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## 華電國際電力股份有限公司

**HUADIAN POWER INTERNATIONAL CORPORATION LIMITED\***

*(A Sino-foreign investment joint stock company limited by shares incorporated in the PRC)*

(Stock code: 1071)

### **DISCLOSEABLE AND CONNECTED TRANSACTION CAPITAL INCREASE IN HUADIAN FINANCE**

The Board is pleased to announce that, on 21 December 2010, the Company entered into the Capital Increase Agreement with Huadian Finance for the Company to contribute to part of the Capital Increase of Huadian Finance. China Huadian and its relevant subsidiaries will contribute to the remaining part of the Capital Increase. The registered capital of Huadian Finance will be increased by RMB3,610 million to RMB5,000 million, which will be increased (i) as to RMB222.4 million by capitalizing the capital reserve of Huadian Finance and (ii) as to RMB3,387.6 million by capital contributions by the existing shareholders of Huadian Finance. Upon completion of the Capital Increase, the aggregate equity interest of the Company and Hangzhou Banshan Company, a non wholly-owned subsidiary of the Company, in the enlarged registered capital of Huadian Finance will decrease from approximately 25.207% to approximately 16.46%.

Huadian Finance is a non wholly-owned subsidiary of China Huadian, and since China Huadian is the controlling Shareholder of the Company, Huadian Finance is a connected person of the Company. The entering into the Capital Increase Agreement constitutes a connected transaction of the Company as defined under Rule 14A.13 of the Hong Kong Listing Rules. As one of the applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) represented by the capital contribution by the Company exceeds 5% but is less than 25%, the Connected Transaction is subject to the reporting and announcement requirements and Independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules. As a relevant percentage ratio exceeds 5%, the Connected Transaction also constitutes a discloseable transaction for the Company under the Hong Kong Listing Rules.

A circular containing, among other things, details of the Connected Transaction, a letter from the independent financial adviser containing its advice to the Independent Board Committee on the Connected Transaction, the recommendation of the Independent Board Committee regarding the Connected Transaction to the Independent Shareholders and the notice of the extraordinary general meeting is expected to be despatched to the Shareholders in accordance with the Hong Kong Listing Rules. As additional time is required for the Company to prepare and finalise certain information in the circular, such as the rationality of the maximum amount of the Capital Increase to be contributed by the Company, the circular is expected to be despatched on or before 1 February 2011.

#### **I. Introduction**

The Board is pleased to announce that, on 21 December 2010, the Company entered into the Capital Increase Agreement with Huadian Finance for the Company to contribute to part of the Capital Increase of Huadian Finance. China Huadian and its relevant subsidiaries will contribute to the remaining part of the

Capital Increase. The registered capital of Huadian Finance will be increased by RMB3,610 million to RMB5,000 million, which will be increased (i) as to RMB222.4 million by capitalizing the capital reserve of Huadian Finance and (ii) as to RMB3,387.6 million by capital contributions by the existing shareholders of Huadian Finance. Upon completion of the Capital Increase, the aggregate equity interests of the Company and Hangzhou Banshan Company, a non wholly-owned subsidiary of the Company, in the enlarged registered capital of Huadian Finance will decrease from approximately 25.207% to approximately 16.46%.

## **II. Capital Increase Agreement**

### **1. Signing date**

21 December 2010

The Capital Increase Agreement shall become effective upon the Capital Increase Agreement having been signed and sealed with the company seal by the both parties.

### **2. Parties**

- (i) The Company; and
- (ii) Huadian Finance

### **3. Capital Increase in Huadian Finance**

Prior to the Capital Increase, the registered capital of Huadian Finance is RMB1,390 million, which is held as to (i) an aggregate of approximately 74.793% by China Huadian and its relevant subsidiaries; and (ii) the remaining aggregate approximately 25.207% by the Company and Hangzhou Banshan Company, one of the Company's non wholly-owned subsidiaries.

