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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
REVISION OF ANNUAL CAP
AND
DISCLOSEABLE TRANSACTIONS**

PROPERTY LEASING FRAMEWORK AGREEMENT

The Board is pleased to announce that on 9 June 2020, the Company and Huadian entered into the Property Leasing Framework Agreement with a term valid from 1 January 2021 to 31 December 2023, pursuant to which the Company may rent properties from Huadian Group subject to the terms and conditions provided therein.

COAL PURCHASING AND SHIPPING SERVICE FRAMEWORK AGREEMENT

The Board is pleased to announce that on 9 June 2020, the Company and Huadian entered into the Coal Purchasing and Shipping Service Framework Agreement with a term valid from 1 January 2021 to 31 December 2023, pursuant to which Huadian Group has agreed to provide coal purchasing and shipping service to the Company subject to the terms and conditions provided therein.

COMMODITY SALE FRAMEWORK AGREEMENT

The Board is pleased to announce that on 9 June 2020, the Company and Huadian entered into the Commodity Sale Framework Agreement with a term valid from 1 January 2021 to 31 December 2023, pursuant to which Huadian Group may purchase commodities from the Company subject to the terms and conditions provided therein.

FINANCE LEASE FRAMEWORK AGREEMENT

The Board is pleased to announce that on 9 June 2020, the Company and Huadian Leasing entered into the Finance Lease Framework Agreement with a term valid from 1 January 2021 to 31 December 2023, pursuant to which Huadian Leasing has agreed to provide the Company with finance lease services subject to the terms and conditions provided therein.

PROJECT CONTRACTING, OPERATION MAINTENANCE SERVICE AND EQUIPMENT PURCHASING FRAMEWORK AGREEMENT

The Board is pleased to announce that on 9 June 2020, the Company and Huadian entered into the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement with a term valid from 1 January 2021 to 31 December 2023, pursuant to which Huadian Group has agreed to provide the Company with project contracting, operation maintenance service and equipment purchasing subject to the terms and conditions provided therein.

DEPOSIT SERVICE AGREEMENT

The Board is pleased to announce that on 9 June 2020, the Company entered into the Deposit Service Agreement with Huadian Overseas with a term valid from 1 January 2021 to 31 December 2023, pursuant to which Huadian Overseas will provide overseas deposit service to the Group subject to the terms and conditions provided therein.

FINANCIAL SERVICES FRAMEWORK AGREEMENT

The Board is pleased to announce that on 9 June 2020, the Company entered into the Financial Services Framework Agreement with China Fortune Trust with a term valid from 1 January 2021 to 31 December 2023, pursuant to which China Fortune Trust will provide entrusted loans, fund trust, property rights trust, financial consultancy, securities underwriting and other financial services to the Group based on the Financial Services Framework Agreement subject to the terms and conditions provided therein.

REVISION OF ANNUAL CAP UNDER THE FORMER FINANCE LEASE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 5 May 2017 in relation to the Former Finance Lease Framework Agreement.

The Board hereby announces that the Company entered into the Supplemental Agreement with Huadian Leasing on 9 June 2020, pursuant to which the parties thereto proposed to revise the proposed annual cap of the total transaction amount between the Group and Huadian Leasing under the Former Finance Lease Framework Agreement from RMB1,000 million to RMB2,000 million for the financial year ended 31 December 2020.

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 of the Company and thus, Huadian, Huadian Overseas (being a wholly-owned subsidiary of Huadian), China Fortune Trust (being a subsidiary of Huadian) and Huadian Leasing (being a subsidiary of Huadian), are connected persons of the Company. Accordingly, the Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) with respect to the respective annual cap amount under the Property Leasing Framework Agreement, Commodity Sale Framework Agreement, Deposit Service Agreement and Financial Services Framework Agreement (together with the transactions under the financial services framework agreement of the Company dated 9 August 2019, calculated on an aggregated basis pursuant to Rule 14A.81 of the Listing Rules) are more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) with respect to the respective annual cap amount under (1) the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement, (2) the Coal Purchasing and Shipping Service Framework Agreement, (3) the Finance Lease Framework Agreement and (4) the Supplemental Agreement exceed 5%, the transactions contemplated thereunder will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Further, the transactions contemplated under the Finance Lease Framework Agreement and the Supplemental Agreement will constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and be subject to the reporting and announcement requirements under the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to (1) the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement, (2) the Coal Purchasing and Shipping Service Framework Agreement, (3) the Finance Lease Framework Agreement and (4) the Supplemental Agreement and the proposed annual caps for such agreements. 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 supplemental circular containing (a) further details in relation to (1) the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement, (2) the Coal Purchasing and Shipping Service Framework Agreement, (3) the Finance Lease Framework Agreement and (4) the Supplemental Agreement; (b) a letter from the Gram Capital containing its advices to the Independent Board Committee and the Independent Shareholders; and (c) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders is expected to be despatched to the Shareholders on or before 12 June 2020.

