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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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)

**DISCLOSEABLE TRANSACTIONS**  
**AND**  
**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**  
**2021 LEASING AND FACTORING BUSINESS COOPERATION AGREEMENT**

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

**TRINITY**  
**Trinity Corporate Finance Limited**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 3 to 12 of this circular. A letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 30 of this circular.

10 January 2022

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## DEFINITIONS

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

“2021 Leasing and Factoring Business Cooperation Agreement”	the leasing and factoring business cooperation agreement renewed between the Company and Shanghai Datang Financial Lease Company on 16 December 2021
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CDC”	China Datang Corporation Ltd., a wholly state-owned company established under the laws of the PRC, whose ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, and is a controlling shareholder of the Company. Please refer to the section headed “INFORMATION OF THE PARTIES TO THE AGREEMENT” of this circular for details
“Company”	Datang International Power Generation Co., Ltd., a sino-foreign joint stock limited company incorporated in the PRC on 13 December 1994, whose H Shares are listed on the Stock Exchange and the London Stock Exchange and whose A Shares are listed on the Shanghai Stock Exchange. Please refer to the section headed “INFORMATION OF THE PARTIES TO THE AGREEMENT” of this circular for details
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“connected transaction”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, to approve, among others, the 2021 Leasing and Factoring Business Cooperation Agreement
“Independent Board Committee”	the independent board committee of the Company, comprising all independent non-executive Directors, namely Mr. Liu Jizhen, Mr. Niu Dongxiao, Mr. Kou Baoquan, Mr. Zong Wenlong and Mr. Si Fengqi, which has been formed to advise the Independent Shareholders on the terms of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Financial Adviser” or “Trinity Corporate Finance Limited”	Trinity Corporate Finance Limited, a licensed corporation under the SFO permitted to conduct type 6 (advising on corporate finance) regulated activities for the purposes of the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders, other than CDC and its associates, who are not materially interested in the 2021 Leasing and Factoring Business Cooperation Agreement
Latest Practicable Date	7 January 2022, 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
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Datang Financial Lease Company”	Shanghai Datang Financial Lease Co., Ltd., Please refer to the section headed “INFORMATION OF THE PARTIES TO THE AGREEMENT” of this circular for details
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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LETTER FROM THE BOARD

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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)

*Executive Director:*

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

*Non-executive Directors:*

Mr. Ying Xuejun

Mr. Liu Jianlong

Mr. Su Min

Mr. Xiao Zheng

Mr. Zhu Shaowen

Mr. Cao Xin

Mr. Zhao Xianguo

Mr. Jin Shengxiang

Mr. Sun Yongxing

*Office address:*

No. 9 Guangningbo Street

Xicheng District

Beijing, 100033

the PRC

*Principal place of business in Hong Kong:*

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248 Queen's Road East

Wanchai

Hong Kong

*Independent non-executive Directors:*

Mr. Liu Jizhen

Mr. Niu Dongxiao

Mr. Kou Baoquan

Mr. Zong Wenlong

Mr. Si Fengqi

10 January 2022

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTIONS  
AND  
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
2021 LEASING AND FACTORING BUSINESS COOPERATION AGREEMENT**

Reference is made to the announcement of the Company dated 16 December 2021 in relation to the 2021 Leasing and Factoring Business Cooperation Agreement.

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## LETTER FROM THE BOARD

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The purposes of this circular are to, among others, (i) provide you with details of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder; (ii) set out the recommendation of the Independent Board Committee in respect of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder and (iii) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder.

### **2021 LEASING AND FACTORING BUSINESS COOPERATION AGREEMENT**

#### **Date**

16 December 2021

#### **Parties**

The Company; and

Shanghai Datang Financial Lease Company.

#### **Subject Matter**

Pursuant to the 2021 Leasing and Factoring Business Cooperation Agreement, Shanghai Datang Financial Lease Company shall provide support on financial leasing<sup>1</sup> and factoring business to the Company and its subsidiaries with a principal of not exceeding RMB7 billion for every 12 months from the effective date of the agreement.

Both parties may, during the term of the agreement, enter into specific financial leasing and factoring contracts in accordance with the terms of the 2021 Leasing and Factoring Business Cooperation Agreement, and such specific financial leasing and factoring contracts shall be subject to the terms of the 2021 Leasing and Factoring Business Cooperation Agreement.

#### **Term of the Agreement**

The term of the agreement shall be 36 months commencing from the effective date of the 2021 Leasing and Factoring Business Cooperation Agreement.

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

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## LETTER FROM THE BOARD

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### Major Terms

1. In accordance with the business principles of a financial leasing company, Shanghai Datang Financial Lease Company shall provide the Company and its subsidiaries with support on financial leasing and factoring business with the principal amount not exceeding RMB7 billion for every 12 months (from the effective date of the agreement) for the project construction in the fields of thermal power, hydropower, wind power and recycling economy.
2. By making use of its professional advantages in the financial area, Shanghai Datang Financial Lease Company shall provide the Company and its subsidiaries with various economic consulting services such as investment and financing consulting, financial advisory, financial leasing consulting, receivables factoring products design and transaction arrangements.
3. Within the scope of the business development and planning of the Company and its subsidiaries, Shanghai Datang Financial Lease Company shall assist the Company to choose suitable lessees and projects, and design and provide customized leasing and factoring business proposals.
4. While ensuring the construction fund demands of the Company and its subsidiaries, Shanghai Datang Financial Lease Company shall proactively help the Company and its subsidiaries to reduce financial expenses and optimize financial structure. Shanghai Datang Financial Lease Company shall provide the Company with the most favourable rates for lease fees pursuant to the relevant policies and regulations of the PRC and in line with the supply and demand of capitals in the market as well as the structural features of different lease and factoring products. The general rates for lease fees shall be equivalent to or more favourable than those offered by other domestic financial leasing companies in the PRC that provide relevant services.
5. The agreement shall become effective when it is duly signed by both parties and affixed with their respective company seals and upon obtaining approval from the Independent Shareholders at the general meeting.

