

TRINITY

Trinity Corporate Finance Limited
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Hong Kong.

17 April 2024

To the Independent Board Committee and the Independent Shareholders of

China Datang Corporation Renewable Power Co., Limited

Dear Sirs,

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION – CAPITAL INCREASE 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 Capital Increase Agreement, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) in the Company’s circular dated 17 April 2024 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, Datang Renewables HK is a wholly-owned subsidiary of the Company. Since CDC directly and indirectly holds approximately 65.61% of the issued share capital of the Company, it is a controlling shareholder of the Company as defined under the Listing Rules. Datang Hainan is a wholly-owned subsidiary of CDC, and thus Datang Hainan is a connected person of the Company. Therefore, the Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all entered into within a 12-month period or were otherwise related. The counterparties to the Capital Increase and the Previous Transactions are all CDC and/or its subsidiaries and such transactions are similar in nature and shall be aggregated. As the highest applicable percentage ratio in respect of the Capital Increase upon aggregation with the Previous Transactions exceeds 5%, the Capital Increase shall be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, pursuant to Rule 14.22 of the Listing Rules, a series of transactions will be aggregated and treated as if they were one transaction if they were all entered into within a 12-month period or were otherwise related. The counterparties to the Capital Increase and the Previous Transactions are all CDC and/or its subsidiaries and such transactions are similar in nature and shall be aggregated. As the highest applicable percentage ratio in respect of the Capital Increase upon aggregation with the Previous Transaction exceeds 5% but is less than 25%, the Capital Increase constitutes a discloseable transaction of the Company, and shall be subject to the reporting and announcement requirements but is exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

In view of the material interest of CDC in the Capital Increase, CDC (holding an aggregate of approximately 65.61% of the total issued share capital of the Company as at the Latest Practicable Date) and its associate are required to abstain from voting on the resolution to be proposed by the Company at the EGM to approve the transaction contemplated under the Capital Increase Agreement.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, save as disclosed in the Circular, no other Shareholders will be required to abstain from voting in respect of the related resolution.

Directors Mr. Li Kai, Mr. Yu Fengwu, Ms. Zhu Mei, Mr. Wang Shaoping and Mr. Shi Feng, being the connected Directors by virtue of their positions in CDC Group, have abstained from voting on the relevant Board resolution in respect of considering and approving the transaction contemplated under the Capital Increase Agreement at the Board meeting. Save as disclosed above, none of the Directors has any material interest in the transactions contemplated under the Capital Increase Agreement and was required to abstain from voting on the relevant Board resolution.

An Independent Board Committee comprising of all the independent non-executive Directors has been formed to advise the Independent Shareholders in connection with the Capital Increase. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, Trinity Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Trinity Corporate Finance Limited. In the last two years, Trinity Corporate Finance Limited has acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company regarding the major transaction and continuing connected transaction in relation to the renewal of financial services agreement and the major transaction and continuing connected transaction in relation to the renewal of finance lease business framework agreement (details of which were set out in the circular of the Company dated 30 November 2023). Apart from normal professional fees paid or payable to us in connection with such appointments, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

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 transactions contemplated under the Capital Increase Agreement.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Capital Increase 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.

In accordance with Rule 13.80 of the Listing Rules, to formulate our opinion, we have independently reviewed, inter alia, the 2022 annual report and the 2023 interim report of the Company, the Company's announcement of power generation for January 2024 dated 22 February 2024 and the Letter from the Board.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Capital Increase Agreement, we have taken into account the following principal factors and reasons:

A. Background of the Company and Relevant Parties

Information on the Company

The Company is a joint stock limited company incorporated in the PRC in September 2004. The Group is primarily engaged in the development, investment, construction and management of wind power and other renewable energy sources; research and development, application and promotion of low carbon technology; research, sale, testing and maintenance of renewable energy-related equipment; power generation; design, construction and installation, repair and maintenance of domestic and overseas power projects; import and export services of renewable energy equipment and technology; foreign investment; renewable energy-related consulting services.

Information on Datang Renewables HK

Datang Renewables HK is a company with limited liability incorporated in Hong Kong in January 2011 and a wholly-owned subsidiary of the Company. It is principally engaged in power and energy project related businesses.

Information on Datang Hainan

Datang Hainan is a company incorporated in the PRC with limited liability in November 2017 and a wholly-owned subsidiary of CDC. The scope of business of Datang Hainan mainly covers: development, investment, construction, operation and management of power (thermal) energy; organization of power (thermal) production, operation and sale; examination and repair, commissioning, operation and maintenance of power equipment and facilities; technical development and consulting services for power and other energy; sale of equipment and materials for power and other energy; transportation and sale of coal fuel; leasing of owned assets.

