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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)

**ANNOUNCEMENT
MAJOR TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS
2019 FINANCIAL SERVICES AGREEMENT**

2019 FINANCIAL SERVICES AGREEMENT

Reference is made to the announcement dated 11 November 2016, the circular dated 9 December 2016 and the announcement dated 29 December 2016 published by the Company in respect of, among other things, the 2016 Financial Services Agreement.

The 2016 Financial Services Agreement will expire on 31 December 2019. To enhance the efficiency of the scale of capital, accelerate capital turnover and ensure the security of capital, the parties intend to continue to enter into transactions of a similar nature from time to time after 31 December 2019.

The Board announces that, on 16 October 2019, the Company and Datang Finance Company entered into the 2019 Financial Services Agreement, pursuant to which Datang Finance Company provided the Group with deposit services, loan services and other financial services. The term of the agreement shall be three years, commencing from 1 January 2020 and ending on 31 December 2022.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CDC, the controlling shareholder of the Company, together with its subsidiaries hold approximately 53.09% of the issued share capital of the Company. Since Datang Finance Company is a subsidiary of CDC, Datang Finance Company is a connected person of the Company and the 2019 Financial Services Agreement and the transactions thereunder constitute continuing connected transactions of the Company.

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the provision of deposit services under the 2019 Financial Services Agreement is more than 5%, the provision of deposit services under the 2019 Financial Services Agreement is subject to the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the provision of deposit services under the 2019 Financial Services Agreement is more than 25%, such transaction constitutes a major transaction of the Company and is subject to the requirements of reporting, announcement and Shareholders' approval under Chapter 14 of the Listing Rules.

The loan services to be provided by Datang Finance Company to the Group under the 2019 Financial Services Agreement constitute financial assistance to be provided by a connected person for the benefit of the Group. As such loan services are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for similar services in the PRC, and no security over the assets of the Group will be granted in respect of the loan services, the loan services are fully exempt from the requirements of reporting, announcement and the Independent Shareholders' approval pursuant to Rule 14A.90 of the Listing Rules.

The Company expects that the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the total fees payable by the Company to Datang Finance Company in respect of the provision of other financial services under the 2019 Financial Services Agreement is below the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules and, therefore, is fully exempt from the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules. The Company will comply with the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules if the transaction amount of other financial services to be provided by Datang Finance Company to the Group under the 2019 Financial Services Agreement exceeds the relevant threshold.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the terms of the provision of deposit services under the 2019 Financial Services Agreement.

The Company has appointed Fortune Financial Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the provision of deposit services under the 2019 Financial Services Agreement.

DESPATCH OF CIRCULAR

A circular containing details of the 2019 Financial Services Agreement, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser, both advising on the terms of the 2019 Financial Services Agreement, will be despatched to the Shareholders in compliance with the Listing Rules. As additional time is required by the Company to prepare the information to be included in the circular, the circular is expected to be despatched to the Shareholders on or before 20 November 2019. If it is expected that there will be a delay to the despatch of the circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the circular.

Reference is made to the announcement dated 11 November 2016, the circular dated 9 December 2016 and the announcement dated 29 December 2016 published by the Company in respect of, among other things, the 2016 Financial Services Agreement.

The 2016 Financial Services Agreement will expire on 31 December 2019. To enhance the efficiency of the scale of capital, accelerate capital turnover and ensure the security of capital, the parties intend to continue to enter into transactions of a similar nature from time to time after 31 December 2019.

The Board announces that, on 16 October 2019, the Company and Datang Finance Company entered into the 2019 Financial Services Agreement, pursuant to which Datang Finance Company provided the Group with deposit services, loan services and other financial services. The term of the agreement shall be three years, commencing from 1 January 2020 and ending on 31 December 2022.

