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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 TRANSACTIONS
ACQUISITION OF 51% EQUITY INTEREST IN
HUADIAN LIUZHOU
AND
ACQUISITION OF PRELIMINARY RESULTS OF THE WIND
POWER PROJECTS

SUMMARY

The Board is pleased to announce that, on 27 December 2019, the Company and Huadian Guangxi entered into the Equity Transfer Agreement, pursuant to which, the Company agreed to acquire and Huadian Guangxi agreed to transfer to the Company the Target Equity, at a consideration of RMB9,624,200 which will be paid in cash. Upon completion of the transaction, Huadian Liuzhou will be consolidated into the financial statements of the Group.

On 27 November 2019 and 18 December 2019, each of Fuxin Guangxi Branch, Fuxin Liuzhou New Energy and Fuxin Qinzhou Wind Power and Huadian Guangxi entered into the Preliminary Results Transfer Agreements on the Wind Power Projects, respectively, pursuant to which, each of Fuxin Guangxi Branch, Fuxin Liuzhou New Energy and Fuxin Qinzhou Wind Power agreed to acquire and Huadian Guangxi agreed to transfer to Fuxin Guangxi Branch, Fuxin Liuzhou New Energy and Fuxin Qinzhou Wind Power the relevant Preliminary Results of the Wind Power Projects, at an aggregate consideration of RMB4,422,300 which shall be paid in cash.

LISTING RULES IMPLICATIONS

As Huadian directly and indirectly holds approximately 62.76% in aggregate of the issued share capital of the Company, it is a controlling shareholder as defined under the Listing Rules and Huadian Guangxi is a subsidiary of Huadian, therefore Huadian and Huadian Guangxi are connected persons of the Company. Accordingly, the Equity Transfer Agreement, the Preliminary Results Transfer Agreements on the Wind Power Projects and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As under the Rule 14A.81 of the Listing Rules, one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the transaction under the Equity Transfer Agreement when aggregated with the transactions under the Preliminary Results Transfer Agreements on the Wind Power Projects exceed 0.1% but fall below 5%, the transactions are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

The Board is pleased to announce that, on 27 December 2019, the Company and Huadian Guangxi entered into the Equity Transfer Agreement, pursuant to which, the Company agreed to acquire and Huadian Guangxi agreed to transfer to the Company the Target Equity, at a consideration of RMB9,624,200 which will be paid in cash. Upon completion of the transaction, Huadian Liuzhou will be consolidated into the financial statements of the Group.

On 27 November 2019 and 18 December 2019, each of Fuxin Guangxi Branch, Fuxin Liuzhou New Energy and Fuxin Qinzhou Wind Power and Huadian Guangxi entered into the Preliminary Results Transfer Agreements on the Wind Power Projects, respectively, pursuant to which, each of Fuxin Guangxi Branch, Fuxin Liuzhou New Energy and Fuxin Qinzhou Wind Power agreed to acquire and Huadian Guangxi agreed to transfer to Fuxin Guangxi Branch, Fuxin Liuzhou New Energy and Fuxin Qinzhou Wind Power the relevant Preliminary Results of the Wind Power Projects, at an aggregate consideration of RMB4,422,300 which shall be paid in cash.

SUMMARY OF THE KEY TERMS OF THE EQUITY TRANSFER AGREEMENT

Date: 27 December 2019

Parties: Huadian Guangxi (as the seller); and the Company (as the purchaser)

Equity Transfer and Consideration

Pursuant to the terms and conditions of the Equity Transfer Agreement, the Company agreed to acquire and Huadian Guangxi agreed to transfer to the Company the Target Equity.

The consideration for the abovementioned transfer is RMB9,624,200, which was determined after the arm's length negotiation by the parties with reference to the appraised value of the entire simulated shareholders' equity of Huadian Liuzhou (based on the appraised value of the entire simulated shareholders' equity of Huadian Liuzhou as at 31 October 2019 as the base date conducted by an independent valuer using the income approach).

