THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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大唐国际发电股份有限公司

DATANG INTERNATIONAL POWER GENERATION CO., LTD.

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

(Stock Code: 991)

DISCLOSEABLE AND CONNECTED TRANSACTION

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

DBS

A letter from the Board of the Company is set out on pages 4 to 10 of this circular. A letter from the Independent Board Committee is set out on pages 11 to 12 of this circular. A letter from DBS Asia Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 17 of this circular.

31 January 2007

CONTENTS

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

"A Share(s)"	the domestic listed ordinary share(s) of the Company with a nominal value of RMB1.00 each
"Associates"	has the meaning ascribed to it under the Listing Rules
"BEIG"	Beijing Energy Investment (Group) Company Limited (北京能源投資(集團)有限公司), a substantial Shareholder of the Company holding approximately 11.96% of the issued share capital of the Company
"Board"	board of Directors
"CDGC"	China Datang Corporation (中國大唐集團公司), a state-owned enterprise established under the laws of the PRC and a substantial Shareholder of the Company holding approximately 34.96% of the issued share capital of the Company
"Company"	Datang International Power Generation Co., Ltd. (大唐國際發電股份有限公司), a sino-foreign joint stock limited company incorporated in the PRC on 13 December 1994, of which the H Shares are listed on The Stock Exchange of Hong Kong Limited and The London Stock Exchange Limited and the A Shares are listed on the Shanghai Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules
"DBS Asia"	DBS Asia Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Investment Agreement, a licensed corporation for types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO
"Directors"	directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Investment Agreement

"Group"	The Company and its subsidiaries
"H Share(s)"	the overseas listed foreign share(s) of the Company with a nominal value of RMB1.00 each and are listed on The Stock Exchange of Hong Kong Limited and The London Stock Exchange Limited
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company, comprising five independent non-executive Directors, namely Mr. Xie Songlin, Mr. Xu Daping, Mr. Liu Chaoan, Mr. Yu Changchun and Mr. Xia Qing
"Independent Shareholders"	Shareholders other than BEIG and CDGC and their Associates
"Investment Agreement"	the investment agreement in relation to jointly establish Tuoketuo No. 2 Power Co. for the purposes of planning, constructing and operating the Tuoketuo Power Plant Project, dated on 9 January 2007 entered into between the Company, BEIG, CDGC and MDHN
"Latest Practicable Date"	26 January 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MDHN"	Inner Mongolia Mengdian Huaneng Thermal Power Corporation Limited, of which the shares are listed and traded on the Shanghai Stock Exchange
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SEPA"	the State Environment Protection Administration
"Shareholder(s)"	the holder(s) of the share(s) of the Company
"Tuoketuo No. 2 Power Co."	Inner Mongolia Datang International Tuoketuo No. 2 Power Generation Company Limited

"Tuoketuo Power Company"	Inner Mongolia Datang International Tuoketuo Power Generation Company Limited, a subsidiary of the Company, of which its 60% shares are held by the Company
"Tuoketuo Power Plant Project"	the power plant project of Phases IV and V of Tuoketuo power plant with a capacity of 4 x 600MW
"%"	per cent.

For the purpose of this circular, HK$1.00 is equivalent to RMB1.0028.

大唐国际发电股份有限公司
DATANG INTERNATIONAL POWER GENERATION CO., LTD.
(a sino-foreign joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 991)

Executive Directors:
Mr. Zhang Yi
Mr. Yang Hongming

Non-executive Directors:
Mr. Zhai Ruoyu *(Chairman)*
Mr. Hu Shengmu
Mr. Fang Qinghai
Mr. Liu Haixia
Ms. Guan Tiangang
Mr. Su Tiegang
Mr. Ye Yonghui
Mr. Tong Yunshang

Independent non-executive Directors:
Mr. Xie Songlin
Mr. Xu Daping
Mr. Liu Chaoan
Mr. Yu Changchun
Mr. Xia Qing

Registered office:
No. 482 Guanganmennei Avenue
Xuanwu District
Beijing, 100053
PRC

Principal place of business in Hong Kong:
c/o Huen Wong & Co. in association with
Fried, Frank, Harris, Shriver & Jacobson LLP
1105-1108 Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

31 January 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

The Board is pleased to announce that on 9 January 2007, the Company entered into the Investment Agreement with BEIG, CDGC and MDHN to establish Tuoketuo No. 2 Power Co. for the purposes of planning, constructing and operating the Tuoketuo Power Plant Project. The Company, BEIG, CDGC and MDHN agreed to contribute to the establishment of Tuoketuo No. 2 Power Co. in the proportion of 40%, 25%, 20% and 15%, respectively.