A. INTRODUCTION

As the Existing Framework Agreements will expire on 31 December 2020, and the Company would continue carrying out the foregoing transactions under the Existing Framework Agreements after 31 December 2020 and therefore the Company entered into the Framework Agreements on 9 June 2020. In addition, the Company entered into the Supplemental Agreement with Huadian Leasing to propose to revise the proposed annual cap of the transactions contemplated thereunder for the year ended 31 December 2020. Such Framework Agreements (excluding the Supplemental Agreement) have a term of 3 years commencing on 1 January 2021 and expiring on 31 December 2023.

B. FRAMEWORK AGREEMENTS

(I) PROPERTY LEASING FRAMEWORK AGREEMENT

Date of Agreement 9 June 2020

Parties Huadian (as lessor); and
 The Company (as lessee)

Principal terms: We entered into the Property Leasing Framework Agreement with Huadian, pursuant to which, the Group may rent properties from Huadian Group. The principal terms of the Property Leasing Framework Agreement are as follows:

- the rents payable under the Property Leasing Framework Agreement shall be determined through arm's-length negotiations in accordance with relevant PRC laws and regulations and with reference to local market prices, provided that the rate of increase in annual rent per sq.m. shall not exceed 15% of that of the previous year;
- members of the Group and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant leased properties according to the principles, and within the parameters, provided for under the Property Leasing Framework Agreement;
- we are entitled to lease the available properties owned by members of Huadian Group during the term of the Property Leasing Framework Agreement;
- the Company may, at any time before the Property Leasing Framework Agreement expires, by giving not less than six months' written notice, to terminate any lease made pursuant to and contemplated under such agreement, and the rents will accordingly be reduced;
- Huadian shall not terminate any lease made pursuant to and contemplated under such agreement without the prior written consent of the Company, unless the Company use the property for the purpose without the consent of Huadian; and
- the term of the Property Leasing Framework Agreement is no more than three years commencing on 1 January 2021 and expiring on 31 December 2023, subject to renewal.

Reasons for and benefits of the transaction: We have historically leased certain properties from the members of Huadian Group for office use purpose. Compared with independent third parties, Huadian Group has a better understanding of our requirements in terms of office premises. In addition, relocating our offices to other premises will cause unnecessary disruptions to our operation and incur unnecessary costs.

Accounting implication to the specific lease contracts under the Property Leasing Framework Agreement: Under IFRS 16 (which came into effect in January 2019) and in the consolidated statement of financial position of the Group, the Group (as lessee) shall recognise a lease as a right-of-use asset and a corresponding lease liability. Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date when the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

Proposed Annual Caps and the Basis of Determination: Pursuant to the Property Leasing Framework Agreement, the respective proposed annual caps of the rental to be paid to Huadian Group by the Group will be RMB50 million for each of the three years ended 31 December 2023. Thus, the proposed annual caps of the transactions under the Property Leasing Framework Agreement pursuant to IFRS 16 are as follows:

	Proposed Annual Caps for the years ending 31 December		
	<i>(RMB million)</i>		
	2021	2022	2023
Aggregated Value of Right-of-use Assets from Huadian Group	165	110	55

The Directors have considered the following factors in determining the proposed annual caps for the years from 2021 to 2023:

- (i) the historical transaction amounts under the Property Leasing Framework Agreement, among which, for the two years ended 31 December 2018 and 31 December 2019 were RMB29.4 million and RMB29.3 million respectively;
- (ii) the Group's estimated demand for offices by property leasing from Huadian remaining stable for the three years ended 31 December 2023 according to its business development needs; and
- (iii) estimation of future market price rise of property lease and its related auxiliary services.

(II) COAL PURCHASING AND SHIPPING SERVICE FRAMEWORK AGREEMENT

Date of Agreement 9 June 2020

Parties Huadian (as service provider); and
The Company (as service receiver)

Principal terms: We entered into the Coal Purchasing and Shipping Service Framework Agreement with Huadian, pursuant to which Huadian Group has agreed to provide the Group with coal purchasing and shipping services. The principal terms thereof are as follows:

- the service fees shall be determined through a bidding process and in compliance with applicable laws, regulations and rules, or agreed upon arm's-length negotiations between the relevant parties with reference to market prices in the ordinary course of business. Market prices refer to prices determined in the following priority order: (1) prices charged at that time by independent third parties for providing such coal purchasing and shipping services on normal commercial terms in the same or adjacent areas where such coal purchasing and shipping services are conducted; or (2) prices charged by independent third parties for providing such coal purchasing and shipping services on normal commercial terms at that time;
- members of the Group shall give priority in purchasing coal and receiving shipping services from members of Huadian Group in the event that conditions and fees payable for the coal sales and shipping services to be provided by third parties are comparable with those of the coal sales and shipping services to be provided by members of Huadian Group;
- the entering into of the Coal Purchasing and Shipping Service Framework Agreement shall not preclude the parties thereto from choosing counterparties at their discretion, or conducting transactions with third parties. Huadian undertakes that it will not, and will procure its subsidiaries not to provide the Group with coal sales and shipping services on terms which are less favorable than those offered to third parties;
- Huadian is entitled to provide coal sales and shipping services to any third party, under the precedent condition that the coal sales and shipping services to be provided to the Group will not be affected;
- where Huadian fails to satisfy the needs for coal purchasing and shipping services of the Group, or the conditions to be provided by an independent third party are more favorable, the Group is entitled to purchase coal and receive shipping services from third party;
- prior to satisfying the Group's needs for coal purchasing and shipping services, Huadian shall not provide such services to any independent third party unless the considerations to be provided by independent third parties are more favorable than those provided by the Group;
- the Group shall, on annual basis, provide Huadian with an estimation for the amount of coal purchasing and shipping services required in the following year;

