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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 your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Datang Corporation Renewable Power Co., Limited\***, you should at once hand this circular and the form of proxy and reply slip despatched to Shareholders on 21 October 2020 to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**中国大唐集团新能源股份有限公司**

China Datang Corporation Renewable Power Co., Limited\*

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 01798)**

**(1) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION –  
RENEWAL OF FINANCIAL SERVICES AGREEMENT**  
**(2) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION –  
ENTERING INTO THE FINANCE LEASE BUSINESS  
FRAMEWORK AGREEMENT**  
**AND**  
**NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING IN 2020**

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



**Gram Capital Limited**  
**嘉林資本有限公司**

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A letter from the Board is set out on pages 1 to 24 of this circular. A letter from the Independent Board Committee, containing its advice to the Independent Shareholders, is set out on pages 25 to 26 of this circular. A letter from Gram Capital, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 27 to 45 of this circular.

The Company will convene the EGM at 10:00 a.m. on Monday, 7 December 2020 at Building 1, No. 1 Caishikou Street, Xicheng District, Beijing, the PRC. Notice of the EGM is set out on pages 54 to 55 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the form of proxy dispatched to Shareholders on 21 October 2020 in accordance with the instructions printed thereon. For holders of H Shares, the form of proxy should be returned to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited and for holders of Domestic Shares, the form of proxy should be returned to the Company's head office in the PRC, provided that the registered Shareholders and HKSCC Nominees Limited receiving the voting instructions from non-registered Shareholders shall return the completed form of proxy in person or by post by not less than 24 hours before the time fixed for holding the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting thereof should you so wish.

As set out in the reply slip of the EGM dispatched to Shareholders on 21 October 2020, if you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to (for holders of H Shares) the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited or (for holders of Domestic Shares) to the Company's head office in the PRC on or before Tuesday, 17 November 2020.

13 November 2020

\* For identification purpose only

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS .....</b>	ii
<b>LETTER FROM THE BOARD .....</b>	1
INTRODUCTION .....	1
MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION – RENEWAL OF FINANCIAL SERVICES AGREEMENT .....	2
MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION – ENTERING INTO THE FINANCE LEASE BUSINESS FRAMEWORK AGREEMENT.....	12
EGM .....	23
VOTING BY POLL AT EGM.....	23
RECOMMENDATION .....	23
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE.....</b>	25
<b>LETTER FROM GRAM CAPITAL.....</b>	27
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP .....</b>	46
<b>APPENDIX II – STATUTORY AND GENERAL INFORMATION.....</b>	49
<b>NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING IN 2020 .....</b>	54

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## DEFINITIONS

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

“Articles”	the articles of association of the Company (as amended, modified or otherwise supplemented from time to time)
“associate(s)”	has the meaning ascribed under the Listing Rules
“Board”	the board of directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“CDC”	China Datang Corporation Ltd.* (中國大唐集團有限公司), a state-owned enterprise incorporated in 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
“CDC Capital Holding”	China Datang Corporation Capital Holding Co. Limited* (中國大唐集團資本控股有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CDC
“CDC Group”	CDC and its subsidiaries, excluding the Group
“China” or “PRC”	the People’s Republic of China, excluding Hong Kong, the Macao Special Administrative Region and Taiwan for the purpose of this circular
“Company”	China Datang Corporation Renewable Power Co., Limited* (中國大唐集團新能源股份有限公司), a joint stock limited company incorporated in the PRC and its H Shares are listed on the Stock Exchange (stock code: 01798)
“connected directors”	any director who is considered to have a material interest in the Financial Services Agreement and the Finance Lease Business Framework Agreement pursuant to Rules 2.15 and 2.16 of the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Datang Finance”	China Datang Finance Co., Ltd.* (中國大唐集團財務有限公司), a company incorporated in the PRC with limited liability and a controlling subsidiary of CDC
“Datang Jilin”	Datang Jilin Power Generation Company Limited* (大唐吉林發電有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CDC
“Datang Ocean Energy”	China Datang Corporation Ocean Energy Industry Co., Ltd.* (中國大唐集團海洋能源產業有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CDC
“Datang Shanghai Branch”	China Datang Corporation Ltd. Shanghai branch* (中國大唐集團有限公司上海分公司), a company incorporated in the PRC with limited liability and a branch of CDC
“DFL”	Datang Finance Leasing Co., Ltd.* (大唐融資租賃有限公司), a company incorporated in the PRC with limited liability and a subsidiary of CDC Capital Holding
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the ordinary share(s) of nominal value of RMB1.00 each in the share capital of the Company which are subscribed for and credited as fully paid in RMB by PRC citizens and/or PRC incorporated entities
“EGM”	the second extraordinary general meeting in 2020 to be held by the Company at Building 1, No. 1 Caishikou Street, Xicheng District, Beijing, the PRC at 10:00 a.m. on Monday, 7 December 2020
“Finance Lease”	the provision of finance lease on any Leasing Equipment by the lessor to any member of the Group pursuant to the Finance Lease Business Framework Agreement and other related services as may be agreed between the lessor and any member of the Group or the Company

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## DEFINITIONS

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“Finance Lease Business Framework Agreement”	the finance lease business framework agreement entered into by the Company and CDC Capital Holding on 20 October 2020
“Financial Services Agreement”	the financial services agreement entered into by the Company and Datang Finance on 20 October 2020
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Stock Exchange (stock code: 01798)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	Independent Board Committee of the Company, comprising Mr. Liu Chaoan, Mr. Lo Mun Lam, Raymond and Mr. Yu Shunkun, all being independent non-executive Directors of the Company, which has been formed to advise the Independent Shareholders in respect of the deposit services under the Financial Services Agreement and the transactions contemplated under the Finance Lease Business Framework Agreement and their proposed annual caps
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the deposit services under the Financial Services Agreement and the transactions contemplated under the Finance Lease Business Framework Agreement and their proposed annual caps
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM or any adjourned meeting thereof for the relevant resolutions in respect of the deposit services under the Financial Services Agreement and the transactions contemplated under the Finance Lease Business Framework Agreement and their proposed annual caps
“Latest Practicable Date”	10 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

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## DEFINITIONS

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“Leasing Equipment”	any turbine, machinery, equipment or other property to be leased to the members of the Group or the Company by the lessor or to be sold by the members of the Group or the Company to, and then leased back from the lessor
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or revised in other ways from time to time)
“major transaction(s)”	has the meaning ascribed under the Listing Rules
“PBOC”	People’s Bank of China (中國人民銀行), the central bank 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 Leasing Company”	Shanghai Datang Finance Leasing Co., Ltd.* (上海大唐融資租賃有限公司), a company incorporated in the PRC with limited liability and a subsidiary of CDC Capital Holding
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed under the Listing Rules
“%”	per cent

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## LETTER FROM THE BOARD

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### 中国大唐集团新能源股份有限公司

China Datang Corporation Renewable Power Co., Limited\*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01798)

*Non-executive Directors:*

Mr. Kou Wei (*Chairman*)  
Mr. Hu Shengmu (*Vice Chairman*)  
Mr. Li Yi  
Mr. Liu Baojun

*Executive Directors:*

Mr. Liu Guangming  
Mr. Meng Lingbin

*Independent Non-executive Directors:*

Mr. Liu Chaoan  
Mr. Lo Mun Lam, Raymond  
Mr. Yu Shunkun

*Registered office in the PRC:*

Room 6197, 6/F, Building 4  
Courtyard 49, Badachu Road  
Shijingshan District  
Beijing  
PRC

*Head office in the PRC:*

8/F, Building 1  
No. 1 Caishikou Street  
Xicheng District  
Beijing  
PRC

*Principal place of business in Hong Kong:*

40/F, Sunlight Tower  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

13 November 2020

*To the Shareholders:*

**(1) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION –  
RENEWAL OF FINANCIAL SERVICES AGREEMENT  
(2) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION –  
ENTERING INTO THE FINANCE LEASE BUSINESS  
FRAMEWORK AGREEMENT  
AND  
NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING IN 2020**

### INTRODUCTION

The purpose of this circular is to provide you with further information on the following resolutions, so as to enable you to make informed decisions on whether to vote for or against the resolutions to be proposed at the EGM for the relevant matters:

1. To consider and approve the resolution in relation to the deposit services under the Financial Services Agreement and their proposed annual caps; and
2. To consider and approve the resolution in relation to the transactions contemplated under the Finance Lease Business Framework Agreement and their proposed annual caps.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### 1. MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION – RENEWAL OF FINANCIAL SERVICES AGREEMENT

Reference is made to the announcement dated 20 October 2020 of the Company in respect of, among others, the renewal of Financial Services Agreement between the Company and Datang Finance. The below set out the information for your perusal when considering the resolution in relation to the deposit services under the Financial Services Agreement and their proposed annual caps.

#### (1) Financial Services Agreement

Further references are made to the announcements of the Company dated 12 May 2017 and 23 August 2018, respectively and the circulars dated 2 June 2017 and 21 September 2018 in relation to entering into the financial services agreement and the supplement agreement of the financial services agreement between the Company and Datang Finance. As the agreements and annual caps of such continuing connected transactions will expire on 31 December 2020, the Company and Datang Finance renewed the Financial Services Agreement on 20 October 2020. The major terms of the Financial Services Agreement are as follows:

<b>Date</b>	20 October 2020
<b>Parties</b>	(i) the Company  (ii) Datang Finance
<b>Term of the agreement</b>	From 1 January 2021 to 31 December 2023
<b>Nature of transaction</b>	The services to be provided by Datang Finance to the Group include deposits from customers; management of the intra-group entrusted loans; management of the consultation and agency businesses in relation to finance and financing advisers, guarantee trust and others; assistance in the receipt and payment of transaction proceeds; approved insurance agency business; provision of guarantee; management of the bill acceptance and discount services; management of the intra-group transfer and relevant settlement and settlement scheme design; management of the financial services including loans and finance lease; provision of underwriting advisory services concerning the issuance of corporate bonds by enterprises. Datang Finance shall ensure the safety operation of fund management system to protect the fund safety, and to control the asset liabilities risk so as to satisfy the payments needs of the Group.



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## LETTER FROM THE BOARD

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**Scope of services:**

- (1) Loan services;
- (2) Deposit services; and
- (3) Apart from the loan services and the deposit services, the other financial services provided by Datang Finance to the Group mainly include management of the intra-group entrusted loans; management of the consultation and agency businesses in relation to finance and financing advisers, guarantee trust and others; assistance in the receipt and payment of transaction proceeds; approved insurance agency business; provision of guarantee; management of the bill acceptance and discount services; management of the intra-group transfer and relevant settlement and settlement scheme design; management of the financial services including finance lease; provision of underwriting advisory services concerning the issuance of corporate bonds by enterprises (“**Other Financial Services**”).

**Conditions precedent**

The Financial Services Agreement shall become effective upon the Independent Shareholders’ approval of the deposit services thereunder and its proposed annual caps.

**(2) Pricing Policy**

Datang Finance has undertaken to provide the aforementioned financial services to the Group based on the following pricing policies:

- (1) within the range for the floating deposit interests rates published by the PBOC and by reference to the benchmark deposit interest rate published by the PBOC, the deposit interest rate provided by Datang Finance to the Group shall not be lower than the equivalent deposit interest rate as offered by the independent domestic commercial banks in the PRC;
- (2) within the range for the floating loan interests rates published by the PBOC and by reference to the benchmark loan interest rate published by the PBOC, the loan interest rate granted by Datang Finance to the Group shall not be higher than the equivalent loan interest rate for the same type of loan service to members of CDC Group as charged by the independent domestic commercial banks in the PRC;

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## LETTER FROM THE BOARD

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- (3) the fees charged by Datang Finance for its provision of other financial services to the Group should not be higher than the rates charged by the other independent domestic financial institutions in the PRC for the services of the same or similar kind; and
- (4) the settlement expenses resulting from the funds settlement services provided by Datang Finance to the Group shall be borne by Datang Finance.