### Pricing Policy and Control Measures

1. After taking future development and financing plans into consideration, the Company has confirmed the financial leasing and factoring business with a principal of not exceeding RMB7 billion for every 12 months from the effective date of the agreement.
2. Prior to the business cooperation with Shanghai Datang Financial Lease Company, the Company shall collect the terms and conditions of the relevant transactions and their respective interest rates from no less than two major domestic leasing companies in the PRC who are independent of the Company and its connected persons, and compare them with the benchmark interest rate on term loans issued by the People's Bank of China to ensure that the Company shall receive the most favourable terms, the general rates for lease fees of relevant transactions shall be equivalent to or more favourable than those offered by other domestic financial leasing companies in the PRC that provide relevant services, and the Company's overall interests shall be maximised.

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## LETTER FROM THE BOARD

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

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

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

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

### Annual Caps

<b>Transaction period</b>	<b>1 January 2022 to 31 December 2022</b>	<b>1 January 2023 to 31 December 2023</b>	<b>1 January 2024 to 31 December 2024</b>
Direct lease	RMB4.0 billion	RMB4.0 billion	RMB4.0 billion
Sale and lease-back	RMB2.5 billion	RMB2.5 billion	RMB2.5 billion
Factoring business	RMB0.5 billion	RMB0.5 billion	RMB0.5 billion

The above proposed annual caps are determined with reference to following factors: (i) the financing plan of the Company which is derived from the expected capital demand of the Company for the coming 36 months. After principally considering that the Company’s loans with a total amount of approximately RMB80 billion to RMB100 billion are expected to mature between 2022 and 2024, the principal of the financial leasing will be used to replace part of the existing maturing loans and for fulfilling part of the future capital needs for construction of existing projects. These projects (including but not limited to the Datang Tuodian New Energy Bundled Delivery Project (大唐托電新能源打捆外送項目) and Baoding Phase IX Heat and Power Project (保定九期熱電項目)<sup>1</sup>) have been approved by the Board. Apart from financial leasing and factoring, the Company will make up the funding shortfall by ways of bank borrowing, issuance of corporate bonds, ultra short-term commercial papers, innovative commercial bonds and loans with confirmed rights with renewable energy subsidies, etc.; (ii) the increase in business scale of the Company. In 2020, as the Company deeply implemented the new development concept, and promoted the green and low carbon transformation and accelerated power generation structure adjustment and sped up the development of new energy significantly, new approved projects increased significantly. During the year, there were a

<sup>1</sup> The total investment amounts of Datang Tuodian New Energy Bundled Delivery Project (大唐托電新能源打捆外送項目) and Baoding Phase IX Heat and Power Project (保定九期熱電項目) are approximately RMB12 billion and RMB2.9 billion, respectively.

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## LETTER FROM THE BOARD

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total of 48 power generation projects obtaining approval with approved capacity of 7,988.5MW, including three coal power projects with approved capacity of 4,240.00MW, 10 wind power projects with approved capacity of 569.50MW and 35 photovoltaic projects with approved capacity of 3,179.00MW. The number of new units put into operation increased significantly. The capacity of new units put into operation totaled 4,705.50MW, including coal power projects of 2,400.00MW, wind power projects of 1,361.50MW and photovoltaic projects of 944.00MW. In the first half of 2021, the Company continued to implement the new development concept and the new strategy for energy security, took the initiative to follow up the regional “14th Five-year Plan” centering on the goal of “carbon peak and carbon neutralization”, comprehensively implemented structural adjustment and accelerated the pace of development. During the period, a total of 23 photovoltaic power projects of the Company were approved with an approved capacity of 2,119.5MW. As the operation scale and the growth of total power generation level of the Company will increase significantly, corresponding quota of financial leasing and factoring business is required by the Company to satisfy the financing needs brought by the growth of the Company’s business scale; and (iii) fluctuations in historical transaction amounts and relatively lower historical utilization rate (please refer to the section headed “Historical Transaction Amounts” of this circular for details). The fluctuations of historical transaction amounts are mainly due to the changes in the financing terms provided by Shanghai Datang Financial Lease Company in the relevant historical period compared with those provided by other independent third-party financing channels. Therefore, the Company and its subsidiaries have chosen to obtain financing from other independent third-party financing channels that provide lower financing costs or more favorable terms than Shanghai Datang Financial Lease Company. Considering the relatively lower historical utilization rates, the Company has reduced the proposed annual caps to RMB7 billion on the premise of comprehensively considering the above other factors, for the purpose of not ruling out the possibility of carrying out financial leasing and factoring business with Shanghai Datang Financial Lease Company in the future.

In view of the factors above and considering that lease financing is one of the important financing alternatives under the general debt financing condition and taxation arrangements in the PRC, and particularly, the fact that Shanghai Datang Financial Lease Company has been established on 31 March 2015, providing more convenient, effective and efficient financial leasing as well as factoring products design services to the Company when compared to most of other financial leasing companies, the Board considers that such annual caps and their determination basis are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### **Historical Transaction Amounts**

Before the adoption of IFRS 16 (Leases), the transaction amounts of financial leasing between the Company and Shanghai Datang Financial Lease Company for the period from 20 December 2018 to 31 December 2018, the year ended 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021 amounted to RMB0.292 billion (then annual cap: RMB5 billion), RMB1.018 billion (then annual cap: RMB10 billion), RMB2.189 billion (then annual cap: RMB10 billion) and RMB0.197 billion (then annual cap: RMB5 billion), respectively.

Assuming calculations were made in accordance with IFRS 16 (Leases), the transaction amounts of financial leasing and factoring businesses between the Company and Shanghai Datang Financial Lease Company for the period from 20 December 2018 to 31 December 2018, the year ended 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021 are set out as follows:

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## LETTER FROM THE BOARD

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Transaction period	Period from 20	Year ended 31	Year ended 31	Six months ended 30
	December 2018 to 31 December 2018	December 2019	December 2020	June 2021
Direct lease	RMB2 million	RMB12 million	RMB1,290 million	RMB187 million
Sale and lease-back	RMB290 million	RMB1,006 million	RMB899 million	RMB10 million
Factoring business	RMB0 million	RMB0 million	RMB0 million	RMB0 million

### REASONS FOR AND BENEFITS OF ENTERING INTO THE 2021 LEASING AND FACTORING BUSINESS COOPERATION AGREEMENT

The relevant arrangements under the 2021 Leasing and Factoring Business Cooperation Agreement are beneficial for the Company to obtain financing support and relevant financing services at an interest rate that is equivalent to or lower than the market interest rate, so as to further lower its capital costs; and to further strengthen the negotiation power of the Company and its subsidiaries when deploying the financial leasing business with other leasing companies which is due to the fact that the financial leasing operations between Shanghai Datang Financial Lease Company and the Company and its subsidiaries have been deployed and expanded. Meanwhile, Shanghai Datang Financial Lease Company would develop a deeper understanding in the operation of the Company and its subsidiaries, which in turn would provide more convenient, effective and efficient financial leasing and factoring products design services to the Company when compared to other financial leasing companies.