B. Principal Terms of the Capital Increase Agreement

(1) Capital Increase Agreement

As mentioned in the Letter from the Board, on 8 April 2024, the Company entered into the Capital Increase Agreement with Datang Renewables HK and Datang Hainan in relation to, among others, the capital contribution by the parties in the sum of RMB2,700 million to Datang Danzhou in proportion to their respective shareholdings in Datang Danzhou to meet the needs of Datang Danzhou Offshore Wind Power Project. Upon completion of the Capital Increase, the parties' respective shareholding ratios in Datang Danzhou shall remain unchanged. The major terms of the Capital Increase Agreement are as follows:

Date	8 April 2024
Parties	(i) the Company;
	(ii) Datang Renewables HK; and
	(iii) Datang Hainan.

Total Investment Amount

The total investment amount shall be subject to the approval of the relevant investment decision(s) (currently estimated to be not more than RMB14,000 million), and the project capital (i.e. the sum of the registered capital immediately prior to the completion of the Capital Increase and the amount of the Capital Increase) is RMB2.8 billion. The difference between the total investment amount and the project capital shall be made up for by way of project financing. If the relevant lending bank makes a request for provision of guarantee, the parties will provide guarantee for such financing loan of Datang Danzhou in proportion to their respective shareholdings in Datang Danzhou. The Company expects that if the Company and Datang Renewables HK provide guarantee for the financing loan of Datang Danzhou, such guarantee will be conducted on normal commercial terms and in proportion to their shareholdings in Datang Danzhou. Therefore, the aforesaid guarantee is exempt from the reporting, announcement and Independent Shareholders' approval requirements in accordance with Rule 14A.89 of the Listing Rules.

Nature of the Transaction

1. The parties agreed to make capital contribution in cash in the sum of RMB2,700 million to Datang Danzhou in proportion to their existing shareholdings in Datang Danzhou. Among which, the Company agreed to make capital contribution of RMB1,485 million, Datang Renewables HK agreed to make capital contribution of RMB270 million, and Datang Hainan agreed to make capital contribution of RMB945 million.

The total amount of the Capital Increase was determined after arm's length negotiations among the parties and with reference to, among other things, the results of the calculation of (i) the unit kilowatt cost under the dynamic total investment of Datang Danzhou Offshore Wind Power Project amounting to no more than RMB12,000 per kilowatt (including costs of pre-feasibility study, sea use, land use, environmental impact assessment, financial expenses, etc.), (ii) the total generation capacity of Datang Danzhou Offshore Wind Power Project of 1.2 million kilowatts; and (iii) the percentage of the project capital in the total investment amount being 20%. In accordance with the relevant provisions of the Notice of the State Council on the Trial Implementation of the Capital Fund System for Fixed Asset Investment Projects (Guo Fa [1996] No. 35) and the Notice of the State Council on Adjusting and Improving the Capital Fund System for Fixed Asset Investment Projects (Guo Fa [2015] No. 51), the minimum capital ratio for fixed assets investment projects in the power industry is 20%. We consider that it is fair and reasonable so far as the Independent Shareholders are concerned for the Capital Increase to be based on, among other things, the expected cost for the total generation capacity of Datang Danzhou Offshore Wind Power Project subject to the minimum capital ratio of 20% under the relevant State Council notice referred to above.

Under the Capital Increase, the parties will make capital contribution in the same proportion based on their respective shareholding ratio in Datang Danzhou at a price of RMB1 for subscription of additional registered capital of RMB1.

The amounts of registered capital contributed by, and the shareholding ratios of, the parties immediately prior to and after the completion of the Capital Increase are set out as below:

Name of shareholder	Registered capital prior to the completion of the Capital Increase (RMB '000)	Shareholding ratio prior to the completion of the Capital Increase %	Amount of the Capital Increase (RMB '000)	Registered capital after the completion of the Capital Increase (RMB '000)	Shareholding ratio after the completion of the Capital Increase %
The Company	55,000	55%	1,485,000	1,540,000	55%
Datang Renewables HK	10,000	10%	270,000	280,000	10%
Datang Hainan	35,000	35%	945,000	980,000	35%
Total	100,000	100%	2,700,000	2,800,000	100%

2. Way of capital contribution: contribution in self-owned fund by each party.
3. Timing for making the capital contribution: The parties shall pay the capital contributions in batches following the progress in the development and construction of Datang Danzhou Offshore Wind Power Project and based on the applications for the capital requirements by Datang Danzhou and shall pay the amount of capital contribution they have subscribed for in full by 31 December 2027.

We note that under the Capital Increase Agreement, the Company together with Datang Renewables HK and Datang Hainan will make capital contributions in the sum of RMB2,700 million to Datang Danzhou in proportion to their respective shareholdings in Datang Danzhou Offshore Wind Power Project and upon completion of the Capital Increase, the parties' respective shareholding ratios in Datang Danzhou shall remain unchanged. On the basis that the Company's capital contribution is in proportion to its shareholding in Datang Danzhou Offshore Wind Power Project and upon completion of the Capital Increase, the Company's shareholding ratio in Datang Danzhou shall remain unchanged, we consider that the Capital Increase is fair and reasonable and on normal commercial terms.