Conditions Precedent to Transfer of the Equity

Transfer of the Target Equity is conditional upon the following conditions precedent:

- (1) the photovoltaic project has obtained filings issued by the Liuzhou Development and Reform Commission;
- (2) the photovoltaic project has realized grid-connected power generation, and the power generation efficiency of the technical system of the photovoltaic power plant of the target project has reached 80% or above based on the "Technical Specifications for Performance Detection and Quality Evaluation of Grid-connected Photovoltaic Power Plants";
- (3) Huadian Guangxi has obtained all the authorizations, permissions or approvals required to sign and perform this Equity Transfer Agreement;
- (4) The audit report, valuation report and legal due diligence report attached to the Equity Transfer Agreement are all final drafts as recognised by Huadian Guangxi;
- (5) The Target Equity is not subject to any pledge, seizure or other encumbrances;
- (6) Huadian Guangxi has obtained a written statement on the waiver of the pre-emptive right to repurchase the Target Equity and future equity issued by Guangxi Liuzhou Dongcheng Investment and Development Group Co., Ltd. (廣西柳州市東城投資開發集團有限公司);
- (7) Huadian Guangxi has completed the contents on delivery under the Equity Transfer Agreement;
- (8) Huadian Guangxi has procured Huadian Liuzhou to complete the amendments to relevant clauses of the articles of association and lifted the restrictions against Huadian Guangxi on the transfer of the equity.

As at the date of this announcement, the above conditions precedent have been fulfilled.

VALUATION ON HUADIAN LIUZHOU

The Company has engaged Zhonghe Appraisal Company Limited (中和資產評估有限公司) (“**Zhonghe**”) to carry out valuation on the entire simulated shareholders’ equity of Huadian Liuzhou. The base date of the valuation is 31 October 2019 and the income approach was adopted in the valuation. As the valuation adopting the income approach which involves the use of discounted future cash flows constitutes a profit forecast under Rule 14.61 of the Listing Rules, this announcement shall comply with the requirements under Rules 14A.68(7) and 14.62 of the Listing Rules in relation to profit forecast.

Pursuant to Rule 14.62 of the Listing Rules, the key bases of assumptions of this valuation mainly include the following:

(I) General Assumptions

1. There will be no material changes in the state and local laws, regulations, rules and social political and economic policies currently in force and applicable to Huadian Liuzhou.
2. Huadian Liuzhou will continue as a going concern within the life of the power plant.
3. There will be no material changes in PRC’s existing tax basis and rates, preferential tax policies, bank lending rates and other policy-based charges.
4. There will be no other material adverse impact caused by force majeure or unforeseeable circumstances.

(II) Specific Assumptions

1. Assuming the technical personnel and senior management of Huadian Liuzhou would remain relatively stable and there would be no significant outflow of core professional personnel in the following years.
2. The present and future management of all operating entities of Huadian Liuzhou are responsible and its management would be able to steadily proceed with the development plan of the company to maintain a good operating position.
3. The future management of Huadian Liuzhou would comply with relevant PRC laws and regulations, and there would be no major non-compliance that might affect the development and earnings of the company.

4. The accounting policies adopted by Huadian Liuzhou are consistent with the accounting policies and the accounting calculation methods adopted in the income projection conducted in all material respects.
5. As at the valuation base date, Huadian Liuzhou has not been listed into the subsidy catalogue for renewable energy. In accordance with the Notice of the NDRC on Displaying the Leverage of Price to Promote the Healthy Development of the Photovoltaic Industry (國家發展改革委關於發揮價格槓桿作用促進光伏產業健康發展的通知) (Fa Gai Jia Ge [2013] No. 1638), it will implement the policy in relation to electricity subsidy for distributed photovoltaic power generation based on all power generated with the subsidy standard of RMB0.42/KWH (tax inclusive). Photovoltaic power generation projects will implement the benchmark on-grid power price or the subsidy standards on power price since they put into operation with a term of 20 years in principle. It assumes that Huadian Liuzhou will be listed into the subsidy catalogue for renewable energy and obtain the subsidy revenue on power price for a term of 20 years in this valuation.
6. In July 2016, Huadian Liuzhou and Guangxi Liuzhou Dongcheng Investment Development Group Co., Ltd. (廣西柳州市東城投資開發集團有限公司) entered into the Contract on the Lease of Standard Plants and Roof of Buildings in Liudong New District with a lease term of 20 years from the first day of power generation. It assumes that the lease can be renewed upon expiry.

If the actual conditions differ from the above assumptions in the valuation in the future, it will have influence on the evaluation conclusions in the valuation report.

Based on the above assumptions, the appraised value of the entire simulated shareholders' equity of Huadian Liuzhou as at the valuation base date was RMB23,730,000.

