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**華能新能源股份有限公司**  
Huaneng Renewables Corporation Limited\*

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 0958)

**ANNOUNCEMENT  
CONTINUING CONNECTED TRANSACTION**

**ENTERING INTO STRATEGIC COOPERATION AGREEMENT**

**Independent Financial Adviser to the Company**



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

On 12 August 2016, the Company entered into the Strategic Cooperation Agreement with Tiancheng Leasing Company. The Strategic Cooperation Agreement is effective for a term commencing on 1 January 2017 and expiring on 31 December 2019. Under the Strategic Cooperation Agreement, Tiancheng Leasing Company will provide financial leasing services to the Company. The proposed annual caps for 2017, 2018 and 2019 and the basis for such annual caps in connection with the Strategic Cooperation Agreement are set out in this announcement.

As at the date of this announcement, Huaneng Group holds a 56.90% equity interest in the Company, including a 54.06% direct equity interest held by Huaneng Group and a 2.85% equity interest held through Huaneng Capital Services Corporation Ltd., a wholly-owned subsidiary of Huaneng Group. Tiancheng Leasing Company has six existing shareholders, all of which are entities within Huaneng Group (with the Company holding 5.56%, Huaneng Renewables (Hong Kong) Limited holding 4.44%, Huaneng Capital Services Corporation Ltd. holding 39%, China Hua Neng Group Hong Kong Limited holding 21%, Huaneng Power International, Inc. holding 20% and Huaneng Lancang River Hydropower Co., Ltd. holding 10%). As such, Tiancheng Leasing Company is a connected person of the Company and the transaction as contemplated under the Strategic Cooperation Agreement constitutes a continuing connected transaction of the Company under the Hong Kong Listing Rules.

\* *For identification purpose only*

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the annual caps for the transaction amount of financial leasing and the Lease Interest exceed 0.1% but all are less than 5%, the Strategic Cooperation Agreement is only subject to the reporting, announcement and annual review requirements under the Hong Kong Listing Rules but is exempt from the independent shareholders' approval requirement.

Pursuant to Rule 14A.52 of the Hong Kong Listing Rules, given that the lease period of relevant finance lease(s) under the Strategic Cooperation Agreement may exceed three years, the Company must appoint an independent financial adviser to explain why the relevant finance lease(s) under the strategic Cooperation Agreement requires a longer period and to confirm it is normal business practice for agreements of this type to be of such duration. For this purpose, the Company has engaged Gram Capital Limited as the independent financial adviser.

## **BACKGROUND**

The Company is committed to the investment, construction and operation of renewable energy projects, with a focus on the development and operation of wind power together with the development of solar energy and other renewable energy.

Huaneng Group mainly engages in the development, investment, construction, operation and management of power sources, the production and sale of power (heat), the development, investment, construction, production and sale of businesses and products relating to energy, transportation, renewable energy and environmental protection.

Tiancheng Leasing Company mainly engages in financial leasing businesses relating to renewable energy and environmental protection.

As at the date of this announcement, Huaneng Group holds a 56.90% equity interest in the Company, including a 54.06% direct equity interest held by Huaneng Group and a 2.85% equity interest held through Huaneng Capital Services Corporation Ltd., a wholly-owned subsidiary of Huaneng Group. Tiancheng Leasing Company has six existing shareholders, all of which are entities within Huaneng Group (with the Company holding 5.56%, Huaneng Renewables (Hong Kong) Limited holding 4.44%, Huaneng Capital Services Corporation Ltd. holding 39%, China Hua Neng Group Hong Kong Limited holding 21%, Huaneng Power International, Inc. holding 20% and Huaneng Lancang River Hydropower Co., Ltd. holding 10%). As such, Tiancheng Leasing Company is a connected person of the Company and the transaction as contemplated under the Strategic Cooperation Agreement constitutes a continuing connected transaction of the Company under the Hong Kong Listing Rules.