- members of the Group and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant coal purchasing and shipping services according to the principles and within the parameters provided for under the Coal Purchasing and Shipping Service Framework Agreement; and
- the term of the Coal Purchasing and Shipping Service Framework Agreement is no more than three years commencing on 1 January 2021 and expiring on 31 December 2023, subject to renewal.

Reasons for and benefits of the transaction: (1) Huadian is familiar with our industry and has extensive experience in coal procurement and shipping services; (2) Huadian Group will continuously provide coals to various coal-fired power projects of the Group; and (3) historically, connected enterprises in coal sector were able to provide a more stable, high-quality and sufficient coal supply, which was conducive to ensuring the smooth and stable operation of the Company's coal-fired units.

Proposed annual caps and the basis of determination: The table below sets out the proposed annual caps between the Company and Huadian:

	Proposed Annual Caps for the years ending 31 December		
	<i>(RMB million)</i>		
	2021	2022	2023
Estimated amount to be paid to Huadian Group by the Group	4,000	4,000	4,000

The Directors have considered the following factors in determining the proposed annual caps for the years from 2021 to 2023:

- the historical transactions amounts under the coal purchasing and shipping service framework agreement, among which, for the two years ended 31 December 2018 and 31 December 2019 were RMB2,543.7 million and RMB2,598.0 million, respectively;
- based on the expected consumption of coal by the new coal-fired power generation units with coal-fired power installed capacity of 1,320MW, which is currently under construction and expected to be completed by the end of 2020, the commencement of operation of new coal-fired power generation units will result in a significant increase in coal demand;

- (iii) for purpose of obtaining more favorable terms in the bargaining process and reducing the comprehensive cost of coal purchasing and the overall fuel cost of the Company, under the premise of ensuring fair prices and based on the actual demands, the Company will appropriately increase the procurement from connected enterprises in coal sector, thus achieving an advantage of scale of coal purchasing, and will concurrently purchase coal transportation, stacking and other ancillary services from these connected enterprises. By way of the above, the overall purchase volume will be increased and in return afford the Company leverage in pricing negotiation so as to obtain a stronger bargaining power.

(III) COMMODITY SALE FRAMEWORK AGREEMENT

Date of Agreement 9 June 2020

Parties Huadian (as purchaser); and
 The Company (as vendor)

Principal terms: We entered into the Commodity Sale Framework Agreement with Huadian, pursuant to which the Group may sell materials, equipment and provide services to Huadian Group. The principal terms of the Commodity Sale Framework Agreement are as follow:

- the commodity price shall be agreed upon arm's-length negotiations between the relevant parties with reference to the market prices in the ordinary course of business. Market prices refer to prices determined in the following priority order: (1) prices paid by independent third parties for such transactions with the Group on normal commercial terms in the same or adjacent areas where such commodity trades are conducted; or (2) prices paid by independent third parties for such commodity trades with the Group on normal commercial terms;
- the Parties agreed that Huadian shall give priority in purchasing materials, equipment and services from the Company in the event that conditions and fees payable for the materials, equipment to be sold and services to be provided by third parties are comparable with those provided by the Company or/and its subsidiaries;

- the Parties agreed that the signing of the Commodity Sale Framework Agreement shall not preclude the parties thereto choosing counterparties at their discretion, or conducting transactions with third parties. The Company undertakes that it will not, and will procure its subsidiaries not to sell materials, equipment and provide services to Huadian on terms which are less favorable than those offered to third parties. If the third party is able to sell materials, equipment and provide services with more favorable prices than the Company under the Commodity Sale Framework Agreement, Huadian is entitled to purchase materials, equipment and services from the third party;
- members of the Group and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant commodity sale according to the principles and within the parameters provided for under the Commodity Sale Framework Agreement; and
- the term of the Commodity Sale Framework Agreement is no more than three years commencing on 1 January 2021 and expiring on 31 December 2023, subject to renewal.

Reasons for and benefits of the transaction: The entering into of the Commodity Sale Framework Agreement has taken into account (1) the diversity of our business development, and (2) historically, Huadian Group has been purchasing commodities from us. The Board believes that it is beneficial to the sustainable development of the Company's business to renew the Commodity Sale Framework Agreement.