**(3) Historic Amount**

Pursuant to the financial services agreement and the supplement agreement of the financial services agreement entered into between the Company and Datang Finance on 27 March 2015, 12 May 2017 and 23 August 2018, the annual caps of the daily maximum deposit balance placed by the Group with Datang Finance amounted to RMB1 billion, RMB6 billion, RMB6 billion and RMB6 billion for the four years ending 31 December 2020, respectively.

For the three years ended 31 December 2019 and the eight months ended 31 August 2020, the actual daily maximum deposit balance (including any interest accrued thereon) of the Group at Datang Finance amounted to RMB989.78 million, RMB2,829.68 million, RMB3,514 million and RMB3,195 million, respectively.

**(4) Proposed Annual Caps and the Basis of Determination**

***Loan Services***

In view that the loan services to be provided by Datang Finance to the Group are on normal commercial terms (or more favourable terms as to the Group) and that no security over the assets of the Group will be granted in respect of the loan services, the loan services could be exempt from reporting, announcement, annual review and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules. Datang Finance will grant integrated credit facilities of RMB 4 billion to the Group for each of the three years ending 31 December 2023, respectively.

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## LETTER FROM THE BOARD

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### *Deposit Services*

The Company proposes to set the daily maximum deposit balance (including any interest accrued thereon) at Datang Finance as RMB6 billion for each of the three years ending 31 December 2023 after taking into account of the following:

- (i) The daily maximum deposit balances (including any interest accrued thereon) of the Group at Datang Finance for the two years ended 31 December 2019 were RMB2.829 billion and RMB3.514 billion, respectively; and the daily maximum deposit balance (including any interest accrued thereon) placed by the Group with Datang Finance for the eight months ended 31 August 2020 was RMB3.195 billion, which indicated a relatively low utilisation rate of the existing annual caps for the years 2018 to 2020. However, with the development of factoring business and the timely receipt of subsidized electricity charges, the book deposits of the Company is expected to increase, and therefore the utilisation rate of the deposit caps from 2021 to 2023 will increase accordingly;
- (ii) The historic and expected revenue of the Group: partial revenue acquired by the Group is generally reflected as the deposits of the Company in the Bank and Datang Finance. The increase in the revenue will directly impact the deposit balance of the Group's deposits in the Bank and Datang Finance. The Group's revenue increased by 0.06% year-on-year in 2019 from 2018, among which, the Group's revenue from sales of electricity increased by 0.18% year-on-year to RMB8,251.39 million in 2019 from RMB8,236.59 million in 2018. The Group's revenue is expected to continue to increase due to the further mitigation of the curtailment of wind power and the increase of the production capacity;
- (iii) The Group's cash and cash equivalents and trade and bills receivables (which may turn into cash upon receipt) as at 30 June 2020 are approximately RMB5.948 billion and RMB11.827 billion respectively, the sum of which (i.e. approximately RMB17.775 billion) is much higher than RMB6 billion; if trade and bills receivables are concentrated or available in short term, the amount of cash will increase substantially, which will lead to the increase in the Group's deposits; and
- (iv) According to the new energy business development plan of the Group, the expansion of the scale of the projects under construction and installed capacity of the Group will lead to an increase in the demand for loans for projects under construction and the operating capital for projects that have been put into production, which will result in the increase of the size of debt financing and cash balance of the Group and will also increase the daily maximum balance of the Group's deposits with Datang Finance.

The Directors (including the independent non-executive Directors) consider that the above proposed deposit caps in respect of the deposit services are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### *Other Financial Services*

The Company expects that each of the percentage ratios applicable to the total fees payable by the Group to Datang Finance in respect of other financial services will be less than the de minimis threshold as set out in Rule 14A.76 of the Listing Rules. The Company will comply with the reporting, announcement, annual review and Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules if the transaction amount of the other financial services to be provided by Datang Finance to the Group under the Financial Services Agreement exceeds the relevant threshold.

#### **(5) Reasons for and Benefits of the Entering into of the Financial Services Agreement**

By entering into the Financial Services Agreement with Datang Finance, the Group is able to secure loans and other financing services at interest rates not higher than those offered by domestic commercial banks in the PRC under the same conditions during the same period, which assists in improving the overall standard of fund operation of the Company and enhancing the Group's bargaining power of external financing. The entering into the Financial Services Agreement can also enable the Company to secure interest rates for deposits not lower than those offered by domestic commercial banks in the PRC under the same conditions during the same period and enjoy payment and settlement services with no handling fee, thereby increasing interest income on deposits and saving e-settlement costs. Due to the long-term relationship between the Group and Datang Finance, the Group expects that it will benefit from Datang Finance, which is familiar with the industry and operation of the Group. Through cooperation between each other for many years, Datang Finance is familiar with the capital structure, business operation, financing needs, mode of cash flow and cash management of the Group, as well as the Group's entire financial management system, so it will be an advantage to provide the Group with more appropriate, effective and flexible services when compared with the independent domestic commercial banks in the PRC.

The Directors (including the independent non-executive Directors) consider that it is beneficial to the Company to continue to enter into the continuing connected transactions as these transactions have facilitated and will continue to facilitate the operation and growth of the Company's business. Additionally, the Directors (including the independent non-executive Directors) believe that these transactions will continue to be conducted in the ordinary and usual course of business of the Company on normal commercial terms or on terms no less favourable than those available to the Company from independent third parties and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### (6) Listing Rules Implications

As CDC directly and indirectly holds approximately 65.61% of the issued share capital of the Company as at the Latest Practicable Date, it is a controlling shareholder as defined under the Listing Rules and thus a connected person of the Company. Datang Finance is a subsidiary of CDC, and is therefore a connected person of the Company. Accordingly, the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

#### *Loan Services*

In respect of the loan services to be provided by Datang Finance to the Group, as the loan services are entered into on normal commercial terms (or more favourable commercial terms as to the Group) and no security over the assets of the Group will be granted in respect of the loan services, the loan services will constitute financial assistance to be provided by a connected person for the benefit of the Group in line with the Listing Rules. The loan services could be exempt from reporting, announcement, annual review and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

#### *Deposit Services*

In respect of the deposit services to be provided by Datang Finance to the Group, as one or more of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the deposit services is (are) more than 5%, the deposit services are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The Company will disclose the relevant details in the annual report and accounts of the Company to be published in the next year in accordance with the relevant requirements as set out in Rule 14A.71 of the Listing Rules.

In addition, as one or more of the percentage ratio(s) applicable to the deposit services is (are) more than 25%, the deposit services constitute a major transaction of the Company and are subject to the requirements of reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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## LETTER FROM THE BOARD

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### *Other Financial Services*

In respect of other financial services to be provided by Datang Finance to the Group, each of the percentage ratio(s) applicable to other financial services is below the de minimis threshold set out in Rule 14A.76 of the Listing Rules, therefore the provision of other financial services by Datang Finance to the Group is exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements of the Listing Rules. The Company will comply with the reporting, announcement, annual review and Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules if the transaction amount of the other financial services to be provided by Datang Finance to the Group under the Financial Services Agreement exceeds the relevant threshold.

### (7) **Internal Control Procedures and Corporate Governance Measures**

#### *Loan Services*

The internal control procedures adopted by the Company in relation to the loan services include, among others, during a certain period of time before the financing, the Company will take the initiative to locate independent domestic commercial banks in the PRC, inquire about the financing costs, undergo a comprehensive comparison according to the preferential conditions and interest rates and financing procedures given by each independent domestic commercial bank in the PRC in the negotiation process to determine the optimal choice to ensure that the Company's financing is most cost-effective.

#### *Deposit Services*

The Company has adopted internal control and monitoring procedures relating to the deposit services, including:

- (i) Before entering into any deposit arrangements with Datang Finance, the Company will negotiate with Datang Finance on an arm's length basis in respect of the deposit interest rate of the deposit services, and ensure that such interest rate is determined (1) by reference to and is not lower than the benchmark deposit interest rate then published by the PBOC for similar deposits for a similar term and in case of any change in the benchmark deposit interest rate, the deposit interest rate to be payable by Datang Finance shall be determined by reference to and not lower than such benchmark deposit interest rate; and (2) by reference to and is not lower than the deposit interest rates offered by at least four other independent domestic commercial banks in the PRC for similar deposit services on normal commercial terms. In the way, the Company will be able to ensure the deposit interest rate of the deposit services will not be less favourable than that published by PBOC for similar deposits for a similar term and that offered by four other independent domestic commercial banks in the PRC for similar deposits for a similar term;

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## LETTER FROM THE BOARD

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In the event that upon receiving deposit certificate which shows the deposit interest rate as offered by Datang Finance, and the Company notes that the deposit interest rate as offered by Datang Finance is less than the then negotiated deposit interest rate as offered by PBOC, the Company will require Datang Finance to provide the differences in the part of interest to the Company;

- (ii) Finance department of the Company will monitor the deposit services on a daily basis to ensure the proposed annual caps will not be exceeded;
- (iii) Finance department of the Company will report to the management of the Company, giving an update of the deposit arrangements entered into with Datang Finance on a monthly basis;
- (iv) Directors (including independent non-executive Directors) will review the transactions contemplated under the Financial Services Agreement and their proposed annual caps each year, to ensure that the transactions contemplated under the Financial Services Agreement are conducted in the ordinary and usual course of business of the Company on normal commercial terms and in the interests of the Company and its Shareholders as a whole; and
- (v) The auditor of the Company will perform annual reviews on the pricing and annual caps of such transactions.

### **(8) Capital Risk Control Measures**

- (i) Datang Finance will ensure the safe operation of the funds management information system, all of which 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 the funds of the Group;
- (ii) Datang Finance will ensure that it operates in strict compliance with the risk monitoring indicators for finance companies issued by the CBIRC 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 CBIRC;
- (iii) CDC has undertaken to the CBIRC that, in the event that Datang Finance is in urgent difficulty in making payment, CDC will increase capital accordingly based on the actual need to solve such problem; and
- (iv) Any balance of the Group's funds (after deducting the amount used for entrusted loans and the loans granted to the Group by Datang Finance) will be deposited into one or more commercial bank(s) as interbank deposits.

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## LETTER FROM THE BOARD

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**(9) Opinions of the Board**

Having considered the abovementioned pricing policies and basis for determination of proposed annual caps and reasons for and benefits of entering into the Financial Services Agreement, Directors (excluding connected Directors, but including independent non-executive Directors) are of the view that the terms of the Financial Services Agreement are fair and reasonable and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Company on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Directors Mr. Kou Wei, Mr. Li Yi and Mr. Liu Baojun, being connected Directors by virtue of their positions in CDC Group, have abstained from voting on the resolution in relation to consideration and approval of the transactions contemplated under the Financial Services Agreement and their proposed annual caps at the Board meeting. Other than those disclosed above, none of the Directors has any material interest in the transactions contemplated under the Financial Services Agreement and their proposed annual caps.

**(10) Approval by Independent Shareholders**

Since the deposit services under the Financial Services Agreement and their proposed annual caps are subject to Independent Shareholders' approval, an Independent Board Committee comprised of all independent non-executive Directors has been formed to advise the Independent Shareholders in connection with deposit services under the Financial Services Agreement and their proposed annual caps. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same issue.

In view of the material interests of CDC in the deposit services under the Financial Services Agreement and their proposed annual caps, CDC and its associates (which is interested in an aggregate of approximately 65.61% of the total issued share capital of the Company as at the Latest Practicable Date) are required to abstain from voting on the resolutions to be proposed by the Company at the EGM to approve the deposit services under the Financial Services Agreement and their proposed annual caps.