According to the Listing Rules, as the assets and consideration ratios (as defined in Rule 14.07 of the Listing Rules) is more than 5% but less than 25%, the Investment Agreement constitutes a discloseable transaction of the Company which is subject to the notification and publication requirements as set out in Rules 14.34 to 14.39 of the Listing Rules.

As at the date of the Investment Agreement, BEIG held approximately 11.86% of the issued share capital of the Company and 25% of the interest of Tuoketuo Power Company, a subsidiary of the Company; CDGC held approximately 34.96% of the issued share capital of the Company and MDHN held 15% of the interest of Tuoketuo Power Company. Accordingly, each of BEIG, CDGC and MDHN is a connected person of the Company under the Listing Rules and therefore the Investment Agreement constitutes a connected transaction of the Company under the Listing Rules. As the assets and consideration ratios (as defined in Rule 14.07 of the Listing Rules) is more than 2.5%, the Investment Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will also disclose the relevant details in the next published annual report and accounts of the Company in accordance with the relevant requirements as set out in Rule 14A.45 of the Listing Rules.

The purpose of this circular is to provide you with further details of the Investment Agreement, to set out the recommendation of the Independent Board Committee and to set out the letter of advice from DBS Asia to the Independent Board Committee and the Independent Shareholders in respect of the Investment Agreement.

INVESTMENT AGREEMENT

Date

9 January 2007

Parties

1. The Company,
2. BEIG,
3. CDGC,
4. MDHN.

Major terms of the Investment Agreement

Pursuant to the Investment Agreement, the Company, BEIG, CDGC and MDHN agreed to contribute in cash to the establishment of Tuoketuo No. 2 Power Co. in the proportion of 40%, 25%, 20% and 15%, respectively, for the purposes of planning, constructing and operating the Tuoketuo Power Plant Project.

The total investment amount of the Tuoketuo Power Plant Project is approximately RMB10,193,530,000 (equivalent to approximately HK$10,165,067,810), subject to the final approval by the relevant government authorities in the PRC. The final registered capital of Tuoketuo No. 2 Power Co. will account for approximately 20% of the total investment amount of the project, i.e. approximately RMB2,038,710,000 (equivalent to approximately HK$2,033,017,551).

Pursuant to the Investment Agreement, the Company, BEIG, CDGC and MDHN will be responsible for contributing in cash in the proportion of 40% (i.e. approximately RMB815,484,000, equivalent to approximately HK$813,207,020), 25% (i.e. approximately RMB509,677,500, equivalent to approximately HK$508,254,388), 20% (i.e. approximately RMB407,742,000, equivalent to approximately HK$406,603,510) and 15% (i.e. approximately RMB305,806,500, equivalent to approximately HK$304,952,633), respectively, to the registered capital of Tuoketuo No. 2 Power Co.. There is no time limit specified in the Investment Agreement within which the parties shall contribute in full to the registered capital of Tuoketuo No. 2 Power Co. and it is expected that the parties to the Investment Agreement will contribute their respective shares to the registered capital of Tuoketuo No. 2 Power Co. in stages in line with the construction progress of the Tuoketuo Power Plant Project.

As at the date of this circular, the parties to the Investment Agreement have not contributed any registered capital to Tuoketuo No. 2 Power Co. The Company's contribution to the registered capital of Tuoketuo No. 2 Power Co. will be funded by internal resources.

Pursuant to the Investment Agreement, all funds required for the construction of the Tuoketuo Power Plant Project will be funded by the registered capital of Tuoketuo No. 2 Power Co. and financing resources in the PRC, i.e. loans from banks. If necessary, the respective parties to the Investment Agreement will severally guarantee against such financing in proportion to their respective capital contributions in Tuoketuo No. 2 Power Co. and Tuoketuo No. 2 Power Co. will provide counter-guarantee with its assets or other applicable means against the guarantees given by the respective parties to the Investment Agreement. In the event of any further capital injection or other guarantees against borrowings required upon the Company, the Company will comply with the relevant requirements under the Listing Rules if and when necessary.

Effective date of the Investment Agreement

The Investment Agreement will become effective when the respective parties to the Investment Agreement have respectively obtained approvals from their authorities for the investment items in the Investment Agreement. As at the date of this circular, the Company still has to submit the Investment Agreement to its general meeting for consideration and approval.

Other major terms of the Investment Agreement

The term of operation of Tuoketuo No. 2 Power Co. shall be 30 years from the date of issuance of the business licence.