Proposed annual caps and the basis of determination: The table below sets out the proposed annual caps between the Company and Huadian:

	Proposed Annual Caps for the years ending 31 December		
	<i>(RMB million)</i>		
	2021	2022	2023
Estimated amount payable by Huadian Group to the Group	300	300	300

The Directors have considered the following factors in determining the proposed annual caps for the years from 2021 to 2023:

- (i) the historical amounts of the transactions under the Commodity Sale Framework Agreement, among which, for the two years ended 31 December 2018 and 31 December 2019 were RMB2.0 million and RMB3.8 million, respectively;
- (ii) Huadian Group's potential demands for purchasing of materials, equipment and services in the market;
- (iii) the Group's business capacity to provide relevant materials, equipments and services in the market, and the number of providing operating maintenance services to Huadian Group and selling thermal products, which is expected to remain stable;
- (iv) for sale of goods, the demand of ordinary operation of member of the Group with qualifications for coal sales, heat supply, and operating maintenance services, as well as expectations for further business growth; and
- (v) greater increase of the sales volume of basic services such as cold and heating energy, as a result of the comprehensive energy services marketing model developing by the Group.

(IV) FINANCE LEASE FRAMEWORK AGREEMENT

Date of Agreement 9 June 2020

Parties Huadian Leasing (as service provider); and
The Company (as service receiver)

Principal terms: We entered into the Finance Lease Framework Agreement with Huadian Leasing, pursuant to which Huadian Leasing will provide finance lease services to the Group. The principal terms of the Finance Lease Framework Agreement are as follows:

- the service fees shall be determined by both parties, through bidding process in accordance with relevant tendering and bidding laws; or upon negotiations with reference to market prices if no bidding process is required according to law. Market prices refer to prices determined in the following priority order: (1) prices charged by independent third parties for such finance lease transactions with the Group on normal commercial terms in the same or adjacent areas where such finance lease transactions are conducted; or (2) prices charged by independent third parties for such finance lease transactions with the Group on normal commercial terms;

- the entering into of the Finance Lease Framework Agreement shall not preclude the parties thereto choosing counterparties at their discretion, or conducting transactions with third parties. Huadian Leasing undertakes that it will not, and will procure its subsidiaries not to provide the Group with finance lease services on terms which are less favorable than those offered to third parties;
- Huadian Leasing is entitled to provide finance lease services to any third party, under the precedent condition that the finance lease services to be provided to the Group will not be affected;
- where Huadian Leasing fails to satisfy the needs for finance lease services of the Group, or the conditions to be provided by independent third parties are more favorable, the Group is entitled to entrust independent third parties to provide finance lease services;
- in the case that the Group's needs for the finance lease services are impaired, Huadian Leasing shall not provide such services to any independent third party unless the considerations to be provided by independent third parties are more favorable than those provided by the Group;
- members of the Group and Huadian Leasing shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant finance lease services according to the principles and within the parameters provided for under the Finance Lease Framework Agreement; and
- the term of the Finance Lease Framework Agreement is no more than three years commencing on 1 January 2021 and expiring on 31 December 2023, subject to renewal.

Reasons for and benefits of the transaction: Entering into the Finance Lease Framework Agreement has been determined after taking into account business development plans of the Group. It can help expand financing channels for the business development of the Group and is conducive to lowering the financing expense of businesses of the Group and to improving capital liquidity of the Group. Historically, Huadian Leasing was able to provide stable and continuous financial support. The Board is of the opinion that to renew the Finance Lease Framework Agreement is in the interest of the Company.

Proposed annual caps and the basis of determination: Pursuant to the Finance Lease Framework Agreement, the proposed cap amount of finance lease transaction between the Group and Huadian Leasing in relation to the finance lease are as follows:

	For the years ending 31 December		
	<i>(RMB million)</i>		
	2021	2022	2023
Total amount of finance lease transaction between the Group and Huadian Leasing	2,000	2,000	2,000

Pursuant to IFRS 16, the finance lease of the Group as lessee under the Finance Lease Framework Agreement will be recognised as right-of-use assets. Therefore, the total value of right-of-use assets relating to the leases to be entered into by the Group in each year under the Finance Lease Framework Agreement shall be applied in calculating the proposed annual caps for the three years ending 31 December 2021, 2022 and 2023 under the Finance Lease Framework Agreement.

The Directors have considered the following factors in determining the proposed annual caps for the years from 2021 to 2023:

- (i) the historical amounts of the transactions under the Finance Lease Framework Agreement, among which, for the two years ended 31 December 2018 and 31 December 2019 were RMB70.7 million and RMB552.6 million, respectively;
- (ii) Taking into account the scale of finance lease transaction for the year ended 31 December 2020 (please refer to sub-section headed “Proposed revised cap and the basis of determination” under the section headed “(IV) SUPPLEMENTAL AGREEMENT” in this announcement for details), considering the developing demands of off-shore wind power project of Huadian (Fujian) Wind Power Company Limited (華電(福建)風電有限公司) and coal-fired power project of Fujian Huadian Shaowu Energy Company Limited (福建華電邵武能源有限公司), as well as the reserved room for the demands of finance for the Group’s other projects, and the expected demands of finance of the Company will increase accordingly; and

- (iii) taking into account the current situation in which it is difficult for certain wind power projects of the Group to obtain short-term loans from banks, delay of relevant government subsidies and the actual capital needs for the abovementioned projects, by way of conducting finance lease transactions with Huadian Leasing, short-term liquidity replenishment can be achieved, which can alleviate the problem of periodic cash flow shortage of members of the Group.