The Board has reviewed the principal assumptions adopted in the valuation, and is of the view that the valuation has been made after due and careful enquiry. Guangxi Ruihe Certified Public Accountants Co., Ltd. (廣西瑞和會計師事務所(普通合夥)) (“**Guangxi Ruihe**”), the reporting accountant of the Company, has reviewed the calculation of the discounted future cash flows on which the valuation by Zhonghe is based. The relevant report and letters from the Board and Guangxi Ruihe have been contained in Appendix I and II to this announcement, respectively.

INFORMATION ON HUADIAN LIUZHOU

Huadian Liuzhou was established on 25 March 2016 and jointly contributed by Huadian Guangxi and Guangxi Liuzhou Dongcheng Investment Development Group Co., Ltd. As at 31 October 2019, the registered capital of Huadian Liuzhou is RMB16 million, among which, Huadian Guangxi contributed RMB8.16 million, accounting for 51% of the shareholding; while Guangxi Liuzhou Dongcheng Investment Development Group Co., Ltd. contributed RMB7.84 million, accounting for 49% of the shareholding.

The photovoltaic project of Huadian Liuzhou mainly installs distributed solar energy photovoltaic stations on the roof (with a total roof area of approximately 100,000 sq.m.) of buildings in Areas A, B and C for standard plants in Liuzhou new area, which is connected to the 10kV distribution room in each area nearby with a total installed capacity of approximately 9.2MWp and an operation period of 25 years. The photovoltaic components of the project selected 335Wp home-made and packaged monocrystalline silicon cell modules with an efficiency of over 17%, which is at the leading position in the PRC. After the project is put into production, the average annual power generation will be approximately 9,224,200KWH while the on-grid price will be RMB0.84/KWH and the power price will be RMB0.96/KWH in the new area.

In accordance with China Accounting Standards for Business Enterprises, the audited total assets and net assets of Huadian Liuzhou as at 31 October 2019 were RMB72,398,800 and RMB22,400,800, respectively.

In accordance with China Accounting Standards for Business Enterprises, the relevant financial information of Huadian Liuzhou prior to the date of this announcement are set out below:

Unit: RMB0'000

	For the year ended 31 December 2018	For the year ended 31 December 2017
Net profit before taxation and extraordinary items	282.66	244.53
Net profit after taxation and extraordinary items	282.66	244.53

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE EQUITY TRANSFER AGREEMENT

The acquisition of the Target Equity serves as a proactive action in practicing such non-competition commitments as “Huadian Fuxin is a major platform for Huadian Group to develop clean energy” and “Injecting internal quality clean energy projects of Huadian Group into Huadian Fuxin” by Huadian Group, which is of significance in consolidating quality assets for power generation with clean energy by Huadian Fuxin.

The annual return on net assets of the Huadian Liuzhou project is 13%, which is higher than the average return on net assets of comparable projects of the Company for the same period and meets the Company’s requirements on the return rate of projects.

SUMMARY OF THE KEY TERMS OF THE PRELIMINARY RESULTS TRANSFER AGREEMENTS ON THE WIND POWER PROJECTS

Preliminary Results Transfer Agreement on Banlan Zhongsha Project

Date: 18 December 2019

Parties: Huadian Guangxi (as Party A); and Fuxin Guangxi Branch (a branch of the Company, as Party B)

Contractual obligations:

Given the fact that the Banlan Zhongsha Project will be invested and carried out by the Group, according to relevant laws and regulations and after the friendly negotiation between Party A and Party B, the preliminary results of the Banlan Zhongsha Project actually invested and carried out by Party A before 31 October 2019 shall be acquired by Party B subject to professional audit and shall be paid in cash.

Consideration and basis of its determination:

The consideration for Fuxin Guangxi Branch to acquire the preliminary results of the Banlan Zhongsha Project is RMB1,624,570.55, which is the audited total fees for the preliminary results of the Banlan Zhongsha Project actually invested by Party A as at 31 October 2019.

Preliminary Results Transfer Agreement on Jiuyuanshan Project

Date: 27 November 2019

Parties: Huadian Guangxi (as Party A); and Fuxin Liuzhou New Energy (a subsidiary of the Company, as Party B)

Contractual obligations:

Given the fact that the Jiuyuanshan Project will be invested and carried out by the Group, according to relevant laws and regulations and after the friendly negotiation between Party A and Party B, the preliminary results of the Jiuyuanshan Project actually invested and carried out by Party A before 31 October 2019 shall be acquired by Party B subject to professional audit and shall be paid in cash.