In order to enable the Company to obtain over 50% of the voting rights in the general meetings and board meetings of Tuoketuo No. 2 Power Co. upon its establishment, CDGC and the Company entered into a separate agreement and pursuant to which, CDGC agreed that while exercising the voting rights on the general meetings and board meetings of Tuoketuo No. 2 Power Co., CDGC will vote in line with the Company. As a result, Tuoketuo No. 2 Power Co. will become a subsidiary of the Company and the results of Tuoketuo No. 2 Power Co. will be consolidated into the Group's financial statements.

Upon obtaining the approval from the relevant government authorities regarding the Tuoketuo Power Plant Project, the Tuoketuo Power Plant Project will commence, including the construction of plant, the purchase and the installation of facilities. The Company is not in a position to ascertain the time when such government approval will be issued. The Company estimates that the power generating units to be built by the Tuoketuo No. 2 Power Co will commence commercial operation in stages within 24 months from the commencement of construction of the Tuoketuo Power Plant Project.

Regarding the recent orders given to the Company by SEPA on environmental protection issues, the Company considers that there will be no immediate impact on the Tuoketuo Power Plant Project since part of the project has already been approved by SEPA, while the remaining part is still in the initial preparation stage. Further, the Company will actively coordinate with various parties and implement environmental protection measures, so as to meet the requirements of SEPA as soon as practicable.

REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT

The Tuoketuo Power Plant Project is located in a place with abundant coal resources. As such, fuel supplies with relatively low costs for the project can be guaranteed which will help lower the operation costs of the Tuoketuo Power Plant Project. Upon completion, the project will supply electricity directly to the North China Power Grid. Beijing-Tianjian-Tangshan ("BTT") area, which is within the North China Power Grid, is the load centre for electricity consumption with fast economic growth.

The Company considers that the Tuoketuo Power Plant Project, upon its completion, will benefit from the growing demand for electricity in the BTT area, which in turn will enhance the Company's profitability as a whole. The Directors consider that the entering into the Investment Agreement will facilitate the profit growth of the Company.

The Directors consider that the terms of the Investment Agreement were negotiated on an arm's length basis between the Company and the parties thereto and were determined on normal commercial terms. The Directors consider that the terms of Investment Agreement are fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

INFORMATION RELATING TO TUOKETUO NO. 2 POWER CO.

Pursuant to the Investment Agreement, Tuoketuo No. 2 Power Co., upon its establishment, will plan, construct and operate the Tuoketuo Power Plant Project which comprises four 600MW air-cooling coal-fired power generating units. Located in Hohhot City, Inner Mongolia Autonomous Region, the PRC, all the electricity generated by the power plant will be transmitted to the North China Power Grid.

INFORMATION RELATING TO THE GROUP

The Group is principally engaged in the development and operation of power plants, the sale of electricity and thermal power, and the repair, testing and maintenance of power equipment and power related technical services, with its main service areas in the PRC.

INFORMATION RELATING TO BEIG

BEIG is a wholly state-owned company which is allowed to engage in any business activities within the scope of operation as permitted by the laws and regulations. BEIG is principally engaged in the development and investment of various forms of energy.

INFORMATION RELATING TO CDGC

CDGC is a state-owned enterprise; its main scope of operations are the development, investment, construction, operation and management of power energy, organisation of power (thermal) production and sales, power technology development and consultation, and so forth.

INFORMATION RELATING TO MDHN

MDHN is a joint stock limited company and its scopes of operation are coal-fired power generation and supply of thermal power.

DISCLOSEABLE AND CONNECTED TRANSACTIONS

According to the Listing Rules, as the assets and consideration ratios (as defined in Rule 14.07 of the Listing Rules) is more than 5% but less than 25%, the Investment Agreement constitutes a discloseable transaction of the Company which is subject to the notification and publication requirements as set out in Rules 14.34 to 14.39 of the Listing Rules.

As at the date of the Investment Agreement, BEIG held approximately 11.86% of the issued share capital of the Company and 25% of the interest of Tuoketuo Power Company, a subsidiary of the Company; CDGC held approximately 34.96% of the issued share capital of the Company and MDHN held 15% of the interest of Tuoketuo Power Company. Accordingly, each of BEIG, CDGC and MDHN is a connected person of the Company under the Listing Rules and therefore the Investment Agreement constitutes a connected transaction of the Company under the Listing Rules. As the assets and consideration ratios (as defined in Rule 14.07 of the Listing Rules) is more than 2.5%, the Investment Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will also disclose the relevant details in the next published annual report and accounts of the Company in accordance with the relevant requirements as set out in Rule 14A.45 of the Listing Rules.

EGM

The Company will convene the EGM to, among other things, consider and approve the Investment Agreement and the transaction contemplated thereunder. A notice convening the EGM will be announced separately and despatched to the Shareholders as soon as reasonably practicable.