(V) PROJECT CONTRACTING, OPERATION MAINTENANCE SERVICE AND EQUIPMENT PURCHASING FRAMEWORK AGREEMENT

Date of Agreement 9 June 2020

Parties Huadian (as service provider); and
 The Company (as service receiver)

Principal terms: We entered into the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement with Huadian, pursuant to which Huadian Group has agreed to provide power generation projects of the Group with project contracting (including but not limited to engineering design, consulting, construction, installation, labour services and others), operation maintenance service and purchase of equipment. The principal terms of the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement are as follows:

- the fees for project contracting and operation maintenance together with the prices of the equipment shall be determined, through a bidding process and in compliance with applicable bidding laws, regulations and rules, or with reference to market prices. Market price refers to prices determined in the following priority order: (1) prices charged by independent third parties at that time for providing such project contracting, operation maintenance services and sales of equipment on normal commercial terms in the same or adjacent areas where such project contracting, operation maintenance services and sales of equipment are conducted; or (2) price charged by independent third parties at that time for providing such project contracting, operation maintenance services and sales of equipment on normal commercial terms;
- the entering into of the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement shall not preclude the parties thereto from choosing counterparties at their discretion, or conducting transactions with third parties. Huadian undertakes that it will not, and will procure its subsidiaries not to provide the Group with project contracting, operation maintenance service and sales of equipment on terms which are less favorable than those offered to third parties;

- Huadian is entitled to provide project contracting, operation maintenance service and sales of equipment to any third party, under the precedent condition that the project contracting, operation maintenance service and sales of equipment to be provided to the Group will not be affected;
- where Huadian fails to satisfy the needs for project contracting, operation maintenance service and purchase of equipment of the Group, or the conditions to be provided by independent third parties are more favorable, the Group is entitled to entrust independent third parties to provide;
- prior to satisfying the Group's needs for project contracting, operation maintenance service and purchase of equipment, Huadian shall not provide such project contracting, operation maintenance service and sales of equipment to any independent third party unless the considerations to be provided by independent third parties are more favorable than those provided by the Group;
- the Group shall, on annual basis, provide Huadian with an estimation for the amount of services and equipment required in the following year;
- members of the Group and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant project contracting, operation maintenance services and equipment purchase according to the principles and within the parameters provided for under the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement; and
- the term of the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement is no more than three years commencing on 1 January 2021 and expiring on 31 December 2023, subject to renewal.

Reasons for and benefits of the transaction: In principle, our general project contracting, operation maintenance services and equipment providers shall be determined through a competitive bidding process, with Huadian or its subsidiaries as potential bidders. However, for the following reasons, our Directors consider that it is beneficial for us to enter into such framework agreement with Huadian: (i) Huadian Engineering, a subsidiary of Huadian, was among the first to have started providing project contracting, operation maintenance services in the PRC. Huadian Group has built up extensive experience and kept reputable records in the market of project contracting, operation maintenance services; (ii) Huadian Group has been providing

project contracting services and selling power generation equipment to us. Compared with the other third-party service providers, Huadian Group is familiar with and has a better understanding of the Company's characteristics and needs by virtue of their established service network and, as a result, could provide better services to us; and (iii) Huadian Group provides customized project contracting, operation maintenance services and sells power generation equipment to us at competitive prices, which will help reduce cost for the Group.

Proposed annual caps and the basis of determination: The table below sets out the proposed annual caps between the Company and Huadian:

	Proposed Annual Caps for the years ending 31 December		
	<i>(RMB million)</i>		
	2021	2022	2023
Estimated amount to be paid to Huadian Group by the Group	4,500	4,500	4,500

The Directors have considered the following factors in determining the proposed annual caps for the years from 2021 to 2023:

- (i) the historical amounts of the transactions under the Project Contracting Service, Operation Maintenance Service and Equipment Purchasing Framework Agreement, among which, for the two years ended 31 December 2018 and 31 December 2019 were RMB1,572.8 million and RMB2,096.7 million, respectively;
- (ii) continuous development of the Group's business in relation to power generation projects;
- (iii) considering the average historical growth rate of the existing procurement transactions, and in view of the planning in relation to the newly installed units construction of the Company for the next three years, and the development of offshore wind power projects, the Company will significantly increase the demand of procurement for equipment and construction services; and
- (iv) historically, connected enterprises in science and engineering sector were capable of providing timely and reliable equipment and construction services to the Company. Under the premise of ensuring fair prices, in the event that large-scale investment in infrastructure construction and equipment procurement of new projects is in need, connected enterprises in science and engineering sector can provide the

Group with more suitable and favorable terms than those available from independent third parties in respect of schedule progress and payment arrangement, which will in turn have a positive impact on the operation and construction of the Company in terms of timely commencement of operation of projects, definitive approval on tariff and extension of payment terms.

(VI) DEPOSIT SERVICE AGREEMENT

Date of agreement 9 June 2020

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

Principal terms: Pursuant to the Deposit Service Agreement, Huadian Overseas will provide overseas deposit service to the Group, including that the Group will establish deposit accounts at Huadian Overseas, and deposit funds into the deposit accounts established at Huadian Overseas. Deposits can be in the form of current deposits, time deposits, call deposits or agreement deposits, etc.

