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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)

CONNECTED TRANSACTION

DISPOSAL OF 4.946% EQUITY INTEREST IN HUADIAN FINANCE

On 23 August 2019, Fujian Mianhuatan, a subsidiary of the Company, and Huadian entered into the Equity Transfer Agreement I, pursuant to which Fujian Mianhuatan agreed to dispose of and Huadian agreed to acquire 2.473% equity interest in Huadian Finance held by Fujian Mianhuatan at a cash consideration of RMB199,745,666.13.

On 23 August 2019, Fujian Huadian, a wholly-owned subsidiary of the Company, and Huadian entered into the Equity Transfer Agreement II, pursuant to which Fujian Huadian agreed to dispose of and Huadian agreed to acquire 2.473% equity interest in Huadian Finance held by Fujian Huadian at a cash consideration of RMB199,745,666.13.

As Huadian directly and indirectly holds approximately 62.76% of the issued share capital of the Company, it is the Controlling Shareholder as defined under the Listing Rules and therefore, a connected person of the Company. Accordingly, the entering into of the Equity Transfer Agreement I, the Equity Transfer Agreement II and the respective transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the transactions contemplated under Equity Transfer Agreement I and Equity Transfer Agreement II calculated on an aggregated basis under Rule 14A.81 of the Listing Rules, exceed 0.1% but are less than 5%, the entering into of the Equity Transfer Agreement I and the Equity Transfer Agreement II are subject to the reporting and announcement requirement but are exempt from the independent shareholders' approval requirements.

I. INTRODUCTION

On 23 August 2019, Fujian Mianhuatan, a subsidiary of the Company, and Huadian entered into the Equity Transfer Agreement I, pursuant to which Fujian Mianhuatan agreed to dispose of and Huadian agreed to acquire 2.473% equity interest in Huadian Finance held by Fujian Mianhuatan at a cash consideration of RMB199,745,666.13.

On 23 August 2019, Fujian Huadian, a wholly-owned subsidiary of the Company, and Huadian entered into the Equity Transfer Agreement II, pursuant to which Fujian Huadian agreed to dispose of and Huadian agreed to acquire 2.473% equity interest in Huadian Finance held by Fujian Huadian at a cash consideration of RMB199,745,666.13.

As at the date of this announcement, Huadian Finance is not a subsidiary of the Company. Upon completion of the transactions under the Equity Transfer Agreement I and the Equity Transfer Agreement II, the Company will no longer hold any equity interest in Huadian Finance.

II. EQUITY TRANSFER AGREEMENT I

Key terms of the Equity Transfer Agreement I are summarized as follows:

1. Date

23 August 2019

2. Parties

- (1) Fujian Mianhuatan (as the transferor); and
- (2) Huadian (as the transferee)

3. Subject matter

According to the conditions and terms under the Equity Transfer Agreement I, Fujian Mianhuatan proposes to transfer its 2.473% equity interest in Huadian Finance to Huadian.

4. Consideration and basis of pricing

As agreed upon by the parties thereto, the consideration for the transactions contemplated under the Equity Transfer Agreement I was RMB199,745,666.13. The consideration was determined after arm's length negotiations between the parties with reference to (1) the value of the entire shareholders' equity (approximately RMB8,597,115,700) of Huadian Finance as at 31 December 2018 (i.e. the valuation benchmark date) as set out in the valuation report prepared by DeveChina International Appraisals Co. Ltd., a qualified independent PRC valuer, using the income approach; and (2) the dividend distribution for 2018 made to the Fujian Mianhuatan by Huadian Finance (which, given that the valuation benchmark date is 31 December 2018, was deducted from the valuation result of Huadian Finance when calculating the amount of consideration).

5. Payment

Huadian shall pay the consideration to the designated bank account of Fujian Mianhuatan in one lump sum within 10 working days from the date of completion of all conditions precedent under the Equity Transfer Agreement I.

6. Conditions precedent

- (1) In accordance with relevant provisions on the management of state-owned assets, the equity transfer shall be subject to the written approval of the competent regulatory authorities;
- (2) The asset appraisal report has been filed with competent authorities of supervision and administration of state-owned assets according to the relevant provisions on the management of state-owned assets; and
- (3) The equity transfer under the Equity Transfer Agreement I has been approved by China banking insurance regulatory authority or its agency (if applicable).

7. Completion

Fujian Mianhuatan and Huadian shall submit required materials for change of industry and commerce registration within 15 working days from the date of completion of all conditions precedent stated above under the Equity Transfer Agreement I and complete procedures for the change of industry and commerce registration in relation to the relevant equity interest.

III. EQUITY TRANSFER AGREEMENT II

Key terms of the Equity Transfer Agreement II are summarized as follows:

1. Date

23 August 2019

2. Parties

(1) Fujian Huadian (as the transferor); and

(2) Huadian (as the transferee)

3. Subject matter

According to the conditions and terms under the Equity Transfer Agreement II, Fujian Huadian proposes to transfer its 2.473% equity interest in Huaxin Finance to Huadian.

4. Consideration and basis of pricing

As agreed upon by the parties thereto, the consideration for the transactions contemplated under the Equity Transfer Agreement II was RMB199,745,666.13. The consideration was determined after arm's length negotiations between the parties with reference to (1) the value of the entire shareholders' equity (approximately RMB8,597,115,700) of Huadian Finance as at 31 December 2018 (i.e. the valuation benchmark date) as set out in the valuation report prepared by DeveChina International Appraisals Co., Ltd., a qualified independent PRC valuer, using the income approach; and (2) the dividend distribution for 2018 made to the Fujian Huadian by Huadian Finance (which, given that the valuation benchmark date is 31 December 2018, was deducted from the valuation result of Huadian Finance when calculating the amount of consideration).