As stated above, if the relevant lending bank(s) for project finance makes a request for the provision of guarantee, the parties will provide guarantee for the financing loans of Datang Danzhou in proportion to their respective shareholdings in Datang Danzhou. On the basis that any guarantees will be provided by the Company in proportion to its shareholding in Datang Danzhou, we consider that this is fair and reasonable so far as Independent Shareholders are concerned.

Also, we are of the view that, as the timing for making the capital contributions are in line with the progress of the development and construction of Datang Danzhou Offshore Wind Power Project on or before 31 December 2027, such arrangement is considered fair and reasonable and will minimise the cash burden to the Group if compared with making one-off payment at the time of setup of the joint venture.

Effective Date of the Capital Increase Agreement

The Capital Increase Agreement shall become effective when it is duly signed by the relevant legal representatives or authorised representatives of the parties and affixed with their respective company chops, and has been considered and approved by the Independent Shareholders at the EGM.

(2) Information on Datang Danzhou

Datang Danzhou is a company incorporated in the PRC with limited liability on 31 January 2024, and is respectively held as to 55%, 10% and 35% by the Company, Datang Renewables HK and Datang Hainan. Datang Danzhou is primarily engaged in power generation business, power transmission business, power supply (distribution) business; construction engineering construction (except for nuclear power station construction and operation and civil airport construction); inspection and testing services; wind power technical services; wind farm-related system research and development; offshore wind power-related system research and development; energy storage technical services; seawater desalination treatment; electrical equipment repair, etc.

As Datang Danzhou is a newly incorporated company, no financial information for the past two financial years is available.

For further information in relation to Datang Danzhou, please refer to the announcement of the Company dated 28 December 2023, in relation to, among others, the establishment of Datang Danzhou with joint contribution by the Company, Datang Renewables HK and Datang Hainan.

C. Reasons for and benefits of entering into the Capital Increase Agreement

According to the Letter from the Board, up to now, the Group has not commissioned any new energy projects in Hainan. The cooperation with Datang Hainan will be conducive to leveraging Datang Hainan's geographical advantages and past experience in developing new energy projects in Hainan to improve the Group's development efficiency in Hainan, promote the Group's active participation in the construction of large base projects in Hainan, achieve a zero breakthrough in new energy projects in Hainan for the Group, and bring new opportunities for the subsequent development of new energy projects in Hainan.

We have reviewed the Company's announcement of power generation for January 2024 dated 22 February 2024 and confirm that the Company does not currently have any new energy projects in Hainan. Therefore, cooperation with Datang Hainan which has geographical advantage and past experience in developing new energy projects in Hainan will be beneficial to the Group.

The Directors also consider that the entering into of the Capital Increase Agreement is conducive to promoting the development and construction of Datang Danzhou Offshore Wind Power Project, which is in line with the Company's development strategy and the national development objectives of "carbon peaking and carbon neutrality", and is conducive to boosting the Company's attributable installed capacity and supporting the high-quality development of the Company.

In addition, the capital injection into Datang Danzhou for project construction enables the Group (as the controlling investor) to expand the consolidated installed capacity of the Company, further give play to its financing capabilities in capital market and expand production, so as to better deliver return to investors of the Company.

We have discussed with the Company and understand that it has taken into account of the expected progress of Datang Danzhou Offshore Wind Power Project and that it has sufficient financial resources to finance its share of the capital contributions. We have also reviewed the 2023 unaudited interim report of the Company and confirm that the Group had cash and cash equivalents of approximately RMB2.44 billion as at 30 June 2023 and will be able to finance its capital contribution of RMB1.485 billion by its own resources over the next few financial years on or before 31 December 2027.

Accordingly, we concur with the view of the Directors (excluding connected Directors, but including the independent non-executive Directors) that, although the Capital Increase is not conducted in the ordinary and usual course of business of the Company, the terms of the Capital Increase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

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

- (1) the principal businesses of the Company, Datang Renewables HK and Datang Hainan;
- (2) the nature of the transaction, including the basis of determination for the amount of the Capital Increase;
- (3) the fact that, upon completion of the Capital Increase, the parties' respective shareholding ratios in Datang Danzhou shall remain unchanged; and
- (4) the reasons for and benefits of entering into the Capital Increase Agreement;

we are of the opinion that the terms of the Capital Increase Agreement are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned, although the Capital Increase Agreement is not conducted in the ordinary and usual course of business of the Company, and the entering into of the Capital Increase 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 to approve the Capital Increase Agreement at the EGM.

Yours faithfully,
For and on behalf of

Trinity Corporate Finance Limited



Joanne Pong
Responsible Officer