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華電國際電力股份有限公司

**Huadian Power International Corporation Limited\***

*(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "PRC"))*  
**(Stock Code: 1071)**

**CONTINUING CONNECTED TRANSACTIONS**

**RENEWAL OF FINANCE LEASE FRAMEWORK AGREEMENT**

References are made to the announcement of the Company dated 10 May 2017 and the circular of the Company dated 9 June 2017 in relation to, among other things, the continuing connected transactions between the Group and Huadian Financial Leasing under the Existing Finance Lease Framework Agreement, which will expire on 30 June 2020.

The Company proposes to enter into the Proposed Finance Lease Framework Agreement with Huadian Financial Leasing to renew the relevant continuing connected transactions under the Existing Finance Lease Framework Agreement with a term of three (3) years from 1 July 2020 to 30 June 2023.

Huadian Financial Leasing is a subsidiary of the controlling Shareholder of the Company, i.e. China Huadian (which directly and indirectly holds approximately 46.84% of the total issued share capital of the Company as at the date of this announcement), and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transactions (i.e. the Finance Leases) under the Proposed Finance Lease Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions under the Proposed Finance Lease Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Although the abovementioned agreement and the transactions contemplated thereunder are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules, such transactions are subject to the approval by the independent Shareholders at the general meeting of the Company pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

**AGM**

The Directors propose to put forward the Proposed Finance Lease Framework Agreement and the proposed annual caps thereunder for the independent Shareholders' approval at the AGM.

A circular containing, among others, details of the Proposed Finance Lease Framework Agreement and the proposed annual caps thereunder will be despatched on or before 9 June 2020 in accordance with the applicable laws and rules that apply to the Company as additional time is required for the Company to prepare the circular.

## I. INTRODUCTION

References are made to the announcement of the Company dated 10 May 2017 and the circular of the Company dated 9 June 2017 in relation to, among other things, the continuing connected transactions between the Group and Huadian Financial Leasing under the Existing Finance Lease Framework Agreement, which will expire on 30 June 2020.

The Company proposes to enter into the Proposed Finance Lease Framework Agreement with Huadian Financial Leasing to renew the relevant continuing connected transactions under the Existing Finance Lease Framework Agreement with a term of three (3) years from 1 July 2020 to 30 June 2023.

## II. PROPOSED FINANCE LEASE FRAMEWORK AGREEMENT

### 1. Major Terms

The major terms of the Proposed Finance Lease Framework Agreement are set out below:

Date: 8 May 2020

Parties: the Company; and  
Huadian Financial Leasing

Term: Three (3) years commencing from 1 July 2020 and expiring on 30 June 2023.

Transactions: (1) Provision of direct lease services (the "**Direct Lease**") to the Group by Huadian Financial Leasing, among which Huadian Financial Leasing acquires equipment from supplier(s) according to the choice and requirements of the Group and then leases the same equipment to the Group; the Group shall purchase the relevant equipment under each Direct Lease at a nominal consideration of RMB1 upon the expiry of the lease period of each Direct Lease; and

(2) Provision of sale and leaseback services (the "**Sale and Leaseback**") to the Group by Huadian Financial Leasing, among which Huadian Financial Leasing acquires equipment from the Group and then leases the same equipment back to the Group; the Group shall purchase the relevant equipment under each Sale and Leaseback at a nominal consideration of RMB1 upon the expiry of the lease period of each Sale and Leaseback.

Price determination principles and internal procedures: The consideration for the finance lease services under the Proposed Finance Lease Framework Agreement was determined at a rate which was (i) not higher than the finance costs for comparable finance lease services available from other financial leasing companies in the PRC; and (ii) not higher than the finance costs for similar finance lease services offered by Huadian Financial Leasing to other member companies of China Huadian.

In respect of each implementation contract entered into between the relevant member(s) of the Group and Huadian Financial Leasing, the following factors will be considered in determining the principal and interest payable for the

finance lease services:

- (1) the value of the assets expected to be subject to finance leasing; and
- (2) the prevailing interest costs in the market (including but not limited to finance cost of the Group and borrowing cost of PRC banks offered to customers).

In practice, the consideration is subject to mutual consent and confirmation by the parties to the agreement, as well as determination after arm's length negotiation with reference to the then market price and prevailing market conditions, and on terms no less favourable than those with independent third parties.

Furthermore, the Company would make reference to the historical prices and price trends of the relevant finance lease services and ensure that such price would be fair and reasonable to the Company and its Shareholders as a whole.

