred, and if its value has already been included in the appraised value of the fixed assets, the appraised value of such type of construction-in-progress is nil.

(2) Uncompleted projects

In respect of a project under construction where the date of commencement of construction is within half a year from the Benchmark Date, the appraised value is determined by deducting the unreasonable expenditures from the declared amount of the project, for which the verification of accounts against physical assets shall be conducted in advance.

In respect of a project under normal construction where the date of commencement of construction is beyond half a year from the Benchmark Date, and if there are no material changes in the prices of equipment, materials and labour involved in the investment during such period, the appraised value is determined by deducting unreasonable expenditures from the book value plus appropriate capital costs.

(3) Solely unamortized expenses

For solely unamortized expenses, the book value, after verification, would be considered as the appraised value as necessary for the future construction-in-progress, or otherwise the appraised value would be nil.

6. Construction materials

The appraisers, based on the amount verified upon inspection to be multiplied by the prevailing procurement price in the market plus reasonable freight and miscellaneous fees and other reasonable fees, arrived at the appraised values of various assets.

7. Land use rights

The clients directly appointed Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. to conduct valuation of the land use rights which fall under the scope of this valuation. Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. issued the Land Valuation Report ((Beijing) Zhong Di Hua Xia [2017] Ping (Gu) Zi No. 110) in respect of this economic behavior. Its valuation results were directly quoted in this Asset Valuation Report.

8. Other intangible assets

Other intangible assets which fall under the scope of this valuation are mainly various software purchased externally by the company and patents and software copyrights which are not recorded in the books. If the external software which were purchased by the company are still available in the market where there are no upgraded versions as at the Benchmark Date, the appraised value will be determined based on the market prices of similar software as at the Benchmark Date. If the external software which were purchased by the company are still available in the market where there are upgraded versions, the appraised value will be determined by deducting the software upgrade fees from the current market price.

In respect of intangible assets – patents which fall under the scope of this valuation, the appraisers, based on the relevant information provided by Harbin First Thermal Power Plant of Datang Heilongjiang Power Generation Co., Ltd., regarded the verified book value as fees for patent application. Cost approach was used in this valuation.

9. Deferred tax assets

In this valuation, based on the book value after audit, the reasonability of various provisions of the company, the formation of deferred tax assets and the reasonability and accuracy of calculation have been checked and verified, and deferred tax assets were calculated and recognized according to the valuation of the corresponding items.

10. Liabilities

In respect of valuation of liabilities including medium-and-short term borrowings, accounts payable, accounts received in advance, other payables, tax payable, payroll payable, interest payable, bonds payable, non-current liabilities due in one year, other current liabilities, long-term borrowings, and other non-current liabilities, the appraisers, based on the statements provided by the company, made depreciation of the actual liabilities which the company assumes on a day which is not the Benchmark Date. With regard to other amounts, the adjusted amounts after verification were recognized as the appraised values.

VIII. IMPLEMENTATION AND PARTICULARS OF VALUATION PROCEDURES

The appraisers conducted valuation of the assets and liabilities of the valuation target during the period between 17 October 2017 and 7 November 2017. The implementation and particulars of the valuation procedures are as follows:

(I) Acceptance of engagement

On 17 October 2017, our company and the clients reached consensus on the basic matters (including the purpose of valuation, valuation target, the scope of valuation and the benchmark date etc.) related to the valuation service and the rights and obligations of the parties, and we have, upon negotiations with the clients, prepared an appropriate valuation plan.

(II) First-phase preparation

1. Preparation of valuation scheme

2. Building of a valuation team

3. Implementation of project training

(1) Training to the staff of the evaluated entity

In order to give the financial and assets management personnel of the evaluated entity an all-round understanding of asset valuation to facilitate their completion and submission of asset valuation-related materials so as to ensure the quality of the declaration materials for the purpose of valuation, our company prepared the Training Materials for Enterprises to provide training to relevant staff of the evaluated entity and assigned appropriate staff to answer any questions raised in the course of completing asset valuation-related materials.

(2) Training to appraisers

To ensure the quality of the valuation project and to improve efficiency, as well as to thoroughly implement the proposed Implementation Plan for Asset Valuation, our company provided relevant training to the project team members including the background of the relevant economic behavior, the characteristics of the assets of the valuation target, technical ideas and requirements for conducting valuation.

(III) On-site investigation

During the period between 18 October 2017 and 31 October 2017, the appraisers conducted necessary investigations and verification on the assets and liabilities of the valuation target and carried out necessary due diligence on the operation and management of the evaluated entity.

1. Asset verification

(1) Guiding the evaluated entity on how to complete the forms and to prepare materials to be provided to the appraisal institute

Provided that the financial and asset management personnel of the evaluated entity are required to conduct their own checking of assets, the appraisers guided them on how to correctly and carefully fill out each of the required forms covering the assets which fall under the scope of this valuation according to the Detailed Statement of Asset Valuation and their instructions to complete the Statement and the list of information which were provided by the appraisal institute. They are also required to collect and prepare title certification of the assets and documents and information that can reflect their performance, status and economic and technical indexes.

(2) Preliminary review and improvement of the Detailed Statements of Asset Valuation filled out by the evaluated entity

The appraisers checked the relevant information to have an understanding of the details of the assets which fall under the scope of this valuation and carefully reviewed the various Detailed Statements of Asset Valuation to check if there are any incomplete information, errors, or unclear statements of asset items. Based on their experience and the information they had obtained, the appraisers reviewed the Detailed Statements of Asset Valuation to check if there is any omission before providing feedback to the evaluated entity for it to improve the Detailed Statements of Asset Valuation.

(3) On-site survey

In accordance with the relevant asset valuation standards, the appraisers conducted, with the cooperation of the relevant personnel of the evaluated entity, on-site survey on various assets in terms of the types, quantity and distribution of the assets. Different survey methods were used in light of the nature and characteristics of the different types of assets.

(4) Supplementation, modification and improvement of Detailed Statements of Asset Valuation

Based on the on-site survey result, the appraisers further improved the Detailed Statements of Asset Valuation after proper communication with the relevant personnel of the evaluated entity in order to ensure the consistency among the accounts, forms and actual circumstances.

(5) Verification of property title certificates

After verifying the property title certificates of the asses (such as real properties, equipment and vehicles) which fall under the scope of this valuation, the appraisers requested the enterprise to verify or provide relevant supporting documents related to property title for assets with defective title or unclear ownership.

2. Due diligence

The appraisers conducted necessary due diligence in order to fully understand the operation and management of the evaluated entity and the risks which the entity is facing. The due diligence work mainly covered the following:

(1) History, substantial shareholders and shareholding proportions of the evaluated entity, necessary property title and operation and management structure;

(2) Assets, financial position, production, operation and management of the evaluated entity;

(3) Business plans, development planning and financial forecast of the evaluated entity;

(4) Previous valuations and transactions of the valuation target and the evaluated entity;

(5) Macro and regional economic factors which affect the production and operation of the evaluated entity;

(6) Development trend and outlook of the industry that the evaluated entity is engaged in;

(7) Other relevant information.

(IV) Collection of information

The appraisers collected necessary information for the valuation project, including the information acquired directly and independently from the market and other channels, the information obtained from the clients and relevant parties and the information obtained from government agencies, professional institutions and other relevant departments. They made necessary analysis, induction and collation of the collected information to develop basis for valuation and estimate.

(V) Valuation and estimate

The appraisers adopted, in light of the specific situations of various assets, the corresponding formulae and parameters to make analysis, calculation and judgment on the assets using the selected valuation methods to reach a preliminary conclusion of valuation. Then the project leader summarized the preliminary conclusion of valuation concerning the various assets, and prepared the preliminary asset valuation report.

(VI) Internal audit

According to the Administrative Measures for Valuation Process of our company, the project leader would submit the asset valuation report for our internal audit after the preliminary asset valuation report has been prepared. Upon completion of the internal audit, the project leader will then communicate with the client or other relevant parties as agreed by the client on contents of the asset valuation report. We will issue and submit the asset valuation report after reasonable modification of the report based on the feedback.

IX. VALUATION ASSUMPTIONS

The following assumptions were used for the analysis and estimate in this Asset Valuation Report:

(I) General assumptions

1. It is assumed that there were no material changes in the relevant existing laws, regulations and policies, and macroeconomic conditions of the PRC as well as in the local political, economic and social environment of such places where the parties to the transaction are operating;

2. It is assumed that the enterprise will continue to operate as a going concern in light of the actual condition of the assets as at the Benchmark Date;

3. It is assumed that there are no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-based levies related to the evaluated entity after the Benchmark Date;

4. It is assumed that the management of the evaluated entity is accountable, stable and competent to perform their duties after the Benchmark Date;

5. Unless otherwise stated, it is assumed that the company fully complies with all the relevant laws and regulations;

6. It is assumed that there is no force majeure or unforeseeable circumstances which may materially and adversely affect the evaluated entity after the Benchmark Date.

(II) Special assumptions

1. It is assumed that the accounting policies adopted by the evaluated entity after the Benchmark Date are consistent with the accounting policies adopted when preparing this Asset Valuation Report in all material aspects;

2. It is assumed that the scope of business and the mode of operation of the evaluated entity after the Benchmark Date are consistent with the current ones based on the existing management mode and management level;

3. It is assumed that the information provided by the evaluated entities which is related to the evaluated assets is true, complete and lawfully valid;

4. The scope of valuation only covers the valuation declarations provided by the asset owners, while any existing contingent assets and contingent liabilities that are excluded from the list provided by the asset owners have not been considered.

The conclusion of valuation of this Asset Valuation Report is believed to be correct on the Benchmark Date based on the above assumptions. In the event of any material changes to the above assumptions, the undersigned appraisers and the appraisal institute shall not be responsible for deducing different conclusions of valuation due to any changes of the assumptions.

