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華電福新能源股份有限公司
HUADIAN FUXIN ENERGY CORPORATION LIMITED

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

(Stock Code: 00816)

CONTINUING CONNECTED TRANSACTION – DEPOSIT SERVICE AGREEMENT

DEPOSIT SERVICE AGREEMENT

The Board hereby announces that on 2 August 2019, the Company entered into the Deposit Service Agreement with Huadian Overseas, a wholly-owned subsidiary of Huadian, pursuant to which Huadian Overseas will provide overseas deposit service to the Group.

LISTING RULES IMPLICATIONS

Huadian Overseas is a wholly-owned subsidiary of Huadian, the controlling shareholder of the Company, and therefore Huadian Overseas is a connected person of the Company. Accordingly, the transactions contemplated under the Deposit Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the maximum daily deposit balance (including the accrued interest) under the Deposit Service Agreement exceed 0.1% but less than 5%, the deposit service to be provided (including the proposed annual caps) under the Deposit Service Agreement is subject to reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board hereby announces that on 2 August 2019, the Company entered into the Deposit Service Agreement with Huadian Overseas, a wholly-owned subsidiary of Huadian, pursuant to which Huadian Overseas will provide overseas deposit service to the Group.

DEPOSIT SERVICE AGREEMENT

Principal terms of the Deposit Service Agreement are set out below:

Date: 2 August 2019

Parties: (1) The Company (on behalf of the Company and its subsidiaries); and
(2) Huadian Overseas

Term: The term of the Deposit Service Agreement will commence on 2 August 2019 and expire on 31 December 2020. Subject to requirements under the Listing Rules, the Deposit Service Agreement can be renewed upon expiry as agreed by parties thereto.

Subject matter

Pursuant to the Deposit Service Agreement, Huadian Overseas will provide overseas deposit service to the Group.

Proposed Annual Caps and the Basis of Determination

According to the Deposit Service Agreement, the proposed annual caps (or the equivalent foreign currency) for the maximum daily deposit balance (including any accrued interest) to be placed by the Group with Huadian Overseas are as follows:

	<i>RMB'000</i>	
	For the year ending 31 December 2019	For the year ending 31 December 2020
The maximum daily deposit balance (including any accrued interest)	300,000	300,000

The proposed annual caps have been determined with reference to the balance of offshore monetary funds of the Group (approximately RMB207,282,000 as at 30 June 2019), after taking into account the overseas business development plans and needs for financial management and control of the Group during the term of the Deposit Service Agreement.

The Company has no historical deposit transactions with Huadian Overseas prior to the date of the Deposit Service Agreement.

Pricing Policy

The interest rate for the deposits of the Group with Huadian Overseas shall be determined after arm's length negotiation between both parties with reference to and shall not be lower than the prevailing interest rate for interbank deposits in Hong Kong and the interest rate for the same type of deposits for the same period placed by the overseas members of Huadian Group with Huadian Overseas.

REASONS FOR AND BENEFIT OF ENTERING INTO THE DEPOSIT SERVICE AGREEMENT

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

With the development of overseas businesses of the Group, the number of overseas subsidiaries has been growing. The Group can make use of the professional platform of Huadian Overseas to strengthen management on the bank accounts of its subsidiaries.

In addition, as Huadian Overseas is a professional financial service platform of Huadian, the controlling shareholder of the Company, its provision of deposit service to the Group in accordance with the Deposit Service Agreement may (i) promote the overall capital operation of the Company, thus contributing to the enhancement of capital management and control as well as the reduction and prevention of operating risks; and (ii) shorten the float time of the funds, accelerate the turnover of funds and reduce transaction costs and expenses.

Therefore, the Board (including independent non-executive Directors) is of the view that the Deposit Service Agreement (including the transactions contemplated thereunder and the proposed annual caps) are entered into on normal or better commercial terms and thus fair and reasonable and in the interests of the Company and the shareholders as a whole.

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES IN RELATION TO THE DEPOSIT SERVICE AGREEMENT

- (i) The Group shall be entitled to monitor the deposits in Huadian Overseas from time to time to ensure their safety and liquidity. Huadian Overseas shall cooperate with the reasonable requirements proposed by the Group in respect of the aforesaid. Huadian Overseas shall carry out adequate risk control measures to safeguard the funds of the Group. Where there is any situation that may jeopardize the safety of the Group's deposits or any event that may give rise to potential hazards to the deposits of the Group, Huadian Overseas shall notify the Group within 24 hours after the occurrence of such risk in a timely manner, and the Group shall be entitled to withdraw all its deposits at once;
- (ii) In respect of the deposits placed by the Group with Huadian Overseas, if there occurs any breach of contract or other improper use or non-compliance by Huadian Overseas which result in Huadian Overseas not being able to satisfy the requirement for free withdrawal of deposits by the Group, the Company shall be entitled to terminate the Deposit Service Agreement;
- (iii) Prior to the Company or any of its subsidiaries enters into any specific agreements with Huadian Overseas or other commercial banks or financial institutions in respect to deposit services, 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 Overseas and other overseas commercial banks or financial institutions, submit a deposit application to the senior management and executive Directors 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 at least three verbal quotations from other overseas commercial banks or financial institutions 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 Overseas 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; and
- (v) The Company has made a contingency plan for financial risks in order to maintain the safety of the Company's funds deposited with Huadian Overseas.

The aforesaid internal control and risk management measures are intended to mitigate the potential financial risks of the Company to the largest extent, and safeguard the interests of the Group and its shareholders. The Directors of the Company are of the view that the above risk management and internal control measures are expected to be adequate and effective in monitoring the transactions under the Deposit Service Agreement in all material respects.

LISTING RULES IMPLICATIONS

Huadian Overseas is a wholly-owned subsidiary of Huadian, the controlling shareholder of the Company, and therefore Huadian Overseas is a connected person of the Company. Accordingly, the transactions contemplated under the Deposit Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the maximum daily deposit balance (including the accrued interest) under the Deposit Service Agreement exceed 0.1% but less than 5%, the deposit service to be provided (including the proposed annual caps) under the Deposit Service Agreement is subject to reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Deposit Service Agreement and the transactions thereunder have been considered and approved by the Board of the Company. Mr. TAO Yunpeng 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 confirmed that he has no material interest in the Deposit Service Agreement and the transactions contemplated thereunder.

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 Overseas is a wholly-owned subsidiary of Huadian, the controlling shareholder of the Company, in Hong Kong. It serves as the overseas capital management platform and an important financing platform, and provides members of Huadian with financial services such as overseas account management, capital management and deposit services.

Huadian is the controlling shareholder of the Company and the principal 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.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“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 dated 2 August 2019 entered into between the Company and Huadian Overseas
“Director(s)”	the director(s) of the Company
“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 (中國華電集團有限公司), the controlling shareholder of the Company
“Huadian Group”	Huadian and its subsidiaries (excluding the Company and its subsidiaries)
“Huadian Overseas”	China Huadian Overseas Asset Management Co., Ltd. (中國華電海外資產管理有限公司), a wholly-owned subsidiary of Huadian

“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
HUANG Shaoxiong
Chairman of the Board

Beijing, the PRC, 2 August 2019

As at the date of this announcement, the executive Directors are Mr. HUANG Shaoxiong, Mr. WU Jianchun and Mr. DU Jiangwu; the non-executive Directors are Mr. TAO Yunpeng, Mr. SHI Chongguang and Mr. WANG Bangyi; and the independent non-executive Directors are Mr. ZHANG Bai, Mr. TAO Zhigang and Mr. WU Yiqiang.