## **STRATEGIC COOPERATION AGREEMENT**

On 12 August 2016, the Company entered into the Strategic Cooperation Agreement with Tiancheng Leasing Company, the details of which are as follows:

### **Date of the agreement**

12 August 2016

### **Parties**

The Company  
Tiancheng Leasing Company

### **Term**

Three (3) years commencing on 1 January 2017 and expiring on 31 December 2019

### **Description of transaction**

Pursuant to the Strategic Cooperation Agreement, Tiancheng Leasing Company shall provide financial leasing services to the Company and its subsidiaries by way of direct lease, sale-and-leaseback and entrusted lease.

#### **Direct lease**

In relation to direct lease, the lessor which being Tiancheng Lease Company, based on the choice of the lessee which being the Company or its subsidiaries, acquires the leased property for the direct purpose of leasing it out to the lessee. The lessor owns the title to the leased property. The lessee, pursuant to the relevant agreement(s), shall pay the rent (inclusive of interest) to the lessor during the lease term. At the expiry of the lease term, the lessee is given an option to purchase, or to renew or terminate the lease of, the leased property.

#### **Sale-and-leaseback**

In relation to sale-and-leaseback, the lessor which being Tiancheng Leasing Company, based on the choice of the lessee which being the Company or its subsidiaries, acquires from the lessee the leased property and then leases it back to the lessee. The lessee, pursuant to the relevant agreement(s), shall pay the rent and interests to the lessor during the lease term. At the expiry of the lease term, the lessee is given an option to purchase, or to renew or terminate the lease of, the leased property.

## Entrusted lease

In relation to entrusted lease, the lessor accepts the funds or leased property entrusted by the authorising party and conducts the financial lease transaction with the lessee designated by the authorising party according to the written mandate of the authorising party. During the period of the lease, ownership of the leased property belongs to the authorising party and the lessor collects the fees for formalities without assuming risks. If entrusted lease is conducted, Tiancheng Leasing Company shall be the authorising party and the Company or its subsidiaries shall be the lessee.

Direct lease, sale-and-leaseback and entrusted lease are all classified as financial lease services and they possess similar attributes as follows:

- (i) Tiancheng Leasing Company or the particular lessor in the case of entrusted lease will use its own or raised capital from the market to acquire equipment as required by the Company (in the case of sale-and-leaseback, to acquire the equipment from the Company) and lease the same to the Company or its subsidiaries;
- (ii) The lease amount will be determined based on the total purchase price of relevant equipment and interest as agreed between the parties. The lease interest rate shall be determined by the parties after arm's length negotiations, taking into account the market conditions and referring to the benchmark lending rates for term loans promulgated by PBOC from time to time, and will be no less favourable than the terms offered to the Company by domestic independent third parties for provision of similar services;
- (iii) As to each financial leasing transaction, the Company and Tiancheng Leasing Company will enter into separate financial lease(s) made pursuant to the terms of the Strategic Cooperation Agreement so as to execute the Strategic Cooperation Agreement. As the financial lease(s) are to provide for the financial leasing services relevant to the leasing of equipment as contemplated under the Strategic Cooperation Agreement, they do not constitute new categories of continuing connected transactions;
- (iv) During the lease period, the title of the leasing equipment shall remain vested in Tiancheng Leasing Company or the particular lessor in the case of entrusted lease whilst the Company enjoys the usage right of such equipment. Upon the expiry of the lease period, subject to the Company's fulfilment of its obligations under the relevant finance lease(s), the title of such leasing equipment will be transferred to the Company at a nominal consideration;
- (v) The lease period will be determined by, amongst others, the useful life of the relevant leasing equipment, the financial needs of the Company and the funding availability of Tiancheng Leasing Company or the particular lessor in the case of entrusted lease, which in general should not exceed the useful life of such leasing equipment. The lease period of relevant financial lease(s) may exceed three years.

Therefore, direct lease, sale-and-leaseback and entrusted lease that Tiancheng Leasing Company shall provide to the Company and its subsidiaries under the Strategic Cooperation Agreement shall all be categorised as financial lease services.