2019 FINANCIAL SERVICES AGREEMENT

Date

16 October 2019

Parties

1. the Company; and
2. Datang Finance Company

Term

A term of 36 months, from 1 January 2020 to 31 December 2022

Major Terms

1. Datang Finance Company shall mainly provide the Group with deposit services, loan services (excluding entrusted loans), and other financial services including financial leasing, entrusted loans, bill acceptance and discounting, payment and settlement, financing guarantees, financial and financing consultation, and bonds underwriting, pursuant to the following terms and conditions of the 2019 Financial Services Agreement:
 - i. the current deposit interest of the deposit services shall be settled according to the negotiated deposit interest rates of the PBOC (as at the date of this announcement, the prevailing negotiated deposit interest rate is 1.15% per annum, while the prevailing current deposit interest rate is 0.35% per annum), with a daily maximum balance of deposits of not more than RMB18 billion;
 - ii. the comprehensive credit services include but are not limited to loans, discounting, guarantees and other forms of financing, with a comprehensive credit limit of RMB27 billion at an interest rate not higher than those charged by other domestic financial institutions for the same period and on the same terms;
 - iii. the unified settlement services for funds shall be conducted according to the instructions of the Group, with the relevant settlement expenses being borne by Datang Finance Company;
 - iv. the entrusted loan services, which are to increase the efficiency for use of idle funds and realise the optimum allocation of resources, shall be provided at the handling fee of not exceeding 0.06% of the actual principal amount; and
 - v. consultation and training services shall be provided in relation to, among other matters, monetary policies, financial conditions, financing products and cash management.
2. Deposit caps: the daily maximum balance of deposit of the Group at Datang Finance Company for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022 is RMB18 billion.
3. The effective date of the 2019 Financial Services Agreement: upon being signed and sealed by the Company and Datang Finance Company, the agreement shall become effective on the date of approval at the general meeting or 1 January 2020 (whichever is later), and its termination date shall be 31 December 2022.

Capital Risk Control Measures

1. Datang Finance Company will ensure the safe and stable operation of the funds management information system, which in all respects has passed the security test in respect of the interface of online banking of commercial banks and has reached the security standards for domestic commercial banks. The system has adopted the mode awarded with CA safety certificate verification to ensure the security of funds of the Group.
2. Datang Finance Company will ensure that it is operated in strict compliance with the risk monitoring indicators for financial institutions issued by the CBRC and that its major regulatory indicators such as capital adequacy ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC.
3. Any balance in the Group's funds (after deducting the amount used for making entrusted loans and the loans made to the Group by Datang Finance Company) will be deposited into one or more commercial banks in the PRC as interbank deposits. Datang Finance Company shall settle the interests of the Company's current deposit in accordance with the negotiated deposit interest rate set by the People's Bank of China, which is higher than the existing level of current deposit interest rate offered by the commercial banks in the PRC to the Company.

Pricing Policy and Annual Caps

Deposit Services:

In view of the Group's business growth and increase in demand for financial services, the annual cap for the daily maximum deposit balance of the Group at Datang Finance Company is RMB18 billion for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022 after taking into account of the following:

1. Pursuant to the 2016 Financial Services Agreement, the annual cap of the daily maximum deposit balance of the Group at Datang Finance Company was RMB15 billion for the three years ending 31 December 2019. The historical amount of daily maximum deposit balance of the Group with Datang Finance Company amounted to approximately RMB7.239 billion, RMB13.115 billion and RMB14.37 billion for the two years ended 31 December 2017 and 31 December 2018 and for the nine months ended 30 September 2019, respectively.
2. Subsequent to the acquisition of Datang Hebei Power Generation Co., Ltd., Datang Heilongjiang Power Generation Co., Ltd., and Datang Anhui Power Generation Co., Ltd. by the Company in 2018, the daily maximum deposit balance of the above three companies at Datang Finance Company amounted to RMB3 billion for the year ended 31 December 2018. Hence, there is an increase of RMB3 billion to the annual cap of RMB15 billion under the 2016 Financial Services Agreement, which brings the annual cap under the 2019 Financial Services Agreement to RMB18 billion for each of the three years ending 31 December 2020, 2021 and 2022.

3. In order to strengthen the centralised management of funds and monitor the use of funds, the Group will continuously roll out a “funding pool” platform through Datang Finance Company. Such platform amasses the funds of the Group and enables loans to be granted within the Group by utilizing the position arising from the difference in the time for receipt and payment of funds of the members of the Group in order to support the development of the Group.
4. In respect of the Group’s funds settlement business with Datang Finance Company, the settlement expenses will be borne by Datang Finance Company.
5. During the term of the agreement, the issuance of short-term debentures, super short-term debentures and non-public debt financing instruments will also enhance the Company’s daily maximum deposit balance at Datang Finance Company.
6. As the number of newly established companies and newly operated companies of the Group continues to increase, the amount of deposits is also anticipated to increase.
7. CDC undertakes to the CBRC that, in the event that Datang Finance Company is in urgent difficulty in making payment, CDC will increase Datang Finance Company’s capital accordingly based on the actual need.