Shareholders having material interests in the transaction and their respective Associates will abstain from voting. Therefore, each of BEIG and CDGC and their respective Associates will abstain from voting at the EGM in accordance with the Listing Rules and that the voting will be taken by way of a poll.

POLL PROCEDURE

Pursuant to the Articles of Association, a general voting shall be made at the Shareholders' meeting by a show of hands. However, the following persons shall have the right to request for a voting by poll before or after a voting by show of hands:

(A) the chairman of the meeting; or

(B) at least two Shareholders present in person or by proxy entitled to vote at the meeting; or

(C) one or more Shareholders present in person or by proxy representing 10% or more of the total voting rights of all the Shareholders.

A person who has made a request for voting by poll can withdraw such demand.

Pursuant to Rule 14A.52 of the Listing Rules, the vote taken at the EGM must be taken by poll. The Company will announce the results of the poll on the next business day following the EGM.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 11 to 12 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Investment Agreement. Your attention is also drawn to the letter of advice received from DBS Asia, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 13 to 17 of this circular which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Investment Agreement, the casting of votes for or against the resolution approving the Investment Agreement by poll at the EGM as well as the principal factors and reasons considered by it in concluding its advice.

ADDITIONAL INFORMATION

No gain or loss by the Company will arise and there will be no material impact on the assets and liabilities of the Company as a result of the establishment of Tuoketuo No. 2 Power Co. when the Investment Agreement becomes effective.

Upon the establishment of Tuoketuo No. 2 Power Co., it will become a subsidiary of the Company. The results of Tuoketuo No. 2 Power Co. will be consolidated into the results of the Company and the assets and liabilities of Tuoketuo No. 2 Power Co. will be included in the consolidated accounts of the Company.

Your attention is also drawn to the general information as set out in the appendix of this circular.

Yours faithfully,
By Order of the Board of
DATANG INTERNATIONAL POWER GENERATION CO., LTD.
Yang Hongming
Company Secretary

大唐国际发电股份有限公司
DATANG INTERNATIONAL POWER GENERATION CO., LTD.
(a sino-foreign joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 991)

Legal address and head office
No.482 Guanganmennei Avenue
Xuanwu District Beijing, 100053
The PRC

31 January 2007

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular issued by the Company to the Shareholders dated 31 January 2007 (the "Circular") of which this letter forms part. Terms defined in this Circular shall have the same meanings in this letter unless the context otherwise requires.

Under the Listing Rules, the transaction contemplated under the Investment Agreement and the entering into the Investment Agreement constitutes a discloseable and connected transaction for the Company and is subject to the approval of the Independent Shareholders at the EGM.

We have been appointed as the Independent Board Committee to consider the terms of the Investment Agreement and to advise the Independent Shareholders in connection with the Investment Agreement as to whether, in our opinion, their terms are fair and reasonable so far as the Independent Shareholders are concerned and whether the Investment Agreement is in the interests of the Company and the Shareholders as a whole. DBS Asia has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from DBS Asia as set out in this circular. Having considered the principal factors and reasons considered by, and the advice of, DBS Asia as set out in its letter of advice, we consider that the Investment Agreement is on normal commercial terms, and that the Investment Agreement is in the best interests of the Company and the Shareholders as a whole.

We also consider that the terms of the Investment Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Investment Agreement in the EGM.

Yours faithfully,
For and on behalf of the Independent Board Committee
Xie Songlin, Xu Daping, Liu Chaoan, Yu Changchun Xia Qing
Independent non-executive Directors

The following is the text of the letter of advice from DBS Asia, the independent financial adviser to the Independent Board Committee and Independent Shareholders, in relation to the discloseable and connected transactions, which has been prepared for the purpose of inclusion in this circular

DBS

31 January 2007

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION
INVESTMENT AGREEMENT
RELATING TO THE ESTABLISHMENT OF THE TUOKETUO NO.2 POWER CO.

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Investment Agreement, details of which are set out in the letter from the Board as set out in the circular (the "Circular") to the Shareholders dated 31 January 2007, of which this letter forms part. Expressions used in this letter shall have the same meaning as defined in the Circular.

As at the date of the Investment Agreement, BEIG held approximately 11.86% of the issued share capital of the Company and 25% of the interest of Tuoketuo Power Company, a subsidiary of the Company; CDGC held approximately 34.96% of the issued share capital of the Company and MDHN held 15% of the interest of Tuoketuo Power Company. Accordingly, each of BEIG, CDGC and MDHN is a connected person of the Company under the Listing Rules and the entering into of the Investment Agreement constitutes a connected transaction of the Company under the Listing Rules.