Before entering into any implementation agreements pursuant to the Proposed Finance Lease Framework Agreement, the Company will follow the following procedures to ensure that the terms offered by the relevant connected persons of the Company are no less favourable than those available to or from independent third parties (as the case may be):

- (1) the relevant executives of the relevant department (such as finance assets department) of the Company will review contemporaneous prices and other relevant terms offered by at least two independent third parties before the commencement of the relevant transaction, and ensure that the terms offered by the relevant connected persons of the Company are fair and reasonable and comparable to those offered by independent third parties; and in case where the offers made by independent third parties are more favourable to the Company, the Company would take up those offers; and only upon the approval by relevant deputy general manager in charge of such matter, the implementation agreements can be entered into; and
- (2) the supervision department of the Company will periodically review and inspect the process of the relevant continuing connected transactions.

By implementing the above procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing basis of each implementation agreement to be entered into pursuant to the Proposed Finance Lease Framework Agreement will be on normal commercial terms, fair and reasonable, in accordance with the pricing policy of the Company and in the interests of the Company and its Shareholders as a whole.

Condition precedent: The Proposed Finance Lease Framework Agreement is conditional upon independent Shareholders' approval at the AGM.

## **2. Historical Amounts**

The actual amounts and the annual caps of the historical transactions under the agreements in respect of provision of finance lease services entered into between the Group and Huadian Financial Leasing for the two (2) years ended 30 June 2019, and for the six (6) months ended 31 December 2019 are set out below:

Transactions	For the year ended 30 June 2018		For the year ended 30 June 2019		Actual amount for the six months ended 31 December 2019 (RMB millions)	Annual cap for the year ending 30 June 2020 (RMB millions)
	Actual amount (RMB millions)	Annual cap (RMB millions)	Actual amount (RMB millions)	Annual cap (RMB millions)		
<b>Maximum financing balance</b>	1,290	6,000	1,439	6,000	2,103	6,000

### 3. Proposed Annual Caps

It is estimated that the maximum financing balance obtained by the Group from Huadian Financial Leasing under the Proposed Finance Lease Framework Agreement for each of the three (3) years ending 30 June 2023 will be capped at RMB6,000 million. However, for the purpose of the Hong Kong Listing Rules, the Direct Lease involves "acquisition", while the Sale and Leaseback constitutes "disposal". The Directors propose the annual caps for each of the Direct Lease and the Sale and Leaseback under the Proposed Finance Lease Framework Agreement for the three (3) years ending 30 June 2023 as follows:

Transactions	Proposed annual cap for the year ending 30 June 2021 (RMB millions)	Proposed annual cap for the year ending 30 June 2022 (RMB millions)	Proposed annual cap for the year ending 30 June 2023 (RMB millions)
<b>Direct Lease</b>	1,500	1,500	1,500
<b>Sale and Leaseback</b>	500	500	500

When estimating the abovementioned annual caps, the Company has principally considered the following factors: (i) the Group's future development plans and its demand for the finance lease services by Huadian Financial Leasing arising from the Group's daily operation and development (in the case of Direct Lease, the total value of right-of-use assets as to be recognised by the Company, and in the case of the Sale and Leaseback, the amounts of the assets subject to finance leasing arrangement; (ii) the nature, value and expected use life of the equipment leased to the Group; (iii) the capability and flexibility of Huadian Financial Leasing in providing finance lease services to the Group; and (iv) the historic transaction amount.

### III. REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPOSED FINANCE LEASE FRAMEWORK AGREEMENT

The Finance Leases contemplated under the Proposed Finance Lease Framework Agreement are expected to reduce the Company's finance costs, improve its capital utilization rate and thereby promote its business development. In particular, the Finance Leases can provide stable, reliable and low-cost financial support for the Group's clean energy power generation projects and lay a solid foundation for the Group's future daily operations.

The Board (including the independent non-executive Directors) is of the view that the Proposed Finance Lease Framework Agreement is entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable

and in the interests of the Company and its Shareholders as a whole. The proposed annual caps for the continuing connected transactions under the Proposed Finance Lease Framework Agreement have been determined based on the estimated amount of transactions involved and with reference to the historical transaction amounts, the estimated potential growth of the Group and the expected economic growth of China. The Directors consider the proposed annual caps to be fair and reasonable.

#### **IV. HONG KONG LISTING RULES IMPLICATIONS**

Huadian Financial Leasing is a subsidiary of the controlling Shareholder of the Company, i.e. China Huadian (which directly and indirectly holds approximately 46.84% of the total issued share capital of the Company as at the date of this announcement), and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transactions (i.e. the Finance Leases) under the Proposed Finance Lease Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions under the Proposed Finance Lease Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Although the abovementioned agreement and the transactions contemplated thereunder are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules, such transactions are subject to the approval by the independent Shareholders at the general meeting of the Company pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

Given that Mr. Wang Xuxiang, Mr. Gou Wei, Mr. Chen Haibin and Mr. Tao Yunpeng, Directors of the Company, held positions in China Huadian or its subsidiaries, they have abstained from voting on the resolution approving the transactions at the 27th meeting of the eighth session of the Board. Save as disclosed above, no other Directors have any material interest in the transactions contemplated under the Proposed Finance Lease Framework Agreement, and therefore no other Directors have abstained from voting on such Board resolution.