Provided that the Group is well aware of the market prices, and that the terms and conditions of the deposit services provided by Huadian Overseas are same with or more favorable than those provided by other overseas financial institutions, the Group is entitled to select the deposit services offered by Huadian Overseas. However, having taken into account the actual circumstances, the Group may also select relevant deposit services offered by other overseas financial institutions during the term of the Deposit Service Agreement.

The term of the Deposit Service Agreement will commence on 1 January 2021 and expire on 31 December 2023. Subject to requirements under the Listing Rules, the Deposit Service Agreement can be renewed upon expiry as agreed by parties thereto.

Reasons for and benefits of the transactions:

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

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

In addition, as Huadian Overseas is a professional financial service platform of Huadian, the controlling shareholder of the Company, its provision of deposit service to the Group in accordance with the Deposit Service Agreement may (1) promote the overall capital operation of the Company, thus contributing to the enhancement of capital management and control as well as the reduction and prevention of operating risks; and (2) shorten the float time of the funds, accelerate the turnover of funds and reduce transaction costs and expenses.

Proposed Annual Caps and the Basis of Determination: The table below sets out the proposed annual caps (or the equivalent foreign currency) for the maximum daily deposit balance (including any accrued interest) to be placed by the Group with Huadian Overseas:

	Proposed Annual Caps for the years ending		
	31 December		
	<i>(RMB million)</i>		
	2021	2022	2023
The maximum daily deposit balance (including any accrued interest)	300	300	300

The proposed annual caps have been determined with reference to the historical amount of the transactions under the Deposit Service Agreement, among which, being RMB36.4 million for the year ended 31 December 2019 (other than that, there was no other historical deposit transaction between the Company and Huadian Overseas), after taking into account factors such as the potential financing needs along with the Group's overseas business development during the term of the Deposit Service Agreement, as well as the reasonable expectations currently required for the daily operations of overseas projects.

Pricing Policies:

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

Risk management and internal control measures in relation to the Deposit Service Agreement:

- (i) The Group shall be entitled to monitor the deposits in Huadian Overseas from time to time to ensure their safety and liquidity. Huadian Overseas shall cooperate with the reasonable requirements proposed by the Group in respect of the aforesaid. Huadian Overseas shall carry out adequate risk control measures to safeguard the funds of the Group. Where there is any situation that may jeopardize the safety of the Group's deposits or any event that may give rise to potential hazards to the deposits of the Group, Huadian Overseas shall notify the Group within 24 hours after the occurrence of such risk in a timely manner, and the Group shall be entitled to withdraw all its deposits at once;
- (ii) In respect of the deposits placed by the Group with Huadian Overseas, if there occurs any breach of contract or other improper use or non-compliance by Huadian Overseas which result in Huadian Overseas not being able to satisfy the requirement for free withdrawal of deposits by the Group, the Company shall be entitled to terminate the Deposit Service Agreement;
- (iii) Prior to the Company or any of its subsidiaries enters into any specific agreements with Huadian Overseas or other commercial banks or financial institutions in respect to deposit services, the Company will, after considering the following factors including but not limited to: (a) the expected cash flow of the Group; and (b) the pricing or interest rate terms of Huadian Overseas and other overseas commercial banks or financial institutions, submit a deposit application to the senior management and executive Directors of the Company responsible for the financial management of the Group for consideration and approval. While reviewing the pricing or interest rate terms of deposits, the Company will obtain verbal quotations from at least three other overseas commercial banks or financial institutions in relation to deposit services of the same class and same duration in order to ensure that the terms and conditions of the deposits offered by Huadian Overseas are in compliance with the pricing terms of the deposit services as set out in the Deposit Service Agreement;
- (iv) The financial management department of the Company will closely monitor the transactions under the Deposit Service Agreement and will report to the management of the Company on a monthly basis; and
- (v) The Company has made a contingency plan for financial risks in order to maintain the safety of the Company's funds deposited with Huadian Overseas.

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

(VII) FINANCIAL SERVICES FRAMEWORK AGREEMENT

Date of agreement 9 June 2020

Parties The Company; and

China Fortune Trust

Principal terms: Pursuant to the Financial Services Framework Agreement, China Fortune Trust will provide entrusted loans, fund trust, property rights trust, financial consultancy, securities underwriting and other financial services to the Group. The term of the Financial Services Framework Agreement will commence on 1 January 2021 and expire on 31 December 2023, and may be renewed as agreed by both parties upon expiry thereof.

Reasons for and benefits of the transactions:

The main reasons for the Company to select China Fortune Trust to provide the financial service are as follows:

- (1) Due to the long-term cooperation relationship between the Group and China Fortune Trust, the Group expects that it will benefit from China Fortune Trust's familiarity with the industry and operation of the Group. Through years of cooperation, China Fortune Trust 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 compared with independent commercial banks in the PRC;
- (2) According to the requirements of relevant documents on replacing the business tax with value-added tax issued by the State Administration of Taxation of the PRC, and in order to fully utilise the difference in tax rates arising from the grant of entrusted loans and other products through trust companies and commercial banks, the grant of entrusted loans through the trust companies will help the Company to lower taxes, and increase the net profit attributable to the Company and return on net assets of the Company; and

- (3) China Fortune Trust undertook to provide the financial services to the Company on same or better terms as compared with those offered by other financial institutions for the same type of services.