Since Shanghai Datang Financial Lease Company was incorporated on 31 March 2015, it has established a sound management structure with experienced financial professionals who possess expertise and experience in financial leasing and factoring businesses. In term of professional ability, Shanghai Datang Financial Lease Company specializes in power generation related projects and therefore will be able to accumulate abundant experience in the area of businesses which the Company is engaged in. Further, both of the Company and Shanghai Datang Financial Lease Company are subsidiaries of CDC, which therefore facilitates the communication and cooperation between the two parties. In view of the above factors, as Shanghai Datang Financial Lease Company possesses strong and experienced professional management and personnel, strong ability in developing projects, prompt decision making and strategic planning abilities, the Company believes that Shanghai Datang Financial Lease Company will be able to provide customized financial leasing and factoring business proposals for the Company.

The Directors (including the independent non-executive Directors) are of the view that the relevant terms of the 2021 Leasing and Factoring Business Cooperation Agreement are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and on normal commercial terms, and are in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL

#### **Internal Control Policy to Monitor Annual Caps**

According to the requirements of management system of the connected transactions of the Company, the finance management department of the Company is responsible for monitoring the transaction amounts relating to the proposed annual caps under the 2021 Leasing and Factoring Business Cooperation Agreement by developing management accounts for continuing connected transactions and designating specialists for management and maintenance, and consolidating and preparing statistics for the transaction amounts incurred in the continuing connected transactions on a monthly basis. The Company will re-comply with the necessary approval procedures in accordance with the Listing Rules in respect of continuing connected transactions that are expected to exceed their annual caps.

#### **Re-complying with the Listing Rules in respect of Revision of Annual Caps**

If it is anticipated that any of the annual caps under the 2021 Leasing and Factoring Business Cooperation Agreement will be exceeded during the term of the 2021 Leasing and Factoring Business Cooperation Agreement, the Company will re-comply with the applicable compliance obligations at applicable percentage ratios under Chapter 14A of the Listing Rules based on revised annual caps under the 2021 Leasing and Factoring Business Cooperation Agreement.

#### **Annual Review of Continuing Connected Transactions by External Auditors**

The external auditors of the Company will issue a letter to the Board regarding the continuing connected transactions of the Company annually pursuant to the Listing Rules, reporting the Company's pricing policies and annual caps of continuing connected transactions conducted during the previous financial year (including the transactions contemplated under the 2021 Leasing and Factoring Business Cooperation Agreement).

#### **Annual Review of Continuing Connected Transactions by Independent Non-executive Directors**

The independent non-executive Directors of the Company will conduct an annual review on the continuing connected transactions conducted by the Company during the entire previous financial year in accordance with the requirements of the Listing Rules, and confirm the transaction amount and terms of the continuing connected transactions in the Company's annual report, and make sure that these transactions are entered into on normal commercial terms, are fair and reasonable, and are conducted in accordance with the relevant terms of the agreement governing continuing connected transactions.

### APPROVAL OF THE BOARD

The twenty-third meeting of the tenth session of the Board of the Company has considered and approved the "Resolution on Entering into the Leasing and Factoring Business Cooperation Agreement with Shanghai Datang Financial Lease Company" (Please refer to the overseas regulatory announcement of the Company dated 28 October 2021 for details).

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## LETTER FROM THE BOARD

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None of the Directors has any material interest in the 2021 Leasing and Factoring Business Cooperation Agreement. Mr. Qu Bo, the then connected Director, has abstained from voting on the relevant resolution in accordance with the requirements of the listing rules of the Shanghai Stock Exchange.

### INFORMATION OF THE PARTIES TO THE AGREEMENT

1. The Company was established in December 1994 and is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the repair and maintenance of power equipment and power related technical services. The Company's main service areas are in the PRC.
2. CDC was established on 9 March 2003 with registered capital of RMB37 billion. It is principally engaged in the development, investment, construction, operation and management of power energy; organisation of power (thermal) production and sales; manufacturing, repair and maintenance of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering; development of new energy as well as self-operated and commissioned import and export business for commodities and technologies.
3. Shanghai Datang Financial Lease Company is a subsidiary of CDC with registered capital of RMB1.5 billion, of which legal representative is Chi Rundong and registered address is No. 530, Zhengding Road, Shanghai Pilot Free-Trade Zone, the PRC. Shanghai Datang Financial Lease Company is principally engaged in the financial leasing business, leasing business, purchase and leasing of properties in the PRC and from overseas countries, treatment of residual value of and maintenance of leased properties, consultation and guarantee for leasing transactions, and commercial factoring business related to its principal businesses.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CDC together with its subsidiaries hold approximately 53.09% of the issued share capital of the Company. Since Shanghai Datang Financial Lease Company is an indirectly owned subsidiary of CDC, Shanghai Datang Financial Lease Company is therefore a connected person of the Company. The 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

Since the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions under the category of direct lease and sale and lease back under the 2021 Leasing and Factoring Business Cooperation Agreement are above 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the highest of the applicable percentage ratios in respect of the transactions under the category of direct lease and sale and lease back under the 2021 Leasing and Factoring Business Cooperation Agreement are above 5% and are less than 25%, such transactions constitute discloseable transactions of the Company, and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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## LETTER FROM THE BOARD

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Since the highest of the applicable percentage ratios in respect of the transactions under the category of factoring business under the 2021 Leasing and Factoring Business Cooperation Agreement is above 0.1% but below 5%, such transactions are only subject to the reporting and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules; and such transactions did not constitute notifiable transaction under Chapter 14 of the Listing Rules.

### **EGM**

The Company will convene the EGM to consider and approve, among others, the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder.