X. CONCLUSION OF VALUATION

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Datang Heilongjiang Power Generation Co., Ltd. was RMB6,322.8709 million, the book value of total liabilities was RMB3,110.6769 million, and the book value of net assets was RMB3,212.1940 million.

According to the valuation using the income approach, the value of all of the shareholders' equity was RMB5,361.4346 million, the amount of increase was RMB2,149.2406 million, representing an appreciation rate of 66.91%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Datang Heilongjiang Power Generation Co., Ltd. was RMB6,322.8709 million, the appraised value was RMB8,963.9905 million, the amount of increase was RMB2,641.1196 million, representing an appreciation rate of 41.77%.

The book value of total liabilities was RMB3,110.6769 million, the appraised value was RMB3,083.1730 million, the amount of decrease was RMB27.5039 million, representing a depreciation rate of 0.88%.

The book value of net assets was RMB3,212.1940 million, the appraised value of net assets was RMB5,880.8175 million, the amount of increase was RMB2,668.6235 million, representing an appreciation rate of 83.08%.

The results of asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 September 2017

Item	Book value *(RMB0'000)*	Appraised value *(RMB0'000)*	Increase or decrease *(RMB0'000)*	Appreciation rate *(%)*
Current assets	58,645.66	58,575.25	-70.41	-0.12
Non-current assets	573,641.43	837,823.80	264,182.37	46.05
Including: long-term equity investment	319,046.45	567,387.34	248,340.89	77.84
Fixed assets	240,455.47	230,654.65	-9,800.82	-4.08
Construction-in-progress	11,324.34	11,441.94	117.60	1.04
Intangible assets	2,766.07	28,290.77	25,524.70	922.78
In which: land use rights	2,305.00	27,733.10	25,428.10	1,103.17
Other non-current assets	49.10	49.10		
Total assets	632,287.09	896,399.05	264,111.96	41.77
Current liabilities	171,023.81	169,526.42	-1,497.39	-0.88
Non-current liabilities	140,043.88	138,790.88	-1,253.00	-0.89
Total liabilities	311,067.69	308,317.30	-2,750.39	-0.88
Net assets	321,219.40	588,081.75	266,862.35	83.08

(III) Conclusion of valuation

According to the valuation using the income approach, the value of all of the shareholders' equity was RMB5,361.4346 million, while according to the valuation using the asset-based approach, the value of net assets was RMB5,880.8175 million. The difference was RMB519.3829 million, representing a difference rate of 8.83%.

The differences between these two valuation methods are mainly due to their different focuses. The valuation result under the asset-based approach was arrived from the perspective of re-acquisition of assets, which reflected the replacement cost of the existing assets of the enterprise. The valuation result under the income approach was arrived from the perspective of future profitability of an enterprise, which reflected the consolidated profitability of assets of the enterprise.

Datang Heilongjiang Power Generation Co., Ltd. is a managing-type company which is mainly engaged in investments in branches and subsidiaries. The major business of branches and subsidiaries has a larger proportion in thermal power generation. The on-grid tariff is controlled by State policies. The subsidiaries are largely coal-fired power-based, and coal is viewed as a significant warranty of long-term development of thermal power in China. Despite the abundant storage of coal in China, the nature of coal being non-renewable makes it impossible for endless combustion. Accordingly, the thermal power sector is always constrained by the coal industry. The price fluctuation of the natural coal market is relatively large while the profitability of the thermal power sector in the coming years will be subject to electricity hours and coal prices. Therefore, there are uncertainties in its profitability for the coming years.

According to the above analysis, this Asset Valuation Report adopted the valuation result of the asset-based approach as the conclusion of valuation. That is to say, the appraised value of all of the shareholders' equity of Datang Heilongjiang Power Generation Co., Ltd. was RMB5,880.8175 million.

In this Asset Valuation Report, either the possible premium or discount resulting from the control power or loss of control power nor the influence of the liquidity on the value of the valuation target was considered.

XI. SPECIAL NOTES

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The clients directly appointed Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. to conduct valuation of the land use rights which fall under the scope of this valuation. Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co., Ltd. issued the Land Valuation Reports ((Beijing) Zhong Di Hua Xia (2017) (Gu) Zi No. 110), ((Beijing) Zhong Di Hua Xia (2017) Ping (Gu) Zi No. 110) and ((Beijing) Zhong Di Hua Xia (2017) Ping (Gu) Zi No. 110) in respect of this economic behavior. Its valuation results were directly quoted in this Asset Valuation Report.

(II) The book value of liabilities of the assets which fall under the scope of this valuation was audited by Union Power Certified Public Accountants (Special General Partnership) who issued the Specific Audit Report of Datang Heilongjiang Power Generation Co., Ltd. for the period between 2014 and 30 September 2017 (Report No.: Zhong Huan Zhuan Shen Zi (2017) No. 022742) on 6 November 2017, and the type of report was standard unqualified audit report.

(III) Ownership

1. Real properties:

Building ownership certificates in respect of Datang Heilongjiang Power Generation Co., Ltd. (including its subsidiaries) are as follows:

No.	Company	Area		
		With building ownership certificate (m^2)	Without building ownership certificate (m^2)	Total (m^2)
1	Datang Heilongjiang Power Generation Co., Ltd.		90,978.69	90,978.69
2	Datang Jixian Taiping Wind Power Generation Co., Ltd.	596.87		596.87
3	Datang Hua'an (Qiqihar) Wind Power Generation Co., Ltd.	2,753.52		2,753.52

No.	Company	Area		
		With building ownership certificate (m^2)	Without building ownership certificate (m^2)	Total (m^2)
4	Datang Dongning Hydropower Development Co., Ltd.	8,507.00		8,507.00
5	Datang Jixi Coal Development Co., Ltd.		1,597.46	1,597.46
6	Heilongjiang Longtang Electricity Investment Co., Ltd.	1,639.75	6,962.60	8,602.35
7	Shuangyashan Longtang Heat Supply Co., Ltd.		8,132.78	8,132.78
8	Heilongjiang Longtang Pipe Engineering Co., Ltd.		1,380.50	1,380.50
9	Daqing Longtang Heat Supply Co., Ltd.		18,568.04	18,568.04
10	Jixi Longtang Heat Supply Co., Ltd.		5,354.19	5,354.19
11	Datang Jixi Second Thermal Power Co., Ltd.		108,504.41	108,504.41
12	Jixi Chenyu Environmental Engineering Co., Ltd.		8,625.63	8,625.63
13	Datang Qitaihe Power Generation Company	161,936.58		161,936.58
14	Datang Shuangyashan Thermal Power Co., Ltd.	53,570.54	–	53,570.54
15	Datang Jixi Thermal Power Co., Ltd.	5,053.40	66,586.10	71,639.50
16	Datang Suihua Thermal Power Co., Ltd.		11,443.20	11,443.20
Total		234,057.66	328,133.60	562,191.26

Among the real properties for which the certificates have not yet been obtained, Datang Heilongjiang Power Generation Co., Ltd., Heilongjiang Longtang Electricity Investment Co., Ltd., Daqing Longtang Heat Supply Co., Ltd., Datang Jixi Second Thermal Power Co., Ltd. and Jixi Chenyu Environmental Engineering Co., Ltd. have already obtained proof of ownership which are issued by the local governments in respect of most of their real properties.

2. Land

Jixi Chenyu Environmental Engineering Co., Ltd.: It has 1 land parcel which falls under the scope of this valuation. The Contract on the Assignment of State-owned Construction Land Use Rights (《國有建設用地使用權出讓合同》) (Contract No.: Gua No. 2013-9) (掛2013-9號) was entered into with Jixi Municipal Bureau of Land and Resources on 17 January 2013. The land parcel, measuring 92,054㎡, is for industrial use. The land parcel was granted at a fee of RMB16,661,800 which had been paid in full. The company has not yet proceeded with the procedures for the State-owned Land Use Rights Certificate.

Heilongjiang Longtang Electricity Investment Co., Ltd.: It is entitled to a total of 2 land use rights which fall under the scope of this valuation. One of the land parcels is resulted from an internal merger with Kiamusze Longtang Desulfurizer Co., Ltd. The transfer procedures have not yet been proceeded with.

Datang Heilongjiang Power Generation Co., Ltd. has a fixed asset namely Qilin Shan Farm which is located at Qingguo East Road, Jiguan District, Jixi City. The State-owned Land Use Rights Certificate has been obtained and the owner is the farm of Datang Jixi Thermal Power Co., Ltd.

Datang Heilongjiang Power Generation Co., Ltd. is proceeding with the procedures for the land use rights certificate in respect of its North Training Centre. The land granting fee of RMB31.0758 million has not been paid. The impact of the land granting fee payable on the appraised value was considered in this valuation.

3. Vehicles

The headquarter of Datang Heilongjiang Power Generation Co., Ltd. has 7 vehicles the vehicle licenses of which indicate that the owner is Datang Heilongjiang Power Fuel Co., Ltd. (which has changed from a subsidiary to a branch of Datang Heilongjiang Power Generation Co., Ltd. with the name being changed to Datang Heilongjiang Power Fuel Branch. It has not yet proceeded with the procedures for change of registered items in respect of its vehicles). This is because annual inspection has not yet been conducted on its vehicles having license plates namely Hei AY9313, Hei AX7411, Hei ABF079, Hei ABF071 and Hei A0Y870.

Subsidiary: The owner as shown on the vehicle license of the vehicle having license plate namely Hei DA2807 of Datang Hua'an (Qiqihar) Wind Power Generation Co., Ltd. is Kiamusze Liangfa Power Maintenance and Installation Company. The procedures for name change have not been completed.