The Directors (excluding the independent non-executive Directors, whose views will be contained in the circular after considering the advice from the Independent Financial Adviser) consider that the above proposed annual caps in respect of the provision of deposit services are fair and reasonable and in the interests of the Shareholders as a whole.

Loan Services:

In view of the fact that the loan services to be provided by Datang Finance Company to the Group are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for similar services in the PRC, and that no security over the assets of the Group will be granted in respect of the loan services, the loan services are fully exempt from the requirements of reporting, announcement and the Independent Shareholders’ approval pursuant to Rule 14A.90 of the Listing Rules. No cap has been set for such services. The loan services do not include entrusted loan services. The Directors (including the independent non-executive Directors) consider that the loan services to be provided under the 2019 Financial Services Agreement are fair and reasonable, on normal commercial terms and in the interests of the Shareholders as a whole.

The internal control procedures adopted by the Company in relation to the loan services include, among other things, that during a certain period of time before the financing, the Company will take the initiative to locate financing institutions, make enquiries about the financing costs, and undergo comprehensive comparison according to the preferential conditions, interest rates and financing procedures offered by each financial institution during the negotiation process to determine the most desirable choice, thereby ensuring that the financing is the most cost-effective to the Company.

Other Financial Services:

Apart from the deposit services and the loan services, the other financial services which may be provided by Datang Finance Company to the Group mainly include entrusted loans services, finance leasing services, bill acceptance and discounting services, and so forth.

The other financial services to be provided under the 2019 Financial Services Agreement will be on normal commercial terms and on terms similar to or even more favourable than those offered by other commercial banks for similar services in the PRC. The Directors (including the independent non-executive Directors) consider that the other financial services to be provided under the 2019 Financial Services Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

The Company expects that the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the total fees payable by the Company to Datang Finance Company is below the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules and, therefore, is fully exempt from the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules. The Company will comply with the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules if the transaction amount of the other financial services to be provided by Datang Finance Company to the Group under the 2019 Financial Services Agreement exceeds the relevant threshold.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2019 FINANCIAL SERVICES AGREEMENT

By entering into the 2019 Financial Services Agreement, the Group is able to strengthen the capital management and control as well as the account management via the capital management platform of Datang Finance Company, which would further increase the utilisation efficiency of capital as well as lower and prevent financial risks.

Furthermore, the entering into of the 2019 Financial Services Agreement supplements the financing needs of the Group effectively. By broadening the Group's financing channels through Datang Finance Company, there would be an increase in the source of funds which would elevate the level and efficiency of overall operations of enterprise capital, and which would strengthen the bargaining power of the Group in respect of external financing.

Meanwhile, the 2019 Financial Services Agreement enables the Company to obtain higher interest rates for deposits than those in the market and to enjoy payment and settlement services at zero rate, thereby increasing the interest income on deposits and saving settlement costs, which could increase the operating profits of the Company.

In view of the reasons above, the Directors (excluding the independent non-executive Directors whose views will be contained in the circular after considering the advice from the Independent Financial Adviser) consider that the capital risk control measures under the 2019 Financial Services Agreement

are adequate to prevent the risks involved in depositing the funds of the Group at Datang Finance Company and that the 2019 Financial Services Agreement and the transactions contemplated thereunder are fair and reasonable, have been entered into 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 the Shareholders as a whole.

APPROVAL OF THE BOARD

The third meeting of the tenth session of the Board (including the independent non-executive Directors) has considered and approved the “Resolution on Entering into Financial Services Agreement with China Datang Group Finance Co., Ltd”, details of which were set out in the overseas regulatory announcement of the Company dated 30 August 2019 in relation to the resolutions of the Board.

None of the Directors has any material interest in the 2019 Financial Services Agreement. Those connected Directors, including Mr. Chen Feihu and Mr. Wang Sen, have abstained from voting on the relevant resolution in accordance with the requirements of the listing rules of the Shanghai Stock Exchange.