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



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## LETTER FROM THE BOARD

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### (11) General Information

#### *Information on the Company*

The Company is a joint stock limited company incorporated in the PRC in September 2004. The Company is a leading renewable energy generation company in PRC in terms of wind power installed capacity. 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; as well as leasing of property.

#### *Information on CDC*

CDC is a state-owned enterprise established in the PRC. CDC is primarily engaged in the development, investment, construction, operation and management of power energy; organization of power (thermal) production and sales; manufacture, inspection and maintenance and commissioning of electric power equipment; power technology development and consultation, contracting and consulting of electric power engineering and electrical and environmental protection projects; development of new energy; and self-operating and being an agent for import and export of various goods and technologies (save for the goods and technologies the import or export of which is restricted or prohibited by the laws and regulations of the PRC).

#### *Information on Datang Finance*

Datang Finance was incorporated in the PRC as a non-bank financial institution in May 2005. It is principally engaged in providing consultancy and agency service in relation to financial advisory, guarantee trust service and related services; assisting intra-group members in realizing receipt and payment of transaction amount; providing approved insurance agency services; serving as guarantees for loans of intra-group members; handling entrusted loan and entrusted investment between intra-group members; handling bill acceptances and discounting for intra-group members; conducting internal transfer settlement between intra-group members and designing of corresponding settlement and liquidation plan; absorbing deposits from intra-group members; dealing with loan and financial leasing for intra-group members; dealing with inter-bank offered credit; issuing finance company bonds upon approval; underwriting corporate bonds of intra-group members; making equity investments in financial institutions; and investment in negotiable securities, etc.

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## LETTER FROM THE BOARD

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### 2. MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION – ENTERING INTO THE FINANCE LEASE BUSINESS FRAMEWORK AGREEMENT

Reference is made to the announcement dated 20 October 2020 of the Company in relation to (among others) the entering into the Finance Lease Business Framework Agreement between the Company and CDC Capital Holding. Please read the following information carefully when you consider the resolution on the transactions contemplated under the Finance Lease Business Framework Agreement and their proposed annual caps.

#### (1) Finance Lease Business Framework Agreement

Further references are made to the announcement dated 29 September 2017 and the circular dated 24 October 2017 of the Company in relation to entering into the New CDC Finance Lease Framework Agreement and the New Shanghai Finance Lease Framework Agreement between the Company and DFL and Shanghai Leasing Company, respectively. As the agreements and annual caps of such continuing connected transactions will expire on 31 December 2020, and taking into account that the terms and conditions of such continuing connected transaction agreements are the same, the Company and CDC Capital Holding (both DFL and Shanghai Leasing Company are its subsidiaries) entered into the Finance Lease Business Framework Agreement on 20 October 2020 to agree on the Finance Lease services provided to members of the Group by DFL and Shanghai Leasing Company. The principal terms of the Finance Lease Business Framework Agreement are as follows:

<b>Date</b>	20 October 2020
<b>Parties</b>	(i) The Company  (ii) CDC Capital Holding
<b>Term of the agreement</b>	From 1 January 2021 to 31 December 2023
<b>Nature of transaction</b>	Provision of the Finance Lease services by DFL and Shanghai Leasing Company, subsidiaries of CDC Capital Holding (collectively referred to as the “ <b>Lessors</b> ”) to members of the Group (collectively referred to as the “ <b>Lessees</b> ”) by way of direct lease or sale and lease-back upon reasonable requests. With respect to each Finance Lease, the relevant Lessors and Lessees will enter into separate specific written agreement(s) (the “ <b>Specific Agreement(s)</b> ”) subject to the provisions of the Finance Lease Business Framework Agreement.

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## LETTER FROM THE BOARD

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- Lease methods**                      The Finance Lease methods 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.
- Lease period**                        The lease period for each Finance Lease will be determined by taking into account, inter alia, the useful life of the relevant Leasing Equipment <sup>(Note 1)</sup>, the financial needs of the Lessees and the funding availability of the Lessors, which in general shall not exceed the effective service life of such Leasing Equipment.
- Lease payments and interest**                      The lease payments charged by the Lessors will include the purchase price (in the case of direct lease) or the value (in the case of sale and lease-back) of the Leasing Equipment <sup>(Note 2)</sup> and interest thereon charged on defined terms no less favourable to the Lessees than those offered by independent third parties and at a rate which shall be determined by reference to the benchmark loan interest rate published by PBOC from time to time <sup>(Notes 3 and 5)</sup>, or, if no such rate is available, by reference to, among others, the rate charged by the other major financial institutions for the same or similar types of services. If the PBOC adjusts the RMB loan benchmark annual interest rates during the term of relevant Finance Lease agreements, the lease interest rates will be adjusted accordingly and may be adjusted on a quarterly basis.
- Handling fee**                         A one-off non-refundable handling fee may be charged by the Lessors on defined terms of handling fee no less favourable to the Lessees than those offered by independent third parties when Specific Agreement(s) is (are) entered into and at a rate determined by reference to, among others, the rate charged by the other major financial institutions in relation to finance leasing of the same or similar types of assets, or if available, the applicable rates published by PBOC for this kind of services from time to time, and will be set out in the relevant Specific Agreement(s) <sup>(Notes 4 and 5)</sup>.

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## LETTER FROM THE BOARD

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- Ownership** The legal title and all rights to the Leasing Equipment shall be vested in the Lessors throughout the lease period.
- Purchase option** Subject to the Lessees having performed all their obligations under, and upon the expiry of the lease period of the Specific Agreement(s), the Lessees shall have an option to purchase the relevant Leasing Equipment at a nominal price <sup>(Note 6)</sup>.
- Conditions precedent** The Finance Lease Business Framework Agreement is subject to the approval of the transactions contemplated thereunder and their proposed annual caps by the Independent Shareholders.

*Notes (for illustration purpose only):*

1. The useful life of the Leasing Equipment will be assessed by reference to the Group's assets management policy, industry practice, the past experience in using the Leasing Equipment and information obtained from internal engineering department staff who has technical knowledge on the use of the Leasing Equipment.
2. In respect of the Finance Lease involving sale and lease-back, the basis of determining the value of the Leasing Equipment is the fair market value of such Leasing Equipment and the Lessor will also make reference to the net carrying amount of such Leasing Equipment and ensure that the amount to be leased will not exceed the lower of the fair market value and the net carrying amount of the Leasing Equipment in any event.

In respect of the Finance Lease involving direct lease of Leasing Equipment newly acquired by the Lessors, the lease amount will be determined based on the total purchase cost of the relevant Leasing Equipment and subject to the negotiation between the Lessors and the Lessees. The Lessors will also take into account other factors including the risk profile of the Lessees and the type of the Leasing Equipment in determining the appropriate lease amount.

The costs of Leasing Equipment referred to in the above two paragraphs are specified based on the market value determined through open tendering. Procedures for open tendering shall be strictly in compliance with the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), which applies to all purchases of major equipment. Failing to follow such legislation would result in a maximum fine of RMB100,000 according to the Regulation on the Implementation of the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》).

According to the "Administrative Measures on Tendering Procedures of China Datang Corporation Renewable Power Co., Limited\* 《中國大唐集團新能源股份有限公司招標管理辦法》", the public tendering procedures of the Company in relation to the Finance Lease business mainly consist of three stages: (i) the Company as a lessee will issue the tender invitation to not less than three entities, including the Lessors DFL and Shanghai Leasing Company; (ii) the tender committee, which will be formed by relevant functional departments of the Company, shall make judgement to the terms to be provided by the tenderer by reference to the terms provided by independent third party(ies) and the benchmark loan interest rate to be announced by PBOC from time to time, or if there is no such interest rate, among others, the interest rate charged by other major financial institutions to the same or similar types of services, to make sure the reasonableness of the tendering and pricing so as to select the best option; and (iii) to form a summary report on the tender results, and enter into a contract with the winning bidder after being considered and approved by the Company's management. In the event that the Company would be aware of that the terms to be provided by the Lessors are less favourable than any other independent third parties, the Company shall have the right to negotiate with the Lessors on an arm's length basis and the Lessors shall agree to revise the terms to ensure that the Company may execute the Finance Lease Business Framework Agreement in accordance with terms not less favourable than the financing lease terms provided by any other independent third party(ies) in the market.

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## LETTER FROM THE BOARD

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3. The existing benchmark interest rates for RMB-denominated loans published by PBOC are as follows:
  - 4.35% for loans with terms not more than six months;
  - 4.35% for loans with terms over six months but not more than one year;
  - 4.75% for loans with terms over one year but not more than three years;
  - 4.75% for loans with terms over three years but not more than five years; and
  - 4.90% for loans with terms over five years.
4. There is currently no available rate published by PBOC in this respect and in the event that PBOC publishes any such rate in the future during the term of the separate written contract(s) under the Finance Lease Business Framework Agreement, the Lessors and Lessees will determine the handling fee by reference to such rate, which will be given priority over the rates adopted by other major financial institutions, accordingly.
5. In determining the interest rate or amounts of the handling fee and purchase option, the Lessors will conduct an overall return assessment after considering, among others, the prevailing rates of PBOC or the major financial institutions, as the case may be, so as to meet their own return requirements and the credit risk assessment to the relevant Finance Lease. Therefore, the pricing with respect to such aspects of each Finance Lease will be determined on a case by case basis.
6. Since the Leasing Equipment has no residual value upon the expiry of the lease period, the Lessees intend to set the nominal price of the purchase option at RMB1.00.

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

The Company adopted, among others, 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 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 lease commencement date if the implicit interest rate in the lease is not readily determinable.

Accordingly, under 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 to be set out in each of the lease agreement. For the sale and lease-back, the relevant transactions will be accounted for as a finance leasing arrangement between the Company and the Lessors.

## LETTER FROM THE BOARD

### (3) Historical Amounts

According to the CDC Finance Lease Framework Agreement and the New CDC Finance Lease Framework Agreement entered into between the Company and DFL on 27 March 2015 and 29 September 2017, respectively, and the Shanghai Finance Lease Framework Agreement and the New Shanghai Finance Lease Framework Agreement entered into between the Company and Shanghai Leasing Company on 12 October 2015 and 29 September 2017, respectively, the table below sets out the annual caps for the four years ending 31 December 2020:

	Annual cap for the year ended 31 December 2017	Annual cap for the year ended 31 December 2018	Annual cap for the year ended 31 December 2019	Annual cap for the year ending 31 December 2020
New CDC Finance Lease Framework Agreement:				
Annual cap for Leasing Equipment under Finance Lease	RMB4,500 million	RMB2,000 million	RMB3,000 million	RMB3,000 million
Annual cap for rents under Finance Lease	RMB250 million	RMB100 million	RMB150 million	RMB150 million
New Shanghai Finance Lease Framework Agreement:				
Annual cap for Leasing Equipment under Finance Lease	RMB2,000 million	RMB2,000 million	RMB3,000 million	RMB3,000 million
Annual cap for rents under Finance Lease	RMB150 million	RMB100 million	RMB150 million	RMB150 million

The table below sets out the historical amounts for the three years ended 31 December 2019 and the eight months ended 31 August 2020:

	Historical amount for the year ended 31 December 2017	Historical amount for the year ended 31 December 2018	Historical amount for the year ended 31 December 2019	Historical amount for the eight months ended 31 August 2020
New CDC Finance Lease Framework Agreement:				
Actual amount for Leasing Equipment under Finance Lease	Nil	RMB816.46 million	RMB1,795 million	RMB429.89 million
Actual rents under Finance Lease	Nil	RMB73.46 million	RMB126 million	RMB83.5 million
New Shanghai Finance Lease Framework Agreement:				
Actual amount for Leasing Equipment under Finance Lease	Nil	RMB138.99 million	RMB1,864 million	RMB667.72 million
Actual rents under Finance Lease	Nil	RMB2.95 million	RMB51 million	RMB83.10 million

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## LETTER FROM THE BOARD

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### (4) Proposed Annual Caps

Pursuant to the Listing Rules, the direct lease is deemed as the acquisition of assets by the Group, and the sale and lease-back constitutes the sale of assets by the Group. The table below sets out the proposed annual caps of the direct lease and the sale and lease-back for the three years ending 31 December 2023:

	Proposed annual cap for the year ending 31 December 2021	Proposed annual cap for the year ending 31 December 2022	Proposed annual cap for the year ending 31 December 2023
Newly-added direct lease	RMB3,500 million	RMB3,500 million	RMB3,500 million
Newly-added sale and lease-back	<u>RMB2,500 million</u>	<u>RMB2,500 million</u>	<u>RMB2,500 million</u>

### (5) Basis for Determination of the Annual Caps

In determining the abovementioned annual caps, we have considered, among others:

- historical amount of the finance lease business for the two years ended 31 December 2019 and the eight months ended 31 August 2020 calculated in accordance with IFRS 16 as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the eight months ended 31 August 2020
Direct lease	–	RMB983 million	RMB580 million
Sale and lease-back	<u>RMB955 million</u>	<u>RMB2,476 million</u>	<u>RMB517 million</u>

*Note:* According to the new lease standards, 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 wind power equipment and 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.