Subsidiary: Heilongjiang Longtang Electricity Investment Co., Ltd. has a total of 41 vehicles which fall under the scope of this valuation. No licenses are required for 11 vehicles. Among the 30 vehicles for which licenses are required, 3 vehicles having license plates namely Hei D61687, Hei D08K58 and Hei D08K68 are resulted from an internal merger with Kiamusze Longtang Desulfurizer Co., Ltd. The procedures for name change have not been completed.

4. Subsidiary namely Daqing Longtang Heat Supply Co., Ltd.: It is stated in paragraph 2 of the Specific Minutes of Meeting regarding the Opinions on Dealing with the Application of Daqing Longtang Heat Supply Co., Ltd. for Appropriation in respect of Ancillary Fee related to Heating Supply which was issued by Daqing Municipal Government ((2010) No. 64) that the ownership of assets associated with heating supply facilities such as the heating supply network and the heat exchange station which were invested and constructed by Daqing Longtang Heat Supply Co., Ltd. with the amount of ancillary fee related to heating supply shall be vested in Daqing Municipal People's Government. Daqing Longtang Heat Supply Co., Ltd. is allowed to use the same on a royalty-free basis and is responsible for routine maintenance of the same. As of the Benchmark Date, i.e., 30 September 2017, the cost for the construction of the heating supply network and the heat exchange station amounted to RMB124,174,462.51. Daqing Municipal People's Government provided an amount of ancillary fee totaling RMB99,015,544.20 (in which an amount of RMB51951935.01 for the heat exchange station and an amount of RMB47,063,609.19 for the heating supply network) to Daqing Longtang for the construction of the heating supply network and the heat exchange station. The ownership of assets corresponding to the amount of ancillary fee for this part of construction shall be vested in Daqing Municipal People's Government; while the ownership of assets associated with the construction of the heating supply network corresponding to the amount of RMB25,158,918.31 injected by Daqing Longtang shall be vested in Daqing Longtang. This valuation was based on the book value.

5. The Company acts as the guarantor for the bank loans granted to the following subsidiaries. Details are as follows:

Guaranteed Party	Guaranteed amount *(RMB)*	Commencement date of Guarantee	Maturity date of guarantee	Whether the guarantee has been discharged
Datang Dongning Hydropower Development Co., Ltd.	300,000,000.00	27 May 2011	27 May 2031	No
Datang Qitaihe Power Generation Company	380,000,000.00	19 June 2008	18 June 2023	No
Heilongjiang Longtang Electricity Investment Co., Ltd.	126,000,000.00	6 April 2010	6 April 2025	No

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

XII. RESTRICTIONS ON THE USE OF THE ASSET VALUATION REPORT

(1) This Asset Valuation Report can only be used for the objectives and purposes as stated in the Asset Valuation Report, and can only be used by the users as stated in the Asset Valuation Report. Extracts, quotes or disclosure of this Asset Valuation Report, in whole or in part, on any public media shall be subject to the review and approval of the appraisal institute, unless otherwise specified by laws, regulations or otherwise agreed by the relevant parties;

(2) The asset appraisal institute and its professional appraisers will not assume any responsibilities arising from the failure of the clients or other users to use the Asset Valuation Report in accordance with the laws, administrative rules and regulations and the scope of use as set out in the Asset Valuation Report;

(3) Except for the clients, other users of the Asset Valuation Report as agreed in the entrustment contract on asset valuation and users of the Asset Valuation Report as set out under the laws and administrative rules and regulations, no other institutions and individuals can be the users of the Asset Valuation Report;

(4) Users of the Asset Valuation Report shall correctly acknowledge the conclusion of valuation, which should not be viewed as the realizable value of the valuation target nor should it be deemed to be a guarantee for the realizable value of the valuation target;

(5) This Asset Valuation Report can be used officially only after being signed and stamped by the asset appraisers undertaking this valuation and filed with (approved by) the State-owned assets supervision and administration authority or the funded enterprise;

(6) The conclusion of valuation as stated in this Asset Valuation Report is only valid in relation to the economic behavior described in the Asset Valuation Report, and is valid for 1 year from the Benchmark Date.

XIII. DATE OF ISSUANCE OF THE ASSET VALUATION REPORT

The date of issuance of the Asset Valuation Report is 7 November 2017.

Legal representative: **Quan Zhongguang**

Asset appraisers: **Shi Laiyue** *Asset appraisers:* **Wang Yanhong**

China Enterprise Appraisals Co., Ltd.
7 November 2017

ANNEX OF THE VALUATION REPORT

ANNEX I. Economic behavior document in line with the purpose of valuation;

ANNEX II. Specific Audit Report of the evaluated entity (to be provided separately);

ANNEX III. Land Valuation Report (to be provided separately);

ANNEX IV. Business licenses of the clients and the evaluated entity;

ANNEX V. Property Title Registration Certificates of the clients and the evaluated entity;

ANNEX VI. Major ownership certification relating to the valuation target;

ANNEX VII. Letters of Undertaking of the clients and other relevant parties;

ANNEX VIII. Letter of Commitment of the undersigned asset appraisers;

ANNEX IX. Copy of the Qualification Certificate in Asset Valuation of China Enterprise Appraisals Co., Ltd.;

ANNEX X. Copy of Qualification Certificate for Securities and Futures-related Business of China Enterprise Appraisals Co., Ltd.;

ANNEX XI. Copy of the Business License of China Enterprise Appraisals Co., Ltd.;

ANNEX XII. Copy of the Qualification Certificates of the asset appraisers.

The following is the text of a report received from the Company's auditor, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



RSM Hong Kong 中瑞岳華(香港)會計師事務所

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INDEPENDENT ASSURANCE REPORT ON CALCULATIONS OF VALUATION OF THE EQUITY INTERESTS IN CERTAIN SUBSIDIARIES OF 大唐黑龍江發電有限公司DATANG HEILONGJIANG POWER GENERATION CO., LTD.*, 大唐河北發電有限公司DATANG HEBEI POWER GENERATION CO., LTD.* AND 大唐安徽發電有限公司DATANG ANHUI POWER GENERATION CO., LTD.* AS AT 30 SEPTEMBER 2017

To the Directors of Datang International Power Generation Co., Ltd.

Dear Sirs,

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by 中聯資產評估集團有限公司China United Assets Appraisal Group Co., Ltd.* dated 7 November 2017 in respect of the appraisal of the equity interests in certain subsidiaries of Datang Heilongjiang Power Generation Co., Ltd., Datang Hebei Power Generation Co., Ltd. and Datang Anhui Power Generation Co., Ltd. (collectively referred to as the "**Target Companies**") including 大唐河北新能源(張北)有限責任公司Datang Hebei Renewable Energy (Zhangbei) Co., Ltd.*, 大唐五原新能源有限公司Datang Wuyuan Renewable Energy Co., Ltd.* and 大唐烏拉特後旗新能源有限公司Datang Wulate Houqi Renewable Energy Co., Ltd.* (collectively referred to as the "**Three Subsidiaries of the Target Companies**") as at 30 September 2017 (collectively referred to as the "**Valuation**") is based. The Valuation, based on the discounted future estimated cash flows, is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in a circular to be issued by Datang International Power Generation Co., Ltd. (the "**Company**") in connection with the proposed acquisition of the equity interests in the Target Companies.

* *The English name is for identification purpose only.*

Directors' Responsibilities for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors as set out in the Valuation (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by paragraph 14.62(2) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work. We are not reporting on the appropriateness and validity of the Assumptions on which the Valuation is based and our work does not constitute any valuation of the Three Subsidiaries of the Target Companies.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimate cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the Assumptions.

Because the Valuation relates to the discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from those used in the Valuation and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

In our opinion, based on the foregoing, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled, in all material respects, in accordance with the Assumptions made by the directors of the Company.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

6 December 2017

The following discussion and analysis should be read together with the accountants' report of the Target Companies for the three years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 set out in Appendix II of this circular.

1. BUSINESS OVERVIEW

The Target Companies are established in the PRC and operate in different provinces in the PRC. For further details of the Target Companies, please refer to the section headed "Information of the Target Companies" of the Letter from the Board in this circular.

2. FINANCIAL OVERVIEW

The following tables set out certain financial information of the Target Companies (prepared on combined basis) for the three years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017:

(A) Selected Items of Combined Financial Information of the Target Companies

Selected items of the combined statements of financial position

	As of 31 December			As of 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	38,853,875	37,593,830	37,196,256	35,731,949
Net current liabilities	(6,736,688)	(5,703,638)	(5,350,610)	(5,427,066)
Total non-current liabilities	(23,318,132)	(20,587,494)	(19,179,502)	(18,605,110)
Total equity	8,799,055	11,302,698	12,666,144	11,699,773

Selected items of the combined statements of profit or loss and other comprehensive income

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating revenue	18,823,402	20,431,147	18,537,273	13,797,079	13,853,817
Operating costs	(15,927,344)	(15,821,511)	(15,401,560)	(11,055,147)	(13,563,498)
Operating profit	2,896,058	4,609,636	3,135,713	2,741,932	290,321
Other gain/(loss)	398	(982)	246	246	–
Shares of profits of associates	1,829	80,061	62,892	59,296	478
Investment income	137,255	189,358	183,920	183,920	–
Interest income	13,075	12,950	12,566	8,024	14,261
Finance costs	(1,601,604)	(1,447,027)	(1,004,208)	(762,526)	(718,134)
Profit/(loss) before tax	1,447,011	3,443,996	2,391,129	2,230,892	(413,076)
Income tax expense	(374,303)	(769,252)	(524,239)	(491,064)	(91,894)
Profit/(loss) and total comprehensive income for the year/period	1,072,708	2,674,744	1,866,890	1,739,828	(504,970)
Profit/(loss) and total comprehensive income for the year/period attributable to:					
Owner of the Target Companies	863,412	2,291,644	1,682,397	1,523,969	(373,429)
Non-controlling interests	209,296	383,100	184,493	215,859	(131,541)

Selected items of the combined statements of cash flows

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from operating activities	5,661,134	7,551,542	4,931,820	4,263,149	1,554,964
Net cash used in investing activities	(2,079,141)	(1,738,170)	(2,211,174)	(1,493,553)	(1,431,812)
Net cash (used in)/ from financing activities	(3,786,815)	(5,527,770)	(2,768,298)	(3,350,588)	23,990
Cash and cash equivalents at the end of year/period	1,409,622	1,695,224	1,647,572	1,114,232	1,794,624

(B) Review of Historical Operating Results

Operating revenue

Operating revenue of the Target Companies principally generated from electricity sales and heat supply business during the relevant period.