Our scope of work under this engagement is to assess the fairness and reasonableness of the terms of the Investment Agreement insofar as the Independent Shareholders are concerned and whether from this perspective the Investment Agreement is in the interest of the Company and its Shareholders as a whole. It is not within our scope of work to opine on any other aspects of the Investment Agreement. In addition, it is not within our terms of reference to comment on the commercial merits of the Investment Agreement which is the responsibility of the Directors.

In arriving at our opinion, we have relied on the information, opinions and facts supplied, and representations made to us, by the Directors, and advisers and representatives of the Company (including those contained or referred to in the Circular). We have also assumed that the information and representations contained or referred to in the Circular were true and accurate in all material respects at the time they were made and continue to be so at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its respective subsidiaries or associates.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion with regard to the terms of the Investment Agreement, we have considered the principal factors set out below:

1. BACKGROUND OF THE PARTIES TO THE INVESTMENT AGREEMENT

The parties to the Investment Agreement are the Company, BEIG, CDGC and MDHN.

The Company is principally engaged in the development and operations of power plants, the sale of electricity and thermal power, and the repair, testing and maintenance of power equipment and power related technical services, with its main operation in the PRC.

BEIG is a PRC state-owned enterprise which is principally engaged in the development and investment of various forms of energy. CDGC is a PRC state-owned enterprise which is principally engaged in the development, investment, construction, operation and management of power energy, organisation of power (thermal) production and sales, power technology development and consultation. Both BEIG and CDGC are substantial shareholders of the Company. MDHN is a joint stock limited company established in the PRC and listed on the Shanghai Stock Exchange. Its principal business is coal-fired power generation and supply of thermal power.

2. REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT

Pursuant to the Investment Agreement, Tuoketuo No. 2 Power Co., upon its establishment, will plan, construct and operate the Tuoketuo Power Plant Project which comprises four 600MW air-cooling coal-fired power generating units. Given that the principal business of the Company is the development and operations of power plants, and the sale of electricity and thermal power, we consider that the entering into of the Investment Agreement is within the normal and ordinary course of business of the Company.

Located in Hohhot City, Inner Mongolia Autonomous Region, the PRC, it is planned that all the electricity generated by the Tuoketuo Power Plant Project will be transmitted to the North China Power Grid. Beijing-Tianjian-Tangshan ("BTT") area, which is within the North China Power Grid, is the load centre for electricity consumption with fast economic growth. According to the China Population Information and Research Centre website, the growth in gross domestic product ("GDP") of Beijing, Tianjin and Hebei (the province where Tangshan is located) in 2005 were approximately 11.1%, 14.5% and 13.4%, respectively. The Company considers that the Tuoketuo Power Plant Project, upon its completion, will benefit from the growing demand for electricity in the BTT area, which in turn might enhance the Company's profitability as a whole. As advised by the management of the Company, one of the power plants of the Company in the region has already been operating at near full capacity. The Directors consider that the entering into the Investment Agreement will enable the Group to further capture the demand for electricity in the region. We also note that the Tuoketuo Power Plant Project is located near Junger coalfield, which has abundant coal resources, and is one of the largest open-air coal mine in the PRC with an estimated reserve of 26.8 billion tonnes. Accordingly, the management of the Company consider that the fuel supplies with relatively low costs for the project are readily available which will help to lower the operation costs of the Tuoketuo Power Plant Project.

In addition, as advised by the Directors, the Tuoketuo Power Plant Project is structured as a joint venture project which is expected to enable the Company to spread its risks associated with the project and to enable the Company to diversify its resources into other viable projects.

3. MAJOR TERMS OF THE INVESTMENT AGREEMENT

Pursuant to the Investment Agreement, the Company, BEIG, CDGC and MDHN agreed to contribute in cash for the establishment of Tuoketuo No. 2 Power Co. in the proportion of 40%, 25%, 20% and 15%, respectively, for the purposes of planning, constructing and operating the Tuoketuo Power Plant Project.

The total investment amount of the Tuoketuo Power Plant Project is approximately RMB10,193,530,000 (equivalent to approximately HK$10,165,067,810), subject to the final approval by the relevant government authorities in the PRC. The final registered capital of Tuoketuo No. 2 Power Co. will account for approximately 20% of the total investment amount of the project, i.e. approximately RMB2,038,710,000 (equivalent to approximately HK$2,033,017,551).