#### **V. AGM**

The Directors propose to put forward the Proposed Finance Lease Framework Agreement and the proposed annual caps thereunder for the independent Shareholders' approval at the AGM.

China Huadian, which holds 4,534,199,224 issued A shares of the Company, representing approximately 45.97% of total issued share capital of the Company, and China Huadian Hong Kong Company Limited, its wholly-owned subsidiary, which holds 85,862,000 issued H shares of the Company, representing approximately 0.87% of total issued share capital of the Company, will abstain from voting for approving the Proposed Finance Lease Framework Agreement and the proposed annual caps thereunder.

A circular containing, among others, details of the Proposed Finance Lease Framework Agreement and the proposed annual caps thereunder will be despatched on or before 9 June 2020 in accordance with the applicable laws and rules that apply to the Company as additional time is required for the Company to prepare the circular.

#### **VI. GENERAL INFORMATION**

##### **Information relating to the Group**

The Group is one of the largest comprehensive energy companies in China, which is principally engaged in the construction and operation of power plants, including large-scale efficient coal or gas-fired generating units and various renewable energy projects, and the development, construction and operation of coal mines.

### **Information relating to Huadian Financial Leasing**

Huadian Financial Leasing is a financial leasing company established with approval by Tianjin Commission of Commerce in the PRC. Pursuant to the Measures for the Administration of Foreign-funded Lease Industry\* (《外商投資租賃業管理辦法》), Huadian Financial Leasing may provide direct lease, sublease, leaseback, leveraged lease, trust lease, joint lease and different types of finance lease services to China Huadian and its member companies. Huadian Financial Leasing is a subsidiary of China Huadian, and its equity interest is owned as to 80.01% by China Huadian as at the date of this announcement.

## **VII. DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“AGM”	the annual general meeting of the Company to be convened to consider and to approve, among others, the continuing connected transactions and the proposed annual caps under the Proposed Finance Lease Framework Agreement;
“Board”	the board of directors of the Company;
“China Huadian”	China Huadian Corporation Limited* (中國華電集團有限公司), a wholly PRC State-owned enterprise, and the controlling Shareholder of the Company, and where the context requires, means China Huadian and its subsidiaries as well as the companies whose 30% or more equity interests are directly or indirectly held by China Huadian;
“Company”	Huadian Power International Corporation Limited* (華電國際電力股份有限公司), a Sino-foreign investment joint stock company limited by shares incorporated in the PRC, whose H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“controlling Shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“Directors”	the directors of the Company;
“Existing Finance Lease Framework Agreement”	the finance lease framework Agreement entered into between Huadian Financial Leasing and the Company on 10 May 2017 in respect of the Finance Leases, the principal terms of which have been disclosed in the announcement of the Company dated 10 May 2017 and its circular dated 9 June 2017;
“Finance Leases”	the finance lease services provided by Huadian Financial Leasing to members of the Group pursuant to the Existing Finance Lease Framework

	Agreement and/or the Proposed Finance Lease Framework Agreement;
“Group”	the Company and its subsidiaries as at the date of this announcement;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Huadian Financial Leasing”	Huadian Financial Leasing Company Limited* (華電融資租賃有限公司), a subsidiary of China Huadian as at the date of this announcement;
“PRC”	the People’s Republic of China;
“Proposed Finance Lease Framework Agreement”	the finance lease framework agreement entered into between Huadian Financial Leasing and the Company on 8 May 2020 in respect of the Finance Leases;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	share(s) with a par value of RMB1.00 each in the share capital of the Company;
“Shareholder(s)”	the shareholder(s) of the Company;
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company; and
“%”	per cent.

By order of the Board  
**Huadian Power International Corporation Limited\***  
**Zhang Gelin**  
*Secretary to the Board*

As at the date of this announcement, the Board comprises:

*Wang Xuxiang (Chairman, Executive Director), Ni Shoumin (Vice Chairman, Non-executive Director), Gou Wei (Non-executive Director), Chen Haibin (Non-executive Director), Tao Yunpeng (Non-executive Director), Wang Xiaobo (Non-executive Director), Chen Cunlai (Executive Director), Ding Huiping (Independent Non-executive Director), Wang Dashu (Independent Non-executive Director), Wang Chuanshun (Independent Non-executive Director) and Zong Wenlong (Independent Non-executive Director).*

Beijing, the PRC  
8 May 2020

*\* For identification purposes only*