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## LETTER FROM THE BOARD

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- (2) current conditions in financing market (including interest level and the level of similar services provided by independent third parties) and the possibility of future adjustment on the three-year term annual loan interests denominated in RMB by PBOC:

For recent years, the benchmark loan interest rate published by PBOC constantly kept at a level of approximately 4.0%, and the Company registered and issued tranches of ultra-short-term debentures, short-term debentures and green corporate bonds to supplement its working capital and to purchase equipment for its normal business. However, the current benchmark loan interest rate have been raised up to approximately 4.8%, thus the cost for issuing debentures or bonds is much higher than before. The transactions contemplated under the Finance Lease Business Framework Agreement may allow the Company to have a lower fee charge than those purchased by loans or provided by independent third parties.

- (3) historical cash flow for the three years ended 31 December 2019 and the six months ended 30 June 2020 as disclosed in the corresponding annual report and/or interim report of the Company:

In years when funds are tight (such as 2018 and 2019), the Group implemented finance lease to supplement working capital (for sale and lease-back) and project construction funds (for direct leases), so that cash outflows and cash inflows from the production and operating activities were relatively sufficient. As a fund raising and financing instrument, finance lease will be propitious to further optimize the Company's financial structure and improve the current cash flow performance.

- (4) constantly increasing financing needs and future development prospects of the Group:

The installed capacity of the Group maintained a high growth in recent years. As at 30 June 2020, the Group's consolidated installed capacity amounted to 9,902.72MW, representing an increase of 10.44% over the same period last year. In the first half of 2020, 1,180 MW of bidding and parity projects of the Group were newly added. After considering the current conditions in financing market as disclosed in Item (2), the Group has to acquire new wind turbines by way of finance lease and obtain lower interest rate so as to minimise the costs in the process of development of the Company. The Group expects to continue to invest in increasing its installed capacity and construction of wind farms. In determining the annual caps, the Company has taken into account that such expansion would lead to an increase of financing needs of the Group.



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## LETTER FROM THE BOARD

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**(6) Reasons for and Benefits of Entering into the Finance Lease Business Framework Agreement**

The transactions under the Finance Lease Business Framework Agreement are beneficial to the Company as they will (1) enable the Company to broaden its financing channels and raise low-cost funds under the current situations where the size of bank loans is still tightened up and the interest rates of bank financing stay high; and (2) enable the Group to facilitate the smooth development and operation of its business.

The Directors (excluding connected Directors, but including the independent non-executive Directors) consider that the Finance Lease Business Framework Agreement and the transactions contemplated thereunder to be conducted in the ordinary and usual course of business of the Company on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

**(7) Listing Rules Implications**

As at the Latest Practicable Date, since CDC directly and indirectly holds approximately 65.61% of the issued share capital of the Company, it is a controlling shareholder as defined under the Listing Rules and thus a connected person of the Company. CDC Capital Holding is a subsidiary of CDC, and is therefore a connected person of the Company. Accordingly, the Finance Lease Business Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) with respect to the entering into of the Finance Lease Business Framework Agreement and the transactions contemplated thereunder are more than 5%, such transaction is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as one or more of the percentage ratio(s) applicable to the transactions under the Finance Lease Business Framework Agreement are more than 25% but less than 75%, such transactions constitute major transactions of the Company that are subject to the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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## LETTER FROM THE BOARD

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**(8) Internal Control Procedures and Corporate Governance Measures**

The Company will adopt internal control and monitoring procedures relating to the finance leasing services, including:

- (i) The Finance Lease Business Framework Agreement will be conducted on a non-exclusive basis;
- (ii) Before entering into any separate leasing agreements with the Lessors, the Company will obtain quotations from at least two independent third parties who could provide the same or similar type of finance leasing services and negotiate with the Lessors on an arm's length basis in respect of the interest rate (including the handling fees) of the finance leasing services, and ensure that such interests (1) are not higher than the interests (including the handling fees and other fees) provided by independent third party(ies) to the Lessee(s); and (2) are not higher than the benchmark interest rates for RMB-denominated loans then published by PBOC for a similar term and in case of no such interest rate, by reference to, among others, the interest rate charged by other major financial institutions for same or similar services. If the Company becomes aware that the interests charged by the Lessors are less favourable to the Company than those charged by any other independent third party on similar terms and conditions, the Company shall have the right to negotiate with the Lessors on an arm's length basis and the Lessors shall agree to adjust the interests of finance leasing services such that the interests charged under the Finance Lease Business Framework Agreement are not less favourable to the Company than those charged by any other independent third party for finance leasing services in the market;
- (iii) Before entering into any Specific Agreement(s) with the Lessors, the legal department of the Company will review the Specific Agreement(s) to ensure the major terms are in compliance with the relevant terms of the Finance Lease Business Framework Agreement;
- (iv) The financial management department of the Company has established a supervisory system, and each relevant financial officer of the Group who has entered into the Specific Agreement(s) will report the amount for newly-added direct lease or sale and lease-back under the Finance Lease to the financial management department of the Company on a daily basis and the financial management department of the Company will strictly control the balance caps, to ensure the relevant proposed annual caps will not be exceeded;

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## LETTER FROM THE BOARD

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- (v) The financial management department of the Company will prepare the monthly statement and analysis report, and report the specific financing situation of the current month to the management of the Company (including the general manager, the deputy general manager, the secretary to the Board and the chief accountant) every month, including the analysis on the amount for newly-added direct lease or sale and lease-back under the Finance Lease under the Finance Lease Business Framework Agreement, as well as the financial costs saved due to the entering into of the Finance Lease Business Framework Agreement as compared to the Company's weighted average interest rate of loans of the current month. The Company's weighted average interest rate of loans of the current month mentioned above represents the weighted average interest rate of loans of various financings from various parties (including independent third parties and the connected/related parties of the Company) to be updated by the Company every month;
- (vi) The independent non-executive Directors of the Company review the Finance Lease Business Framework Agreement and the continuing connected transactions contemplated thereunder on an annual basis and listen to the report by the secretary to the Board and chief accountant of the Company to ensure that the relevant agreements are entered into on normal commercial terms and are fair and reasonable and conducted in accordance with the terms set out therein; and
- (vii) The auditors of the Company will also perform annual reviews on the pricing and annual caps of such continuing connected transactions.

**(9) Opinion of the Board**

Having considered the above-mentioned pricing policies and basis for determination of proposed annual caps and reasons for and benefits of conducting the Finance Lease Business Framework Agreement, the Directors (excluding connected Directors, but including independent non-executive Directors) are of the view that the terms of the Finance Lease Business Framework Agreement are fair and reasonable, and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Company on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

As Mr. Kou Wei, Mr. Li Yi and Mr. Liu Baojun, being connected Directors as they hold posts in CDC Group, they have abstained from voting on the resolution in relation to consideration and approval of the transactions contemplated under the Finance Lease Business Framework Agreement and the proposed annual caps thereof at the Board meeting. Saved as disclosed above, none of the Directors has any material interest in the transactions contemplated under the Finance Lease Business Framework Agreement and the proposed annual caps thereof.

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## LETTER FROM THE BOARD

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### **(10) Approval by Independent Shareholders**

Since the transactions contemplated under the Finance Lease Business Framework Agreement and the proposed annual caps thereof are subject to the Independent Shareholders' approval, the Independent Board Committee comprised of all independent non-executive Directors has been formed to advise the Independent Shareholders in connection with the transactions contemplated under the Finance Lease Business Framework Agreement and the proposed annual caps thereof. Gram Capital has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders of the Company on the same issue.

In view of the material interests of CDC in the transactions contemplated under the Finance Lease Business Framework Agreement and the proposed annual caps thereof, CDC and its associates (holding an aggregate of approximately 65.61% of the total issued share capital of the Company as at the Latest Practicable Date) are required to abstain from voting on the resolution to be proposed at the EGM to approve the transactions contemplated under the Finance Lease Business Framework Agreement and the proposed annual caps thereof.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, save as disclosed in this circular, no other Shareholders are required to abstain from voting on relevant resolutions.

### **(11) General Information**

#### ***Information on the Company***

For details of the Company's information, please refer to page 11 of this circular.

#### ***Information on CDC***

For details of the CDC's information, please refer to page 11 of this circular.

#### ***Information on CDC Capital Holding***

CDC Capital Holding is a limited liability company incorporated in the PRC in November 2011. CDC Capital Holding is principally engaged in investment management; asset management; investment consultation.

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## LETTER FROM THE BOARD

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### EGM

The EGM is proposed to be held at 10:00 a.m. on Monday, 7 December 2020 at Building 1, No. 1 Caishikou Street, Xicheng District, Beijing, the PRC to approve the resolutions to be proposed at the EGM as set out in the notice of the EGM. The notice of the EGM is set out on pages 54 to 55 of this circular.

Since the deposit services under the Financial Services Agreement and the transactions contemplated under the Finance Lease Business Framework Agreement and their respective proposed annual caps need to be approved by the Independent Shareholders, the Independent Board Committee comprising all independent non-executive Directors has been established to advise Independent Shareholders in respect of relevant matters. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same issue.

In order to ascertain the entitlements of the Shareholders to attend the EGM, the register of members of the Company will be closed from Saturday, 7 November 2020 to Monday, 7 December 2020 (both days inclusive). To be eligible to attend and vote at the EGM, all transfer documents together with relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares); or the Company's head office in the PRC at 8/F, Building 1, No. 1 Caishikou Street, Xicheng District, Beijing 100053, the PRC (for holders of Domestic Shares) not later than 4:30 p.m. on Friday, 6 November 2020.

### VOTING BY POLL AT EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The chairman of the EGM will therefore demand a poll for every resolution of the EGM pursuant to Article 81 of the Articles.

On a poll, every Shareholder present in person or by proxy or (being a corporation by its duly authorized representative) shall have one vote for each Share registered in his/her name in the register of members. A Shareholder entitled to more than one vote need not use all his/her votes or cast all the votes he/she has in the same manner.

### RECOMMENDATION

The Board considers that the aforesaid resolutions are in the best interests of the Company and its Shareholders as a whole. As such, the Board recommends the Shareholders to vote in favour of the resolutions as set out in the notice of EGM which are to be proposed 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 and the letter from the Gram Capital to the Independent Board Committee and the Independent Shareholders set out in this circular.