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

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, apart from CDC and its associates, no other Shareholders have material interest in the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder and shall abstain from voting at the resolution(s) in relation to the approval of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder at the EGM.

### **RECOMMENDATION**

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 13 to 14 of this circular which contains its recommendation to the Independent Shareholders on the terms of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder. Your attention is also drawn to the letter of advice received from Trinity Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 15 to 30 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 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder, the casting of votes for or against the resolution(s) approving the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder as well as the principal factors and reasons considered by it in concluding its advice.

The Directors (including the independent non-executive Directors) are of the view that the terms of the transactions under the 2021 Leasing and Factoring Business Cooperation Agreement are fair and reasonable, have been entered into after arm's-length negotiation between all parties thereto, are on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and its Shareholders as a whole, and they recommend the Shareholders to vote in favour of the resolution(s) at the EGM.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

Yours faithfully,

By order of the Board of

**Datang International Power Generation Co., Ltd.**

**Jiang Jinming**

*Company Secretary*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

*Office address*

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

10 January 2022

*To the Independent Shareholders*

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company to the Shareholders dated 10 January 2022 (the “Circular”) of which this letter forms part. Terms defined in the circular shall have the same meanings in this letter unless the context otherwise requires.

Under the Listing Rules, the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

We have been appointed as the Independent Board Committee to consider the terms of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders in connection with the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder, in our opinion, whether the terms of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder are fair and reasonable and whether the entering into of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole. Trinity Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from Trinity Corporate Finance Limited as set out in this circular. Having considered the principal factors and reasons considered by, and the advice of Trinity Corporate Finance Limited as set out in its letter of advice, we consider that the entering into of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder is on normal commercial terms and in the ordinary and usual course of business of the Company. We also consider that the terms of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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are concerned and that the entering into of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Liu Jizhen, Niu Dongxiao,**

**Kou Baoquan, Zong Wenlong and Si Fengqi**

*Independent non-executive Directors*

**Datang International Power Generation Co., Ltd.**

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## LETTER FROM TRINITY CORPORATE FINANCE LIMITED

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*The following is the full text of letter from Trinity Corporate Finance Limited, the Independent Financial Adviser, to the Independent Board Committee and Independent Shareholders in respect of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*

# TRINITY

Trinity Corporate Finance Limited  
Unit 05, 29th Floor,  
50 Wong Chuk Hang Road,  
Hong Kong.

10 January 2022

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

Dear Sirs,

### **DISCLOSEABLE TRANSACTIONS AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS 2021 LEASING AND FACTORING BUSINESS COOPERATION AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the continuing connected transactions (including the proposed annual caps) under the 2021 Leasing and Factoring Business Cooperation Agreement (the “**Continuing Connected Transactions**”), details of which are set out in the Letter from the Board (the “**Letter from the Board**”) in the Company’s circular dated 10 January 2022 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 16 December 2021, the Company entered into the 2021 Leasing and Factoring Business Cooperation Agreement with Shanghai Datang Financial Lease Company for a term of three years, i.e. 36 months commencing from the effective date of the 2021 Leasing and Factoring Business Cooperation Agreement.

As at the Latest Practicable Date, CDC together with its subsidiaries held approximately 53.09% of the issued share capital of the Company. Since Shanghai Datang Financial Lease Company is an indirectly owned subsidiary of CDC, Shanghai Datang Financial Lease Company is therefore a connected person of the Company. The 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

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Since the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions under the category of direct lease and sale and lease back under the 2021 Leasing and Factoring Business Cooperation Agreement are above 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the highest of the applicable percentage ratios in respect of the transactions under the category of direct lease and sale and lease back under the 2021 Leasing and Factoring Business Cooperation Agreement are above 5% and are less than 25%, such transactions constitute discloseable transactions of the Company, and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company will convene the EGM to consider and approve, among others, the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder. Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transactions and its associates will abstain from voting at the EGM to be held by the Company for (among others) considering and approving the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder. Therefore, CDC and its associates, which held 9,825,068,940 shares of the Company as at the Latest Practicable Date, representing approximately 53.09% of the issued share capital of the Company, shall abstain from voting at the EGM for approving the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, apart from CDC and its associates, no other Shareholders have material interest in the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder and shall abstain from voting at the resolution(s) in relation to the approval of the 2021 Leasing and Factoring Business Cooperation Agreement and the transactions contemplated thereunder at the EGM.

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

As at the Latest Practicable Date, Trinity Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Trinity Corporate Finance Limited. In the last two years, Trinity Corporate Finance Limited has acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in connection with the discloseable transactions and continuing connected transactions in relation to 2020 factoring business cooperation agreement (details of which were set out in the circular of the Company dated 5 June 2020), the revision of annual caps of continuing connected transactions (details of which were set out in the circular of the Company dated 30 October 2020) and the

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continuing connected transactions in relation to 2021 comprehensive product and service framework agreement (details of which were set out in the circular of the Company dated 3 December 2021). Apart from normal professional fees paid or payable to us in connection with such appointments, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

### **BASIS OF OUR OPINION**

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

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

We have not conducted any independent in-depth investigation into the business and affairs of the Group or any parties involved in the Continuing Connected Transactions under the 2021 Leasing and Factoring Business Cooperation Agreement. In forming our opinion, we consider that we have independently reviewed sufficient information, inter alia, the 2020 annual report and 2021 interim report of the Company, the historical transaction amounts, the Letter from the Board and samples of contracts of the Company relating to the 2021 Leasing and Factoring Business Cooperation Agreement, to provide a reasonable basis for our opinion.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Continuing Connected Transactions under the 2021 Leasing and Factoring Business Cooperation Agreement and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes other than our role as the Independent Financial Adviser, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion regarding the Continuing Connected Transactions under the 2021 Leasing and Factoring Business Cooperation Agreement, we have taken into account the following principal factors and reasons:

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## LETTER FROM TRINITY CORPORATE FINANCE LIMITED

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### A. Information of the Company, CDC and Shanghai Datang Financial Lease Company

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

CDC was established on 9 March 2003 with a registered capital of RMB37.0 billion. It is principally engaged in the development, investment, construction, operation and management of power energy; organisation of power (thermal) production and sales; manufacturing, repair and maintenance of power equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering; development of new energy as well as self-operated and commissioned import and export business for commodities and technologies.

