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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 6% EQUITY INTEREST IN HUAXIN INSURANCE

On 26 September 2019, the Company and CHD Capital entered into the Equity Transfer Agreement I, pursuant to which the Company agreed to dispose of and CHD Capital agreed to acquire 3% equity interest in Huaxin Insurance held by the Company at a cash consideration of RMB8,212,515.

On 26 September 2019, Huadian New Energy Development, a wholly-owned subsidiary of the Company, and CHD Capital entered into the Equity Transfer Agreement II, pursuant to which Huadian New Energy Development agreed to dispose of and CHD Capital agreed to acquire 3% equity interest in Huaxin Insurance held by Huadian New Energy Development at a cash consideration of RMB8,212,515.

CHD Capital is a wholly-owned subsidiary of Huadian. 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 CHD Capital is an associate of the Controlling Shareholder of the Company and therefore, CHD Capital is 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 requirements but are exempt from the independent shareholders' approval requirement.

I. INTRODUCTION

On 26 September 2019, the Company and CHD Capital entered into the Equity Transfer Agreement I, pursuant to which the Company agreed to dispose of and CHD Capital agreed to acquire 3% equity interest in Huaxin Insurance held by the Company at a cash consideration of RMB8,212,515.

On 26 September 2019, Huadian New Energy Development, a wholly-owned subsidiary of the Company, and CHD Capital entered into the Equity Transfer Agreement II, pursuant to which Huadian New Energy Development agreed to dispose of and CHD Capital agreed to acquire 3% equity interest in Huaxin Insurance held by Huadian New Energy Development at a cash consideration of RMB8,212,515.

As at the date of this announcement, Huaxin Insurance 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 Huaxin Insurance.

II. EQUITY TRANSFER AGREEMENT I

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

1. Date

26 September 2019

2. Parties

- (1) The Company (as the transferor); and
- (2) CHD Capital (as the transferee)

3. Subject matter

According to the conditions and terms under the Equity Transfer Agreement I, the Company proposes to transfer its 3% equity interest directly held in Huaxin Insurance to CHD Capital.

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 RMB8,212,515. The consideration was determined after arm's length negotiations between the parties with reference to (1) the value of the entire shareholders' equity (approximately RMB436,750,500) of Huaxin Insurance 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 Company by Huaxin Insurance (which, given that the valuation benchmark date is 31 December 2018, was deducted from the valuation result of Huaxin Insurance when calculating the amount of consideration).

5. Payment

CHD Capital shall pay the consideration to the designated bank account of the Company 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

The Company and CHD Capital 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 transfer as soon as possible.

III. EQUITY TRANSFER AGREEMENT II

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

1. Date

26 September 2019

2. Parties

- (1) Huadian New Energy Development (as the transferor); and
- (2) CHD Capital (as the transferee)

3. Subject matter

According to the conditions and terms under the Equity Transfer Agreement II, Huadian New Energy Development proposes to transfer its 3% equity interest directly held in Huaxin Insurance to CHD Capital.

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 RMB8,212,515. The consideration was determined after arm's length negotiations between the parties with reference to (1) the value of the entire shareholders' equity (approximately RMB436,750,500) of Huaxin Insurance 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 Huadian New Energy Development by Huaxin Insurance (which, given that the valuation benchmark date is 31 December 2018, was deducted from the valuation result of Huaxin Insurance when calculating the amount of consideration).

5. Payment

CHD Capital shall pay the consideration to the designated bank account of Huadian New Energy Development 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

Huadian New Energy Development and CHD Capital 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 transfer as soon as possible.

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 HUAXIN INSURANCE

Huaxin Insurance, established in September 2003 with a registered capital of RMB100 million, is a nationwide professional insurance brokerage company as approved by China Banking and Insurance Regulatory Commission (formerly known as China Insurance Regulatory Commission). Its scope of business includes preparing insurance plans, selecting insurers, proceeding with insurance application procedures for the insured; assisting the insured or beneficiary in any claim; carrying out re-insurance brokerage business; providing clients with disaster prevention, loss prevention or risk assessment, risk management consultancy services; and other business as approved by China Banking and Insurance Regulatory Commission.

Based on the unaudited financial statements prepared under the PRC Accounting Standards for Business Enterprises, the total assets and net assets of Huaxin Insurance were approximately RMB330,566,915.43 and RMB323,518,883.61, 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 Huaxin Insurance 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	187,518,456.98	192,630,863.03
Net profit before tax and extraordinary items	159,758,896.53	165,176,377.59
Net profit after tax and extraordinary items	119,661,946.30	123,750,595.21

VII. LISTING RULES IMPLICATIONS

CHD Capital is a wholly-owned subsidiary of Huadian. 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 CHD Capital is an associate of the controlling shareholder of the Company and therefore, CHD Capital is 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 requirements but is exempt from the independent shareholders' approval requirement.

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.

Huadian New Energy Development, a company established in Beijing with limited liability and a wholly-owned subsidiary of the Company, primarily engaged in the investment, construction and production of wind power, biomass power generation, solar power generation and other new energy projects.

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.

CHD Capital is a wholly-owned subsidiary of Huadian and it principally engaged in businesses including investment and asset management, asset entrusted management, investment planning, consulting services, and property rights brokerage.

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
“CHD Capital”	China Huadian Group Capital Holdings Limited
“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
“Equity Transfer Agreement I”	the equity transfer agreement on the transfer of equity in Huaxin Insurance entered into between the Company and CHD Capital on 26 September 2019
“Equity Transfer Agreement II”	the equity transfer agreement on the transfer of equity in Huaxin Insurance entered into between Huadian New Energy Development and CHD Capital on 26 September 2019
“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 Group”	Huadian and its subsidiaries

“Huadian New Energy Development”	Huadian New Energy Development Co., Ltd. (華電新能源發展有限公司)
“Huaxin Insurance”	Huaxin Insurance Brokerage Co., Ltd. (華信保險經紀有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“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
“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, 26 September 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.