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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 – FINANCIAL
SERVICES FRAMEWORK AGREEMENT
AND
MAJOR TRANSACTION – DEPOSIT SERVICES UNDER THE
FINANCIAL SERVICES FRAMEWORK AGREEMENT**

FINANCIAL SERVICES FRAMEWORK AGREEMENT

The Board hereby announces that on 9 August 2019, the Company entered into the Financial Services Framework Agreement with Huadian Finance, a subsidiary of Huadian, pursuant to which Huadian Finance will provide deposit services, credit extension services and other financial services to the Group, for a term commencing on 1 January 2020 and expiring on 31 December 2022.

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 Financial Services Framework Agreement constitute continuing 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 deposit balance (including accrued interests) under the Financial Services Framework Agreement together with the transactions under the deposit service agreement of the Company dated 2 August 2019, calculated on an aggregated basis pursuant to Rule 14A.81 of the Listing Rules, exceed 5%, the transactions in respect of the deposit services and the related annual caps under the Financial Services Framework Agreement are subject to reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The provision of credit extension services to the Group by Huadian Finance under the Financial Services Framework Agreement will constitute a financial assistance received by the Group from a connected person. As such credit extension services are on normal commercial terms or are no less favorable than those offered by independent third parties to the Group, and will not be secured by the Group's assets, the transactions in respect of the credit extension services are fully exempt pursuant to Rule 14A.90 of the Listing Rules from reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios with respect to the service fees payable (on an annual basis) by the Group to Huadian Finance for other financial services under the Financial Services Framework Agreement exceed 0.1% but less than 5%, the transactions in respect of the other financial services and the relevant annual caps are only subject to announcement and annual review requirements, but exempt from circular and 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 deposit balance (including accrued interests) under the Financial Services Framework Agreement together with the transactions under the deposit service agreement of the Company dated 2 August 2019, calculated on an aggregated basis pursuant to Rule 14.23 of the Listing Rules, exceed 25% but are less than 100%, the provision of deposit services under the Financial Services Framework Agreement also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

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 services under the Financial Services Framework Agreement. 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 services under the Financial Services Framework Agreement. The Company will appoint Gram Capital as the Independent Financial Adviser to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among other things, further information on the deposit services under the Financial Services Framework Agreement, a letter from the independent board committee and a letter from Gram Capital, and the notice of General Meeting will be dispatched to the Shareholders within 15 business days from the date of this announcement.

INTRODUCTION

On 9 August 2019, the Company entered into the Financial Services Framework Agreement with Huadian Finance, a subsidiary of Huadian, pursuant to which Huadian Finance will provide deposit services, credit extension services and other financial services to the Group, for a term commencing on 1 January 2020 and expiring on 31 December 2022.

FINANCIAL SERVICES FRAMEWORK AGREEMENT

The principal terms of the Financial Services Framework Agreement are set out as follows:

Date:

9 August 2019

Parties:

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

Transaction type:

According to the terms and conditions of the Financial Services Framework Agreement, Huadian Finance agreed to provide the Group with the following services:

- (1) ***Deposit services:*** Huadian Finance will provide the Group with deposit services and other deposit businesses as approved by CBIRC;
- (2) ***Credit extension services:*** Huadian Finance will provide the Group with credit financing and credit extension businesses, including but not limited to loans, bill discounting, letter of credit and corporate account overdraft; and
- (3) ***Other financial services:*** The other financial services provided by Huadian Finance to the Company include but not limited to settlement service, entrusted loan service, and financial and financing consultation services, credit certification and relevant consultation and agency businesses.

Term:

The Financial Services Framework Agreement will become effective from 1 January 2020 after obtaining the approval of the Independent Shareholders at the General Meeting for a term of three years. The Financial Services Framework Agreement is renewable for a term of three years upon expiry as agreed by both parties, subject to compliance with all applicable laws and regulations and all applicable requirements under the Listing Rules.