Upon completion of the Capital Increase, the registered capital of Huadian Finance will be increased by RMB3,610 million to RMB5,000 million, which will be increased (i) as to RMB222.4 million by capitalizing the capital reserve of Huadian Finance and (ii) as to RMB3,387.6 million by capital contributions by the existing shareholders of Huadian Finance. For the RMB3,387.6 million, the Company will contribute a sum of RMB499.9848 million for RMB416.654 million registered capital at a subscription rate of RMB1.20 for each RMB1.00 registered capital. The remaining registered capital of RMB2,970.946 million will be contributed by China Huadian and its relevant subsidiaries by contributing RMB3,565.135 million at the same subscription rate as the Company. Upon the completion of the capital contribution, the registered capital of Huadian Finance will be increased from RMB1,612.4 million to RMB5,000 million. Hangzhou Banshan Company, the subsidiary of the Company with approximately 4.75% equity interest in Huadian Finance, will not participate in the capital contribution. The Company, China Huadian and its relevant subsidiaries will contribute to the Capital Increase upon the same terms and conditions and at the same subscription rate. After the Capital Increase, the aggregate equity interests of the Company and Hangzhou Banshan Company will decrease from approximately 25.207% to approximately 16.46%, which will be held as to 14.93% by the Company and approximately 1.53% by Hangzhou Banshan Company. The remaining equity interests of an aggregate of approximately 83.54% will be held by China Huadian and its relevant subsidiaries.

Huadian Finance is an associate company of the Company and the results of which are equity accounted for by the Company before and after the Capital Increase.

### **4. Consideration and payment terms**

Pursuant to the Capital Increase Agreement, the Company will contribute to the Capital Increase by way of cash and payment has to be made before the date assigned by Huadian Finance.

The capital contribution by the Company has been determined based on arm's length negotiations between

the two parties, i.e. the subscription rate of RMB1.2 for RMB1.00 registered capital. The subscription rate also took reference of appraised value of Huadian Finance, which was evaluated based on discounted cash flow. The Directors have balanced the contribution to the Capital Increase against the operational requirements of and other business opportunities available to the Company before arriving at the maximum amount of the Capital Increase to be contributed by the Company.

### **III. Reasons for and benefits expected to accrue to the Company from the Capital Increase Agreement**

The Capital Increase will increase the capital backing of Huadian Finance and increase the ability of Huadian Finance to provide financial services, both in terms of the amount of loans and other facilities, to China Huadian and its group of companies, including the Company and its subsidiaries. Further, as a non-banking financial institution, Huadian Finance may raise funds in the inter-bank market with financing cost lower than the cost of corporate loan. As commercial banks in the PRC have recently tightened their loans scale under the recent monetary control policy of the PRC government, Huadian Finance will provide more financing flexibilities to the Company and its subsidiaries. The Capital Increase could also maintain the vested interests of the Company in Huadian Finance while at the same time achieving good investment returns, and maintaining the access to financing facilities and other financial services.

The Directors believe that the Capital Increase Agreement and the Connected Transaction are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **IV. Information on Huadian Finance and the Company**

#### **1. Huadian Finance**

Huadian Finance was established on 12 February 2004 as a limited liability company in Beijing, the PRC. It is licensed by the CBRC and is engaged in the provision of financial services which principally include deposit taking, provision of loans, issue of corporate debentures, inter-bank lending, finance leasing, bills acceptance and discounting, entrusted loans and entrusted investment to member companies, arrangement of buyer's credit for member companies' products, underwriting of corporate debentures of member companies, provision of financial advisory, credit certification and other advisory agency services and security to member companies, and other types of financial services as may be approved by the CBRC.

Under the PRC Accounting Standards and Regulations, the audited net profits before and after taxation of Huadian Finance for the two financial years ended 31 December 2009 were approximately RMB294 million and RMB234 million respectively, and approximately RMB247 million and RMB171 million respectively. As at 30 June 2010, the total net assets of Huadian Finance were approximately RMB1.845 billion and the valuation of the total net assets of Huadian Finance were approximately RMB1.928 billion.

#### **2. The Company**

The Company and its subsidiaries are principally engaged in the construction and operation of power plants and other businesses related to power generation. China Huadian currently holds approximately 47.21% equity interest in the Company.

### **V. Hong Kong Listing Rules Implications**

Huadian Finance is a non wholly-owned subsidiary of China Huadian, and since China Huadian is the controlling Shareholder of the Company, Huadian Finance is a connected person of the Company. The entering into the Capital Increase Agreement constitutes a connected transaction of the Company as defined under Rule 14A.13 of the Hong Kong Listing Rules. As one of the applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) represented by the capital contribution by the Company exceeds 5% but is less than 25%, the Connected Transaction is subject to the reporting and announcement requirements and Independent Shareholder' approval under Chapter 14A of the Hong Kong Listing Rules. As a relevant percentage ratio exceeds 5%, the Connected Transaction also constitutes a discloseable

transaction for the Company under the Hong Kong Listing Rules.