Shanghai Datang Financial Lease Company is a subsidiary of CDC with registered capital of RMB1.5 billion, of which the legal representative is Chi Rundong and the registered address is No. 530, Zhengding Road, Shanghai Pilot Free-Trade Zone, the PRC. Shanghai Datang Financial Lease Company is principally engaged in the financial leasing business, leasing business, purchase and leasing of properties in the PRC and from overseas countries, treatment of residual value of and maintenance of leased properties, consultation and guarantee for leasing transactions, and commercial factoring business related to its principal businesses.

### B. Financial Performance of the Company

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

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

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

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

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

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

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

During the six-month period ended 30 June 2021, the Group realised an operating revenue of approximately RMB50,394 million, representing an increase of approximately 13.30% as compared to the corresponding period in 2020, among which revenue from electricity sales was approximately RMB43,237 million, representing an increase of approximately RMB5,337 million or approximately 14.08% as compared to the corresponding period in 2020. The increase in revenue from electricity sales was mainly due to the increase in power generation and on-grid power generation of the Group for the Period of approximately 8.58% and 9.44%, respectively, as compared to the corresponding period in 2020.

### **C. Principal Terms of the 2021 Leasing and Factoring Business Cooperation Agreement**

As mentioned in the Letter from the Board, on 16 December 2021, the Company entered into the 2021 Leasing and Factoring Business Cooperation Agreement with Shanghai Datang Financial Lease Company.

#### **(1) Subject matter**

Pursuant to the 2021 Leasing and Factoring Business Cooperation Agreement, Shanghai Datang Financial Lease Company shall provide support on financial leasing and factoring business to the Company and its subsidiaries with a principal of not exceeding RMB7 billion for every 12 months from the effective date of the agreement.

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

Both parties may, during the term of the agreement, enter into specific financial leasing and factoring contracts in accordance with the terms of the 2021 Leasing and Factoring Business Cooperation Agreement, and such specific financial leasing and factoring contracts shall be subject to the terms of the 2021 Leasing and Factoring Business Cooperation Agreement.

### **(2) *Term of the Agreement***

The term of the agreement shall be 36 months commencing from the effective date of the 2021 Leasing and Factoring Business Cooperation Agreement.

### **(3) *Major Terms***

1. According to the Letter from the Board, in accordance with the business principles of a financial leasing company, Shanghai Datang Financial Lease Company shall provide the Company and its subsidiaries with support on financial leasing and factoring business with the principal amount not exceeding RMB7 billion for every 12 months (from the effective date of the agreement) for the project construction in the fields of thermal power, hydropower, wind power and recycling economy.
2. By making use of its professional advantages in the financial area, Shanghai Datang Financial Lease Company shall provide the Company and its subsidiaries with various economic consulting services such as investment and financing consulting, financial advisory, financial leasing consulting and transaction arrangements.
3. Within the scope of the business development and planning of the Company and its subsidiaries, Shanghai Datang Financial Lease Company shall assist the Company to choose suitable lessees and projects, and design and provide customized leasing and factoring business proposals.
4. While ensuring the construction fund demands of the Company and its subsidiaries, Shanghai Datang Financial Lease Company shall proactively help the Company and its subsidiaries to reduce financial expenses and optimize financial structure. Shanghai Datang Financial Lease Company shall provide the Company with the most favourable rates for lease fees pursuant to the relevant policies and regulations of the PRC and in line with the supply and demand of capitals in the market as well as the structural features of different lease and factoring products. The general rates for lease fees shall be equivalent to or more favourable than those offered by other domestic financial leasing companies in the PRC that provide relevant services.

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5. The agreement shall become effective when it is duly signed by both parties and affixed with their respective company seals and upon obtaining approval from the Independent Shareholders at the general meeting.

#### **(4) Pricing Policy and Control Measures**

We are given to understand that the terms of the Continuing Connected Transactions are determined according to the following mechanisms:

1. After taking future development and financing plans into consideration, the Company has confirmed the financial leasing and factoring business with a principal of not exceeding RMB7 billion for every 12 months from the effective date of the agreement, which are apportioned as to RMB4 billion, RMB2.5 billion and RMB0.5 billion to direct lease(s), sale and lease-back and factoring business respectively.
2. Prior to the business cooperation with Shanghai Datang Financial Lease Company, the Company shall collect the terms and conditions of the relevant transactions and their respective interest rates from no less than two major domestic leasing companies in the PRC who are independent of the Company and its connected persons, and compare them with the benchmark interest rate on term loans issued by the People's Bank of China to ensure that the Company shall receive the most favourable terms, the general rates for lease fees of relevant transactions shall be equivalent to or more favourable than those offered by other domestic financial leasing companies in the PRC that provide relevant services, and the Company's overall interests shall be maximised.

We have reviewed 2 financial leasing and factoring contracts dated 10 October 2019 and 14 December 2021 entered into between the Company's subsidiaries and Shanghai Datang Financial Lease Company and 2 samples of contracts dated 19 November 2019 and 2 December 2021 entered into between the Company's subsidiaries and independent third parties and confirm that the terms and, in particular, the interest rates charged by Shanghai Datang Financial Lease Company are equivalent to or more favourable than those offered by other domestic financial leasing companies in the PRC for providing similar services.

Also, on the basis that the Company will compare terms with the benchmark interest rate on term loans issued by the People's Bank of China to ensure that the Company receives the most favourable terms and the general rates for lease fees shall be equivalent to or more favourable than those offered by other domestic financial leasing companies in China, we consider that the above pricing principle for the 2021 Leasing and Factoring Business Cooperation Agreement is fair and reasonable and on normal commercial terms or better.

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

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

We agree that the pricing policy and the principles of transactions contemplated under the 2021 Leasing and Factoring Business Cooperation Agreement set out above will ensure that the terms and conditions for the Continuing Connected Transactions will be conducted on normal commercial terms or better and hence will be in the interests of the Company and its Shareholders as a whole.

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

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

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

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

**(6) *Internal Control Policy to Monitor Annual Caps***

According to the requirements of management system of the connected transactions of the Company, the finance management department of the Company is responsible for monitoring the transaction amounts relating to the proposed annual caps under the 2021 Leasing and Factoring Business Cooperation Agreement by developing management accounts for continuing connected transactions and designating specialists for management and maintenance, and consolidating and preparing statistics for the transaction amounts incurred in the continuing connected transactions on a monthly basis. The Company will re-comply with the necessary approval procedures in accordance with the Listing Rules in respect of continuing connected transactions that are expected to exceed their annual caps.