By order of the Board

**China Datang Corporation Renewable Power Co., Limited\***

**Cui Jian**

*Joint Company Secretary*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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中国大唐集团新能源股份有限公司

China Datang Corporation Renewable Power Co., Limited\*

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 01798)**

### MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION

13 November 2020

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular sent to all Shareholders (the “**Circular**”) dated 13 November 2020 of the Company of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether the deposit services under the Financial Services Agreement and the transactions contemplated under the Finance Lease Business Framework Agreement and their respective proposed annual caps (details of which are set out in the Letter from the Board in the Circular) are conducted in the ordinary and usual course of business of the Company on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders of the Company on the same issues.

Having considered the information set out in the Letter from the Board as well as the Letter from the Gram Capital in the Circular, we are of the view that the deposit services under the Financial Services Agreement and the transactions contemplated under the Finance Lease Business Framework Agreement and their respective proposed annual caps are conducted in the ordinary and usual course of business of the Company on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Our view related to fairness and reasonableness is necessarily based on information, facts and circumstances currently prevailing.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the deposit services under the Financial Services Agreement and the transactions contemplated under the Finance Lease Business Framework Agreement and their respective proposed annual caps.

Yours faithfully,

Independent Board Committee

**Mr. Liu Chaoan**

*Independent non-executive*

*Director*

**Mr. Lo Mun Lam, Raymond**

*Independent non-executive*

*Director*

**Mr. Yu Shunkun**

*Independent non-executive*

*Director*

\* *For identification purpose only*



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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

13 November 2020

*To: The independent board committee and the independent shareholders of  
China Datang Corporation Renewable Power Co., Limited\**

Dear Sirs,

### **MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the deposit services under the Financial Services Agreement (the “**Deposit Services**”); and (ii) the transactions contemplated under the Finance Lease Business Framework Agreement (the “**Lease Transactions**”, and together with the Deposit Services, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 13 November 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 20 October 2020, the Company entered into the Financial Services Agreement with Datang Finance, pursuant to which Datang Finance agreed to provide loan services, deposit services and other financial services to the Group in accordance with the terms and conditions of the Financial Services Agreement for a term of three years commencing from 1 January 2021 and ending on 31 December 2023.

On the even day, the Company entered into the Finance Lease Business Framework Agreement with CDC Capital Holding, pursuant to which CDC Capital Holding agreed to provide the Finance Lease services to members of the Group by DFL and Shanghai Leasing Company (being subsidiaries of CDC Capital Holding) for a term of three years commencing from 1 January 2021 and ending on 31 December 2023.

With reference to the Board Letter, the Transactions constitute major transactions and continuing connected transactions and are subject to the reporting and announcement, annual review and the Independent Shareholders’ approval requirement under the Listing Rules.

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## LETTER FROM GRAM CAPITAL

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The Independent Board Committee comprising Mr. Liu Chaoan, Mr. Lo Mun Lam, Raymond, Mr. Yu Shunkun (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate in all material respects at the time when they were made and continue to be so as at the date of EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Financial Services Agreement and Finance Lease Business Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The 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 the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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## LETTER FROM GRAM CAPITAL

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We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Datang Finance, CDC Capital Holding and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

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

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

#### **Information on the Group**

With reference to the Board Letter, the Company is a joint stock limited company incorporated in the PRC in September 2004. The Company is a leading renewable energy generation company in PRC in terms of wind power installed capacity. 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; as well as leasing of property.

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## LETTER FROM GRAM CAPITAL

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Set out below are the financial information of the Group for the six months ended 30 June 2020 and the two years ended 31 December 2019 as extracted from the Company's interim report for the six months ended 30 June 2020 (the "**2020 Interim Report**") and the Company's annual report for the year ended 31 December 2019 (the "**2019 Annual Report**"), respectively:

	<b>For the six months ended 30 June 2020 RMB'000 (unaudited)</b>	<b>For the year ended 31 December 2019 RMB'000 (audited)</b>	<b>For the year ended 31 December 2018 RMB'000 (audited)</b>	<b>Year on year change %</b>
Revenue	4,822,458	8,324,779	8,319,406	0.06
Profit for the period/year attributable to owners of the Company	991,792	936,437	1,209,279	(22.56)
	<b>As at 30 June 2020 RMB'000 (unaudited)</b>	<b>As at 31 December 2019 RMB'000 (audited)</b>	<b>As at 31 December 2018 RMB'000 (audited)</b>	<b>Year on year change %</b>
Cash and cash equivalents	5,948,044	3,517,159	3,632,830	(3.18)
Trade and bill receivables	11,827,310	9,545,652	7,472,540	27.74

As illustrated in the above table, Group's revenue slightly increased to approximately RMB8,324.8 million for the year ended 31 December 2019 ("**FY2019**") from approximately RMB8,319.4 million for the year ended 31 December 2018 ("**FY2018**"). With reference to the 2019 Annual Report, the aforesaid increase in revenue was mainly due to the increase in electricity sales revenue. Despite that the Group's revenue remained stable during the two years ended 31 December 2019, the Group recorded a substantial decrease of approximately 22.56% in profit attributable to owners of the Company for FY2019 as compared to that for FY2018. As advised by the Directors, the aforesaid decrease was mainly due to increase in depreciation and amortisation charges and employee benefit expenses during FY2019.

As at 30 June 2020, the Group recorded (i) trade and bills receivables of approximately RMB11,827.3 million; and (ii) cash and cash equivalents of approximately RMB5,948.0 million.

**A. THE DEPOSIT SERVICES**

**Information on Datang Finance**

With reference to the Board Letter, Datang Finance was incorporated in the PRC as a non-bank financial institution in May 2005. It is principally engaged in providing consultancy and agency service in relation to financial advisory, guarantee trust service and related services; assisting intra-group members in realizing receipt and payment of transaction amount; providing approved insurance agency services; serving as guarantees for loans of intra-group members; handling entrusted loan and entrusted investment between intra-group members; handling bill acceptances and discounting for intra-group members; conducting internal transfer settlement between intra-group members and designing of corresponding settlement and liquidation plan; absorbing deposits from intra-group members; dealing with loan and financial leasing for intra-group members; dealing with inter-bank offered credit; issuing finance company bonds upon approval; underwriting corporate bonds of intra-group members; making equity investments in financial institutions; and investment in negotiable securities, etc.

As advised by the Directors, Datang Finance is required to operate in compliance with 《企業集團財務公司管理辦法》 (Measures on Administration of the Finance Companies of Enterprise Groups\*, the “**Administrative Measures**”) promulgated by China Banking Regulatory Commission (now known as “**CBIRC**”). We noted that the Administrative Measures set out certain compliance and risk control requirements/measures in relation to the operation of group financing companies, including but not limited to maintaining certain financial ratios at all times, reporting to CBIRC, etc.

Pursuant to the Administrative Measures, in the event that a group finance company faces any difficulty in making payment, its controlling shareholder(s) will increase such group finance company’s capital accordingly based on the actual need. We noted from Datang Finance’s articles of association that China Datang undertook that in the event that Datang Finance is in urgent difficulty in making payment, CDC will raise Datang Finance’s capital accordingly based on actual need.

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## LETTER FROM GRAM CAPITAL

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### **Capital risk control measures**

In order to control the capital risks relating to the deposits by the Group to Datang Finance, Datang Finance shall implement certain capital risk control measures, details of which are set out under the section headed “Capital Risk Control Measures” of the Board Letter.

We understood from the Directors that Datang Finance is in compliance with the requirements of CBIRC for financial institutions, including the risk monitoring indicators. Having also considered that (i) Datang Finance will provide financial services only to the members within CDC and will therefore be exposed to a lower level of potential risk compared to other PRC commercial banks which conduct business with clients of various credit ratings; (ii) Datang Finance is required to operate in compliance with the Administrative Measures; and (iii) CDC undertakes that in the event that Datang Finance is in urgent difficulty in making payment, CDC will raise Datang Finance’s capital accordingly based on actual need, we concur with the Directors that the credit risk control measures under the Financial Services Agreement are adequate to cover the risks involved in depositing funds of the Group with Datang Finance.

We noted that the above capital risk control measures have been operative since the Financial Services Agreement was in place. The Company advised that the capital risk control measures have operated effectively and the Company has not encountered any material issues arising from the products and services of Datang Finance. The Company further confirmed that the Group has not encountered any losses regarding the deposit services since the previous financial services agreement was entered into by the Company and Datang Finance and the Company is satisfied with the capital risk control measures in place.

In light of the above, we consider that such measures are appropriate from the risk management perspective of the Company.

### **Reasons for and benefit of the Deposit Services**

With reference to the Board Letter, by entering into the Financial Services Agreement with Datang Finance, the Group is able to secure loans and other financing services at interest rates not higher than those offered by domestic commercial banks in the PRC under the same conditions during the same period, which assists in improving the overall standard of fund operation of the Company and enhancing the Group’s bargaining power of external financing. The entering into the Financial Services Agreement can also enable the Company to secure interest rates for deposits not lower than those offered by domestic commercial banks in the PRC under the same conditions during the same period and enjoy payment and settlement services at with no handling fee, thereby increasing interest income on deposits and saving e-settlement costs. Due to the long-term relationship between the Group and Datang Finance, the Group expects that it will benefit from Datang

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## LETTER FROM GRAM CAPITAL

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Finance, which is familiar with the industry and operation of the Group. Through cooperation between each other for many years, Datang Finance is familiar with the capital structure, business operation, financing needs, mode of cash flow and cash management of the Group, as well as the Group's entire financial management system, so it will be an advantage to provide the Group with more appropriate, effective and flexible services when compared with the independent domestic commercial banks. Upon our enquiry, the Directors advised us that Datang Finance has provided financial services to the Group over five years.

Pursuant to the Deposit Services under the Financial Services Agreement, within the range for the floating deposit interests rates published by the PBOC and by reference to the benchmark deposit interest rate published by the PBOC, the deposit interest rate to be provided by Datang Finance to the Group shall not be lower than the equivalent deposit interest rate as offered by the independent domestic commercial banks in the PRC.

In light of the above reasons, in particular, the pricing policy of the Deposit Services, we consider the Deposit Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

### **Principal terms of the Deposit Services**

Set out below are the key terms of the Deposit Services, details of which are set out under the section headed "Financial Services Agreement" of the Board Letter.

<b>Date:</b>	20 October 2020
<b>Parties:</b>	The Company (as service receiver); and Datang Finance (as service provider)
<b>Term of the agreement:</b>	From 1 January 2021 to 31 December 2023

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## LETTER FROM GRAM CAPITAL

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<b>Nature of transactions:</b>	The services to be provided by Datang Finance to the Group include deposits from customers; management of the intra-group entrusted loans; management of the consultation and agency businesses in relation to finance and financing advisers, guarantee trust and others; assistance in the receipt and payment of transaction proceeds; approved insurance agency business; provision of guarantee; management of the bill acceptance and discount services; management of the intra-group transfer and relevant settlement and settlement scheme design; management of the financial services including loans and finance lease; provision of underwriting advisory services concerning the issuance of corporate bonds by enterprises. Datang Finance shall ensure the safety operation of fund management system to protect the fund safety, and to control the asset liabilities risk so as to satisfy the payments needs of the Group.
<b>Scope of services:</b>	Deposit services
<b>Pricing policy:</b>	Within the range for the floating deposit interests rates published by the PBOC and by reference to the benchmark deposit interest rate published by the PBOC, the deposit interest rate provided by Datang Finance to the Group shall not be lower than the equivalent deposit interest rate as offered by the independent domestic commercial banks in the PRC

Upon our request, we obtained the Company's deposit records, showing the Company's deposits in independent commercial banks and Datang Finance for the periods of (i) 21 March 2019 to 20 June 2019; (ii) 21 December 2019 to 20 March 2020; and (iii) 21 March 2020 to 20 June 2020. We noted from the deposit records that the deposit rates as shown in the deposit records are in line with the above-said requirements under the financial services agreement dated 12 May 2017 (as supplemented by a supplemented agreement dated 23 August 2018) (the "**Previous Framework Agreement**").

