

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.*



*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 00816)**

## **CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION – DEPOSIT SERVICE AGREEMENT**

### **DEPOSIT SERVICE AGREEMENT**

The Board hereby announces that on 21 April 2016, the Company entered into the Deposit Service Agreement with Huadian Finance, a subsidiary of Huadian, pursuant to which Huadian Finance will provide deposit service to the Group within the caps agreed under the Deposit Service Agreement. The Deposit Service Agreement and related annual caps are subject to approval by the Independent Shareholders at the General Meeting of the Company.

Huadian Finance is a subsidiary of Huadian, the Controlling Shareholder of the Company, and therefore Huadian Finance is a connected person of the Company. Accordingly, the transactions contemplated under the Deposit Service Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios with respect to the maximum daily outstanding balance (including accrued interest) under the Deposit Service Agreement are higher than 5%, the transactions contemplated under the Deposit Service Agreement and the related annual caps are subject to reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one or more of the applicable percentage ratios as defined under the Listing Rules with respect to the maximum daily outstanding balance (including accrued interest) under the Deposit Service Agreement exceed 5% but are less than 25%, the provision of deposit service under the Deposit Service Agreement also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **GENERAL MEETING**

The General Meeting will be convened by the Company at which resolution will be proposed to seek approval from the Independent Shareholders for the Deposit Service Agreement and the transactions contemplated thereunder. Each of Huadian and its associates is required to abstain from voting on the relevant resolution to be proposed at the General Meeting.

An independent board committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of terms of the Deposit Service Agreement. The Company will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders in this regard.

According to the Listing Rules and the PRC Company Law, a circular containing, among other things, further information on the Deposit Service Agreement and the transactions contemplated thereunder, a letter from the independent board committee and a letter from the independent financial adviser, and the notice of General Meeting will be dispatched to the Shareholders on or before 7 June 2016.

## **Principal Terms of the Deposit Service Agreement**

### **Date**

21 April 2016

### **Parties**

- (1) The Company (and also on behalf of its subsidiaries); and
- (2) Huadian Finance

### **Principal Terms**

According to the terms and conditions of the Deposit Service Agreement, Huadian Finance agreed to provide deposit service to the Group with the interest rate to be determined based on the prevailing deposit interest rate promulgated by the People's Bank of China for the same period, which shall not be lower than the interest rates of the same type of deposit provided by major commercial banks in the PRC in the same period and the interest rates of the same type of deposit placed with Huadian Finance by other members of Huadian Group in the same period.

Provided that the Company is well aware of the market prices and that the terms and conditions of the deposit services provided by Huadian Finance are same with or more favorable than those provided by other financial institutions, the Company is entitled to select the deposit services offered by Huadian Finance. However, having taken into account the actual circumstances, the Company may also select relevant deposit services offered by other financial institutions during the term of the Deposit Service Agreement.

The Deposit Service Agreement will become effective from 1 January 2017 after obtaining the approval of the Independent Shareholders at the General Meeting for a term of three years. The Deposit Service Agreement is renewable for a term of three years upon expiry, subject to compliance with all applicable laws and regulations and all applicable requirements under the Listing Rules.

### **Annual Caps and the Basis of Determination**

	<b>for the year ending 31 December 2017</b>	<b>Proposed annual cap for the year ending 31 December 2018</b>	<b>for the year ending 31 December 2019</b>
Maximum daily outstanding balance placed by the Group with Huadian Finance (including accrued interest), which shall be subject to the relevant requirements of the Listing Rules and the Stock Exchange	RMB2.4 billion	RMB2.4 billion	RMB2.4 billion

The above proposed caps for provision of deposit service have been determined by reference to the control of financial risks in selecting providers of deposit services and the cash flow of the Company, while taking into account business development plans and needs for financial management and control of the Group during the terms of the Deposit Service Agreement.