The Directors have appointed the Independent Board Committee, comprising the four independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Connected Transaction. An independent financial adviser will also be appointed to advise the Independent Board Committee and Independent Shareholders in relation to the Connected Transaction.

A circular containing, among other things, details of the Connected Transaction, a letter from the independent financial adviser containing its advice to the Independent Board Committee on the Connected Transaction, the recommendation of the Independent Board Committee regarding the Connected Transaction to the Independent Shareholders and the notice of the extraordinary general meeting is expected to be despatched to the Shareholders in accordance with the Hong Kong Listing Rules. As additional time is required for the Company to prepare and finalise certain information in the circular, such as the rationality of the maximum amount of the Capital Increase to be contributed by the Company, the circular is expected to be despatched on or before 1 February 2011.

## **Definitions**

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

<b>“Board”</b>	means the board of Directors of the Company;
<b>“Capital Increase”</b>	means the proposed capital increase of RMB3,610 million in the registered capital of Huadian Finance from RMB1,390 million to RMB5,000 million, which will be increased as to RMB222.4 million by capitalizing the capital reserve of Huadian Finance and as to RMB3,387.6 million by capital contribution by the existing shareholders of Huadian Finance. The registered capital of RMB3,387.6 million will be contributed as to RMB416.654 million by the Company contributing a sum of RMB499.9848 million and the remaining registered capital of RMB2,970.946 million will be contributed by China Huadian and its relevant subsidiaries, by contributing RMB3,565.135 million, at the same subscription rate as the Company;
<b>“Capital Increase Agreement”</b>	means the capital increase agreement dated 21 December 2010 between the Company and Huadian Finance, pursuant to which the Company will contribute RMB499.9848 million for RMB416.654 million registered capital in the Capital Increase of Huadian Finance;
<b>“CBRC”</b>	means 中國銀行業監督管理委員會 China Banking Regulatory Commission;
<b>“China Huadian”</b>	mean 中國華電集團公司 China Huadian Corporation*, a wholly State-owned enterprise and the controlling Shareholder of the Company;
<b>“Company”</b>	means 華電國際電力股份有限公司 Huadian Power International Corporation Limited*, a Sino-foreign investment joint stock company limited by shares established in the PRC, whose H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange, respectively;
<b>“connected person(s)”</b>	has the meaning ascribed thereto under the Hong Kong Listing Rules;
<b>“Connected Transaction”</b>	means the connected transaction between the Company and Huadian Finance under the Capital Increase Agreement dated 21 December 2010 to increase the capital in Huadian Finance;

<b>“Directors”</b>	means the directors of the Company;
<b>“Hangzhou Banshan Company”</b>	means 杭州華電半山發電有限公司 Hangzhou Huadian Banshan Power Generation Company Limited*, a non wholly-owned subsidiary of the Company;
<b>“Huadian Finance”</b>	means 中國華電集團財務有限公司 China Huadian Corporation Finance Company Limited*, a limited liability company established in the PRC;
<b>“HK\$”</b>	means Hong Kong dollar, the lawful currency of Hong Kong;
<b>“Hong Kong”</b>	means the Hong Kong Special Administrative Region of the PRC;
<b>“Hong Kong Listing Rules”</b>	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
<b>“Independent Board Committee”</b>	means an independent committee of Directors appointed to advise the Independent Shareholders in respect of the Connected Transaction;
<b>“Independent Shareholders”</b>	means the Shareholders who are not required to abstain from voting in favour of the resolution for approving the Connected Transaction under the Hong Kong Listing Rules;
<b>“PRC”</b>	means the People’s Republic of China;
<b>“RMB”</b>	means Renminbi, the lawful currency of the PRC;
<b>“Shareholder(s)”</b>	means the shareholders of the Company; and
<b>“%”</b>	means per cent.

By order of the Board  
**Huadian Power International Corporation Limited\***  
**Zhou Lianqing**  
*Company Secretary*

As at the date of this announcement, the Board comprises:

Yun Gongmin (Chairman, Non-executive Director), Chen Feihu (Vice Chairman, Non-executive Director), Chen Dianlu (Vice Chairman, Non-executive Director), Chen Jianhua (Executive Director), Wang Yingli (Non-executive Director), Chen Bin (Non-executive Director), Zhong Tonglin (Executive Director), Chu Yu (Non-executive Director), Wang Yuesheng (Independent Non-executive Director), Hao Shuchen (Independent Non-executive Director), Ning Jiming (Independent Non-executive Director) and Yang Jinguan (Independent Non-executive Director).

Beijing, the PRC

21 December 2010

\* *For identification purposes only*