To safeguard the interests of the shareholders as whole, the Company adopted internal approval and monitoring procedures relating to the Deposit Services, details of which are set out under the section headed "Internal Control Procedures and Corporate Governance Measures" of the Board Letter. We consider that the effective implantation of the procedures would help to ensure fair pricing of the Deposit Services according to the pricing policies. Having also considered our findings on the deposit rates as mentioned above, we do not doubt the effectiveness of the measures.

In light of the above, we are of the view that the terms of the Deposit Services are on normal commercial terms and are fair and reasonable.



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## LETTER FROM GRAM CAPITAL

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### The historical amounts and the proposed annual caps

Set out below are (i) the historical maximum daily deposit balance (including any interest accrued thereon) for the two years ended 31 December 2019 and eight months ended 31 August 2020 with existing annual caps; and (ii) the proposed annual caps of the Deposit Services (the “**Deposit Cap(s)**”) for the three years ending 31 December 2023:

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the year ending 31 December 2020</b>
<b>Historical transaction amounts</b>	<i>(in RMB million)</i>	<i>(in RMB million)</i>	<i>(in RMB million)</i>
Maximum daily deposit balance (including any interest accrued thereon)	2,829.68	3,514	3,195 <i>(Note)</i>
Previous annual caps	6,000	6,000	6,000
Utilisation rate (%)	47.16%	58.57%	53.25%

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
<b>The Deposit Caps</b>	<i>(in RMB million)</i>	<i>(in RMB million)</i>	<i>(in RMB million)</i>
Maximum daily deposit balance (including any interest accrued thereon)	6,000	6,000	6,000

*Note:* The figure is for the eight months ended 31 August 2020.

With reference to the Board Letter, the Deposit Caps were determined based on various factors, details of which were set out under the sub-section headed “Deposit Services” under the section headed “Proposed Annual Caps and Basis of Determination” of the Board Letter.

According to the above table, we noted that the relevant utilisation rates of the existing deposit caps were approximately 47.16% and 58.57% for FY2018 and FY2019 respectively. Despite that the utilisation rates of the previous annual caps were not at high levels, the Directors set Deposit Caps for each of the three years ending 31 December 2023 the same as the existing Deposit Caps (i.e. RMB6,000 million) under the Previous Financial Agreement.

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## LETTER FROM GRAM CAPITAL

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To assess the fairness and reasonableness of the Deposit Caps for the three years ending 31 December 2023, we conducted following analyses:

- We noted from the 2020 Interim Report that, as at 30 June 2020, the Group's (i) cash and cash equivalents amounted to approximately RMB5.95 billion (as at 31 December 2019: Approximately RMB3.52 billion); and (ii) trade and bill receivables amounted to approximately RMB11.83 billion (as at 31 December 2019: Approximately RMB9.55 billion). The sum of aforesaid two items (the "Sum") amounted to approximately RMB17.78 billion (as at 31 December 2019: Approximately RMB13.07 billion). The Sum (which is larger than the Deposit Caps) indicates the Group's possible demand of deposit services to be provided by commercial banks and Datang Finance.
- As mentioned above, the Group recorded trade and bill receivables amounted to approximately RMB11.83 billion as at 30 June 2020, representing an increase of approximately RMB2.28 billion as compared to that as at 31 December 2019. With reference to the 2020 Interim Report, the Group's trade and bills receivables primarily represented receivables from regional or provincial power grid companies for tariff revenue.

On 20 September 2019, the Company entered into a factoring business cooperation agreement with 大唐商業保理有限公司 (Datang Commercial Factoring Company Limited\*, "**Datang Factoring Company**") pursuant to which, Datang Factoring Company shall provide factoring business support (mainly including the factoring business on account receivables) to the Group in respect of the tariff premium for key programs invested and constructed by the Group with no more than RMB2,000 million (including factoring handling fees and factoring facilities interest) for each calendar year till 31 December 2021. The aforesaid agreement was approved by the then independent Shareholders on 12 November 2019. According to the 2019 Annual Report and as further advised by the Directors, the transaction amounts under the aforesaid agreement was approximately RMB141 million for 2019 and approximately RMB245 million for the eight months ended 31 August 2020.

As confirmed by the Directors, the Group may place fund collected from outstanding receivables directly (regional or provincial power grid companies for tariff revenue being granted by government) or indirectly (factoring services being provided by Datang Factoring Company) in Datang Finance (subject to the compliance of the pricing policy).

Having considered the above factors, in particular:

- (i) the Group's maximum daily deposit balance (including any interest accrued thereon) with Datang Finance for the three years ending 31 December 2020;
- (ii) that the Sum (which is larger than the Deposit Caps) indicates the Group's possible demand of deposit services to be provided by commercial banks and Datang Finance;

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## LETTER FROM GRAM CAPITAL

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- (iii) that the Group may place fund collected from outstanding receivables directly (regional or provincial power grid companies for tariff revenue being granted by government) or indirectly (factoring services being provided by Datang Factoring Company) in Datang Finance (subject to the compliance of the pricing policy); and
- (iv) pursuant to the factoring business cooperation agreement, the proposed annual cap for each of the three years ending 31 December 2021 was RMB2,000 million, we consider that the Deposit Cap for the year ending 31 December 2021 is fair and reasonable.

As advised by the Directors, it is difficult to forecast the total cash level for the two years ending 31 December 2023. Nevertheless, should there be any substantial increase in total cash of the Group, the Group may opt to deposit larger portion of cash in commercial banks or re-comply with the applicable provisions of the Listing Rules governing continuing connected transaction to revise the Deposit Caps for the two years ending 31 December 2023. Accordingly, we consider that the Deposit Caps for the two years ending 31 December 2023, which are the same as the Deposit Cap for the year ending 31 December 2021, to be fair and reasonable.

### **B. THE LEASE TRANSACTIONS**

#### **Information on CDC Capital Holding**

With reference to the Board Letter, CDC Capital Holding is a limited liability company incorporated in the PRC in November 2011. CDC Capital Holding is principally engaged in investment management; asset management; investment consultation.

#### **Reasons for and benefit of the Lease Transactions**

With reference to the Board Letter, the transactions under the Finance Lease Business Framework Agreement are beneficial to the Company as they will (1) enable the Company to broaden its financing channels and raise low-cost funds under the current situations where the size of bank loans is still tightened up and the interest rates of bank financing stay high; and (2) to facilitate the smooth development and operation of the Group's business.

Pursuant to the Finance Lease Business Framework Agreement, the lease payments charged by the Lessors will include the purchase price (in the case of direct lease) or the value (in the case of sale and lease-back) of the Leasing Equipment and interest thereon charged on defined terms no less favourable to the Lessees than those offered by independent third parties and at a rate which shall be determined by reference to the benchmark lending rates published by PBOC from time to time,

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## LETTER FROM GRAM CAPITAL

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or, if no such rate is available, by reference to, among others, the rate charged by the other major financial institutions for the same or similar types of services. A one-off non-refundable handling fee may be charged by the Lessors on defined terms of handling fee no less favourable to the Lessees than those offered by independent third parties. As such, the Lease Transactions may allow the Company to have a lower fee charge than those provided by independent third parties.

In light of the above reasons, in particular, the pricing policy of the Lease Transactions, we consider the Lease Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

### **Principal terms of the Lease Transactions**

Set out below are the key terms of the Lease Services, details of which are set out under the section headed “Finance Lease Business Framework Agreement” of the Board Letter.

<b>Date:</b>	20 October 2020
<b>Parties:</b>	The Company (as service receiver); and CDC Capital Holding (as service provider)
<b>Term of the agreement:</b>	From 1 January 2021 to 31 December 2023
<b>Nature of transactions:</b>	Provision of the Finance Lease services by DFL and Shanghai Leasing Company (collectively referred to as the “Lessors”) to members of the Group (collectively referred to as the “Lessees”) by way of direct lease or sale and lease-back upon reasonable requests. With respect to each Finance Lease, the relevant Lessors and Lessees will enter into separate specific written agreement(s) (the “Specific Agreement(s)”) subject to the provisions of the Finance Lease Business Framework Agreement.
<b>Lease method:</b>	The Finance Lease methods provided by the Lessors comprise sale and lease-back (i.e. the Lessors shall purchase the leased assets from the Lessees and lease them back to the Lessees based on the Lessees’ choice) and the direct lease (i.e. the purchase by the Lessors and the provision of the leased assets to the Lessees as per the specifications and requirements of the Lessee).

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## LETTER FROM GRAM CAPITAL

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**Pricing policy:**

*Lease payments and interest*

The lease payments charged by the Lessors will include the purchase price (in the case of direct lease) or the value (in the case of sale and lease-back) of the Leasing Equipment and interest thereon charged on defined terms no less favourable to the Lessees than those offered by independent third parties and at a rate which shall be determined by reference to the benchmark lending rates published by PBOC from time to time, or, if no such rate is available, by reference to, among others, the rate charged by the other major financial institutions for the same or similar types of services. If the PBOC adjusts the RMB loan benchmark annual interest rates during the term of relevant Financing Lease agreements, the lease interest rates will be adjusted accordingly and may be adjusted on a quarterly basis.

*Handling fee*

A one-off non-refundable handling fee may be charged by the Lessors on defined terms of handling fee no less favourable to the Lessees than those offered by independent third parties when Specific Agreement(s) is (are) entered into and at a rate determined by reference to, among others, the rate charged by the other major financial institutions in relation to finance leasing of the same or similar types of assets, or if available, the applicable rates published by PBOC for this kind of services from time to time, and will be set out in the relevant Specific Agreement(s).

**Ownership:**

The legal title and all rights to the Leasing Equipment shall be vested in the Lessors throughout the lease period.

**Purchase option:**

In respect of the sale and lease-back arrangement, subject to the Lessees having performed all their obligations under, and upon the expiry of the lease period of Specific Agreement(s), the Lessees shall have an option to purchase the relevant Leasing Equipment at a nominal price.

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## LETTER FROM GRAM CAPITAL

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Upon our request, we obtained individual finance lease contracts entered into between the Group and DFL/Shanghai Leasing Company with quotations from independent third parties. According to the aforesaid documents, the interest rates and handling fees as offered by DFL/Shanghai Leasing Company were not higher than those offered by independent third parties.

To safeguard the interests of the shareholders as a whole, the Company adopted internal approval and monitoring procedures relating to the Lease Transactions, details of which are set out under the section headed “Internal Control Procedures and Corporate Governance Measures” of the Board Letter. We consider that the effective implantation of the above procedures would help to ensure fair pricing of the Lease Transactions according to the pricing policies. Having also considered our findings on the effective interest rates as mentioned above, we do not doubt the effectiveness of the measures.

In light of the above, we are of the view that the terms of the Lease Transactions are on normal commercial terms and are fair and reasonable.

### **The proposed annual caps**

Set out below are the proposed annual caps of the Lease Transactions for the three years ending 31 December 2023:

	<b>For the year ending 31 December 2021 <i>(in RMB million)</i></b>	<b>For the year ending 31 December 2022 <i>(in RMB million)</i></b>	<b>For the year ending 31 December 2023 <i>(in RMB million)</i></b>
Newly-added direct lease (the “ <b>Direct Lease Cap(s)</b> ”)	3,500	3,500	3,500
Newly-added sale and lease-back (the “ <b>Sale and Lease-back Cap(s)</b> ”)	2,500	2,500	2,500

With reference to the Board Letter, the Direct Lease Caps and Sale and Lease-back Caps for the three years ending 31 December 2023 were determined based on various factors, details of which were set out under the sub-section headed “Proposed Annual Caps” of the Board Letter.