Proposed annual caps and the basis of determination:

In terms of the transactions under the Financial Services Framework Agreement, the proposed annual caps of financial service fees paid by the Group to China Fortune Trust for each of the years ended 1 January 2021 to 31 December 2023 are RMB5 million respectively. The respective proposed caps of financial service fees have been determined upon arm's length negotiation between both parties 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 relevant financial services.

For transactions under the Financial Services Framework Agreement, the transaction amount for the year ended 2019 (i.e from 26 September 2019 to 31 December 2019) was RMB0.1 million (other than that, there is no other historical transaction between the Company and China Fortune Trust).

Pricing policies:

The fees charged for financial services under the Financial Services Framework Agreement 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 China Fortune Trust 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 conditions of relevant financial services provided by China Fortune Trust are the same with or more favorable than those provided by other financial institutions, the Company is entitled to select the relevant financial services offered by China Fortune Trust. However, having taken into account the actual circumstances, the Company may also select relevant financial services offered by other financial service institutions during the term of the Financial Services Framework Agreement.

(VIII) SUPPLEMENTAL AGREEMENT

Date of agreement	9 June 2020
Parties	Huadian Leasing (as service provider); and The Company (as service receiver)

Principal terms: The parties thereto proposed to revise the proposed cap amount of finance lease transaction between the Group and Huadian Leasing in relation to the finance lease under the Former Finance Lease Framework Agreement from RMB1,000 million to RMB2,000 million for the financial year ending 31 December 2020.

Save as the revision of annual cap set out in the Supplemental Agreement, all other terms and conditions in the Former Finance Lease Framework Agreement remain unchanged.

Proposed revised cap and the basis of determination: Pursuant to IFRS 16, the finance lease of the Group as lessee under the Supplemental Agreement will be recognised as right-of-use assets. Therefore, the total value of right-of-use assets relating to the leases to be entered into by the Group in the year ending 31 December 2020 under the Supplemental Agreement shall be applied in calculating the proposed annual cap for the year ending 31 December 2020 under the Supplemental Agreement.

When revising the aforesaid proposed annual caps, the Directors have considered the following factors:

- (1) the contract value of finance lease arrangement newly signed during 2019 represented approximately 10% to 20% of the Group's investment amount in project during 2019. The possible contract value of finance lease arrangement to be signed during 2020, calculated by the aforesaid ratio times the Group's proposed investment amount in projects during 2020, will amount to approximately RMB2.2 billion. The proposed annual cap of the finance lease transactions for the year ending 31 December 2020 is close to the possible contract value of finance lease arrangement to be signed during 2020; and
- (2) taking into account the current situation in which it is difficult for certain wind power projects of the Group to obtain short-term loans from bank, delay of relevant government subsidies and the actual capital needs for the abovementioned projects, by way of conducting finance lease transactions with Huadian Leasing, short-term liquidity replenishment can be achieved, which can alleviate the problem of periodic cash flow shortage of some members of the Group.

Reasons for and benefits of revision of the proposed annual caps: In view of the planning and development objectives of the new energy power business of the Company and the financing demand as a result of accelerated construction progress of new projects for the year of 2020, after taking into account the stable and continuous finance support historically provided by Huadian Leasing, the Board is of the view that the above revision of the proposed annual cap is conducive to the Company's current development.

C. 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 of the Company and thus, Huadian, Huadian Overseas (being a wholly-owned subsidiary of Huadian), China Fortune Trust (being a subsidiary of Huadian) and Huadian Leasing (being a subsidiary of Huadian), are connected persons of the Company. Accordingly, the Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) with respect to the respective annual cap amount under the Property Leasing Framework Agreement, the Commodity Sale Framework Agreement, the Deposit Service Agreement and the Financial Services Framework Agreement (together with the transactions under the financial services framework agreement of the Company dated 9 August 2019, calculated on an aggregated basis pursuant to Rule 14A.81 of the Listing Rules) are more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) with respect to the respective annual cap amount under (1) the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement, (2) the Coal Purchasing and Shipping Service Framework Agreement, (3) the Finance Lease Framework Agreement and (4) the Supplemental Agreement exceed 5%, the transactions contemplated thereunder will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Further, the transactions contemplated under the Finance Lease Framework Agreement and the Supplemental Agreement will constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and be subject to the reporting and announcement requirements under the Listing Rules.

The Board of the Company has considered and approved the Framework Agreements and the transactions contemplated thereunder. As Mr. TAO Yunpeng, being a director of the Board of the Company, is materially interested in the Framework Agreements, he has abstained from voting on the relevant Board resolutions approving the Framework Agreements and the transactions contemplated thereunder.