### **Reasons for and benefit of entering into the Deposit Service Agreement**

The main reasons for the Company to select Huadian Finance to provide the deposit service are as follows:

- (i) By entering into the Deposit Service Agreement, the Group will be able to conduct the deposit business through Huadian Finance in whole or in part based on the terms and conditions of the deposit services offered by Huadian Finance. It is beneficial for the Group to enhance fund management and control and minimize and avoid operating risks and for the Group to reduce the remittance time and accelerate cash flows, which is in the interest of the Company and shareholders;

- (ii) Huadian Finance is a non-banking financial institution authorized and regulated by the People's Bank of China and the CBRC, and provides financial services in compliance with the rules and other operational requirements of these regulatory authorities. As far as the Directors are aware, Huadian Finance has established stringent internal control measures to ensure effective risk management and compliance with laws and regulations. The purpose for the establishment of Huadian Finance is to strengthen the central management of funds within Huadian Group and enhance the efficiency of such funds. In June 2015, Huadian Finance was rated as "AAA Credit Rating" by Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司), which evidenced that Huadian Finance has healthy cash flow and strong capability to repay its debt. According to the Administration of the Finance Companies of Enterprise Groups Procedures issued by the CBRC on 27 July 2004 (amendment on 28 December 2006), Huadian Finance should meet the following conditions in respect of asset-liability ratio:
- (a) the capital adequacy ratio is not less than 10%;
  - (b) the balance of borrowings shall not exceed the total capital;
  - (c) the total amount of outstanding guarantees provided shall not exceed the total capital;
  - (d) the short-term securities investment and long-term investment to total capital ratio is not more than 70%; and
  - (e) the self-owned fixed assets to total capital ratio is not more than 20%.
- (iii) Huadian Finance will provide financial services only to the members within Huadian Group 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; and
- (iv) Huadian, the controlling shareholder of Huadian Finance, has undertaken to the CBRC that in the event that Huadian Finance has payment difficulties, it will increase the registered capital of Huadian Finance in accordance with the actual needs.

## **Risk management and internal control measures in relation to Deposit Service Agreement**

- (i) According to the Deposit Service Agreement, the Group has the right to monitor the deposits in Huadian Finance from time to time to ensure their security and liquidity. Huadian Finance shall cooperate with the reasonable requirements proposed by the Group in respect of the aforesaid. If any loss of capital occurred, the Company is entitled to terminate the Deposit Service Agreement unilaterally.
- (ii) In respect of the deposits placed by the Group with Huadian Finance, if there occurs any breach of contract or other improper use or non-compliance by Huadian Finance which result in Huadian Finance not being able to satisfy the free withdrawal requirements of the Group regarding such deposits (including accrued interest), the Group may set off such amount against the balance of the loans and accrued interest from Huadian Finance to the extent permissible under the laws and regulations within three working days after the Company becomes aware of such breach, improper use or non-compliance.
- (iii) Before the Company or any of its subsidiaries enters into any separate agreements with Huadian Finance or other commercial banks or financial institutions in the PRC, the Company will, after considering the following factors including but not limited to: (a) the expected cash flow of the Group; and (b) the pricing or interest rate terms of Huadian Finance and other commercial banks, submit a deposit application to the senior management and executive director of the Company responsible for the financial management of the Group for consideration and approval. While reviewing the pricing or interest rate terms of deposits, the Company will obtain verbal quotation from at least three other independent financial institutions (which shall be major commercial banks in the PRC) in relation to deposit services of the same class and same duration in order to ensure that the terms and conditions of the deposits offered by Huadian Finance are in compliance with the pricing terms of the deposit services as set out in the Deposit Service Agreement.
- (iv) The financial management department of the Company will closely monitor the transactions under the Deposit Service Agreement and will report to the management of the Company on a monthly basis.
- (v) The Company has made a contingency plan for the risks of deposits in order to maintain the safety of the Company's funds deposited with Huadian Finance.

The aforesaid internal control and risk management measures will be able to mitigate the financial risks which may be exposed to the Company to the largest extent, and safeguard the interests of the Company and its shareholders. The Directors consider that the above internal control and risk management measures are adequate and effective in monitoring the deposit transactions in all material respects.

## **Listing Rules Implications**

Huadian Finance is a subsidiary of Huadian, the Controlling Shareholder of the Company, and therefore Huadian Finance is a connected person of the Company. Accordingly, the transactions contemplated under the Deposit Service Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios with respect to the maximum daily outstanding balance (including accrued interest) under the Deposit Service Agreement are higher than 5%, the transactions contemplated under the Deposit Service Agreement and the relevant annual caps are subject to reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as one or more of the applicable percentage ratios with respect to the maximum daily outstanding balance (including accrued interest) under the Deposit Service Agreement exceed 5% but are less than 25%, the provision of deposit service under the Deposit Service Agreement also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Mr. Jiang Bingsi and Mr. Tao Yunpeng, Directors of the Company, abstained from voting in relation to the Deposit Service Agreement and the transactions contemplated thereunder. Save as the above, each of Directors has no material interest in the Deposit Service Agreement and the transactions contemplated thereunder.