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## LETTER FROM GRAM CAPITAL

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### *Direct Lease Cap(s)*

To assess the fairness and reasonableness of the Direct Lease Caps for the three years ending 31 December 2023, we conducted following analyses:

- As advised by the Directors, the power generation business is a capital-intensive business and the development of the Group requires a lot of capital.

The underlying asset of the proposed direct lease will be power plant equipment/parts. The Directors took into account of the total estimated cost of wind power and photovoltaic power equipment/parts.

- As advised by the Directors, they assumed the annual installed capacities of newly-added wind power and photovoltaic power amounted to 800MW and 200MW respectively.

We noted from the 2020 Interim Report, the Group's (i) wind power consolidated installed capacity was 9,625.25MW as at 30 June 2020, representing an year-on-year increase of 837.8MW as compared to that as at 30 June 2019; and (ii) photovoltaic power consolidated installed capacity of approximately 223.17MW as at 30 June 2020, representing an year-on-year increase of 98MW as compared to that as at 30 June 2019.

Based on the year-on-year increase in wind power consolidated installed capacity of 837.8MW, we considered the estimated annual installed capacities of newly-added wind power to be acceptable. As the estimated annual installed capacities of newly-added photovoltaic power of 200MW was substantially larger than the year-on-year increase of photovoltaic power consolidated installed capacity as mentioned above. We further conducted following analyses:

- In addition, we also noted that on 22 June 2020, 《2020年能源工作指導意見》 (National Energy Administration of the PRC issued the Guiding Opinion on Energy Work in 2020\*, the “**Opinion**”). Pursuant to the Opinion, among other things, the efficiency of the energy system and the utilisation rate of clean energy such as wind power and photovoltaic power will be further improved. It also required to maintain a reasonable and development scale of wind power and photovoltaic power generation, to promote the construction of centralized wind power, photovoltaic power and offshore wind power in an orderly manner, and to accelerate the development of distributed photovoltaic (分佈式光伏) and decentralized wind power (分散式風電) in the mid-eastern and southern regions. Actively promote wind power, photovoltaic divergence price grid.

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## LETTER FROM GRAM CAPITAL

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- As further advised by the Directors, the estimated newly-added photovoltaic power installed capacity was based on the installed capacity of possible parity photovoltaic project for the year ending 31 December 2021. As at 30 June 2020, the Company added a total of 1,180 MW of new applications and obtained bidding photovoltaic (855MW) (being the projects with government subsidies and a higher on-grid tariff than benchmarked coal-fired on-grid tariffs) and parity photovoltaic (325MW) (being the projects without government subsidies and on-grid tariff normally equals to benchmarked coal-fired on-grid tariffs) project quota. The Directors expected that the completion of construction of bidding photovoltaic power project will take place in 2020 and the completion of construction of parity photovoltaic power project will take place in 2021.

Based on the above, we consider that the estimated annual installed capacities of newly-added wind power (taking into account of the year-on-year newly-added wind power from 30 June 2019 to 30 June 2020) and photovoltaic power (taking into account of the installed capacity of parity photovoltaic power project as mentioned above) to be acceptable.

- Upon our enquiry, the Directors advised us the estimated average cost unit (RMB per KW) of wind power equipment and photovoltaic equipment respectively.

For our due diligence purpose, we reviewed Xinjiang Goldwind Science & Technology Co., Ltd.'s (2208 & SZ002202, "**Xinjiang Goldwind**") (being a China-based company, principally engaged in the manufacture and sale of wind turbine generators and power components) presentation materials for the six months ended 30 June 2020 and noted that the estimated average cost unit (RMB per KW) of wind power equipment fell within the range of monthly bidding price for wind power equipment for the six months ended 30 June 2020 as announced by Xinjiang Goldwind.

In respect of the estimated average cost unit (RMB per KW) of photovoltaic power equipment, the Directors provided a budget of a photovoltaic power farm construction project (which was approved and under construction) and advised us the portion of cost unit of photovoltaic power equipment to total cost unit of the project. According to the budget and the estimated portion, the estimated average cost unit (RMB per KW) was not deviated from the cost unit (RMB per KW) of photovoltaic power equipment as shown in the budget.

Based on the above, we consider the estimated average cost unit (RMB per KW) of wind power equipment and photovoltaic equipment to be acceptable.

- the estimated cost of wind power and photovoltaic power equipment/parts was calculated by the estimated annual newly-added installed capacities of wind power and photovoltaic power times the estimated average cost unit (RMB per KW) of wind power equipment and photovoltaic equipment.



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## LETTER FROM GRAM CAPITAL

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- With reference to the Board Letter, under 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 to be set out in each of the lease agreement. Details of implication of IFRS 16 (Leases) on the Finance Leasing Arrangement of the Company are set out in the Board Letter.

For our due diligence purpose, we enquired into the Directors regarding the assumptions for the converting of the estimated cost of wind power and photovoltaic power equipment/parts into the Direct Lease Cap (in terms of right-of-use assets).

Having considered the above factors and that our analyses of estimated cost of wind power and photovoltaic power equipment/parts, which was then converted into the Direct Lease Cap (in terms of right-of-use assets), as mentioned above, we consider the Direct Lease Cap for the year ending 31 December 2021 to be fair and reasonable.

As further advised by the Directors, the estimated demand of the Direct Lease services were mainly linked to the power generating equipment/parts to be purchased during the three years ending 31 December 2023. According to the Company's previous financial reports, the Group's consolidated installed capacity was on an increasing trend (after a substantial increase in the Group's consolidated installed capacity from 2015 to 2016, the Group's consolidated installed capacity remained stable and increased slightly during 2016 to 2018. From 2018 to 2019, the Group recorded an increase of approximately 8.9% in its consolidated installed capacity). In recent years, China has been in a period of building a clean, low-carbon, safe and efficient energy system, and vigorously developing clean energy is the main direction of promoting the sustainable development of electricity. The continuous acceleration of low-carbon transformation of energy consumption and the further promotion of the in-depth advancement of electricity reform and market construction have brought the Company a brighter development prospect. Based on the aforesaid situation and having considered the abovementioned year-on-year increase in the Group's wind power consolidated installed capacity of 837.8MW and the Opinion, the Directors assumed the estimated demand of Direct Lease services for the two years ending 31 December 2023 to be stable as compared to that for the year ending 31 December 2021. Having considered the aforesaid, we consider that the Direct Lease Caps for the two years ending 31 December 2023, which were the same as that for the year ending 31 December 2021, to be fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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### *Sale and Lease-back Cap(s)*

To assess the fairness and reasonableness of the Sale and Lease-back Caps for the three years ending 31 December 2023, we conducted following analyses:

- We discussed with the Company and the Company's auditors in respect of the accounting treatment of sale and lease-back arrangement. We understood that for the sale and lease-back, the relevant transactions will be accounted for as a finance leasing arrangement between the Company and the Lessors.
- As further advised by the Directors, after taking into account that (i) as compared to the sale and lease-back amounts for the eight months ended 31 August 2020, the sale and lease-back services for FY2019 represented the Group's demand of sale and lease-back services for a full financial year; and (ii) as compared to the sale and lease-back amounts for FY2018, the sale and lease-back services for FY2019 was a more up-to-date figure. Therefore, the Directors determined the Sale and Lease-back Caps for the three years ending 31 December 2023 mainly took into account of the sale and lease-back amounts for FY2019, which was approximately RMB2,476 million.
- Upon our enquiry, the Directors advised that they assumed the estimated demand of sale and lease-back services for the three years ending 31 December 2023 to be stable.

Having considered the above factors, in particular, the sale and lease-back amounts for FY2019 amounted to approximately RMB2,476 million, we consider the Sale and Lease-back Caps for the three years ending 31 December 2023 to be fair and reasonable.

Shareholders should note that as the Direct Lease Caps and Sale and Lease-back Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2023, and they do not represent forecasts of cost to be incurred from the Lease Transactions. Consequently, we express no opinion as to how closely the actual cost to be incurred from the Lease Transactions will correspond with the Direct Lease Caps and/or Sale and Lease-back Caps.

### **Listing Rules implication**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values/maximum values of the Transactions must be restricted by the relevant annual caps for the period concerned under the Financial Services Agreement and Finance Lease Business Framework Agreement; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

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## LETTER FROM GRAM CAPITAL

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Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps.

In the event that the maximum amounts of the Transactions are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

\* *For identification purposes only*

**1. FINANCIAL INFORMATION OF THE GROUP**

The details of the financial information of the Group for the six months ended 30 June 2020 were disclosed in page 38–92 of the Company’s 2020 Interim Report published on the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0831/2020083101791.pdf>) and the website of the Company (<http://www.cdt-re.com/xnygsweb/ueditor/jsp/upload/file/20200901/1598931148969051907.pdf>);

The details of the financial information of the Group for the year ended 31 December 2019 were disclosed in page 138–285 of the Company’s 2019 Annual Report published on the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042900613.pdf>) and the website of the Company ([http://www.cdt-re.com/xnygsweb/old\\_upload/Article/UploadFiles/202004/2020042913543508.pdf](http://www.cdt-re.com/xnygsweb/old_upload/Article/UploadFiles/202004/2020042913543508.pdf));

The details of the financial information of the Group for the year ended 31 December 2018 were disclosed in page 128–269 of the Company’s 2018 Annual Report published on the website of the Stock Exchange (<https://www.hkexnews.hk/listedco/listconews/SEHK/2019/0429/LTN201904293438.pdf>) and the website of the Company (<http://www.cdt-re.com/Article/UploadFiles/201904/2019043010022374.pdf>);

The details of the financial information of the Group for the year ended 31 December 2017 were disclosed in page 115–245 of the Company’s 2017 Annual Report published on the website of the Stock Exchange (<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0425/LTN201804251296.pdf>) and the website of the Company (<http://www.cdt-re.com/Article/UploadFiles/201804/2018042615015229.pdf>).

**2. STATEMENT OF INDEBTEDNESS**

As at the close of business on 30 September 2020, the Group had unaudited outstanding interest-bearing debts of RMB51,279,213 thousand, comprising borrowings from financial institutions of RMB44,310,956 thousand and bonds payable of RMB6,268,256 thousand and financial lease costs payable of RMB5,459,022 thousand, of which (1) for borrowings from financial institutions, the guaranteed borrowings amounted to RMB1,305,067 thousand, the secured borrowings amounted to RMB13,563,928 thousand, and the unsecured and unguaranteed borrowings amounted to RMB29,441,961 thousand; (2) for bonds payable, all of them are unsecured and unguaranteed bonds; (3) for financial lease costs payable, all of them are secured financial lease.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances credits, or any guarantees, or any other contingent liabilities outstanding at the close of business on 30 September 2020.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the Group’s indebtedness position and contingent liabilities since the close of business on 30 September 2020.

### 3. WORKING CAPITAL

As at the Latest Practicable Date, having made careful enquiries and taking into account of the internal resources of and credit facilities available to the Group as well as the Financial Services Agreement and Finance Lease Business Framework Agreement and the transactions contemplated respectively thereunder, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

### 4. FINANCIAL AND TRADING PROSPECTS

In the second half of 2020, the Group will continue to implement the new development concept, strive to expand the development space, improve its core competitiveness, focus on the pandemic prevention and control, and strengthen the operational management, to ensure the comprehensive completion of various targets and tasks of “high-quality development year”.

#### (1) To ensure production safety and stability in an unremitting way

We will adhere to the system to manage the general administration of works, fasten on style guarantee, enhance the implementation of responsibilities, and pay close attention to major enterprises and “key minorities”. We will monitor the situation of the prevention and control of COVID-19 pandemic closely and be prepared for its change all the time, and carefully plan the work of production and operation in all aspects under regular COVID-19 prevention and control. We will stick to the practise of timely warning and early intervention while maintaining the control over the overall situation, and take special actions to effectively address problems occurring, so as to ensure production safety. Furthermore, we will eliminate unplanned outages as well as identify and remove hidden dangers, so as to ensure safety and stability during production for the whole year.