The amount payable by the Company and its subsidiaries to Tiancheng Leasing Company in relation to the continuing connected transaction contemplated under the Strategic Cooperation Agreement will be determined based on the total purchase price of relevant equipment (the “**Lease Principal**”) and interest and, if any, handling fee (collectively, the “**Lease Interest**”) as agreed between the parties. The Lease Interest will be determined by the parties after arm’s length negotiations, taking into account the market conditions and referring to the benchmark lending rates <sup>(Note 1)</sup> for term loans promulgated by PBOC from time to time, and will be no less favourable than the terms offered to the Company by domestic independent third parties for provision of similar services. Handling fee, if any, will be charged on terms no less favourable to the Company and its subsidiaries than those offered by independent third parties, by Tiancheng Leasing Company and payable by the Company and its subsidiaries when separate written financial lease(s) under the Strategic Cooperation Agreement is entered into and at a rate determined by reference to, among others, the rate charged by the other domestic major financial institutions in relation to financial leasing of the same or similar types of assets, or if available, the applicable rates published by PBOC for such kind of services from time to time, and will be set out in the relevant written financial lease(s) <sup>(Note 2)</sup>.

*Note 1:* The interest rates for RMB-denominated term loans published by PBOC as of the date of the announcement are set out below for information only:

- (a) 4.35% for loans with terms not more than one year (inclusive of one year);
- (b) 4.75% for loans with terms over one year but not more than five years (inclusive of five years);  
and
- (c) 4.90% for loans with terms over five years.

*Note 2:* 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 financial lease(s) under the Strategic Cooperation Agreement, Tiancheng Leasing Company and the Company and its subsidiaries will determine the handling fee by reference to such rate, which will be given priority over the rates adopted by other domestic major financial institutions, accordingly.

The rate of the Lease Interest will be determined at the inception of each financial lease under the Strategic Cooperation Agreement. In the event that PBOC adjusts the annual benchmark lending rate for RMB-denominated term loans during the subsistence of the relevant financial lease, there will be corresponding adjustment(s) to the lease interest rate. The transaction amount shall be payable on a quarterly or yearly basis or such other intervals as the parties may agree.

The Group has conducted the above-mentioned transactions with Tiancheng Leasing Company since 2014. References are made to the Company’s announcements dated 12 August 2014, 15 September 2014 and 15 March 2016.

## Previous transactions and proposed caps

The proposed annual caps for the transaction amount (i.e. the outstanding daily balance of the Lease Principal) and Lease Interest for the years ending 31 December 2017, 31 December 2018 and 31 December 2019, respectively, are estimated as follows. For ease of reference, the historical transaction figures for the years ended 31 December 2014 and 31 December 2015 and the period from 1 January 2016 to 30 June 2016 are also set out below.

(in RMB million)

Historical transaction figures			Future caps		
Actual transaction amount for the year ended 31 December 2014 (audited)	Actual transaction amount for the year ended 31 December 2015 (audited)	Actual transaction amount for the period from 1 January 2016 to 30 June 2016 (unaudited)	Proposed cap for the year ending 31 December 2017	Proposed cap for the year ending 31 December 2018	Proposed cap for the year ending 31 December 2019
Transaction amount: approximately 324.79, Lease Interest: 0	Transaction amount: approximately 324.79, Lease Interest: approximately 23.83	Transaction amount: approximately 301.71, Lease Interest: approximately 10.25	Transaction amount: 850, Lease Interest: 50	Transaction amount: 850, Lease Interest: 50	Transaction amount: 850, Lease Interest: 50

The transaction amount of financial leasing and the Lease Interest in the past have all been within the bounds of the relevant annual caps.

As at the date hereof, the outstanding daily balance of the Lease Principal is approximately RMB301.71 million.

## Pricing policy and control measures

The Directors and senior management of the Company will monitor closely and review regularly the financial leasing transactions contemplated under the Strategic Cooperation Agreement. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to the financial leasing transactions, the independence of the Company; the fairness of the amount of each financial lease(s); the fairness of the terms of the transactions; and the right of the Company to obtain financial lease services from independent third parties other than Tiancheng Leasing Company.