The Board (not including independent non-executive Directors who will advise the Independent Shareholders having taken into account the advice from independent financial adviser) is of the view that the terms of the Deposit Service Agreement and the related annual caps are fair and reasonable and are on normal commercial terms and are in the interests of the Company and its shareholders as a whole.

## **GENERAL**

The Group is primarily engaged in the development, management and operation of hydropower projects and coal-fired power plants in Fujian province and wind power and other clean energy projects throughout China.

Huadian Finance is a non-banking financial company incorporated in the PRC on 10 May 1988 and it obtained from the CBRC the approval for the reorganization of its predecessor, North Non-ferrous Metal Industry Finance Corporation, and the company name was changed to Huadian Finance in 2004. Its registered capital is RMB5 billion. It is directly owned as to approximately 36.15% by Huadian. The principal business activities of Huadian Finance include the provision of financial and financing consultation and other relevant advice and agency services to the members within Huadian Group; transaction proceeds receipt service amongst members of Huadian Group; provision of insurance agency services (subject to the approval); provision



of guarantee service to the members within Huadian Group; provision of entrusted lending and entrusted investment services for members within Huadian Group; bill acceptance and discount services to the members within Huadian Group; settlement services by way of internal transfers amongst members within Huadian Group and other corresponding settlement services and liquidation planning; deposit services for the members within Huadian Group; lending to members within Huadian Group; issues of financial company bonds; underwriting services in relation to corporate bonds issued by members within Huadian Group; equity investment in financial institution; portfolio investment; provision of consumer credit services with the members of the Group; and provision of buyers' credit to the members of the Group.

Huadian is the Controlling Shareholder of the Company and the main businesses of Huadian Group include power generation and supply of electricity and heat, the development of power-related primary energy such as coal and the supply of technological related services.

## **GENERAL MEETING**

The General Meeting will be convened by the Company at which a resolution will be proposed to seek approval from the Independent Shareholders for the Deposit Service Agreement and the related annual caps. According to Rule 14A.54 of the Listing Rules, Huadian and its associates are required to abstain from voting at the General Meeting in respect of the proposed resolution to approve the Deposit Service Agreement and the related annual caps.

The Company has set up an independent board committee to advise the Independent Shareholders in respect of the Deposit Service Agreement and the related annual caps. The Company will appoint an independent financial advisor to advise the independent board committee and the Independent Shareholders in this regard.

The Company will dispatch a circular containing, among other things, a letter from the independent financial advisor to both the independent board committee and the Independent Shareholders and a letter from the independent board committee of the Board to the Independent Shareholders and the details of the General Meeting to be held to approve the Deposit Service Agreement and the related annual caps. The Company expects to dispatch the circular on or before 7 June 2016.

## DEFINITIONS

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

“Board”	the board of Directors of the Company
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Company”	Huadian Fuxin Energy Corporation Limited (華電福新能源股份有限公司), a joint stock limited company incorporated in the PRC on 19 August 2011 and the H shares of which are listed on the main board of the Stock Exchange (stock code: 816)
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Deposit Service Agreement”	the deposit service agreement for the year 2017 to 2019 dated 21 April 2016 entered into between the Company and Huadian Finance in relation to the provision of deposit service by Huadian Finance to the Group, details of which are set out in the section headed “Principal Terms of the Deposit Service Agreement” of this announcement
“Director(s)”	the director(s) of the Company
“General Meeting”	the general meeting of the Company to be convened to consider, and if though fit, approve the transactions contemplated under the Deposit Service Agreement and the proposed annual caps
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huadian”	China Huadian Corporation (中國華電集團公司), the Controlling Shareholder of the Company



“Huadian Finance”	China Huadian Finance Corporation Limited (中國華電集團財務有限公司)
“Huadian Group”	Huadian and its subsidiaries (excluding the Company and its subsidiaries)
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, but for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board  
**Huadian Fuxin Energy Corporation Limited**  
**FANG Zheng**  
*Chairman of the Board*

Beijing, the PRC, 21 April 2016

*As at the date of this announcement, the executive Directors are Mr. FANG Zheng, Mr. JIANG Bingsi and Mr. LI Lixin; the non-executive Directors are Mr. ZONG Xiaolei and Mr. TAO Yunpeng; and the independent non-executive Directors are Mr. ZHOU Xiaoqian, Mr. ZHANG Bai and Mr. TAO Zhigang.*