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### *Re-complying with the Listing Rules in respect of Revision of Annual Caps*

If it is anticipated that any of the annual caps under the 2021 Leasing and Factoring Business Cooperation Agreement will be exceeded during the term of the 2021 Leasing and Factoring Business Cooperation Agreement, the Company will re-comply with the applicable compliance obligations at applicable percentage ratios under Chapter 14A of the Listing Rules based on revised annual caps under the 2021 Leasing and Factoring Business Cooperation Agreement.

We have discussed with the Company as to its internal controls and procedures stated above in place to monitor the proposed annual caps, and the Company confirmed that its finance management department is responsible for monitoring the transaction amounts of the Continuing Connected Transactions in respect of the proposed annual caps by developing management accounts for Continuing Connected Transactions and designating specialists for management and maintenance, and regularly consolidating and preparing statistics for the transaction amounts incurred in the Continuing Connected Transactions on a monthly basis. The Company will re-comply with the necessary approval procedures in accordance with the Listing Rules in respect of Continuing Connected Transactions that are expected to exceed their annual caps. We are of the view that such procedures are reasonable in monitoring the transaction amounts with respect to the proposed annual caps.

### *Annual Review of Continuing Connected Transactions by External Auditors*

The external auditors of the Company will issue a letter to the Board regarding the continuing connected transactions of the Company annually pursuant to the Listing Rules, reporting the Company's pricing policies and annual caps of continuing connected transactions conducted during the previous financial year (including the transactions contemplated under the 2021 Leasing and Factoring Business Cooperation Agreement).

### *Annual Review of Continuing Connected Transactions by Independent Non-executive Directors*

The independent non-executive Directors of the Company will conduct an annual review on the continuing connected transactions conducted by the Company during the entire previous financial year in accordance with the requirements of the Listing Rules, and confirm the transaction amount and terms of the continuing connected transactions in the Company's annual report, and make sure that these transactions are entered into on normal commercial terms, are fair and reasonable, and are conducted in accordance with the relevant terms of the agreement governing continuing connected transactions.

Also, we have reviewed the latest letter issued by the external auditor of the Company to the Board to report on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Listing Rules. Accordingly, we consider that, based on the above independent work performed by us, the internal control procedures of the Company set out above have been properly followed to ensure that the continuing connected transactions are on normal commercial terms or better, fair and

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reasonable and in the interests of the Company and its Independent Shareholders as a whole, and that there are effective safeguards in place to ensure that the proposed annual caps will not be exceeded.

After considering the above factors, we are of the opinion that the Continuing Connected Transactions are entered in the ordinary course of business and conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders.

### D. Historical Transaction Amounts

According to the Letter from the Board, before the adoption of IFRS 16 (Leases), the transaction amounts of financial leasing between the Company and Shanghai Datang Financial Lease Company for the period from 20 December 2018 to 31 December 2018, the year ended 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021 amounted to RMB0.292 billion (with the annual cap for the same period of RMB5 billion), RMB1.018 billion (with the annual cap for the same period of RMB10 billion), RMB2.189 billion (with the annual cap for the same period of RMB10 billion) and RMB0.197 billion (with the annual cap for the same period of RMB5 billion), respectively.

Also, according to the Company, assuming calculations were made in accordance with IFRS 16 (Leases), the transaction amounts of financial leasing and factoring businesses between the Company and Shanghai Datang Financial Lease Company for the period from 20 December 2018 to 31 December 2018, the year ended 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021 and the historical utilisation rates for the year ended 31 December 2020 (which is the latest full financial year available) are set out as follows:

Transactions	Period from 20 December 2018 to 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Six months ended 30 June 2021	Annual cap for the year ended 31 December 2020  (Historical utilisation rate for the year ended 31 December 2020)
					RMB million
Direct lease	2	12	1,290	187	
Sale and lease-back	290	1,006	899	10	
Factoring business	0	0	0	0	
Total	292	1,018	2,189	197	10,000 (21.9%)

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In accordance with the new standard for leases, for a direct lease, the right-of-use asset and lease liability are recognised at the commencement date when the leased asset is provided by the lessor and available to the lessee. As the leased assets such as photovoltaic power plant equipment are delivered for use by batches, in the case of the batch delivery, the right-of-use assets are recognised in batches for the direct lease instead of one-off recognition of the entire contract amount.

As shown in the historical transaction amounts above, the utilisation rate for the year ended 31 December 2020 (which is the latest full financial year available) was approximately 21.9% as compared to the annual cap for the year ended 31 December 2020 of RMB10 billion.

We have discussed with the management of the Company regarding the above relatively low utilisation rate of annual cap and fluctuating historical transaction amounts of financial lease between the Company and Shanghai Datang Financial Lease Company. We are advised by the management of the Company that the fluctuation of the historical transaction amounts was mainly due to the varying financing terms provided by Shanghai Datang Financial Lease Company as compared with that provided by other independent third party financing channels during such historical period, and therefore the Company and its associated companies had chosen to obtain financing from other independent third party financing channels when they offered lower financing costs or more favourable terms as compared to that provided by Shanghai Datang Financial Lease Company.

As a result of the relatively low historical utilisation rate, the Company has reduced the proposed annual cap from RMB10 billion for the year ended 31 December 2020 (which is the latest full financial year available) to RMB7 billion for each of the three years ending 31 December 2024 in order not to rule out any possible financial leasing and factoring business to be conducted with Shanghai Datang Financial Lease Company in future.

### **E. Proposed Annual Caps**

The proposed annual caps for the transaction amounts under the 2021 Leasing and Factoring Business Cooperation Agreement for the respective periods are set out as follows:

<b>Transactions</b>	<b>1 January 2022 to 31 December 2022</b>	<b>1 January 2023 to 31 December 2023</b>	<b>1 January 2024 to 31 December 2024</b>
	<i>RMB billion</i>	<i>RMB billion</i>	<i>RMB billion</i>
Direct lease	4.0	4.0	4.0
Sale and lease-back	2.5	2.5	2.5
Factoring business	0.5	0.5	0.5
Total	7.0	7.0	7.0

We noted from the above that there is no year-on-year increment from the proposed annual cap for the year ending 31 December 2022 to the proposed annual cap for the year ending 31 December 2023, and from the proposed annual cap for the year ending 31 December 2023 to the proposed annual cap for the year ending 31 December 2024.

