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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)

**ANNOUNCEMENT
DISCLOSEABLE TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS
COMMERCIAL FACTORING SERVICES FRAMEWORK AGREEMENT**

COMMERCIAL FACTORING SERVICES FRAMEWORK AGREEMENT

The Board hereby announces that the Commercial Factoring Services Framework Agreement was entered into by the Company and Huadian Factoring on 8 January 2021, pursuant to which Huadian Factoring will provide the Company and its subsidiaries with factoring business services, for a term from the effective date of the Commercial Factoring Services Framework Agreement to 31 December 2021.

LISTING RULES IMPLICATIONS

China Huadian is a Controlling Shareholder of the Company, directly and indirectly holding approximately 46.84% of the total issued share capital of the Company as at the date of this announcement. As Huadian Factoring is a wholly-owned subsidiary of China Huadian, Huadian Factoring is a connected person of the Company. Therefore, the entering into of the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) of the transactions contemplated under the Commercial Factoring Services Framework Agreement exceed 5%, the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In addition, as one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) of the transactions contemplated under the Commercial Factoring Services Framework Agreement exceed 5% but are less than 25%, the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder constitute discloseable transaction pursuant to Chapter 14 of the Hong Kong Listing Rules, and are subject to the reporting and announcement requirements, but are exempt from the shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Hong Kong Listing Rules, the Independent Board Committee has been established to advise Independent Shareholders on the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder and the relevant proposed cap.

The Company has appointed Gram Capital as its Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder and the relevant proposed cap.

EGM

The Directors propose to put forward the Commercial Factoring Services Framework Agreement and the relevant proposed cap at the EGM, for approval by Independent Shareholders.

A circular containing, among other things, (i) details of the Commercial Factoring Services Framework Agreement and the continuing connected transactions contemplated thereunder, and the relevant proposed cap; (ii) a letter of recommendation from the Independent Board Committee to Independent Shareholders in relation to the Commercial Factoring Services Framework Agreement and the continuing connected transactions contemplated thereunder, and the relevant proposed cap; (iii) a letter of advice from Gram Capital to the Independent Board Committee and Independent Shareholders in relation to the Commercial Factoring Services Framework Agreement and the continuing connected transactions contemplated thereunder, and the relevant proposed cap; and (iv) a notice of the EGM, will be dispatched on or before 29 January 2021 pursuant to relevant laws and rules applicable to the Company, as additional time is required for the Company to prepare the circular.

INTRODUCTION

The Board hereby announces that the Commercial Factoring Services Framework Agreement was entered into by the Company and Huadian Factoring on 8 January 2021, pursuant to which Huadian Factoring will provide the Company and its subsidiaries with factoring business services, for a term from the effective date of the Commercial Factoring Services Framework Agreement to 31 December 2021.

SUMMARY OF COMMERCIAL FACTORING SERVICES FRAMEWORK AGREEMENT

The principal terms of the Commercial Factoring Services Framework Agreement are set out as follows:

- Date:** 8 January 2021
- Parties:** The Company (for itself and on behalf of its subsidiaries); and
Huadian Factoring (a wholly-owned subsidiary of China Huadian)
- Term of the Agreement:** From the effective date of the Commercial Factoring Services Framework Agreement to 31 December 2021.
- Subject Matter:** Pursuant to the Commercial Factoring Services Framework Agreement, Huadian Factoring agrees to provide the Company and its subsidiaries with factoring business services as required by the Company, including but not limited to Reverse Factoring and Factoring businesses.
- The parties thereto may, during the term of the Commercial Factoring Services Framework Agreement, enter into specific factoring contracts in accordance with the terms set forth in the Commercial Factoring Services Framework Agreement, and such specific factoring contracts shall be subject to the terms of the Commercial Factoring Services Framework Agreement.
- Conditions Precedent:** The Commercial Factoring Services Framework Agreement is subject to approval by Independent Shareholders at the general meeting of Shareholders.

Pricing Principles and Internal Procedures:

The consideration for the factoring business services to be provided by Huadian Factoring to the Group shall be determined at a rate which: (i) shall not exceed those charged by other commercial factoring companies in PRC for equivalent services; and (ii) shall not exceed those charged for the same type of services provided by Huadian Factoring to other members of China Huadian Group. And the specific fee rate shall be determined under the specific agreements to be signed by the parties based on the aforesaid principles. Huadian Factoring will not charge the Group any fee for the Reverse Factoring business services to be provided to the Group.

In practice, relevant considerations for the factoring business services shall be agreed and confirmed by the parties thereto, and determined after arm's length negotiations by reference to prevailing market prices and current market conditions on terms no less favourable than those with independent third parties.