The control measures to be taken by the Company include:

- (i) each financial leasing transaction under the Strategic Cooperation Agreement is conducted on a non-exclusive basis;
- (ii) before considering conducting financial leasing transactions, the Company will obtain terms and rate(s) of interests etc. relating to financial leasing transactions from major financial leasing companies (who are independent of the Company and the connected persons of the Company) within the PRC, and based on the benchmark lending rate(s) for term loans promulgated by PBOC from time to time make comparisons, in order to allow the Company to obtain the most favourable terms relating to financial leasing transactions, to maximize the Company's overall interests in the transactions, and to reduce the transaction costs and time of the Company;
- (iii) in respect of the financial lease(s) involving equipment newly acquired by Tiancheng Leasing Company, the transaction amount will be determined based on the total purchase cost of the relevant equipment as approved by the Company. The approval procedures usually include the Company obtaining quotations for providing similar equipment on comparable terms from more than one supplier who is independent of the Company and the connected persons of the Company;
- (iv) the contract management department will strictly review contracts, the contract enforcement department will timely monitor the amount of connected transactions, and the relevant functional departments will supervise the compliance monitoring during the performance of the financial leasing transactions. In addition to the annual review of the performance of agreements by the independent non-executive Directors and the Company's auditors, the independent non-executive Directors will also review and confirm whether the Company's financial leasing transactions with Tiancheng Leasing Company are fair, whether the amount and interest rate are reasonable and whether are in the interests of the Company's shareholders as a whole.

### **Basis for the proposed annual caps**

Taking into account the estimated transaction amount in 2017, 2018 and 2019, the prevalent market conditions, the interest rate which is no less favourable than those offered by an independent third parties for provision of similar service, the annual benchmark lending rate for RMB-denominated term loans on similar terms and conditions promulgated by PBOC and the estimated annual cash flow of the Company and its subsidiaries for 2017, 2018 and 2019, the proposed annual caps of the transaction amount for 2017, 2018 and 2019 under the Strategic Cooperation Agreement are RMB850 million respectively, and the proposed annual caps for the Lease Interest are RMB50 million respectively.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE STRATEGIC COOPERATION AGREEMENT AND SETTING THE ANNUAL CAPS**

Entering into the Strategic Cooperation Agreement will help the Company to broaden its financing channels and raise low-cost funds. It enables the Company to control financing risks and financing costs at times when the size of bank loans is still tightened up, and will facilitate the smooth development and operation of the Company's business.

## **HONG KONG LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the annual caps for the transaction amount of financial leasing and the Lease Interest exceed 0.1% but all are less than 5%, the Strategic Cooperation Agreement is only subject to the reporting, announcement and annual review requirements under the Hong Kong Listing Rules but is exempt from the independent shareholders' approval requirement.

Pursuant to Rule 14A.52 of the Hong Kong Listing Rules, given that the lease period of relevant finance lease(s) under the Strategic Cooperation Agreement may exceed three years, the Company must appoint an independent financial adviser to explain why the relevant finance lease(s) under the strategic Cooperation Agreement requires a longer period and to confirm it is normal business practice for agreements of this type to be of such duration. For this purpose, the Company has engaged Gram Capital Limited ("**Gram Capital**") as the independent financial adviser.

## **VIEW OF INDEPENDENT FINANCIAL ADVISER**

In assessing the reasons for the duration of the Strategic Cooperation Agreement to be longer than three years, Gram Capital has considered, the following factors:

- (i) by entering into the finance lease(s) with a longer duration, the payment obligation of the costs of the equipment of the Group is allowed to be spread over a longer period, which would reduce the stress to the planning of working capital by the relevant members of the Group; and
- (ii) the lease period of each finance lease service shall be determined with reference to, among other things, the useful life of the relevant leasing equipment (i.e. wind turbines), which, as confirmed by the Directors, is ranged from 5 to 30 years, subject to the type of equipment and its utilisation rate.

In considering whether it is normal business practice for agreements of similar nature with the relevant finance lease(s) under the Strategic Cooperation Agreement to have a lease term of such duration, Gram Capital has identified finance lease agreements entered into by companies listed on the Stock Exchange in respect of finance leases of equipment which were similar nature with the relevant finance lease(s) under the Strategic Cooperation Agreement, with duration of more than three years.