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According to the Company, the above proposed annual caps are determined with reference to the following factors:

- (i) the financing plan of the Company which is derived from the expected capital demand of the Company for the coming 36 months. After principally considering that the Company's loans with a total amount of approximately RMB80 billion to RMB100 billion are expected to mature between 2022 and 2024, the principal of the financial leasing will be used to replace part of the existing maturing loans and for fulfilling part of the future capital needs for construction of existing projects. These projects (including but not limited to the Datang Tuodian New Energy Bundled Delivery Project (大唐托電新能源打捆外送項目) and Baoding Phase IX Heat and Power Project (保定九期熱電項目)) have been approved by the Board. Apart from financial leasing and factoring, the Company will make up the funding shortfall by ways of bank borrowing, issuance of corporate bonds, ultra short-term commercial papers, innovative commercial bonds and loans with confirmed rights with renewable energy subsidies, etc.

We have discussed with the Company and understand that the total investment amounts of Datang Tuodian New Energy Bundled Delivery Project and the Baoding Phase IX Heat and Power Project are approximately RMB12 billion and RMB2.9 billion respectively and accordingly, we agree that the capital needs for construction of such existing projects have to be taken into account when determining the proposed annual caps;

- (ii) the increase in business scale of the Company. As the operation scale and the growth of total power generation level of the Company will increase significantly, corresponding quota of financial leasing and factoring business is required by the Company to satisfy the financing needs brought by the growth of the Company's business scale.

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

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

According to the interim report for the six months ended 30 June 2021, during the first half of 2021, total power generation of the Company amounted to approximately 132.0788 billion kWh, representing an increase of approximately 8.58% on a year-on-year basis; and total on-

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

It is also mentioned in the Company’s announcement of power generation for 3Q 2021 that the major reasons for the increase in power generation of the Company was due to the following major reasons:

1. The national overall power consumption continuously maintained growth momentum;
2. The increase of new power generating units in parts of the areas where the Company is located; and
3. The power demand in the areas served by the Company was great.

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

- (iii) fluctuations in historical transaction amounts and relatively lower historical utilization rate (please refer to the section headed “Historical Transaction Amounts” of the Circular for details). The fluctuations of historical transaction amounts are mainly due to the changes in the financing terms provided by Shanghai Datang Financial Lease Company in the relevant historical period compared with those provided by other independent third-party financing channels. Therefore, the Company and its subsidiaries have chosen to obtain financing from other independent third-party financing channels that provide lower financing costs or more favourable terms than Shanghai Datang Financial Lease Company. Considering the relatively lower historical utilization rates, the Company has reduced the proposed annual caps to RMB7 billion on the premise of comprehensively considering the above other factors, for the purpose of not ruling out the possibility of carrying out financial leasing and factoring business with Shanghai Datang Financial Lease Company in the future.

We have reviewed the annual report of the Company for the year ended 31 December 2020 and note that short-term loans and short-term bonds of the Group amounted to approximately RMB29.0 billion and RMB2.6 billion respectively. Short-term loans are comprised of short-term bank loans of approximately RMB24.7 billion and other short-term loans of RMB4.3 billion, which are arranged at interest rates ranging from 1.00% to 5.80% and 1.00% to 5.00%

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per annum respectively as at 31 December 2020. Short-term bonds represented unsecured bonds issued by the Group with maturity date less than one year at par value of RMB100 each with fixed annual coupon and effective interest rate ranging from 1.25% to 2.78% per annum.

Long-term loans amounted to approximately RMB92.2 billion, comprising of long-term bank loans and other long-term loans, with annual interest rates ranging from 1.20% to 6.16% and 2.16% to 6.80% per annum respectively. As at 31 December 2020, long-term bonds of the Group amounted to approximately RMB6.0 billion which consists of corporate bonds with a 10-year term with fixed annual coupon and effective interest rates ranging from 5.00% to 5.25% per annum.

As at 31 December 2020, lease liabilities payable was approximately RMB2.0 billion (including amounts due for settlement within 12 months) and the weighted average incremental borrowing rate applied to lease liabilities ranged from 4.56% to 5.04%.

Having considered the debt level and the interest rates of short-term and long-term instruments set out above, we concur with the Company that lease financing is one of the important financing alternatives under the general debt financing condition and taxation arrangements in the PRC, and particularly, the fact that Shanghai Datang Financial Lease Company has been established on 31 March 2015, providing more convenient, effective and efficient financial leasing as well as factoring products design services to the Company when compared to most of the other financial leasing companies, we consider that the proposed annual caps and their determination basis are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. After considering the above factors, in particular the future development and financing plans of the Group, the capital structure and debt level as at 31 December 2020 and that lease financing is an important financing alternative for the Company, we are of the opinion that the proposed annual caps under the 2021 Leasing and Factoring Business Cooperation Agreement are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

### **F. Reasons for and Benefits of entering into the 2021 Leasing and Factoring Business Cooperation Agreement**

As mentioned in the Letter from the Board, the relevant arrangements under the 2021 Leasing and Factoring Business Cooperation Agreement are beneficial for the Company to obtain financing support and relevant financing services at an interest rate that is equivalent to or lower than the market interest rate, so as to further lower its capital costs; and to further strengthen the negotiation power of the Company and its subsidiaries when deploying the financial leasing business with other leasing companies which is due to the fact that the financial leasing operations between Shanghai Datang Financial Lease Company and the Company and its subsidiaries have been deployed and expanded. Meanwhile, Shanghai Datang Financial Lease Company would develop a deeper understanding in the operation of the Company and its subsidiaries, which in turn would provide more convenient, effective and efficient financial leasing and factoring products design services to the Company when compared to other financial leasing companies.