Consideration and basis of its determination:

The consideration for Fuxin Liuzhou New Energy to acquire the preliminary results of the Jiuyuanshan Project is RMB1,478,221.74, which is the audited total fees for the preliminary results of the Jiuyuanshan Project actually invested by Party A as at 31 October 2019.

Preliminary Results Transfer Agreement on Fengmenling Project

Date: 27 November 2019

Parties: Huadian Guangxi (as Party A); and Fuxin Qin Zhou Wind Power (a subsidiary of the Company, as Party B)

Contractual obligations:

Given the fact that the Fengmenling Project will be invested and carried out by the Group, according to relevant laws and regulations and after the friendly negotiation between Party A and Party B, the preliminary results of the Fengmenling Project actually invested and carried out by Party A before 31 October 2019 shall be acquired by Party B subject to professional audit and shall be paid in cash.

Consideration and basis of its determination:

The consideration for Fuxin Qinzhou Wind Power to acquire the preliminary results of the Fengmenling Project is RMB1,319,493.10, which is the audited total fees for the preliminary results of the Fengmenling Project actually invested by Party A as at 31 October 2019.

INFORMATION ON THE PRELIMINARY RESULTS OF THE WIND POWER PROJECTS

Information on Banlan Zhongsha Project

The proposed site of the Rongan Banlan Project is located at Banlan Town, Rongan County, Liuzhou City, Guangxi and it is a wind farm in mountainous regions. The planned installed capacity is 150MW and it is planned to be developed in two phases with 50MW in the first phase and 100MW in the second phase. It has entered into the project development agreements with the people's government of Liuzhou City and the people's government of Rongan County, respectively.

The proposed site of the Guiping Zhongsha Project is located at the mountainous region in Zhongsha Town and Zhonghe Town in Guiping City, Guangxi and it is a wind farm in mountainous regions. The planned installed capacity is 100MW. It has entered into the project development agreement with the people's government of Guiping City.

Information on Jiuyuanshan Project

The proposed site of the Jiuyuanshan Project is located at Rongshui County, Liuzhou City, Guangxi and it is a wind farm in mountainous regions. The total planned capacity is 100MW. It proposes to install 40 wind power units with a capacity of 2.5MW each. The project has been listed in the plan on the development and construction of wind power in 2017 of Guangxi Zhuang Autonomous Region and has been approved.

Information on Fengmenling Project

The proposed site of the Fengmenling Project is located at Qinnan District, Qinzhou City, Guangxi Zhuang Autonomous Region and it is a wind farm in mountainous regions. The planned installed capacity is 200MW and it is planned to be constructed in phases with 150MW in the first phase and 50MW in the second phase. It proposes to install 60 wind power units with a capacity of 2.5MW each. 50MW of the project has been approved and listed in the plan on the development and construction of wind power in 2018 of Guangxi Zhuang Autonomous Region.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE PRELIMINARY RESULTS TRANSFER AGREEMENTS ON THE WIND POWER PROJECTS

The Preliminary Results of the Wind Power Projects acquired are quality wind power projects in mountains in Guangxi Zhuang Autonomous Region, which will speed up the Company's development of clean energy and further seize quality wind power resources in southern China.

Directors' Views

The Directors (including the independent non-executive Directors) are of the view that the Equity Transfer Agreement, the Preliminary Results Transfer Agreements on the Wind Power Projects and the transactions contemplated thereunder have been entered into on normal or more favourable commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As Huadian directly and indirectly holds approximately 62.76% in aggregate of the issued share capital of the Company, it is a controlling shareholder as defined under the Listing Rules and Huadian Guangxi is a subsidiary of Huadian, therefore Huadian and Huadian Guangxi are connected persons of the Company. Accordingly, the Equity Transfer Agreement, the Preliminary Results Transfer Agreements on the Wind Power Projects and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As under the Rule 14A.81 of the Listing Rules, one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the transaction under the Equity Transfer Agreement when aggregated with the transactions under the Preliminary Results Transfer Agreements on the Wind Power Projects exceed 0.1% but fall below 5%, the aforementioned transactions are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

Mr. Tao Yunpeng has abstained from voting at the relevant board meeting for the approval of the Equity Transfer Agreement, the Preliminary Results Transfer Agreements on the Wind Power Projects and the transactions contemplated thereunder due to his position in Huadian. Save as aforementioned, each of the Directors has confirmed that they have no material interest in the Equity Transfer Agreement, the Preliminary Results Transfer Agreements on the Wind Power Projects and the transactions contemplated thereunder.