Based on the Investment Agreement, the Company, BEIG, CDGC and MDHN will be responsible for contributing in cash in the proportion of 40% (i.e. approximately RMB815,484,000, equivalent to approximately HK$813,207,020), 25% (i.e. approximately RMB509,677,500, equivalent to approximately HK$508,254,388), 20% (i.e. approximately RMB407,742,000, equivalent to approximately HK$406,603,510) and 15% (i.e. approximately RMB305,806,500, equivalent to approximately HK$304,952,633), respectively, to the registered capital of Tuoketuo No. 2 Power Co.. There is no time limit specified in the Investment Agreement within which the parties shall contribute in full to the registered capital of Tuoketuo No. 2 Power Co. and it is expected that the parties to the Investment Agreement will contribute their respective shares to the registered capital of Tuoketuo No. 2 Power Co. in stages in line with the construction progress of the Tuoketuo Power Plant Project. Such contribution of capital by stages is common among power plant projects of substantial size and will be beneficial to the cashflow position of the joint venture partners.

Pursuant to the Investment Agreement, all funds required for the construction of the Tuoketuo Power Plant Project will be funded by the registered capital of Tuoketuo No. 2 Power Co. and financing resources in the PRC, i.e. loans from banks. If necessary, the respective parties to the Investment Agreement will severally guarantee against such financing in proportion to their respective capital contributions in Tuoketuo No. 2 Power Co. and Tuoketuo No. 2 Power Co. will provide counter-guarantee with its assets or other applicable means against the guarantees given by the respective parties to the Investment Agreement.

In order to enable the Company to obtain over 50% of the voting rights in the general meetings and board meetings of Tuoketuo No. 2 Power Co. upon its establishment, CDGC and the Company have entered into a separate agreement and pursuant to which, CDGC agreed that while exercising the voting rights on the general meetings and board meetings of Tuoketuo No. 2 Power Co., CDGC will vote in line with the Company. As a result, Tuoketuo No. 2 Power Co. will become a subsidiary of the Company under accounting treatment and the results of Tuoketuo No. 2 Power Co. will be consolidated into the Group's financial statements.

The Directors consider that the terms of the Investment Agreement were negotiated on an arm's length basis between the Company and the parties thereto and were determined on normal commercial terms. The Directors consider that the terms of the Investment Agreement are fair and reasonable given that the Company, BEIG, CDGC and MDHN each proportionally share their respective cash contribution to the registered capital and they will severally guarantee the third party borrowings in proportion to their respective capital contributions in Tuoketuo No. 2 Power Co. if so required. As the terms of the Investment Agreement stipulated that the joint venture partners contribute proportionally to their respective share of registered capital and, where necessary, provide guarantees for loan financing based on their respective proportional interests in the project, we are of the view that the terms of the Investment Agreement are fair and reasonable as far as the interests of the Independent Shareholders are concerned.

4. WORKING CAPITAL

The Company's capital contribution to the registered capital of Tuoketuo No. 2 Power Co. will be funded by internal resources.

We were advised by the Company that in the event of any further capital injection or other guarantees against borrowings are required by the Company, the Company will comply with the relevant requirements under the Listing Rules if and when necessary.

We have discussed with the Directors the impact of the capital contribution pursuant to the Investment Agreement on the working capital position of the Company and have reviewed the financial statements of the Company for the six months ended 30 June 2006. We understand that the Company has conducted detailed feasibility and cashflow studies on the Company's participation in the Tuoketuo No. 2 Power Plant Project. We are satisfied that the Company has sufficient working capital for financing its obligations pursuant to the Investment Agreement.

OPINION

Having considered the principal factors discussed above, we are of the opinion that the terms of the Investment Agreement is fair and reasonable so far as the interests of Independent Shareholders are concerned and from this perspective the Investment Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Investment Agreement.

Yours faithfully,
For and on behalf of
DBS ASIA CAPITAL LIMITED
Kelvin S. K. Lau
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors, supervisors and chief executive of the Company

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

(ii) As at the Latest Practicable Date, none of the Directors, proposed Directors, supervisors or proposed supervisors of the Company has any direct or indirect interest in any assets which have since 31 December 2005 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Substantial shareholders of the Company