Since Shanghai Datang Financial Lease Company was incorporated on 31 March 2015, it has established a sound management structure with experienced financial professionals who possess expertise and experience in financial leasing and factoring businesses. In terms of professional ability, Shanghai

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## LETTER FROM TRINITY CORPORATE FINANCE LIMITED

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Datang Financial Lease Company specializes in power generation related projects and therefore will be able to accumulate abundant experience in the area of businesses which the Company is engaged in. Further, both of the Company and Shanghai Datang Financial Lease Company are subsidiaries of CDC, which therefore facilitates the communication and cooperation between the two parties. In view of the above factors, as Shanghai Datang Financial Lease Company possesses strong and experienced professional management and personnel, strong ability in developing projects, prompt decision making and strategic planning abilities, the Company believes that Shanghai Datang Financial Lease Company will be able to provide customized financial leasing and factoring business proposals for the Company.

As discussed in the section headed “E. Proposed Annual Caps” above, we concur with the Company that lease financing is an important financing alternative for the Group and obtaining financing services under the Continuing Connected Transactions at an interest rate that is equivalent to or lower than the market interest rate is beneficial to the Company and fair and reasonable so far as the Company and its Independent Shareholders are concerned.

### RECOMMENDATION

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

- (1) the principal businesses of the Company, CDC and Shanghai Datang Financial Lease Company;
- (2) the debt level and capital structure of the Group as at 31 December 2020;
- (3) the pricing policy and internal control measures of the Continuing Connected Transactions; and
- (4) the historical transaction amounts and underlying reasons for the basis of the proposed annual caps of the Continuing Connected Transactions;

we are of the opinion that the terms and the proposed annual caps of the Continuing Connected Transactions are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned, and the Continuing Connected Transactions are in the ordinary and usual course of business of the Group, and the entering into of the Continuing Connected Transactions under the 2021 Leasing and Factoring Business Cooperation Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) to approve the transactions under the 2021 Leasing and Factoring Business Cooperation Agreement at the EGM.

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

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## LETTER FROM TRINITY CORPORATE FINANCE LIMITED

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

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### Interest of Directors, supervisors and chief executive of the Company

As at the Latest Practicable Date, save as disclosed below, to the best knowledge of the Directors, supervisors and chief executive of the Company, none of the Directors, supervisors or chief executive of the Company have any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which was required: (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, supervisor or chief executive is taken or deemed to have under such provisions of the SFO); (ii) to be entered into the register required to be kept by the Company under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

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

*Note:*

- (1) The percentage is calculated based on the 18,506,710,504 issued shares of the Company as at the Latest Practicable Date.

### Interest of substantial Shareholders of the Company

As at the Latest Practicable Date, to the best knowledge of the Directors, supervisors and chief executive of the Company, the interest and short positions of the substantial shareholders in the issued share capital of the Company which will be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company are as follows:

Name of Shareholder	Class of shares	Number of shares held	Approximate percentage to total issued share capital of the Company (%)	Approximate percentage to total issued A Shares of the Company (%)	Approximate percentage to total issued H Shares of the Company (%)
CDC (Note 1)	A shares	6,540,706,520	35.34	52.76	/
	A shares	8,738,600	0.05	0.07	/
	H shares	3,275,623,820 (L)	17.70 (L)	/	53.61 (L)
Tianjin Jinneng Investment Co., Ltd. (Note 2)	A shares	1,285,748,600	6.95	10.37	/
Hebei Construction & Investment Group Co., Ltd. (Note 3)	A shares	1,281,872,927	6.93	10.34	/
Beijing Energy Investment Holding Co., Ltd. (Note 4)	A shares	1,231,730,854	6.66	9.94	/

(L) = Long position

*Notes:*

- (1) Mr. Liu Jianlong and Mr. Su Min, both non-executive Directors, are employees of CDC.
- (2) Mr. Zhu Shaowen, a non-executive Director, is currently an employee of Tianjin Energy Investment Group Limited, the de facto controller of Tianjin Jinneng Investment Co., Ltd.
- (3) Mr. Cao Xin and Mr. Zhao Xiangguo, both non-executive Directors, are employees of Hebei Construction & Investment Group Co., Ltd.
- (4) Mr. Jin Shengxiang and Mr. Sun Yongxing, both non-executive Directors, are employees of Beijing Energy Investment Holding Co., Ltd.

As at the Latest Practicable Date, save as disclosed above and to the best knowledge of the Directors, supervisors and chief executive of the Company, (i) no person had any interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company; and (ii) none of the Directors, proposed Directors, supervisors, proposed supervisors, chief executive or proposed chief executive of the Company, being also a director or employee of a company, had any interest or short position in the shares or underlying shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. SERVICE CONTRACTS

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

### 4. INTEREST IN ASSETS OR CONTRACTS

- (a) As at the Latest Practicable Date, none of the Directors, proposed Directors, supervisors or proposed supervisors of the Company had any direct or indirect interest in any assets which had been, since 31 December 2020 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contracts or arrangements entered into by any member of the Group, which were subsisting as at the Latest Practicable Date and which were significant in relation to the business of the Group.

### 5. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, and including the Latest Practicable Date.

### 6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, proposed Directors or their respective close associates had any interests in a business which competes or was likely to compete, either directly or indirectly, with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder).

### 7. EXPERT AND CONSENT

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

<b>Name</b>	<b>Qualification</b>
Trinity Corporate Finance Limited	a licensed corporation under the SFO permitted to conduct type 6 (advising on corporate finance) regulated activities for the purposes of the SFO

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

As at the Latest Practicable Date, the above expert:

- (b) did not have any shareholding, direct or indirect, in any members of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group;
- (c) did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any members of the Group, or which are proposed to be acquired or disposed of by or leased to any members of the Group since 31 December 2020, the date to which the latest published audited financial statements of the Company were made up; and
- (d) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

## **8. LITIGATION**

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

## **9. MISCELLANEOUS**

- (a) The registered office and office address of the Company is No. 9 Guangningbo Street, Xicheng District, Beijing, the PRC.
- (b) The principal place of business of the Company in Hong Kong is at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.
- (c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The joint company secretaries of the Company are Mr. Jiang Jinming and Ms. Mak Po Man Cherie. Mr. Jiang is a senior accountant and Ms. Mak is an associate member of The Hong Kong Chartered Governance Institute, an associate member of The Chartered Governance Institute in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

**10. DOCUMENT ON DISPLAY**

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

- (a) the 2021 Leasing and Factoring Business Cooperation Agreement.