Pricing policies:

- (1) ***Deposit services:*** The deposit interest rates will be determined based on the prevailing deposit interest rates 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 for 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.
- (2) ***Credit extension services:*** The financing interest rates will be determined based on the prevailing deposit and loan interest rates promulgated by the People's Bank of China for the same period, which shall not be higher than the loan interest rate of the same type of loan offered by independent commercial banks in the PRC.
- (3) ***Other financial services:*** The fees charged for other financial services shall be no higher than the same type of services for the same period, namely (i) relevant standard fees promulgated by the People's Bank of China (if applicable); (ii) fees charged by domestic major commercial banks; and (iii) fees charged by Huadian Finance from other members of Huadian Group with the same level of credit ratings (if applicable).

In addition, in terms of the transactions under the Financial Services Framework Agreement, provided that the Company is well aware of the market prices and that the terms and conditions of the deposit services, credit extension services and other financial 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, credit extension services and other financial services offered by Huadian Finance. However, having taken into account the actual circumstances, the Company may also select relevant deposit services, credit extension services and other financial services offered by other financial institutions during the term of the Financial Services Framework Agreement.

Annual Caps and the Basis of Determination:

RMB million

	for the year ending 31 December 2020	Proposed annual caps for the year ending 31 December 2021	for the year ending 31 December 2022
Maximum daily deposit balance placed by the Group with Huadian Finance (including accrued interests)	6,000	6,000	6,000
Annual service fees payable to Huadian Finance	30	30	30

The above proposed caps for provision of deposit services have been determined with 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, needs for financial management and control of the Group during the term of the Financial Services Framework Agreement and relevant historical transaction amounts.

In terms of the deposit services under the Financial Services Framework Agreement, the actual maximum daily deposit balances placed by the Group with Huadian Finance for 2017 and 2018 were approximately RMB2,394 million and RMB2,344 million, respectively. For the six months ended 30 June 2019, the actual maximum daily deposit balance placed by the Group with Huadian Finance was approximately RMB2,371 million.

The proposed caps of service fees for provision of other financial services have been determined after arm's length negotiation with reference to the fees charged for provision of similar services by other financial institutions in the PRC, while taking into account the future business demand of the Group in respect of other financial services.

In terms of the other financial services under the Financial Services Framework Agreement, the Group did not engage in any historical transaction with Huadian Finance.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

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

- (1) By entering into the Financial Services Framework Agreement, the Group will be able to conduct the deposit business through Huadian Finance in whole or in part based on the conditions of the deposit services offered by Huadian Finance. It is beneficial for the Group to enhance fund management and control, minimize and avoid operating risks, and for the Group to shorten the float time of funds and accelerate the turnover of funds, which is in the interest of the Company and its shareholders;
- (2) By entering into the Financial Services Framework Agreement, the Group will be able to secure loans, other credit extension services and other financial services at interest rates and/or fees lower than those in the market, which assists in improving the overall standard of fund operation of the Group and strengthening the Group's bargaining power of external financing;
- (3) Due to the long-term cooperation relationship between the Group and Huadian Finance, the Group expects that it will benefit from Huadian Finance's familiarity with the industry and operation of the Group. Through years of cooperation, Huadian Finance is familiar with the asset structure, business operation, financing needs and fund management of the Group as well as the Group's entire financial management system, so it will be at an advantage to provide the Group with more appropriate, effective and flexible financial services (including deposit services, credit extension services and other financial services) compared with independent commercial banks in the PRC;
- (4) Huadian Finance is a non-banking financial institution authorized and regulated by the People's Bank of China and the CBIRC, and provides financial services in compliance with the rules and other operational requirements of these regulatory authorities. To the best knowledge of the Directors, 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 Former 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%.
- (5) 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
- (6) Huadian, the controlling shareholder of Huadian Finance, has undertaken to the CBIRC 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 FINANCIAL SERVICES FRAMEWORK AGREEMENT

- (1) According to the Financial Services Framework Agreement, the Group shall be entitled to monitor the deposits in Huadian Finance from time to time to ensure their safety 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 Financial Services Framework Agreement unilaterally;
- (2) 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 requirements of free withdrawal of deposits (including accrued interest) by the Group, the Company 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;