EXPERTS

The following are the qualifications of the experts who have given opinion or advice contained in this announcement:

Name	Qualifications
Zhonghe	Independent qualified valuer in the PRC engaged in valuation
Guangxi Ruihe	Certified public accountants in the PRC

To the best of knowledge and belief of the Directors, having made all reasonable enquiries, each of Zhonghe and Guangxi Ruihe is a third party independent of the Company.

As at the date of this announcement, neither of Zhonghe and Guangxi Ruihe has any shareholding in any member of the Group, nor has any right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for securities of any member of the Group.

Each of Zhonghe and Guangxi Ruihe has given and would not withdraw its consent to the publication of this announcement with the inclusion of its opinion and/or advice and all references to its name in the form and context in which they are included.

GENERAL INFORMATION

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.

Fuxin Guangxi Branch is a branch of the Company, and its principal businesses are the same as that of the Company.

Fuxin Liuzhou New Energy, a wholly-owned subsidiary of the Company, is primarily engaged in wind power generation, the development, investment, construction and operation management of the new energy projects.

Fuxin Qinzhou Wind Power, a wholly-owned subsidiary of the Company, is primarily engaged in wind power generation, the development, investment, construction and operation management of the new energy projects.

Huadian Liuzhou, a subsidiary of Huadian, is primarily engaged in the development, investment and construction of solar energy power projects; and the production and sale of power energy.

Huadian Guangxi, a wholly-owned subsidiary of Huadian, is primarily engaged in the investment and development of power and relevant energy; bases construction and investment and development of relevant projects; and purchase and sale of power (heat) and other businesses.

Huadian is the controlling shareholder of the Company. The main businesses of Huadian Group include power generation, 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 meaning set out below:

“Board”	the board of directors of the Company
“Company” or “Huadian Fuxin”	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 of Hong Kong Limited (Stock Code: 816)
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement on Huadian Liuzhou entered into between the Company and Huadian Guangxi on 27 December 2019
“Fuxin Guangxi Branch”	Huadian Fuxin Energy Corporation Limited Guangxi Branch (華電福新能源股份有限公司廣西分公司)
“Fuxin Liuzhou New Energy”	Huadian Fuxin Liuzhou New Energy Corporation Limited (華電福新柳州新能源有限公司)
“Fuxin Qinzhou Wind Power”	Qinzhou Huadian Fuxin Wind Power Generation Corporation Limited (欽州華電福新風力發電有限公司)
“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 (中國華電集團公司), the controlling shareholder of the Company
“Huadian Group”	Huadian and its subsidiaries (excluding the Company and its subsidiaries)
“Huadian Guangxi”	Huadian Guangxi Energy Co., Ltd. (華電廣西能源有限公司), a subsidiary of Huadian
“Huadian Liuzhou”	Huadian Liuzhou Dongcheng New Energy Co., Ltd. (華電柳州東城新能源有限公司)
“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 People’s Republic of China and Taiwan
“Preliminary Results of the Wind Power Projects”	the preliminary results of the Jiuyuanshan 100MW wind power project at Rongshui County, Liuzhou City, the Fengmenling Phase-I 150MW wind power project at Qinnan District, Qinzhou City, the Banlan 150MW wind power project at Rongan County, Liuzhou City and the Zhongsha 100MW wind power project at Guiping, Guigang City
“Preliminary Results Transfer Agreement on Banlan Zhongsha Project”	the agreement on returning of the preliminary fees invested for the project entered into between Fuxin Guangxi Branch and Huadian Guangxi on 18 December 2019
“Preliminary Results Transfer Agreement on Fengmenling Project”	the agreement on returning of the preliminary fees invested for the project entered into between Fuxin Qinzhou Wind Power and Huadian Guangxi on 27 November 2019

“Preliminary Results Transfer Agreement on Jiuyuanshan Project”	the agreement on returning of the preliminary fees invested for the project entered into between Fuxin Liuzhou New Energy and Huadian Guangxi on 27 November 2019
“Preliminary Results Transfer Agreements on the Wind Power Projects”	the Preliminary Results Transfer Agreement on Banlan Zhongsha Project, the Preliminary Results Transfer Agreement on Jiuyuanshan Project and the Preliminary Results Transfer Agreement on Fengmenling Project entered into between certain members of the Group on the one hand and Huadian Guangxi on the other hand, collectively referred to as the “Preliminary Results Transfer Agreements on the Wind Power Projects”
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Equity”	51% equity interest in Huadian Liuzhou held by Huadian Guangxi
“%”	Per cent

By order of the Board
Huadian Fuxin Energy Corporation Limited
HUANG Shaoxiong
Chairman of the Board

Beijing, the PRC, 27 December 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.