As at Latest Practicable Date, so far as the Directors, supervisors and chief executive are aware, each of the following persons, not being a Director, chief executive or supervisor of the Company, had an interest in the Shares which falls to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Class of Shares	Number of issued ordinary shares held	Percentage to total issued share capital of the Company	Percentage to total issued domestic shares	Percentage to total issued H shares
China Datang Corporation *(Note 1)*	Domestic Shares	1,979,620,580(L)	34.96%	46.78%	–
Beijing Energy Investment (Group) Company *(Note 2)*	Domestic Shares	671,792,400 (L)	11.86%	15.87%	–
Hebei Construction Investment Company *(Note 3)*	Domestic Shares	671,792,400 (L)	11.86%	15.87%	–
Tianhin Jinneng Investment Company *(Note 4)*	Domestic Shares	606,006,300 (L)	10.70%	14.32%	–
J.P. Morgan Chase & Co.	H Shares	155,888,845 (L) 124,317,000 (P)	2.75% 2.19%	–	10.90% (L) 8.69% (P)
Templeton Asset Management Limited	H Shares	99,698,320 (L)	1.76%	–	6.97%(L)
Allianz SE	H Shares	100,308,000(L) 142,000(S)	1.77% 0 %	–	7.01%(L) 0.01%(S)
UBS AG	H Shares	92,316,088 (L) 17,568,000(S)	1.63% 0.31%	–	6.45%(L) 1.23%(S)
Halbis Capital Management (Hong Kong) Limited	H Shares	85,176,000(L)	1.50%	–	5.95%

(L) means long position (S) means short position (P) means lending pool

Notes:

1. Each of Mr. Zhai Rouyu, Mr. Hu Shengmu and Mr. Fang Qinghai, all non-executive Director, is an employee of China Datang Corporation.

2. Each of Mr. Liu Haixia and Ms. Guan Tiangang, both non-executive Director, is an employee of Beijing Energy Investment (Group) Company.

3. Each of Mr. Su Tiegang and Mr. Ye Yonghui, both non-executive Director, is an employee of Hebei Construction Investment Company.

4. Mr. Tong Yunshang, a non-executive Director, is an employee of Tianjin Jinneng Investment Company.

Save as disclosed above and so far as the Directors, supervisors and chief executive are aware, as at the Latest Practicable Date, no other person had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders in other members of the Group

Other members of the Group	Shareholders holding 10% or more in other members of the Group	Percentage shareholding of shareholders in other members of the Group
Inner Mongolia Datang International Tuoketuo Power Generation Company Limited 內蒙古大唐國際托克托發電有限責任公司	Beijing Power Investment (Group) Company Limited 北京能源投資(集團)有限公司	25%
	Inner Mongolia Mengdian Huaneng Thermal Power Company Limited 內蒙古蒙電華能熱電股份有限公司	15%
Tianjin Datang International Panshan Power Generation Company Limited 天津大唐國際盤山發電有限責任公司	Tianjin Jinneng Investment Company 天津市津能投資公司	25%
Shanxi Datang Shentou Power Generation Company Limited 山西大唐神頭發電有限責任公司	Tianjin Jinneng Investment Company 天津市津能投資公司	40%

Other members of the Group	Shareholders holding 10% or more in other members of the Group	Percentage shareholding of shareholders in other members of the Group
Shanxi Datang International Yungang Thermal Power Company Limited 山西大唐國際雲岡熱電有限責任公司	Shanxi Jinneng Hezhong Investment and Guarantee Company Limited 山西晉能和眾投資擔保有限公司	20%
Yunnan Datang International Honghe Power Generation Company Limited 雲南大唐國際紅河發電有限責任公司	Yunnan Development and Investment Company Limited 雲南省開發投資有限公司	15%
	Yunnan Xiaolongtan Mining Bureau 雲南小龍潭礦務局	10%
Gansu Datang Liancheng Power Generation Company Limited 甘肅大唐國際連城發電公司	State Power Development Company Limited 國電電力發展股份有限公司	25%
	Gansu Power Construction and Investment Company Limited 甘肅省電力建設投資開發公司	20%
Hebei Datang International Tangshan Thermal Power company Limited 河北大唐國際唐山熱電有限責任公司	Tangshan Construction Investment Company 唐山市建設投資公司	20%
Yunnan Datang Nalan Hydropower Development Company 雲南大唐國際那蘭水電開發有限公司	Honghezhou Development and Investment Company Limited 紅河州開發投資有限責任公司	20%
	Jinping Power Company Limited 金平電力有限責任總公司	15%
	Beijing Huake Power Engineering and Technology Company Limited 北京華科電力工程技術有限公司	14%