- (3) Before the Company or any of its subsidiaries enters into any specific agreements in respect of deposit services 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 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 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 Financial Services Framework Agreement;
- (4) The financial management department of the Company will closely monitor the transactions under the Financial Services Framework Agreement and will report to the management of the Company on a monthly basis;
- (5) 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;
- (6) The internal control procedures adopted by the Company in relation to the loan services include, among others, during a certain period of time before the financing, the Company will take the initiative to identify financial institutions, inquire about the financing costs, undergo a comprehensive comparison according to the preferential conditions and interest rates and financing procedures given by each financial institution in the negotiation process to determine the optimal choice to ensure that the Company's financing is the most cost-effective financing; and
- (7) The Company's finance management department will monitor the interest rates on deposits and loans as well as service fees charged for other financial services promulgated from time to time by the official websites of the People's Bank of China and other major commercial banks in the PRC.

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 are of the view that the above internal control and risk management measures are reasonable and effective in monitoring the 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 Financial Services Framework Agreement constitute continuing 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 deposit balance (including accrued interests) under the Financial Services Framework Agreement together with the transactions under the deposit service agreement of the Company dated 2 August 2019, calculated on an aggregated basis pursuant to Rule 14A.81 of the Listing Rules, exceed 5%, the transactions in respect of the deposit services and the related annual caps under the Financial Services Framework Agreement are subject to reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The provision of credit extension services to the Group by Huadian Finance under the Financial Services Framework Agreement will constitute a financial assistance received by the Group from a connected person. As such credit extension services are on normal commercial terms or are no less favorable than those offered by independent third parties to the Group, and will not be secured by the Group's assets, the transactions in respect of the credit extension services are fully exempt pursuant to Rule 14A.90 of the Listing Rules from reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios with respect to the service fees payable (on an annual basis) by the Group to Huadian Finance for other financial services under the Financial Services Framework Agreement exceed 0.1% but less than 5%, the transactions in respect of the other financial services and the relevant annual caps are only subject to announcement and annual review requirements, but exempt from circular and 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 deposit balance (including accrued interests) under the Financial Services Framework Agreement together with the transactions under the deposit service agreement of the Company dated 2 August 2019, calculated on an aggregated basis pursuant to Rule 14.23 of the Listing Rules, exceed 25% but are less than 100%, the provision of deposit services under the Financial Services Framework Agreement also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

Mr. Tao Yunpeng, Director of the Company, abstained from voting on the board resolution in relation to the Financial Services Framework Agreement and the transactions contemplated thereunder. Save as the above, each of Directors has confirmed that he has no material interest in the Financial Services Framework Agreement and the transactions contemplated thereunder.

The Board (excluding independent non-executive Directors who will advise the Independent Shareholders after taking into account the advice from Gram Capital) is of the view that the terms of the Financial Services Framework Agreement and the related annual caps are entered into on normal commercial terms and thus fair and reasonable and 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 Former 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 extension 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 services under the Financial Services Framework 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 services under the Financial Services Framework 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 services under the Financial Services Framework Agreement and the related annual caps. The Company will appoint Gram Capital as the Independent Financial Adviser 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 Gram Capital to both the independent board committee and the Independent Shareholders and a letter from the independent board committee to the Independent Shareholders and the details of the General Meeting to be held to approve the deposit services under the Financial Services Framework Agreement and the related annual caps. The Company expects to dispatch the circular within 15 business days from the date of this announcement.

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
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“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
“Director(s)”	the director(s) of the Company

“Financial Services Framework Agreement”	the financial services framework agreement for the year 2020 to 2022 dated 9 August 2019 entered into between the Company and Huadian Finance in relation to the provision of relevant financial services by Huadian Finance to the Group
“Former CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“General Meeting”	the extraordinary general meeting of the Company to be convened to consider, and if though fit, approve the deposit services contemplated under the Financial Services Framework 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 Ltd. (中國華電集團有限公司), 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 Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), will be appointed as the independent financial adviser to advise the independent board committee and the Independent Shareholders in respect of the terms of the deposit services under the Financial Services Framework Agreement and the annual caps thereunder
“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
HUANG Shaoxiong
Chairman of the Board

Beijing, the PRC, 9 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.