INFORMATION OF THE RELEVANT PARTIES

1. The Company was established in December 1994 and is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power, the repair and maintenance of power equipment and power-related technical services. The Company mainly provides services 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 the export and import of various commodities and technologies for itself or as an agent.
3. Datang Finance Company is a non-banking financial institution established on 10 May 2005 in the PRC with registered capital of approximately RMB4.87 billion. Its principal businesses include the provision of deposit services, loan services, entrusted loan services and entrusted investment services. Datang Finance Company is owned by CDC as to 73.51% and by the Company as to 16.95%. The remaining equity interest of Datang Finance Company is held by the other subsidiaries of CDC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CDC, the controlling shareholder of the Company, together with its subsidiaries hold approximately 53.09% of the issued share capital of the Company. Since Datang Finance Company is a subsidiary of CDC, Datang Finance Company is a connected person of the Company and the 2019 Financial Services Agreement and the transactions thereunder constitute continuing connected transactions of the Company.

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the provision of deposit services under the 2019 Financial Services Agreement is more than 5%, the provision of deposit services under the 2019 Financial Services Agreement is subject to the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the provision of deposit services under the 2019 Financial Services Agreement is more than 25%, such transaction constitutes a major transaction of the Company and is subject to the requirements of reporting, announcement and Shareholders' approval under Chapter 14 of the Listing Rules.

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The Company expects that the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the total fees payable by the Company to Datang Finance Company in respect of the provision of other financial services under the 2019 Financial Services Agreement is below the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules and, therefore, is fully exempt from the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules. The Company will comply with the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules if the transaction amount of other financial services to be provided by Datang Finance Company to the Group under the 2019 Financial Services Agreement exceeds the relevant threshold.

CONNECTED PERSONS WHO ARE REQUIRED TO ABSTAIN FROM VOTING ON THE RESOLUTIONS

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transaction and its associates will abstain from voting at the general meeting to be held by the Company to, including but not limited to, consider and approve the provision of deposit services under the 2019 Financial Services Agreement. Therefore, CDC and its associates shall abstain from voting at the general meeting to consider and approve the provision of deposit services under the 2019 Financial Services Agreement.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the terms of the provision of deposit services under the 2019 Financial Services Agreement.

The Company has appointed Fortune Financial Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the provision of deposit services under the 2019 Financial Services Agreement.

DESPATCH OF CIRCULAR

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“2016 Financial Services Agreement”	the financial services agreement entered into between the Company and Datang Finance Company on 11 November 2016
“2019 Financial Services Agreement”	the financial services agreement entered into between the Company and Datang Finance Company on 16 October 2019
“Board”	the board of Directors

“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CDC”	China Datang Corporation, Ltd., a wholly state-owned company established under the laws of the PRC and is the controlling shareholder of the Company. CDC, together with its subsidiaries, hold a total of approximately 53.09% of the issued share capital of the Company as at the date of this announcement. For details, please refer to the section headed “Information of the Relevant Parties” of this announcement
“Company”	Datang International Power Generation Co., Ltd., a sino-foreign joint stock limited company incorporated in the PRC on 13 December 1994, whose H Shares are listed on the Stock Exchange and the London Stock Exchange and whose A Shares are listed on the Shanghai Stock Exchange. For details, please refer to the section headed “Information of the Relevant Parties” of this announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Datang Finance Company”	China Datang Group Finance Co., Ltd. (中國大唐集團財務有限公司), a company established under the laws of the PRC and a subsidiary of CDC. For details, please refer to the section headed “Information of the Relevant Parties” of this announcement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Liu Jizhen, Mr. Feng Genfu, Mr. Luo Zhongwei, Mr. Liu Huangsong and Mr. Jiang Fuxiu, established to advise the Independent Shareholders in respect of the provision of deposit services under the 2019 Financial Services Agreement

“Independent Financial Adviser”	Fortune Financial Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the provision of deposit services under the 2019 Financial Services Agreement
“Independent Shareholder(s)”	Shareholder(s) other than CDC, its associates and any other Shareholder with a material interest in the provision of deposit services under the 2019 Financial Services Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PBOC”	the People’s Bank of China
“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)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
Jiang Jinming
Company Secretary

Beijing, the PRC, 16 October 2019

As at the date of this announcement, the Directors of the Company are:

Chen Feihu, Wang Sen, Wang Xin, Liang Yongpan, Ying Xuejun, Zhu Shaowen, Cao Xin, Zhao Xianguo, Zhang Ping, Jin Shengxiang, Liu Jizhen*, Feng Genfu*, Luo Zhongwei*, Liu Huangsong*, Jiang Fuxiu**

* *Independent non-executive Directors*