In 2014, operating revenue of the Target Companies was approximately RMB18,823 million.

In 2015, operating revenue of the Target Companies was approximately RMB20,431 million, representing an increase of RMB1,608 million as compared with that of 2014, or a year-on-year increase of 8.54%, which was mainly because the on-grid electricity generation of thermal power segment of the Target Companies increased from 45,912,899.61 MWh in 2014 to 52,386,003.24 MWh in 2015, representing a year-on-year increase of 14.10%. In addition, the average on-grid tariff of thermal power segment of the Target Companies decreased from RMB429.95/MWh in 2014 to RMB404.45/MWh in 2015, representing a year-on-year decrease of 5.93%. The two factors above resulted in a year-on-year increase of RMB1,608 million in the operating revenue of the Target Companies in 2015.

In 2016, revenue of the Target Companies amounted to approximately RMB18,537 million, representing a decrease of RMB1,894 million as compared with that of 2015, or a year-on-year decrease of 9.27%, which was mainly due to:

(1) The on-grid generation of thermal power segment of Datang Anhui Power Generation Co., Ltd. decreased from 24,012,742.92 MWh in 2015 to 22,615,774.85 MWh in 2016, representing a year-on-year decrease of 5.82%. In addition, the average on-grid tariff of thermal power segment decreased from RMB414.30/MWh in 2015 to RMB368.41/MWh in 2016, representing a year-on-year decrease of 11.08%. The two factors above resulted in a year-on-year decrease of RMB1,345 million in the operating revenue of Datang Anhui Power Generation Co., Ltd. in 2016.

(2) The on-grid generation of thermal power segment of Datang Heilongjiang Power Generation Co., Ltd. decreased from 14,801,576.13 MWh in 2015 to 13,967,845.46 MWh in 2016, representing a year-on-year decrease of 5.63%. In addition, the average on-grid tariff of thermal power segment decreased from RMB389.30/MWh in 2015 to RMB370.77/MWh in 2016, representing a year-on-year decrease of 4.76%. The two factors above resulted in a year-on-year decrease of RMB397 million in the revenue of Datang Heilongjiang Power Generation Co., Ltd. in 2016.

For the nine months ended 30 September 2017, the operating revenue of the Target Companies amounted to approximately RMB13,854 million, representing a slight increase over the corresponding period in 2016 of RMB13,797 million .

Operating costs

Operating costs mainly include fuel cost for power and heat generation and depreciation cost.

In 2014, operating costs of the Target Companies amounted to approximately RMB15,927 million.

In 2015, operating costs of the Target Companies amounted to approximately RMB15,822 million, representing a decrease of RMB105 million as compared with that of 2014, or a year-on-year decrease of 0.66%, which was mainly due to the decrease of coal price, details of which are set out as follows:

(1) The average price of standard coal used in power generation and heat supply of Datang Hebei Power Generation Co., Ltd. decreased from RMB485.99/ton to RMB354.36/ton, representing a year-on-year decrease of 27.08%;

(2) The average price of standard coal used in power generation and heat supply of Datang Heilongjiang Power Generation Co., Ltd. decreased from RMB494.31/ton to RMB418.80/ton, representing a year-on-year decrease of 15.28%.

In 2016, operating costs of the Target Companies amounted to approximately RMB15,402 million, representing a decrease of RMB420 million as compared with that of 2015, representing a year-on-year decrease of 2.65%, which was mainly due to:

(1) In 2016, the impairment losses on assets of Datang Heilongjiang Power Generation Co., Ltd. was RMB4 million, representing a decrease of RMB115 million as compared with that of 2015, representing a year-on-year decrease of 96.64%;

(2) In 2016, the non-operating expenses of the Target Companies amounted to RMB12 million, representing a decrease of RMB140 million as compared with that of 2015, representing a year-on-year decrease of 92.11%.

For the nine months ended 30 September 2017, operating costs of the Target Companies amounted to approximately RMB13,563 million, representing an increase of RMB2,508 million from RMB11,055 million over the corresponding period in 2016 and a period-on-period increase of 22.69%, which was mainly due to the significant increase of coal price, details of which are set out as follows:

(1) The average price of standard coal used in power generation and heat supply of Datang Hebei Power Generation Co., Ltd. increased from RMB337.94/ton to RMB602.58/ton, representing a year-on-year increase of 78.31%;

(2) The average price of standard coal used in power generation and heat supply of Datang Anhui Power Generation Co., Ltd. increased from RMB496.61/ton to RMB751.05/ton, representing a year-on-year increase of 51.24%;

(3) The average price of standard coal used in power generation and heat supply of Datang Heilongjiang Power Generation Co., Ltd. increased from RMB401.56/ton to RMB545.40/ton, representing a year-on-year increase of 35.82%;

Operating profit margin

Operating profit margin of the Target Companies increased from 15.39% in 2014 to 22.56% in 2015, which was mainly due to an increase in operating revenue by 8.54%. The increase in operation revenue was mainly because of the increase in on-grid generation of thermal power segment of the Target Companies.

Operating profit margin of the Target Companies decreased from 22.56% in 2015 to 16.92% in 2016, which was mainly due to a decrease in operating revenue of 9.27%, offset by a decrease in operating cost of 2.65%. The decrease in operating revenue was mainly due to the year-on-year decrease in operating revenue of Datang Anhui Power Generation Co., Ltd. and Datang Heilongjiang Power Generation Co., Ltd., details of which were set out in the above paragraph headed "Operating revenue".

Operating profit margin of the Target Companies decreased from 19.87% for the nine months ended 30 September 2016 to 2.10% for the corresponding period in 2017, which was mainly due to an increase in operating costs of the Target Companies of approximately RMB2,508 million to RMB13,563 million as of 30 September 2017 from RMB11,055 million over the corresponding period in 2016, representing a period-on-period increase of 22.69%, details of which were set out in the above paragraph headed "Operating costs".

Other income

Other income of the Target Companies mainly includes shares of profits of associates and investment income from available-for-sale financial assets during the relevant period.

In 2014, other income of the Target Companies amounted to approximately RMB152 million.

In 2015, other income of the Target Companies amounted to approximately RMB282 million, representing an increase of RMB130 million as compared with that of 2014 and a year-on-year increase of 85.53%, which was mainly due to the increase in investment income from available-for-sale financial assets of RMB57 million and shares of profits of associates of RMB78 million.

In 2016, other revenues of the Target Companies amounted to approximately RMB259 million, representing a decrease of approximately RMB23 million as compared with that of 2015 and a year-on-year decrease of 8.16%, which was mainly due to the decrease in investment income from available-for-sale financial assets of RMB5 million and shares of profits of associates of RMB17 million.

For the nine months ended 30 September 2017, other income of the Target Companies amounted to approximately RMB15 million, representing a decrease of approximately RMB236 million from RMB251 million over the corresponding period in 2016 and a period-on period decrease of 94.02%, which was mainly due to the decrease in shares of profits of associates of RMB59 million and decrease in the investment income from available-for-sale financial assets of RMB184 million.

Other gain or loss

In 2014, other gain of the Target Companies amounted to approximately RMB0.40 million.

In 2015, other loss of the Target Companies amounted to approximately RMB0.98 million, keep mainly represents the recognition of loss of RMB0.98 million from the disposal of Baoding Huacheng Residual Thermal Power Generation Co., Ltd., an associate, by Hebei Company.

In 2016, other gain of the Target Companies amounted to approximately RMB0.25 million, which mainly represents the gain of RMB0.25 million from the disposal of Baoding Huacheng Residual Thermal Power Generation Company Limited by Hebei Company upon final settlement.

For the nine months ended 30 September 2017, other gain of the Target Companies was nil.

Finance costs

Finance costs of the Target Companies mainly include interest expense on loans, bonds, finance leases and other borrowings. The borrowing costs were capitalised to the construction of the power plants based on the effective interest rates of bank and other loans obtained for the construction work.

In 2014, finance costs of the Target Companies amounted to approximately RMB1,602 million.

In 2015, finance costs of the Target Companies amounted to approximately RMB1,447 million, representing a decrease of RMB155 million as compared with that of 2014 and a year-on-year decrease of 9.67%, which was mainly due to the decrease in long-term and short-term loans.

In 2016, finance costs of the Target Companies amounted to approximately RMB1,004 million, representing a decrease of RMB443 million as compared with that of 2015 and a year-on-year decrease of 30.62%, which was mainly due to the decrease in long-term loans.

For the nine months ended 30 September 2017, finance costs of the Target Companies amounted to approximately RMB718 million, representing a decrease of approximately RMB45 million from approximately RMB763 million over the corresponding period in 2016 and a period-on-period decrease of 5.90%, which was mainly due to the decrease in outstanding loan balance of Heilongjiang Company.

Income tax expense

Pursuant to laws and regulations of the PRC, Target Companies are generally subject to the PRC Enterprise Income Tax rate of 25%, while some of the subsidiaries are entitled to income tax reduction and exemption policies, details of which are set out in note 11 to the Accountants' Report of the Target Companies of this circular.

In 2014, income tax expense of the Target Companies was approximately RMB374 million.