Gram Capital noted that (i) the Company entered into strategic cooperation agreement (the “**Previous Strategic Cooperation Agreement**”) on 12 August 2014 with Tiancheng Leasing Company, the major terms of which are similar with those of the Strategic Cooperation Agreement; and (ii) the duration of the relevant finance leases under the Previous Strategic Cooperation Agreements are more than three years. As further confirmed by the Directors, the major terms of the relevant finance lease(s) under the Strategic Cooperation Agreements will be similar with those of the relevant finance lease(s) under the Previous Strategic Cooperation Agreement, in particular, the duration of which to be more than three years.

In addition, Gram Capital has also reviewed finance lease agreements, which are similar in nature with the Strategic Cooperation Agreement, entered into between the Company and independent third parties (the “**Comparable Agreements**”). Pursuant to the Comparable Agreements, the lease term of finance leases conducted under the Comparable Agreements are more than three years.

Taking into account of the above, Gram Capital confirms that the lease term of the relevant finance lease(s) under the Strategic Cooperation Agreement, which is longer than three years is required and it is normal business practice for the relevant finance lease(s) under the Strategic Cooperation Agreement to be of such duration.

## **BOARD CONFIRMATION**

The Board has considered and approved a resolution in connection with the Strategic Cooperation Agreement. Mr. CAO Peixi, being a Director of the Company, is the President of Huaneng Group. Mr. ZHANG Tingke, being a Director of the Company, is the Vice President of Huaneng Group. Mr. WANG Kui, being a Director of the Company, is the chief of the Planning Department of Huaneng Group. Therefore, Mr. CAO Peixi, Mr. ZHANG Tingke and Mr. WANG Kui are deemed to have an interest in the Strategic Cooperation Agreement, and have abstained from voting on the resolution in respect of the Strategic Cooperation Agreement pursuant to the Hong Kong Listing Rules.

The Board (including the independent non-executive Directors) considers that the Strategic Cooperation Agreement and each of the transactions (including the proposed annual caps) as contemplated thereunder are entered into (i) on terms that are fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and its shareholders as a whole.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no independent non-executive Director has any material interest in the Strategic Cooperation Agreement and any of the transactions as contemplated thereunder.

## **DEFINITIONS**

“associate”	has the meaning ascribed to it in the Hong Kong Listing Rules;
“Board”	means the board of Directors of the Company;

“Company”	means Huaneng Renewables Corporation Limited (華能新能源股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange;
“Directors”	means the directors of the Company;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Huaneng Group”	means China Huaneng Group (中國華能集團公司), a state-owned enterprise established in the PRC and the controlling shareholder of the Company;
“PBOC”	means The People’s Bank of China;
“PRC”	means the People’s Republic of China, except Hong Kong, Macau and Taiwan for the purpose of this announcement;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Strategic Cooperation Agreement”	means the strategic cooperation agreement entered into on 12 August 2016 between the Company and Tiancheng Leasing Company regarding the provision of financial leasing services by Tiancheng Leasing Company to the Company;
“subsidiaries”	has the meaning ascribed to it under the Hong Kong Listing Rules; and
“Tiancheng Leasing Company”	means Huaneng Tiancheng Financial Leasing Co., Ltd. (華能天成融資租賃有限公司), a sino-foreign joint venture established under the laws of the PRC.

By order of the Board  
**Huaneng Renewables Corporation Limited**  
**SONG Yuhong**  
*Company Secretary*

Beijing, the PRC, 12 August 2016

*As at the date of this announcement, the Company's non-executive Directors are Mr. CAO Peixi, Mr. ZHANG Tingke and Mr. WANG Kui; executive Directors are Mr. LIN Gang, Mr. XIAO Jun, Ms. YANG Qing and Mr. HE Yan; and independent non-executive Directors are Mr. QIN Haiyan, Ms. DAI Huiizhu, Mr. ZHOU Shaopeng and Mr. WAN Kam To.*