5. Payment

Huadian shall pay the consideration to the designated bank account of Fujian Huadian in one lump sum within 10 working days from the date of completion of all conditions precedent under the Equity Transfer Agreement II.

6. Conditions precedent

- (1) In accordance with relevant provisions on the management of state-owned assets, the equity transfer shall be subject to the written approval of the applicable regulatory authorities;
- (2) The asset appraisal report has been filed with competent authorities of supervision and administration of state-owned assets according to the relevant provisions on the management of state-owned assets; and
- (3) The equity transfer under the Equity Transfer Agreement II has been approved by China banking insurance regulatory authority or its agency (if applicable).

7. Completion

Fujian Huadian and Huadian shall submit required materials for change of industry and commerce registration within 15 working days from the date of completion of all conditions precedent stated above under the Equity Transfer Agreement II and complete procedures for the change of industry and commerce registration in relation to the relevant equity interest.

IV. REASONS FOR AND BENEFITS OF ENTERING INTO EQUITY TRANSFER AGREEMENT I AND EQUITY TRANSFER AGREEMENT II

In order to focus on its principal business development, optimize the allocation of resources, simplify the investment structure and improve the management efficiency, the Company intends to clean up and adjust the investment in certain companies where the Company currently holds a minority equity interest.

Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under Equity Transfer Agreement I and Equity Transfer Agreement II are conducted on normal commercial terms, and terms thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

V. FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

It is expected that the Company will not have any material gain or loss upon completion of the equity transfer under the Equity Transfer Agreement I and the Equity Transfer Agreement II . The proceeds from the equity transfer under the Equity Transfer Agreement I and the Equity Transfer Agreement II will be used as general working capital of the Group.

VI. INFORMATION ON HUADIAN FINANCE

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; 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.

Based on the unaudited financial statements prepared under the PRC Accounting Standards for Business Enterprises, the total assets and net assets of Huadian Finance were approximately RMB49,258,467,541.61 and RMB7,768,735,564.34, respectively as at 31 December 2018.

Based on the unaudited financial statements prepared under the PRC Accounting Standards for Business Enterprises, revenue, net profit before and after tax and extraordinary items of Huadian Finance for the relevant periods prior to the date of this announcement are set out as below:

	<i>Unit: RMB</i>	
	For the year ended 31 December 2017	For the year ended 31 December 2018
Revenue	1,194,906,616.39	1,263,798,418.43
Net profit before tax and extraordinary items	1,072,883,611.18	1,003,342,046.46
Net profit after tax and extraordinary items	883,018,591.88	825,617,530.06

VII. LISTING RULES IMPLICATIONS

As Huadian directly and indirectly holds approximately 62.76% of the issued share capital of the Company, it is the Controlling Shareholder as defined under the Listing Rules and therefore, a connected person of the Company. Accordingly, the entering into of the Equity Transfer Agreement I, the Equity Transfer Agreement II and the respective transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the transactions contemplated under Equity Transfer Agreement I and Equity Transfer Agreement II calculated on an aggregated basis under Rule 14A.81 of the Listing Rules, exceed 0.1% but are less than 5%, the entering into of the Equity Transfer Agreement I and the Equity Transfer Agreement II are subject to the reporting and announcement requirement but is exempt from the independent shareholders' approval requirements.

Matters in relation to entering into the Equity Transfer Agreement I and the Equity Transfer Agreement II have been approved by the Board. Mr. TAO Yunpeng abstained from voting on the Board resolution with respect to the approval of entering into of the Equity Transfer Agreement I and the Equity Transfer Agreement II and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interests in the matter and therefore none of other Directors has abstained from voting on such Board resolution.

VIII. GENERAL INFORMATION

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

Fujian Mianhuatan is a limited liability company incorporated in the PRC. As at the date of this announcement, its 60% equity was held by the Company, and the remaining 40% equity was held by independent third parties. Fujian Mianhuatan is principally engaged in construction and management of hydropower stations and consultation in respective of hydropower engineering.

Fujian Huadian, a limited liability company incorporated in China, is a wholly-owned subsidiary of the Company. It is principally engaged in power construction, construction and supervision of power projects, and manufacturing and sales of power equipment.

Huadian is the Controlling Shareholder of the Company. 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.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 company incorporated under the laws of the PRC with limited liability and whose H shares are listed on the main board of the Stock Exchange (Stock Code: 816)
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Fujian Huadian”	Fujian Huadian Power Engineering Company Limited (福建華電電力工程有限公司), established in the PRC, a wholly-owned subsidiary of the Company
“Fujian Mianhuatan”	Fujian Mianhuatan Hydropower Development Company Limited (福建棉花灘水電開發有限公司), established in the PRC, a subsidiary 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 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), a limited company incorporated in the PRC, which is directly owned as to approximately 36.15% by Huadian
“Huadian Group”	Huadian and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Equity Transfer Agreement I”	the equity transfer agreement on the transfer of equity in Huadian Finance entered into between Fujian Mianhuatan and Huadian on 23 August 2019
“Equity Transfer Agreement II”	the equity transfer agreement on the transfer of equity in Huaxin Finance entered into between Fujian Huadian and Huadian on 23 August 2019
“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, 23 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.