In 2015, income tax expense of the Target Companies was approximately RMB769 million, representing an increase of RMB395 million as compared with that of 2014 and a year-on-year increase of 105.61%, which was mainly due to the increase in the operating revenue and the decrease in operating costs of the Target Companies during the year.

In 2016, income tax expense of the Target Companies was approximately RMB524 million, representing a decrease of RMB245 million as compared with that of 2015 and a year-on-year decrease of 31.86%, which was mainly due to the decrease in the operating revenue of the Target Companies this year.

For the nine months ended 30 September 2017, income tax expense of the Target Companies was approximately RMB92 million, representing a decrease of approximately RMB399 million from approximately RMB491 million over the corresponding period in 2016 and a period-on-period decrease of 81.26%, which was mainly due to the increase in the operating costs of the Target Companies from January to September this year.

Profit/loss for the year/period attributable to owner of the Target Companies

In 2014, profit attributable to owner of the Target Companies was approximately RMB863 million.

In 2015, profit attributable to owner of the Target Companies was approximately RMB2,292 million, representing an increase of RMB1,429 million as compared with that of 2014 and a year-on-year increase of 165.59%, which was mainly due to the increase in gross profit due to the reasons as stated in the above paragraphs headed "Operating revenue" and "Gross profit margin".

In 2016, profit attributable to owner of the Target Companies was approximately RMB1,682 million, representing a decrease of RMB610 million as compared with that of 2015 and a year-on-year decrease of 26.61%, which was mainly due to the decrease in gross profit due to the reasons as stated in the above paragraphs headed "Operating revenue" and "Gross profit margin".

For the nine months ended 30 September 2017, loss attributable to owner of the Target Companies was RMB373 million, representing a decrease of approximately RMB1,897 million from approximately RMB1,524 million of the profit attributable to owner of the Target Companies over the corresponding period in 2016, or a period-on-period decrease of 124.48%, which was mainly due to the decrease in gross profit due to the reasons as stated in the above paragraphs headed "Operating revenue" and "Gross profit margin".

(C) Capital Resources and Liquidity

The Target Companies has historically met its working capital and capital requirements primarily from cash generated from operations and cash at hands as well as short-term and long-term loans.

Cash flows from operating activities

In 2014, net cash generated from operating activities of the Target Companies amounted to approximately RMB5,661 million. In 2014, profit before tax of the Target Companies amounted to approximately RMB1,447 million. The difference was mainly due to the depreciation of property, plant and equipment amounting to RMB2,817 million, the finance costs amounting to RMB1,595 million and a decrease in operating payables of RMB491 million during the year.

In 2015, net cash generated from operating activities of the Target Companies amounted to approximately RMB7,552 million. In 2015, profit before tax of the Target Companies amounted to approximately RMB3,444 million. The difference was mainly due to the depreciation of property, plant and equipment amounting to RMB3,016 million and the finance costs amounting to RMB1,432 million during the year.

In 2016, net cash generated from operating activities of the Target Companies amounted to approximately RMB4,932 million. In 2016, profit before tax of the Target Companies amounted to approximately RMB2,391 million. The difference was mainly due to the depreciation of property, plant and equipment amounting to RMB3,022 million, the finance costs amounting to RMB991 million and a decrease in operating payables of RMB90 million during the year.

For the nine months ended 30 September 2016, net cash generated from operating activities of the Target Companies amounted to approximately RMB4,263 million. During the corresponding period in 2016, profit before tax of the Target Companies was approximately RMB2,231 million. The difference was mainly due to the depreciation of property, plant and equipment amounting to RMB2,127 million and the finance costs amounting to RMB763 million during the period.

For the nine months ended 30 September 2017, net cash generated form operating activities of the Target Companies amounted to approximately RMB1,555 million. During the corresponding period in 2017, loss before tax of the Target Companies amounted to approximately RMB413 million. The difference was mainly due to the depreciation of property, plant and equipment amounting to RMB2,009 million, the finance costs amounting to RMB718 million and a decrease in operating payables of RMB494 million during the period.

Cash flows from investing activities

In 2014, net cash used in investing activities of the Target Companies amounted to approximately RMB2,079 million, mainly due to payment of RMB2,116 million for additions to property, plant and equipment and intangible assets which was offset by dividends received of RMB131 million.

In 2015, net cash used in investing activities of the Target Companies amounted to approximately RMB1,738 million, mainly due to payment of RMB2,332 million for additions to property, plant and equipment and intangible assets, which was offset by dividends received of RMB260 million and proceeds received from disposal of property, plant and equipment of RMB554 million.

In 2016, net cash used in investing activities of the Target Companies amounted to approximately RMB2,211 million, mainly due to payment of RMB2,410 million for additions to property, plant and equipment and intangible assets, which was offset by dividends received of RMB266 million.

For the nine months ended 30 September 2016, net cash used in investing activities of the Target Companies amounted to approximately RMB1,495 million, mainly due to payment of RMB1,626 million for additions to property, plant and equipment and intangible assets, which was offset by dividends received of RMB184 million.

For the nine months ended 30 September 2017, net cash used in investing activities of the Target Companies amounted to approximately RMB1,432 million, mainly due to payment of RMB1,485 million for additions to property, plant and equipment and intangible assets, which was offset by dividends received of RMB56 million.

Cash flows from financing activities

In 2014, net cash used in financing activities of the Target Companies amounted to approximately RMB3,787 million, mainly due to repayment of loans of RMB6,707 million and payment of interest of RMB1,623 million, which were offset by drawdown of loans of RMB3,728 million.

In 2015, net cash used in financing activities of the Target Companies amounted to approximately RMB5,528 million, mainly due to repayment of loans of RMB9,482 million and payment of interest of RMB1,379 million, which were offset by drawdown of loans of RMB4,866 million.

In 2016, net cash used in financing activities of the Target Companies amounted to approximately RMB2,768 million, mainly due to repayment of loans of RMB8,509 million and payment of interest of RMB973 million, which were offset by drawdown of loans of RMB6,727 million.

For the nine months ended 30 September 2016, net cash used in financing activities of the Target Companies amounted to approximately RMB3,351 million, mainly due to repayment of loans of RMB7,602 million, and payment of interest of RMB804 million, which were offset by drawdown of loans of RMB4,631 million.

For the nine months ended 30 September 2017, net cash from financing activities of the Target Companies amounted to approximately RMB24 million, mainly due to repayment of loans, bonds and finance lease payables totalling RMB3,910 million, and payment of interest of RMB763 million, which were offset by drawdown of loans of RMB4,584 million.

Cash and cash equivalents

As at 31 December 2014, 2015 and 2016 and 30 September 2017, cash and cash equivalents of the Target Companies amounted to approximately RMB1,410 million, RMB1,695 million, RMB1,648 million and RMB1,795 respectively. Cash and cash equivalents of the Target Companies are primarily denominated in RMB. The Target Companies manage liquidity on a continuous basis to ensure sufficient funds to meet the operating requirements.

(D) Debts

Borrowings

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current borrowings				
Bank borrowings	4,317,635	3,085,820	3,526,570	4,492,695
Loans from CDC	350,000	–	71,580	50,000
Loans from a fellow subsidiary	596,200	277,500	226,870	51,500
Bonds payables	–	300,000	300,000	996,600
Subtotal	5,263,835	3,663,320	4,125,020	5,590,795
Non-current borrowings				
Bank borrowings	20,521,732	17,838,120	15,541,971	15,982,926
Loans from CDC	118,580	115,580	40,000	40,000
Loans from a fellow subsidiary	97,870	69,370	197,500	155,000
Other loans	700	700	–	–
Bonds payables	990,600	993,600	1,294,597	300,898
Subtotal	21,729,482	19,017,370	17,074,068	16,478,824
Total borrowings	26,993,317	22,680,690	21,199,088	22,069,619

Borrowings of the Target Companies are denominated in RMB. As at 31 December 2014, 2015 and 2016 and 30 September 2017, total bank loans and other loans at fixed interest rates amounted to RMB10,254.768 million, RMB7,072.648 million, RMB6,447.492 million and RMB5,843.689 million, respectively.

Set out below is the maturity of outstanding bank loans and other loans at the dates indicated:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	5,263,835	3,363,320	3,825,020	4,594,195
Beyond one year but within two years	2,523,042	2,072,565	2,425,170	1,799,519
Beyond two years but within five years	6,762,116	7,340,123	6,380,505	4,683,003
Beyond five years	11,453,724	8,611,082	6,973,796	9,695,404
Total	26,002,717	21,387,090	19,604,491	20,772,121

Bonds payables of the Target Companies are the direct debt instruments issued by Heilongjiang Company in 2015 and 2016 and by Hebei Company in 2015 and 2016, the aforesaid of which was outstanding as at 30 September 2017 except for those issued by Hebei Company.

Gearing ratio

Gearing ratios of the Target Companies are calculated based on the total amount of loans and bonds payables less cash and cash equivalents divided by total equity. As at 31 December 2014, 2015 and 2016 and 30 September 2017, the gearing ratios were 290.76%, 185.67%, 154.36% and 173.29% respectively.

Pledge of assets

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Target Companies had no pledge of assets.

Contingent liabilities

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Target Companies had no material contingent liabilities.

(E) Working capital

Details of net current liabilities are as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	6,350,523	5,438,306	5,601,736	5,862,230
Current liabilities	13,087,211	11,141,944	10,952,346	11,289,296
Net current liabilities	(6,736,688)	(5,703,638)	(5,350,610)	(5,427,066)

As at 31 December 2014, combined net current liabilities of the Target Companies amounted to approximated RMB6,737 million.

As at 31 December 2015, the increase in working capital of the Target Companies resulted in combined net current liabilities amounting to approximately RMB5,704 million, which was mainly due to the decrease in accounts payables and accrued liabilities and short-term loans.