Directors (excluding independent non-executive Directors who will advise the Independent Shareholders after taking into account the advice from Gram Capital with respect to (1) the Coal Purchasing and Shipping Service Framework Agreement, (2) the Finance Lease Framework Agreement (3) the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement, and (4) the Supplemental Agreement) are of the view that the Framework Agreements are entered into on normal or better commercial terms in the ordinary course of business of the Company, and the respective terms of the Framework Agreements together with relevant proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

D. 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 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.

Huadian Leasing is a subsidiary of Huadian and is primarily engaged in finance lease and lease business.

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

China Fortune Trust is a subsidiary of Huadian, the Controlling Shareholder of the Company, and it is principally engaged in asset trust, movable property trust, real estate trust, negotiable securities trust, other properties or property rights trust, and business operations concerning enterprise asset restructuring, mergers and acquisitions, project financing, enterprise wealth management, financial consultancy and others.

E. AGM AND CIRCULAR

(1) the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement, (2) the Coal Purchasing and Shipping Service Framework Agreement, (3) the Finance Lease Framework Agreement and (4) the Supplemental Agreement and their proposed annual caps will be subject to approval by the Independent Shareholders at the AGM by way of poll where Huadian and its associates will abstain from voting.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to (1) the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement, (2) the Coal Purchasing and Shipping Service Framework Agreement, (3) the Finance Lease Framework Agreement and (4) the Supplemental Agreement and the Proposed Annual Caps for such agreements. 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 supplemental circular containing (a) further details in relation to (1) the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement, (2) the Coal Purchasing and Shipping Service Framework Agreement, (3) the Finance Lease Framework Agreement and (4) the Supplemental Agreement; (b) a letter from Gram Capital containing its advices to the Independent Board Committee and the Independent Shareholders; and (c) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders is expected to be despatched to the Shareholders on or before 12 June 2020.

F. DEFINITIONS

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

“AGM”	the 2019 annual general meeting of the Company to be convened on 29 June 2020
“associate(s)”	has the meaning ascribed it under the Listing Rules
“Board”	the board of Directors
“China Fortune Trust”	China Fortune International Trust Co., Ltd.*(華鑫國際信託有限公司), a subsidiary of Huadian
“Coal Purchasing and Shipping Service Framework Agreement”	the coal purchasing and shipping service framework agreement entered into between Huadian and the Company on 9 June 2020
“Commodity Sale Framework Agreement”	the commodity sale framework agreement entered between Huadian and the Company on 9 June 2020
“Company”, “We” or “us”	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 and traded on The Stock Exchange of Hong Kong Limited

“connected persons”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Existing Framework Agreements”	(1) the property leasing framework agreement, (2) the coal purchasing and shipping service framework agreement, (3) the commodity sale framework agreement, (4) the project contracting service and equipment purchasing framework agreement entered into between the Company and Huadian on 5 May 2017; (5) the finance lease framework agreement entered into between the Company and Huadian Leasing on 5 May 2017; (6) the deposit service agreement entered into between the Company and Huadian Oversea on 2 August 2019; and (7) the financial services framework agreement entered into between the Company and China Fortune Trust on 26 September 2019
“Finance Lease Framework Agreement”	the finance lease framework agreement entered between Huadian Leasing and the Company on 9 June 2020
“Former Finance Lease Framework Agreement”	the finance lease framework agreement entered between Huadian Leasing and the Company on 5 May 2017
“Framework Agreements”	(1) the Property Leasing Framework Agreement; (2) the Commodity Sale Framework Agreement; (3) the Coal Purchasing and Shipping Service Framework Agreement; (4) the Finance Lease Framework Agreement; (5) the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement; (6) the Deposit Service Agreement; (7) the Financial Services Framework Agreement; and (8) the Supplemental Agreement
“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 Engineering”	China Huadian Engineering Co., Ltd. (中國華電科工集團有限公司), a subsidiary of Huadian
“Huadian Group”	Huadian and its subsidiaries (excluding the Company and its subsidiaries)
“Huadian Leasing”	Huadian Financial Leasing Company Limited (華電融資租賃有限公司), a subsidiary of Huadian
“Huadian Overseas”	China Huadian Overseas Asset Management Co., Ltd. (中國華電海外資產管理有限公司), a wholly-owned subsidiary of Huadian
“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), to be appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (1) the Coal Purchasing and Shipping Service Framework Agreement, (2) the Finance Lease Framework Agreement, (3) the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement, and (4) the Supplemental Agreement
“IFRS”	International Financial Reporting Standards
“Independent Board Committee”	an independent committee of the Board established by the Board comprising all the independent non-executive Directors
“Independent Shareholders”	Shareholders other than Huadian and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong 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 People’s Republic of China and Taiwan
“Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement”	the project contracting, operation maintenance service and equipment purchasing framework agreement entered into between Huadian and the Company on 9 June 2020
“Property Leasing Framework Agreement”	the property leasing framework agreement entered into between Huadian and the Company on 9 June 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Supplemental Agreement”	the Supplemental Agreement of the Former Finance Lease Framework Agreement entered into between Huadian Leasing and the Company on 9 June 2020
“%”	per cent

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

Beijing, the PRC, 9 June 2020

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.