#### (2) To spare no effort to fight for the increase of power generation so as to ensure the achievement of annual operating goals

We will strengthen our market, competition and efficiency awareness, consistently give top priority to the fight for the increase of power generation and attach equal importance to the driving force of planning and that of market. We will conduct daily monitoring, weekly scheduling, monthly analysis and quarterly summary, so as to timely identify and effectively address various problems impacting power generation. We will put the work of power generation first and invest full efforts to achieve the power generation target for this year. Furthermore, we will devote greater efforts to marketing, make active response to power system reform and the policies on tariff adjustments, coordinate the relation between quantity and tariff, monitor closely the planned quantity and various transacted quantity, and strive for the increase of efficient and beneficial power generation. We will enhance the management of wind power equipment, promote the availability of the units and continuously improve the quality and efficiency of wind power business, to ensure the achievement of various production and operation targets for the whole year.

**(3) To advance high quality development with intensive efforts**

While sticking to our construction and production target for the year, we will race against time and make joint efforts as well as take all possible measures to achieve our primary target in a timely manner, to ensure the completion of each project in a satisfactory way. We will fight as scheduled, firmly fasten on the objective of construction and putting into operation of the annual work, make every effort, and be strict on appraisal mechanism. We will accelerate the advancing of the construction and operation of competitive bidding and grid parity photovoltaic projects as well as price-securing projects. We will create, maintain and consolidate a sound environment which values resources and market share acquisition, increase resource reserve and resource converting, advance the approval and registration of our projects and strive to safeguard our bottom line by maintaining the new market share acquired.

**(4) To coordinate the improvement of quality and that of efficiency**

Under current situation of further deepening of the reform of electricity market, we keep to be goal-, problem- and result-oriented. By virtue of two special actions which are quality and efficiency improvement and benchmarking against world-class peers, in addition to striving for the increase of power generation, we will take combined measures to increase revenue and profit, reduce expenditures and loss, and improve quality and efficiency. We will strengthen dynamic monitoring, shorten duration for management and control cycle, and supervise and urge to make improvement. Furthermore, we will focus on the net profit target for the year and delegate lead personnel to assume responsibility for the achievement of such target, as well as strengthen process management and control, to ensure early exposure and early solving of problems and avoid the occurrence of passive situation. We will strictly implement various measures to reduce the leverage and liabilities, conduct rigid control over the budget and adhere strictly to the “belt-tightening” principle, to further lower the proportion of expenses to operating revenue. We will improve funds management and take full advantage of policies on financing support, to optimize debt structure and reduce capital cost and financial expenses.

**(5) To put effort into improving market value management**

We will comprehensively strengthen research on capital market, implement various measures, and establish a good capital market image; continue to improve the operating results, promote the enhancement of the Company’s intrinsic value; improve the sound investor relationship management system and the daily communication and contact mechanism, and be more active to communicate with analysts and investors; continue to deepen the work of information disclosure, so as to further draw more attention in capital market.

**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 aspects 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 AND CONFIRMATIONS**

- (a) as at the Latest Practicable Date, none of the Directors, supervisors or senior management of the Company had any interest or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provision of the SFO); or are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers;
- (b) the Company has not granted its Directors, supervisors, senior management or their respective spouses or children below 18 any rights to subscribe for its equity securities or debt securities as at the Latest Practicable Date;
- (c) as at the Latest Practicable Date, apart from Mr. Kou Wei, Mr. Li Yi and Mr. Liu Baojun who are directors and/or employees of CDC Group, none of the Directors is a director or employee of a company having an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO;
- (d) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, and which was subsisting as at the Latest Practicable Date and significant in relation to the business of the Group;
- (e) as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been since 31 December 2019, being the date to which the latest published audited annual financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

- (f) save as disclosed in the section “Interests of Directors in Competing Business” of the third paragraph of this Appendix, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group’s business) which competes or is likely to compete either directly or indirectly with the Group’s business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder) as at the Latest Practicable Date;
- (g) as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2019, the date to which the latest published audited annual financial statements of the Company were made up;
- (h) as at the Latest Practicable Date, none of the Directors, proposed Directors, supervisors or proposed supervisors of the Company entered or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (i) as at the Latest Practicable Date, the Board confirms that, after making all reasonable enquires and to the best of their knowledge, information and belief, there are no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholders, or any obligation or entitlement of any Shareholders, whereby such Shareholders have or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares, either generally or on a case-by-case basis.

### 3. INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group:

<b>Name of Directors</b>	<b>Position in the Company</b>	<b>Other Interests</b>
Mr. Kou Wei	Chairman and non-executive Director	Director and general manager of CDC
Mr. Li Yi	Non-executive Director	Chairman of Datang Shanghai Branch, and Chairman of Datang Ocean Energy
Mr. Liu Baojun	Non-executive Director	Deputy general manager of Datang Jilin



#### 4. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS HOLDING DISCLOSEABLE INTERESTS IN THE COMPANY

As at the Latest Practicable Date, as far as known to the Directors and chief executives of the Company, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept pursuant to Section 336 of the SFO, or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote at a general meeting under all circumstances:

Name of Shareholder	Class of Shares	Capacity	Number of Shares Held	Percentage in the Relevant Class of Share	Percentage in the Total Share Capital
CDC <sup>(Note 1)</sup>	Domestic Shares	Beneficial owner and interests in a controlled corporation	4,772,629,900 (Long position)	100%	65.61%
Datang Jilin <sup>(Note 1)</sup>	Domestic Shares	Beneficial owner	599,374,505 (Long position)	12.56%	8.24%
Baoshan Iron & Steel Co., Ltd.* (寶山鋼鐵股份有限公司) <sup>(Note 2)</sup>	H Shares	Interests in a controlled corporation	164,648,000 (Long position)	6.58%	2.26%
Bao-Trans Enterprises Limited <sup>(Note 2)</sup>	H Shares	Beneficial owner	164,648,000 (Long position)	6.58%	2.26%

*Notes:*

- (1) CDC directly held 4,173,255,395 Domestic Shares and is deemed to be interested in 599,374,505 Domestic Shares held by Datang Jilin, by virtue of the fact that Datang Jilin is a wholly-owned subsidiary of CDC, therefore, CDC, directly and indirectly, held 4,772,629,900 Domestic Shares of the Company in total.
- (2) Baoshan Iron & Steel Co., Ltd. indirectly holds 164,648,000 H Shares through its wholly-owned subsidiary, Bao-Trans Enterprises Limited.

Save as disclosed in this circular, the Directors and chief executive of the Company are not aware that there is any party who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote at a general meeting under all circumstances.

**5. MATERIAL CONTRACTS**

Within the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were not entered into by the Group which are or may be material.

**6. LITIGATION**

As at the Latest Practicable Date, as far as was known to the Directors, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

**7. QUALIFICATION OF EXPERT AND CONSENT**

The following are the qualifications of the expert who has provided opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
(a)	As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consents to the issue of this circular with inclusion of its letter (as the case may be) and the reference to its name included herein in the form and context in which they currently appear.
(b)	As at the Latest Practicable Date, Gram Capital did not hold any beneficial interest in the share capital of any member of the Group, nor did it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
(c)	As at the Latest Practicable Date, Gram Capital did not have any interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited annual financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**8. OTHER INFORMATION**

- (a) The joint company secretaries of the Company are Mr. Cui Jian and Ms. Kwong Yin Ping, Yvonne (a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators).
- (b) The registered office of the Company in the PRC is at Room 6197, 6/F Building 4, Courtyard 49 Badachu Road, Shijingshan District, Beijing, the PRC; the head office in the PRC is at 8/F, Building 1, No. 1 Caishikou Street, Xicheng District, Beijing, the PRC; the principal place of business in Hong Kong is at 40/F, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.
- (c) H Share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hour at the principal place of business of the Company in Hong Kong (40/F, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong) from the date of this circular up to 7 December 2020 (inclusive):

- (a) the letter from the Independent Board Committee, full text of which is set out on pages 25 to 26 of this circular;
- (b) the letter from Gram Capital, full text of which is set out on pages 27 to 45 of this circular;
- (c) the written consent of the experts referred to in paragraph 7 of this appendix;
- (d) the Financial Services Agreement;
- (e) the Finance Lease Business Framework Agreement; and
- (f) this circular.

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## NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING IN 2020

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**中国大唐集团新能源股份有限公司**

China Datang Corporation Renewable Power Co., Limited\*

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 01798)**

### NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING IN 2020

**NOTICE IS HEREBY GIVEN** that the second extraordinary general meeting in 2020 (“**EGM**”) of China Datang Corporation Renewable Power Co., Limited\* (the “**Company**”) will be held at 10:00 a.m. on Monday, 7 December 2020 at Building 1, No. 1 Caishikou Street, Xicheng District, Beijing, the PRC to consider the following matters:

#### ORDINARY RESOLUTIONS

1. To consider and approve the resolution in relation to the deposit services under the Financial Services Agreement and its proposed annual caps
2. To consider and approve the resolution in relation to the transactions contemplated under the Finance Lease Business Framework Agreement and its proposed annual caps

By order of the Board

**China Datang Corporation Renewable Power Co., Limited\***

**Cui Jian**

*Joint Company Secretary*

Beijing, the PRC, 21 October 2020

*Notes:*

1. The register of members will be closed by the Company from Saturday, 7 November 2020 to Monday, 7 December 2020 (both days inclusive). To be eligible to attend the EGM, all instruments of transfer accompanied by relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the Company's head office in the PRC at 8/F, Building 1, No. 1 Caishikou Street, Xicheng District, Beijing 100053, the PRC (for holders of Domestic Shares) not later than 4:30 p.m. on Friday, 6 November 2020.
2. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies (whether he/she is a Shareholder) to attend and vote at the EGM on his or her behalf.

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## NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING IN 2020

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3. The instrument to appoint a proxy shall be signed by the appointer or his attorney duly authorised in writing or, in the case of a legal person, must be either executed under its common seal or under the hand of its directors or attorney duly authorised.
4. To be valid, the form of proxy must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the Company's head office in the PRC at 8/F, Building 1, No. 1 Caishikou Street, Xicheng District, Beijing 100053, the PRC (for holders of Domestic Shares) within 24 hours before the EGM. If such instrument is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorization documents shall, together with the instrument appointing the proxy, be deposited at the specified place at the time set out in such instrument.
5. If the appointer is a legal person, its legal representative or any person authorised by resolutions of the board or other governing bodies may attend the EGM on behalf of the appointer.
6. The Company has the rights to request a proxy who attends the EGM on behalf of a Shareholder to provide proof of identity.
7. Shareholders intending to attend the EGM must return the EGM reply slip by hand, mail or fax to the Company's H share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, fax number: (852) 2865 0990 (for holders of H Shares) or the Company's head office in the PRC at 8/F, Building 1, No. 1 Caishikou Street, Xicheng District, Beijing 100053, the PRC, fax number: (010) 8375 0600 (for holders of Domestic Shares), on or before Tuesday, 17 November 2020.
8. The EGM is expected to take less than half a day. Shareholders who attend the EGM shall be responsible for their own travel and accommodation expenses.
9. The address of the Company's head office in the PRC is as follows:

8/F, Building 1  
No. 1 Caishikou Street  
Xicheng District  
Beijing 100053  
PRC

*As at the date of this notice, the executive directors of the Company are Mr. Liu Guangming and Mr. Meng Lingbin; the non-executive directors are Mr. Kou Wei, Mr. Hu Shengmu, Mr. Li Yi and Mr. Liu Baojun; and the independent non-executive directors are Mr. Liu Chaoan, Mr. Lo Mun Lam, Raymond and Mr. Yu Shunkun.*

\* *For identification purpose only*