In addition, the Company will ensure that relevant prices are fair and reasonable for the Company and its Shareholders as a whole, by reference to the historical prices and price trend of relevant factoring business services.

Before entering into any specific agreement in accordance with the Commercial Factoring Services Framework Agreement, the Company will, according to the following procedures, ensure that the terms offered by relevant connected persons of the Company are the most favourable terms:

- (i) The relevant executives of the relevant departments (such as finance assets department) of the Company will review prices for the same period and other relevant terms offered by at least two independent third parties before the commencement of relevant transactions, and compare with rates charged for the same type of services provided by Huadian Factoring to other members of China Huadian Group, by reference to the benchmark interest rates on term loans issued by the People's Bank of China, and ensure that the terms offered by relevant connected persons of the Company are fair and reasonable and comparable to those offered by independent third parties; and where the terms offered by independent third parties are more favourable to the Company, such terms will be adopted by the Company; and specific agreements can be entered into only upon the approval by the relevant deputy general manager in charge of such matter; and
- (ii) The supervision department of the Company will periodically review and inspect the process of relevant continuing connected transactions.

By implementing the above procedures, the Directors are of the view that the Company has established sufficient internal control measures to ensure the pricing basis of each specific agreement to be entered into pursuant to the Commercial Factoring Services 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.

Historical Amounts

With regard to the transactions under the Commercial Factoring Services Framework Agreement, there have been no transactions between the Company or its subsidiaries and Huadian Factoring.

Proposed Cap and Basis of Determination

The Directors propose the cap of RMB7,500 million for the transactions contemplated under the Commercial Factoring Services Framework Agreement for the period from the effective date of the Commercial Factoring Services Framework Agreement to 31 December 2021.

The aforesaid proposed cap is determined by reference to the following factors:

- (i) Reverse Factoring businesses include thermal coal factoring business and Huadian e Xin (華電e信) business. The amount of Reverse Factoring businesses to be incurred is expected to be approximately RMB6,500 million, considering the amount of purchase of thermal coal by the Group for the past two years, the size of thermal coal suppliers, their ability in terms of turnover of coal payments and their demand for the factoring businesses, the amount of other trade payables of the Group other than for coal for the past two years, the demand of suppliers for turnover of capital, and the service capacity of Huadian Factoring; and
- (ii) Factoring businesses are carried out based on electricity and heating charges receivable by the Group. The size of Factoring businesses to be incurred is expected to be approximately RMB1,000 million, considering the amount of electricity and heating charges receivable by the Group for the past two years, the demand for turnover of capital, and the service capacity of Huadian Factoring.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COMMERCIAL FACTORING SERVICES FRAMEWORK AGREEMENT

The Factoring business facilitates the Group to revitalize its trade receivables, reduce the amount of funds allocated for current assets, and lower the trade receivables and inventory, and improve the operating efficiency of the supply chain. The Reverse Factoring business helps the Group reduce the cost of coal procurement or extend the payment period without cost. Meanwhile, as the financial institution within China Huadian Group, Huadian Factoring has a deeper understanding on the operation of the Group, which is beneficial for Huadian Factoring to provide more convenient, efficient and personalized factoring business services than other financial institutions.

The Directors (excluding the independent non-executive Directors, whose opinion on the Commercial Factoring Services Framework Agreement and the relevant proposed cap thereunder will be set forth in the circular by reference to the advice from the Independent Financial Adviser in this regard) are of the view that the Commercial Factoring Services Framework Agreement (and its relevant proposed cap) 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.

HONG KONG LISTING RULES IMPLICATIONS

China Huadian is a Controlling Shareholder of the Company, directly and indirectly holding approximately 46.84% of the total issued share capital of the Company as at the date of this announcement. As Huadian Factoring is a wholly-owned subsidiary of China Huadian, Huadian Factoring is a connected person of the Company. Therefore, the entering into of the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) of the transactions contemplated under the Commercial Factoring Services Framework Agreement exceed 5%, the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In addition, as one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) of the transactions contemplated under the Commercial Factoring Services Framework Agreement exceed 5% but are less than 25%, the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder constitute discloseable transaction pursuant to Chapter 14 of the Hong Kong Listing Rules, and are subject to the reporting and announcement requirements, but are exempt from the shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

As Mr. Ding Huande, Mr. Peng Xingyu, Mr. Gou Wei and Mr. Hao Bin, all of whom are Directors of the Company, currently hold positions in China Huadian, they have abstained from voting on the resolution in relation to the aforesaid transactions at the seventh meeting of the ninth session of the Board. Save as disclosed above, no other Directors have any material interest in the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder, or are required to abstain from voting on such resolution of the Board.