Other members of the Group	Shareholders holding 10% or more in other members of the Group	Percentage shareholding of shareholders in other members of the Group
Yunnan Datang International Lixianjiang Hydropower Development Company Limited 雲南大唐李仙江流域水電開發有限公司	Beijing State Power Anrong Power Investment Company Limited 北京國電安融能源投資公司	25%
Shanxi Datang International Yuncheng Power Generation Company Limited 山西大唐國際運城發電有限責任公司	Shanxi Huafu Power Investment Company Limited 山西華富能源投資有限公司	20%
Jiangsu Datang International Lusigang Power Generation Company Limited 江蘇大唐國際呂四港發電有限責任公司	Nantong Zhonghe Holding Company Limited 南通眾和控股有限公司	10%
Guangdong Datang International Chaozhou Power Generation Company Limited 廣東大唐國際潮州發電有限責任公司	Beijing China Power Huaze Investment Company Limited 北京中電華澤投資有限公司	12%
Fujian Datang International Ningde Power Generation Company Limited 福建大唐國際寧德發電有限責任公司	Fujian Hesheng Group Company Limited 福建和盛集團有限公司	25%
	Mindong Power Investment Company Limited 閩東能源投資有限公司	10%
	Shanxi Huafu Power Investment Company Limited 山西華富能源投資有限公司	10%
Chongqing Datang International Wulong Hydropower Development Company Limited 重慶大唐國際武隆水電開發有限公司	Chongqing Hangyun Construction Development Company Limited 重慶航運建設發展有限公司	24.5%
	Chongqing Dingtai Power (Group) Company Limited 重慶鼎泰能源(集團)有限公司	24.5%

Other members of the Group	Shareholders holding 10% or more in other members of the Group	Percentage shareholding of shareholders in other members of the Group
Yunnan Datang International Wenshan Hydropower Development Company Limited 雲南大唐國際文山水電開發有限公司	Yunnan Wenshan Power Company Limited 雲南文山電力股份有限公司	25%
	State Power Kunming Survey and Design Research Institute 國家電力公司昆明勘測設計研究院	15%
Hebei Datang International Wangtan Power Co., Ltd. 河北大唐國際王灘發電有限責任公司	Hebei Construction Investment Company 河北省建設投資公司	30%
Chongqing Datang International Shizhu Power Generation Company Limited. 重慶大唐國際石柱發電有限公司	Chongqing City Construction Investment Company 重慶市建設投資公司	30%
Inner Mongolia Datang International Duolun Hyropower Multiple Development Company Limited. 內蒙古大唐國際多倫水利水電綜合開發有限公司	Duolun Province Hyropower Generation Company Limited 多倫縣水電公司	41%
Sichuan Datang International Gan Zi Hydropower Generation Development Company Limited 四川大唐國際甘孜水電開發有限公司	Gan Zi Province Gan Bao Hydropower Generation Development Company Limited 甘孜州甘投水電開發有限公司	20%

Save as disclosed above, as at the Latest Practicable Date, there was no other person (other than a Director, supervisor or chief executive of the Company or a member of the Group), who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. SERVICE AGREEMENTS

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

4. INTEREST IN CONTRACT

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2005, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

5. MATERIAL CHANGES

The Directors, supervisors and chief executive are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, being the date to which the latest published audited financial statements of the Group were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the directors, supervisors and chief executive of the Company and its subsidiaries, or their respective Associates has interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries.

7. EXPERT

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

Name	**Qualifications**
DBS Asia Capital Limited	Deemed licensed corporation to engage in types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO

(b) As at 25 January 2007, the holding company of DBS Asia and its subsidiaries (collectively the "DBS Group") held, directly or indirectly, in aggregate 952,000 shares of the Company, representing approximately 0.017% of the issued share capital of the Company. Save as disclosed above, DBS Asia did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group on 25 January 2007.

(c) DBS Asia does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2005, the date to which the latest published audited financial statements of the Company were made up.

(d) DBS Asia has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

(e) The letter and recommendation given by DBS Asia are given as of the date of this circular for incorporation herein.

8 . LITIGATION

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Investment Agreement and the agreement dated 6 September 2006 entered between the Company and CDGC is available for inspection at the principal place of business in Hong Kong of the Company at Rooms 1105-1108, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from the date of this circular up to and including 14 February 2007:

10. MISCELLANEOUS

(a) The English text of this circular shall prevail over the Chinese text.

(b) The registered and head office of the Company is situated at No. 482, Guanganmennei Avenue, Xuanwu District, Beijing, the PRC.

(c) The place of business of the Company in Hong Kong is at c/o Huen Wong & Co. in association with Fried, Frank, Harris, Shriver & Jacobson LLP 1105-1108 Gloucester Tower, The Landmark,15 Queen's Road Central, Hong Kong.

(d) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The secretary of the Company is Mr. Yang Hongming, who is a senior economist and had graduated from North China Power College.

(f) The Company has been using its best endeavour in finding a suitable candidate to assume the position of qualified accountant, as required under Rule 3.24 of the Listing Rules (the "Rule"), since the effective date of the Rule. Due to the practical difficulties in finding a candidate who has relevant experience in the power industry, the Company has yet to appoint a qualified accountant as required under the Rule and the Company will continue to use its best endeavour in finding a suitable candidate to assume such position as soon as practicable.