As at 31 December 2016, the increase in the working capital of the Target Companies resulted in combined net current liabilities amounting to approximately RMB5,351 million, which was mainly due to the increase in inventories and decrease in accounts payables and accrued liabilities.

As at 30 September 2017, the decrease in working capital resulted in combined net current liabilities amounting to approximately RMB5,427 million, which was mainly due to the increase in short-term loans.

(F) Capital commitments

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Target Companies had no material capital commitments.

(G) Major investments or capital assets

Apart from the power generation projects owned by the Target Companies and the Target Companies' investments in associates and available for-sale financial assets, no other major investments have been made or held by the Target Companies.

(H) Major acquisition and sales

In 2014, China Datang Corporation transferred all equities in a total of seven companies, i.e. Ma'anshan Dangtu Power Generation Co., Ltd., Anhui Huainan Luoneng Power Generation Co., Ltd., Datang Huaibei Power Generation Co., Ltd., Anhui Hefei United Power Generation Co., Ltd., Datang Anqing Biomass Power Generation Co., Ltd., Datang Anhui Power Generation and Fuel Investment Co., Ltd. and Anhui Electric Power Co., Ltd., to Datang Anhui Power Generation Co., Ltd., and completed the equity transfer procedures on 31 December 2014.

In 2014, China Datang Hebei Company sold 55% of shares held in Datang Handan Jinan Heat Supply Co., Ltd. for a consideration of equity disposal of RMB2.1635 million. On 31 May 2017, China Datang Hebei Company completed the merger by absorption of Datang Wulate Houqi Wind Power Co., Ltd., the enterprise under common control.

(I) Employees

The Target Companies make remuneration arrangements with reference to the qualifications, experience, responsibilities of the employees, profitability of the Target Companies and market conditions. Employees of the Target Companies are covered by the state-managed retirement benefit scheme in the PRC. The Target Companies shall pay a certain percentage of the applicable salary as the contribution to the retirement benefit scheme.

As at 30 September 2017, the Target Companies have approximately 14,032 employees in the PRC. As of the three years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017, total employee costs were RMB1,496.62 million, RMB1,809.64 million, RMB1,763.02 million and RMB1,161.60 million, respectively, which mainly include wages, salaries, employee benefits and contributions to various governmental employee benefit schemes.

(J) Financial and capital risks management

The operating activities engaged by the Target Companies are exposed to various financial risks, including foreign exchange risks, credit risks, liquidity risks and interest rate risks. It is the treasury policy of the Target Companies to carry out overall risk management procedures of the Target Companies that focus on the unpredictable nature of the financial market, and strive to minimize its potential adverse effects on the financial performance of the Target Companies.

(a) Foreign exchange risks

As the business transactions and assets and liabilities of the Target Companies are primarily denominated in the standard money of the entities of the Target Companies, the Target Companies are exposed to little foreign currency exchange risks.

(b) Credit risks

Credit risks of the Target Companies are mainly attributable to other bank deposits, accounts receivable and other receivables.

Most of the bank deposits of the Target Companies are deposited with several large-scale state-owned banks and a non-bank financial institution which is a related party of the Target Companies. As these state-owned banks are strongly supported by the state and hold directorships in the related non-bank financial institution, the Directors of the Company are of the view that these assets are not exposed to major credit risks.

In terms of the accounts receivable arising from sales of electricity, most of the power plants of the Target Companies sell electricity to a single customer (power grid company) in the province or region where the power plants are located. The Target Companies communicate with each of the power grid company on a regular basis, and assure that sufficient provisions for bad debts have been made and reflected in historical financial information. The Target Companies do not hold any collateral as security over the receivables.

As of 31 December 2014, 2015 and 2016 and 30 September 2017, the amounts of accounts receivable and notes receivable from the first five debtors totaled RMB2,480.584 million, RMB1,966.481 million, RMB1,844.726 million and RMB1,792.059 million, respectively, representing 85.99%, 79.42%, 80.47% and 76.86%, respectively, of the respective total of accounts receivables and notes receivable. Apart from accounts receivable and notes receivable, the Target Companies are not exposed to major concentrated credit risks.

Other receivables and long-term entrusted loans primarily include receivables from related parties. The Target Companies assess the related parties' credit risks by examining their operating results and gearing ratio on a regular basis.

(c) Liquidity risks

Prudent liquidity risk management means maintaining sufficient cash and cash equivalents, funding through sufficient committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Target Companies aims to maintain flexibility in funding by keeping sufficient committed credit facilities.

The Target Companies predict the undrawn credit facilities and cash and cash equivalents available through monitoring the accumulated liquidity reserves at the end of each month, to meet the requirements of repayment of its liabilities.

(d) Interest rate risks

Apart from bank deposits, the Target Companies have no major interest-bearing assets, therefore the operating cash flows of the Target Companies are basically unaffected by the changes in market interest rates.

Most of the bank deposits are deposited with current and savings bank accounts in the PRC. The interest rates are stipulated by the People's Bank of China, and the Target Companies pay close attention to the fluctuations of such interest rates. As the average interest rates of such deposits are relatively low, the Directors of the Company are of the view that, as at 31 December 2014, 2015 and 2016 and 30 September 2017, such assets held by the Target Companies were not exposed to major interest rate risks.

The interest rate risks that the Target Companies are exposed to are primarily derived from other borrowings. Certain loan interests are calculated according to the floating interest rates following the current market interest rates, exposing the Target Companies to cash flow interest rate risks. The Target Companies dynamically analyzes the changing direction of interest rates. A variety of possible proposals will be considered at the same time, which involve replacement of, extension of or other financing channels for the existing financing.

As at 31 December 2014, 2015 and 2016 and 30 September 2017, in the case of all other parameters remaining unchanged, if the interest rates decrease by 50 basic points, respectively, the consolidated after-tax profits or losses of the Target Companies for each relevant period will increase RMB32.464 million, RMB53.679 million and RMB49.339 million and decrease RMB55.982 million, respectively, which is mainly due to the decrease in the interest costs of borrowings. In the case of all other parameters remaining unchanged, if the interest rates are raised by 50 basic points, respectively, the consolidated after-tax profits or losses of the Target Companies for each relevant period will decrease RMB32.464 million, RMB53.679 million and RMB49.339 million and increase RMB55.982 million, respectively, which is mainly due to the increase in interest costs of borrowings.

(K) Segment Information

The Target Companies and their controlled subsidiaries and participating stock companies are mainly engaged in the production and sale of electricity. The principal business of the Target Companies will remain unchanged in the future.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

The accompanying unaudited pro forma consolidated statement of financial position of the Enlarged Group (the "**Statement**") has been prepared to illustrate the effect of the acquisition of the entire equity interests in the Target Companies, assuming the Acquisition had been completed as at 30 June 2017, might have affected the financial position of the Group.

The Statement is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 as extracted from the published interim report of the Group for the six months ended 30 June 2017 and the audited combined statement of financial position of the Target Companies and their respective subsidiaries (collectively referred to as the "**Target Groups**") as at 30 September 2017 as extracted from the Accountants' Report set out in Appendix II of this circular after making certain proforma adjustments resulting from the Acquisition.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 30 June 2017. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I of this circular and other financial information included elsewhere in this circular.

	The Group	The Target Groups	Total	Pro forma adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*		*Note 3*	*Note 4*	
ASSETS						
Non-current assets						
Property, plant and equipment	180,616,415	34,966,863	215,583,278	–	–	215,583,278
Investment properties	515,256	11,431	526,687	–	–	526,687
Intangible assets	1,980,111	109,339	2,089,450	–	–	2,089,450
Development costs	11	89	100	–	–	100
Investments in associates	14,214,519	352,457	14,566,976	–	–	14,566,976
Investments in joint ventures	964,619	–	964,619	–	–	964,619
Available-for-sale financial assets	4,832,696	45,000	4,877,696	–	–	4,877,696
Long-term entrusted loans to an associate	30,477	–	30,477	–	–	30,477
Deferred tax assets	3,556,165	78,610	3,634,775	–	–	3,634,775
Other non-current assets	3,988,255	168,160	4,156,415	–	–	4,156,415
Total non-current assets	210,698,524	35,731,949	246,430,473	–	–	246,430,473
Current assets						
Inventories	2,709,809	1,054,310	3,764,119	–	–	3,764,119
Accounts and notes receivables	8,917,827	2,331,729	11,249,556	–	–	11,249,556
Prepayments and other receivables	4,439,961	661,833	5,101,794	–	–	5,101,794
Tax recoverable	388,472	19,734	408,206	–	–	408,206
Current portion of long-term entrusted loans to an associate	100,000	–	100,000	–	–	100,000
Current portion of other non-current assets	75,687	–	75,687	–	–	75,687
Cash and cash equivalents and restricted deposits	4,722,296	1,794,624	6,516,920	–	–	6,516,920
Total current assets	21,354,052	5,862,230	27,216,282	–	–	27,216,282
TOTAL ASSETS	232,052,576	41,594,179	273,646,755	–	–	273,646,755