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, gas-fired generating units and various renewable energy projects, and the development, construction and operation of coal mines.

Information relating to Huadian Factoring

As at the date of this announcement, Huadian Factoring is a wholly-owned subsidiary of China Huadian, the Controlling Shareholder of the Company. Huadian Factoring is a commercial factoring enterprise established with the approval of Tianjin Finance Bureau (天津市金融局), with the registered capital of RMB200 million and is engaged in factoring financing, management of the sales ledgers, collection of trade receivables and consulting services in relation to commercial factoring.

Information relating to China Huadian

As at the date of this announcement, a Controlling Shareholder of the Company, directly and indirectly holds approximately 46.84% of the total issued share capital of the Company. China Huadian is primarily engaged in power generation, heat production and supply, energy development of coal and other resources related to the power generation and relevant professional technical services.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Hong Kong Listing Rules, the Independent Board Committee has been established to advise Independent Shareholders on the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder, and the relevant proposed cap.

The Company has appointed Gram Capital as its Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder, and the relevant proposed cap.

EGM

The Directors propose to put forward the Commercial Factoring Services Framework Agreement and the relevant proposed cap at the EGM, for approval by Independent Shareholders.

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, a wholly-owned subsidiary of China Huadian, 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 in relation to the approval for the Commercial Factoring Services Framework Agreement and the relevant proposed cap thereunder.

A circular containing, among other things, (i) details of the Commercial Factoring Services Framework Agreement and the continuing connected transactions contemplated thereunder, and the relevant proposed cap; (ii) a letter of recommendation from the Independent Board Committee to Independent Shareholders in relation to the Commercial Factoring Services Framework Agreement and the continuing connected transactions contemplated thereunder, and the relevant proposed cap; (iii) a letter of advice from Gram Capital to the Independent Board Committee and Independent Shareholders in relation to the Commercial Factoring Services Framework Agreement and the continuing connected transactions contemplated thereunder, and the relevant proposed cap; and (iv) a notice of the EGM, will be dispatched on or before 29 January 2021 pursuant to relevant laws and rules applicable to the Company, as additional time is required for the Company to prepare the circular.

DEFINITIONS

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

“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;
“China Huadian Group”	China Huadian Corporation Limited* (中國華電集團有限公司) and its subsidiaries, which for the purpose of this announcement excludes the Group;

“Commercial Factoring Services Framework Agreement”	the commercial factoring services framework agreement entered into between Huadian Factoring and the Company on 8 January 2021 in relation to the provision factoring business services by Huadian Factoring to the Group;
“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 ;
“EGM”	the extraordinary general meeting to be held by the Company to consider and approve, among other things, the continuing connected transactions under the Commercial Factoring Services Framework Agreement and the relevant proposed cap;
“Factoring”	the Group transferring receivables (including but not limited to electricity charges receivable, heating charges receivable, renewable energy subsidies, etc.) to Huadian Factoring for financing;
“Group”	the Company and its subsidiaries as of 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 Hong Kong Stock Exchange;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Huadian Factoring”	Huadian Commercial Factoring (Tianjin) Co., Ltd.* (華電商業保理(天津)有限公司), a commercial factoring enterprise approved by the Tianjin Finance Bureau* (天津市金融局), a wholly-owned subsidiary of China Huadian, the Controlling shareholder of the Company;
“Independent Board Committee”	the independent committee of the Board, comprising independent non-executive Directors, namely Mr. Wang Dashu, Mr. Zong Wenlong, Mr. Feng Zhenping and Mr. Li Xingchun, appointed to advise the Independent Shareholders on the continuing connected transactions under the Commercial Factoring Services Framework Agreement and the relevant proposed cap pursuant to the Hong Kong Listing Rules;

“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), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions under the Commercial Factoring Services Framework Agreement and the relevant proposed cap;
“PRC”	the People’s Republic of China;
“Reverse Factoring”	the financial service involving the pre-payment from Huadian Factoring to its coal or other suppliers confirmed by the Group, with the purposes of lowering the cost of coal procurement of the Group or extending the payment period;
“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 of directors of the Company comprises:

Ding Huande (Chairman, Executive Director), Ni Shoumin (Vice Chairman, Non-executive Director), Peng Xingyu (Non-executive Director), Luo Xiaoqian (Executive Director), Gou Wei (Non-executive Director), Hao Bin (Non-executive Director), Wang Xiaobo (Non-executive Director), Feng Rong (Executive Director), Wang Dashu (Independent Non-executive Director), Zong Wenlong (Independent Non-executive Director), Feng Zhenping (Independent Non-executive Director) and Li Xingchun (Independent Non-executive Director).

Beijing, the PRC
8 January 2021

* For identification purpose only