APPENDIX I – LETTER FROM THE BOARD OF DIRECTORS OF HUADIAN FUXIN ENERGY CORPORATION LIMITED

Letter from the Board of Huadian Fuxin Energy Corporation Limited

27 December 2019

Listing Division
The Stock Exchange of Hong Kong Limited
One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Dear Sirs,

Rule 14.62 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

Reference is made to the announcement of Huadian Fuxin Energy Corporation Limited (the “**Company**”) dated 27 December 2019 (the “**Announcement**”), which refers to the valuation carried out by Zhonghe Appraisal Company Limited (“**Zhonghe**”) on the value of the entire simulated shareholders’ equity of Huadian Liuzhou Dongcheng New Energy Co., Ltd. (the “**Valuation**”).

We have reviewed the Valuation for which Zhonghe are responsible, and discussed with Zhonghe on relevant matters (including the bases and assumptions upon which the Valuation has been prepared). We have also considered the letter from our reporting accountants, Guangxi Ruihe Certified Public Accountants Co., Ltd. (“**Guangxi Ruihe**”), dated 13 December 2019 addressed to us regarding whether the discounted future cash flows on which the Valuation is based, so far as the calculations are concerned, has been properly compiled.

On the basis of the foregoing, we are of the opinion that the Valuation referred to in the Announcement has been made after due and careful enquiry.

Yours faithfully,
On behalf of the Board
Huadian Fuxin Energy Corporation Limited
HUANG Shaoxiong
Executive Director and Chairman of the Board

APPENDIX II

The following is the text of a report issued by Guangxi Ruihe Certified Public Accountants Co., Ltd. certified public accountants in the PRC, for inclusion in this announcement.

Report of the Certified Public Accountants on the Appraisal Results of the Total Equity Value of Shareholders of Huadian Liuzhou Dongcheng New Energy Co., Ltd.

To all shareholders of Huadian Liuzhou New Energy Co., Ltd.:

We have reviewed the appraisal results of Zhonghe Assets Appraisal Co., Ltd. on the value of all shareholders' equity of Huadian Liuzhou Dongcheng New Energy Co., Ltd. on 31 October 2019, the appraisal method of the total equity value of shareholders based on Zhong He Ping Bao Zi (2019) No. BJV3049, taking the appraisal result of income approach as the final appraisal result of the target assets, that is, the appraisal result of the total equity value of shareholders of Huadian Liuzhou Dongcheng New Energy Co., Ltd. is RMB23.73 million.

Responsibilities of the board of directors

In terms of using the income approach to evaluate the total equity value of shareholders, the directors of Huadian Liuzhou Dongcheng New Energy Co., Ltd. shall be fully responsible for relevant forecasts (including the preparation of the basis and assumptions for the valuation). Forecasts are prepared based on these assumptions, which include speculative assumptions about future events that are not expected to occur and management's actions in this regard. Even if the expected event occurs, the actual result may be different from the relevant forecast or there is a significant gap. Your company is responsible for the reasonableness and validity of the assumptions.

Responsibilities of Certified Public Accountants

Our responsibility is to express opinions on the results of relevant calculations based on our work and to report to the board of directors. There is no other purpose. We will not be liable to any other person for our work or for any matter arising therefrom. We carry out our work in accordance with the Standards for Other Assurance Business of Chinese Certified Public Accountants No. 3101 – Assurance Business beyond the Audit or Review of Historical Financial Information, which requires us to abide by the code of ethics, plan and implement the assurance work to obtain reasonable assurance on the assessment methods adopted for the relevant results and whether the relevant forecast is properly prepared according to these assumptions. Our work mainly includes checking the accuracy of the relevant predictions based on these assumptions. We will not review, consider or do any work on the reasonableness and validity of these assumptions, and will not express any opinions on them. Our work does not constitute any valuation of the value of shareholders' total equity.

Opinion

Based on the above, we believe that the relevant results have been properly prepared according to the assumptions made by the directors of your company in material aspects.

Guangxi Ruihe Certified Public Accountants Co., Ltd.

Chinese Certified Public Accountant: Xie Faming
Chinese Certified Public Accountant: Huang Jian

Nanning, China
13 December 2019