	The Group	The Target Groups	Total	Pro forma adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*		*Note 3*	*Note 4*	
EQUITY AND LIABILITIES						
Equity						
Equity attributable to owners of the Company						
Share capital	13,310,038	9,551,324	22,861,362	(9,551,324)	–	13,310,038
Reserves	22,121,213	123,596	22,244,809	(8,576,188)	–	13,668,621
Retained earnings	5,618,608	578,272	6,196,880	–	(16,544)	6,180,336
	41,049,859	10,253,192	51,303,051	(18,127,512)	(16,544)	33,158,995
Non-controlling interests	18,799,341	1,446,581	20,245,922	–	–	20,245,922
Total equity	59,849,200	11,699,773	71,548,973	(18,127,512)	(16,544)	53,404,917
Non-current liabilities						
Long-term loans	91,351,963	16,177,926	107,529,889	–	–	107,529,889
Long-term bonds	15,435,369	300,898	15,736,267	–	–	15,736,267
Deferred income	1,691,852	1,022,179	2,714,031	–	–	2,714,031
Deferred tax liabilities	558,019	–	558,019	–	–	558,019
Other non-current liabilities	8,393,875	1,104,107	9,497,982	–	–	9,497,982
Total non-current liabilities	117,431,078	18,605,110	136,036,188	–	–	136,036,188
Current liabilities						
Accounts payables and accrued liabilities	18,338,119	5,290,385	23,628,504	–	7,480	23,635,984
Consideration payable	–	–	–	18,127,512	–	18,127,512
Taxes payables	782,266	124,192	906,458	–	9,064	915,522
Dividends payables	649,460	116,076	765,536	–	–	765,536
Short-term loans	24,043,379	3,306,061	27,349,440	–	–	27,349,440
Current portion of non-current liabilities	10,959,074	2,452,582	13,411,656	–	–	13,411,656
Total current liabilities	54,772,298	11,289,296	66,061,594	18,127,512	16,544	84,205,650
Total liabilities	172,203,376	29,894,406	202,097,782	18,127,512	16,544	220,241,838
TOTAL EQUITY AND LIABILITIES	232,052,576	41,594,179	273,646,755	–	–	273,646,755
NET CURRENT LIABILITIES	(33,418,246)	(5,427,066)	(38,845,312)	(18,127,512)	(16,544)	(56,989,368)

Notes:

1. The financial information of the Group is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 as set out in the published interim report of the Company for the six months ended 30 June 2017.

2. These figures are reproduced from the audited combined statement of financial position of the Target Groups as at 30 September 2017 which is set out in Appendix II to the Circular.

3. Pursuant to the Transfer Agreement, the aggregate Consideration is RMB18,127,512 thousand and shall be satisfied by cash. The Consideration is to be paid as to 50% within 3 days from the Settlement Date, equivalent to a sum of RMB9,063,756 thousand and as to 40% within 3 months from the Settlement Date, equivalent to a sum of RMB7,251,005 thousand; and as to the remaining 10%, equivalent to a sum of RMB1,812,751 thousand, according to following arrangement:

   - within 3 months from the date on which the respective 100% equity interests of three Target Companies are fully transferred to the Company (subject to the date when the last Target Company completes the transfer of 100% equity interests to the Company), RMB1,643,535 thousand; and

   - within 10 years from the Settlement Date, RMB169,216 thousand, of which the payment terms are detailed in the section of "Letter from the Board" to this circular.

   For the purpose of preparation of the Statement, it is assumed that the Acquisition had been taken place as at 30 June 2017 and the Consideration to be payable at that date.

   The Acquisition will be regarded as business combination under common control as the Group and the Target Groups are both ultimately controlled by CDC before and after the Acquisition. Accordingly, the Acquisition would be accounted for using the principle of merger accounting. As such, the assets, liabilities and equity of the Target Groups have been recognised in the Statement at their carrying amounts and are subject to adjustments for elimination of inter group balances, if any. The excess of the Consideration over the paid-in capital of the Target Companies amounting to approximately RMB8,576,188 thousand is recognised as capital reserves under reserves.

4. The direct expenses (including audit, legal, valuation, other professional services and transaction costs etc.) and the stamp duty payable in relation to the Acquisition are estimated to be approximately RMB16,544 thousand in aggregate.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

22 February 2018

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Datang International Power Generation Co., Ltd.

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Datang International Power Generation Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2017 (the "**Statement**"), and related notes as set out on pages VI-1 to VI-4 of the circular issued by the Company in connection with the proposed acquisition of the entire equity interests in 大唐黑龍江發電有限公司 Datang Heilongjiang Power Generation Co., Ltd.*, 大唐河北發電有限公司 Datang Hebei Power Generation Co., Ltd.* and 大唐安徽發電有限公司 Datang Anhui Power Generation Co., Ltd.* (the "**Proposed Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Statement are described in notes 1 to 4 to the Statement.

The Statement has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 June 2017 as if the Proposed Acquisition had been taken place at 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements as included in the interim report for the six months ended 30 June 2017, on which no audit or review report has been published.

* *The English name is for identification purpose only*

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Proposed Acquisition had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 30 June 2017, would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practicing Certificate Number: P06623
Hong Kong

The following is the text of a report from GF Capital prepared for the purpose of incorporation in this circular.

廣發融資(香港)有限公司
GF CAPITAL (HONG KONG) LIMITED

The Board of Directors
Datang International Power Generation Co., Ltd.
21st Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

6 December 2017

Dear Sirs,

We refer to the announcement of Datang International Power Generation Co., Ltd. (the "**Company**") dated 6 December 2017 in relation to the Acquisition which constitutes a major and connected transaction under the Listing Rules (the "**Announcement**") and also the valuation report dated 7 November 2017 prepared by中聯資產評估集團有限公司(China United Assets Appraisal Group Co., Ltd*), an independent valuer of the Company (the "**Independent Valuer**"), in respect of the appraisal of the market value (the "**Valuation**") of certain subsidiaries of Datang Hebei Power Generation Co., Ltd, namely (i) 大唐河北新能源(張北)有限責任公司(Datang Hebei Renewable Energy (Zhangbei) Co., Ltd.*), (ii) 大唐五原新能源有限公司(Datang Wuyuan Renewable Energy Co., Ltd.*) and (iii)大唐烏拉特後旗新能源有限公司(Datang Wulate Houqi Renewable Energy Co., Ltd.*) (collectively "**Relevant Subsidiaries**"). A summary report of asset valuation of the Relevant Subsidiaries will be included in the circular of the Company in connection with the Acquisition (the "**Circular**"). The discounted future estimated cash flows underlying the Valuation constitute profit forecasts ("**Forecasts**") under Rule 14.61 of the Listing Rules. Unless otherwise defined or if the context otherwise requires, all terms defined in the Announcement shall have the same meaning when used in this letter.

We are engaged to assist the Directors to comply with Rule 14.62 of the Listing Rules. We, from the perspective of financial adviser, have discussed with the management of the Company, the management of the Relevant Subsidiaries and the Independent Valuer regarding the bases and assumptions adopted in the the Forecasts. We have also considered the letter dated 6 December 2017 issued by RSM Hong Kong regarding the calculations upon which the Forecasts have been made.

The Forecasts have been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur and, as such, the Forecasts may not be appropriate for purposes other than for deriving the Valuation. The Forecasts and their underlying assumptions relate to the future and actual financial and trading positions are likely to be different from the forecast since such anticipated events frequently may or may not occur as expected and the variation may be material. Accordingly, the Forecasts cannot be relied upon to the same extent as information derived from audited financial statements for completed financial accounting periods. For this reason, we express no opinion on how closely the business targets eventually achieved will correspond with the Forecasts.

On the basis of foregoing and without giving any opinion on the reasonableness of the valuation methods, we are of the opinion that the bases and assumptions on the Forecasts underlying the Valuation, for which the Directors are solely responsible for, have been made after due and careful enquiry. Our opinion has been given for the sole purpose of compliance with Rule 14.62(3) of the Listing Rules and for no other purpose.

We have not independently verified the computations leading to the Independent Valuer's determination of the fair value and market value of the Relevant Subsidiaries. We have had no role or involvement and have not provided and will not provide any assessment of the fair value and market value of the Relevant Subsidiaries. Accordingly, save as expressly stated in this letter, we take no responsibility for and express no views, whether expressly or implicitly, on the fair value, market value or any of the value of the Relevant Subsidiaries.

We further confirm that the assessment, review and discussion carried out by us as described above are primarily based on financial, economic, market and other conditions in effect, and the information made available to us as of the date of this letter and that we have, in arriving at our views, relied on information and materials supplied to us by the Independent Valuer, the Group and the Relevant Subsidiaries and opinions expressed by, and representations of, the employees and/or management of the Independent Valuer, the Group and the Relevant Subsidiaries. We have assumed that all information, materials and representations so supplied, including all information, materials and representations referred to or contained in the Announcement, for which the Directors are wholly responsible, were true, accurate, complete and not misleading at the time they were supplied or made and that no material fact or

information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our respective assessment and review. Further, the qualifications, bases and assumptions adopted in the Valuation are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and the Independent Valuer.

Yours faithfully,
For and on behalf of
GF Capital (Hong Kong) Limited
Danny Wan
Managing Director

Assumptions that the A-Share Profit Forecast Reports are based are as follows:

(For purpose of this appendix, "the Company" refers to the company which the relevant A-Share Profit Forecast Report is related to.)

1. DATANG DONGNING HYDROPOWER DEVELOPMENT CO., LTD.

Basic Assumptions

(1) The current national policies and laws followed by the Company and the current social, political and economic environment do not change significantly;

(2) The tax policy followed by the Company does not change significantly;

(3) The applicable credit rate of financial institution and foreign exchange rates are relatively stable;

(4) No major changes have taken place in the industry of the Company and the market conditions;

(5) The Company can operate normally and its organisational structure does not change significantly;

(6) The raw materials, energy and labor required by the company can be obtained without any significant price changes;

(7) The production plan, sale plan, investment plan and financing plan of the Company and so forth can be successfully implemented; and

(8) No significant adverse impact caused by any force majeure or unforeseeable factors.

2. HEILONGJIANG LONGTANG ELECTRICITY INVESTMENT CO., LTD.

Basic Assumptions

(1) The current national policies and laws followed by the Company and the current social, political and economic environment do not change significantly;

(2) The tax policy followed by the Company does not change significantly;

(3) The applicable credit rate of financial institution and foreign exchange rates are relatively stable;

(4) No major changes have taken place in the industry of the Company and the market conditions;

(5) The Company can operate normally and its organisational structure does not change significantly;

(6) The raw materials, energy and labor required by the company can be obtained without any significant price changes;

(7) The production plan, sale plan, investment plan and financing plan of the Company and so forth can be successfully implemented; and

(8) No significant adverse impact caused by any force majeure or unforeseeable factors.

3. DATANG HEILONGJIANG ELECTRICITY TECHNOLOGY DEVELOPMENT CO., LTD.

Basic Assumptions

(1) The current national policies and laws followed by the Company and the current social, political and economic environment do not change significantly;

(2) The tax policy followed by the Company does not change significantly;

(3) The applicable credit rate of financial institution and foreign exchange rates are relatively stable;

(4) No major changes have taken place in the industry of the Company and the market conditions;

(5) The Company can operate normally and its organisational structure does not change significantly;

(6) The raw materials, energy and labor required by the company can be obtained without any significant price changes;

(7) The production plan, sale plan, investment plan and financing plan of the Company and so forth can be successfully implemented; and

(8) No significant adverse impact caused by any force majeure or unforeseeable factors.

4. DATANG JIXI THERMAL POWER CO., LTD.

Basic Assumptions

(1) The current national policies and laws followed by the Company and the current social, political and economic environment do not change significantly;

(2) The tax policy followed by the Company does not change significantly;

(3) The applicable credit rate of financial institution and foreign exchange rates are relatively stable;

(4) No major changes have taken place in the industry of the Company and the market conditions;

(5) The Company can operate normally and its organisational structure does not change significantly;

(6) The raw materials, energy and labor required by the company can be obtained without any significant price changes;

(7) The production plan, sale plan, investment plan and financing plan of the Company and so forth can be successfully implemented; and

(8) No significant adverse impact caused by any force majeure or unforeseeable factors.

5. ANHUI ELECTRIC POWER CO., LTD.

Basic Assumptions

(1) The current national policies and laws followed by the Company and the current social, political and economic environment do not change significantly;

(2) The tax policy followed by the Company does not change significantly;

(3) The applicable credit rate of financial institution and foreign exchange rates are relatively stable;

(4) No major changes have taken place in the industry of the Company and the market conditions;

(5) The Company can operate normally and its organisational structure does not change significantly;

(6) The raw materials, energy and labor required by the company can be obtained without any significant price changes;

(7) The production plan, sale plan, investment plan and financing plan of the Company and so forth can be successfully implemented; and

(8) No significant adverse impact caused by any force majeure or unforeseeable factors.

6. ANHUI COMPANY

Basic Assumptions

(1) The current national policies and laws followed by the Company and the current social, political and economic environment do not change significantly;

(2) The tax policy followed by the Company does not change significantly;

(3) The applicable credit rate of financial institution and foreign exchange rates are relatively stable;

(4) No major changes have taken place in the industry of the Company and the market conditions;

(5) The Company can operate normally and its organisational structure does not change significantly;

(6) The raw materials, energy and labor required by the company can be obtained without any significant price changes;

(7) The production plan, sale plan, investment plan and financing plan of the Company and so forth can be successfully implemented; and

(8) No significant adverse impact caused by any force majeure or unforeseeable factors.

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

Interest of Directors and chief executive of the Company

(i) As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, none of the Directors, supervisors and chief executive of the Company have any interests and short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which was required to be 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:

Name of Director	Long position/ short position	Capacity/ nature of interest	Number of A-shares held	Approximate percentage of the issued share capital of the Company[(1)]
Mr. Liu Jizhen	Long position	Beneficial interest	9,100	0.000068%

Note:

(1) The percentage is calculated based on the 13,310,037,578 issued shares of the Company as at the Latest Practicable Date.

(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 2016, 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 Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Interest of substantial Shareholders

(iii) 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 or short positions 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, or were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other 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 Enlarged Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

4. INTEREST IN ASSETS OR CONTRACT

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any assets, contract or arrangement entered into by any member of the Enlarged Group, and which was significant in relation to the business of the Enlarged 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 2016, 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. EXPERTS AND CONSENTS

(a) The following sets out the qualifications of the experts which has given their opinions or advice as contained in this circular:

Name	Qualifications
Guosen Securities	A licensed corporation under the SFO permitted to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities for the purposes of the SFO
GF Capital	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
RSM Hong Kong	Certified Public Accountants
Shinewing	Certified Public Accountants
China Enterprise	PRC Certified Public Valuer
China United	PRC Certified Public Valuer

As of the Latest Practicable Date, each of the above experts:

(b) did not have any shareholding, direct or indirect, in any members of the Enlarged 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 Enlarged Group.

(c) did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any members of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any members of the Enlarged Group since 31 December 2016, the date to which the latest published audited financial statements of the Company were made up.

(d) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

8. LITIGATION

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

9. MISCELLANEOUS

(a) The registered office and office address of the Company is No. 9 Guangningbo Street, Xicheng District, Beijing, the PRC.

(b) The place of business of the Company in Hong Kong is at c/o Eversheds Sutherland, 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 secretary to the Board of the Company is Mr. Ying Xuejun.

10. MATERIAL CONTRACTS

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

(1) On 30 June 2016, the Company entered into the Transfer Agreement with Zhongxin Energy and Chemical, pursuant to which the Company conditionally agreed to sell and Zhongxin Energy and Chemical conditionally agreed to acquire the equity interests of Energy and Chemical Company, Xilinhaote Brown Coal Integrated Development Company, Xilinhaote Power Generation Company and Xilinhaote Mining Company held by the Company and the assets of Inner Mongolia Keshiketeng Power Source Preliminary Project at a consideration of RMB1; meanwhile, the Company agreed to waive Energy and Chemical Company, Xilinhaote Brown Coal Integrated Development Company, Xilinhaote Power Generation Company and Xilinhaote Mining Company from repayment of certain entrusted loans provided by the Company, and the maximum principal amount of such exempted entrusted loans shall be RMB10 billion.

(2) On 1 September 2016, the Company entered into the Financial Cooperation Agreement with Datang Financial Lease Co., Ltd., pursuant to which the Company shall conduct financial leasing and other businesses with an aggregate amount of not more than RMB5 billion for every 12 months from 1 September 2016 with Datang Financial Lease Co., Ltd., for a term of 36 months commencing from 1 September 2016 to 31 August 2019.

(3) On 28 November 2016, the Company entered into a A-Share Subscription Agreement with CDC pursuant to which the Company has conditionally agreed to allot and issue and CDC has conditionally agreed to subscribe in cash for 2,794,943,820 A-Share Subscription Shares at the A-Share Issue Price of RMB3.56 per A-Share Subscription Share (subject to adjustments), raising gross proceeds of approximately RMB9,950 million. Immediately after the entering into of the A-Share Subscription Agreement on 28 November 2016, the Company entered into a H-Share Subscription Agreement with China Datang Overseas (Hong Kong) Co., Limited pursuant to which the Company has conditionally agreed to allot and issue and China Datang Overseas (Hong Kong) Co., Limited has conditionally agreed to subscribe in cash for 2,794,943,820 H-Share Subscription Shares at the H-Share Issue Price of HK$2.12 per H-Share Subscription Share (subject to adjustments), raising gross proceeds of approximately HK$5,925 million. The transactions are subject to approval by the independent shareholders at the classing meetings and the general meeting of the Company.

(4) On 6 January 2017, the Company entered into the H-Share Subscription Amendment Agreement with CDC and China Datang Overseas (Hong Kong) Co., Limited, pursuant to which CDC or its nominated wholly owned subsidiary shall substitute China Datang Overseas (Hong Kong) Co., Limited as the subscriber of the H-Share Subscription Shares and China Datang Overseas (Hong Kong) Co., Limited shall relinquish all its rights and obligations as a party to the H-Share Subscription Agreement and cease to be a party thereof. Immediately after the entering into of the H-Share Subscription Amendment Agreement, the Company entered into a A-Share Subscription Supplemental Agreement with CDC pursuant to which the A-Share Subscription Agreement is amended to reflect the amendments to the H-Share Subscription agreement pursuant to the H-Share Subscription Amendment Agreement.

(5) On 13 March 2017, the Company entered into the A-Share Subscription Second Supplemental Agreement with CDC to reflect amendments to the A-Share Issuance, including but not limited to the requirement that the number of A-Share Subscription Shares to be allotted and issued pursuant to the A-Share Issuance shall not exceed 2,662,007,515. Immediately after the entering into of the A-Share Subscription Second Supplemental Agreement, the Company entered into the H-Share Subscription Supplemental Agreement with CDC pursuant to which all references to "A-Share Issuance" are revised to reflect the allotment and issue of not more than 2,662,007,515 A-Share Subscription Shares.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents 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 8 March 2018:

(1) the memorandum and articles of association of the Company;

(2) the letter from the Independent Board Committee, the text of which is set out in this circular;

(3) the letter from Guosen Securities, the text of which is set out in this circular;

(4) the annual reports of the Company for the years ended 31 December 2015 and 31 December 2016;

(5) the written consents referred to in the section headed "7. Experts and Consents" in this Appendix;

(6) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(7) the Transfer Agreement;

(8) the Valuation Reports, a summary of which is set out in Appendixes IIIA to IIIC of this circular;

(9) the letter from RSM Hong Kong in relation to the calculations of the valuation of the equity interests of the relevant subsidiaries of the Target Companies, the text of which is set out in Appendix IV of this circular;

(10) the accountants' report of the Target Companies, the text of which is set out in Appendix II of this circular;

(11) the report on the unaudited pro forma consolidated statement of financial position of the Enlarged Group, the text of which is set out in Appendix VI of this circular;

(12) the report of GF Capital in relation to the bases and assumptions of the profit forecast of the relevant subsidiaries of the Target Companies, the text of which is set out in Appendix VII of this circular;

(13) the circular of the Company dated 30 June 2017; and

(14) this circular.