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華能新能源股份有限公司
Huaneng Renewables Corporation Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0958)

**ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS
ENTERING INTO
ACCOUNTS RECEIVABLE TRANSFER AGREEMENT**

On 10 December 2018, the Company entered into the Accounts Receivable Transfer Agreement with Huaneng Group, the controlling shareholder of the Company, for a term commencing on 10 December 2018 and expiring on 31 December 2020. Pursuant to the Accounts Receivable Transfer Agreement, the Group agreed to transfer accounts receivable to Huaneng Group and Huaneng Group agreed to purchase accounts receivable from the Group.

As at the date of this announcement, Huaneng Group holds a 52.39% equity interest in the Company, including a 49.77% direct equity interest held by Huaneng Group and a 2.62% equity interest held through Huaneng Capital Services Corporation Ltd., a wholly-owned subsidiary of Huaneng Group. As such, Huaneng Group (including its subsidiaries and associates) are connected persons of the Company and the transactions between the Group and Huaneng Group (including its subsidiaries and associates) constitute connected transactions, and are subject to disclosure and/or independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the transaction scale of the transactions under the Accounts Receivable Transfer Agreement exceeds 0.1% of one or more of the applicable percentage ratios, but all such percentage ratios are less than 5% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the transactions as contemplated under the Accounts Receivable Transfer Agreement are subject to the reporting, announcement and annual review requirement under the Hong Kong Listing Rules, but are exempt from the independent shareholders' approval requirement.

* *For identification purpose only*

BACKGROUND

The Company is committed to the investment, construction and operation of new energy projects. It focuses on developing and operating wind power projects while promoting synergistic growth of solar and other renewable energies.

Huaneng Group mainly engages in the development, investment, construction, operation and management of power sources, the production and sale of power (heat), the development, investment, construction, production and sale of businesses and products relating to energy, transportation, renewable energy and environmental protection.

As at the date of this announcement, Huaneng Group holds a 52.39% equity interest in the Company, including a 49.77% direct equity interest held by Huaneng Group and a 2.62% equity interest held through Huaneng Capital Services Corporation Ltd., a wholly-owned subsidiary of Huaneng Group. As such, Huaneng Group (including its subsidiaries and associates) are connected persons of the Company and the transactions between the Company and Huaneng Group (including its subsidiaries and associates) constitute connected transactions, and are subject to disclosure and/or independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

ACCOUNTS RECEIVABLE TRANSFER AGREEMENT

On 10 December 2018, the Company entered into the Accounts Receivable Transfer Agreement with Huaneng Group, the controlling shareholder of the Company, particulars of which are set out below:

Date of the Agreement

10 December 2018

Parties

Huaneng Group

The Company

Term

Commencing on 10 December 2018 and expiring on 31 December 2020.

Description of transactions

Pursuant to the Accounts Receivable Transfer Agreement, the Group agreed to transfer accounts receivable to Huaneng Group and Huaneng Group agreed to purchase accounts receivable from the Group. The accounts receivable refers to the relevant accounts receivable of part of the additional subsidies for renewable energy electricity tariff in the Group's assets.

After receiving accounts receivable, Huaneng Group will entrust a trust company to establish a trust, the underlying asset of which shall be the accounts receivable, and issue asset-backed notes (ABNs). The Group is obliged to provide assistance to Huaneng Group to implement all necessary procedures.

Upon the completion of the transfer of accounts receivable by the Group to Huaneng Group, the ownership of accounts receivable shall be transferred to Huaneng Group which will assume all risks and receive all profits of the accounts receivable. Under no circumstances may Huaneng Group require the Group to repurchase the accounts receivable transferred to Huaneng Group. The recovery of accounts receivables in the future has no relation to the Group. The Group shall not re-pledge, sell or otherwise dispose of the accounts receivable transferred to Huaneng Group.

Upon the completion of the transfer of accounts receivable by the Group to Huaneng Group, the Group shall continue to receive the additional subsidies for renewable energy electricity tariff paid by the power purchaser. When relevant subsidiary of the Company receives renewable energy electricity tariff, it shall pay to the designated account of the Company within three working days upon receiving the aforementioned additional subsidies (and other ancillary rights, including but not limited to interest income), and the Company shall pay to Huaneng Group within three working days upon receiving the aforementioned additional subsidies (and other ancillary rights, including but not limited to interest income). During the term of the trust, Huaneng Group has the right to make application to use the additional subsidies for renewable energy electricity tariff that it receives in the trust account for revolving purchase of the new accounts receivable according to the trust documents.

Pricing and payment terms

Pursuant to the Accounts Receivable Transfer Agreement, the consideration of the accounts receivable payable by Huaneng Group to the Group shall be equivalent to the carrying amount of the accounts receivable, and the Group agreed to pay the arrangement fee to Huaneng Group for the initial accounts receivable to be transferred in 2018 annually during the expected term of the trust subject to separate agreements between the parties for the specific payment date and method of payment. The Group will not pay the arrangement fee to Huaneng Group for the accounts receivable to be transferred in 2019 and 2020.

Arrangement fee = fixed arrangement fee + issuance cost

Of which:

- (1) Fixed arrangement fee = total amount of trust principal × coupon rate of trust × expected duration of trust
- (2) Issuance cost comprises of the balance between the preliminary remaining amount of accounts receivable and the issuance amount of ABNs (RMB 1 million as one subscription unit of investors' subscription amount) and the professional services fee in relation to the issuance.

All payments made relating to the transfer of accounts receivable by Huaneng Group will be in cash and in accordance with the payment terms as follows:

- (1) The payment of the transfer of first tranche of accounts receivable shall be made by Huaneng Group to the Group at the earlier of:
 - (a) 10 working days after the issuance and receiving proceeds of ABNs issued by Huaneng Group; and
 - (b) Within 60 days from the effective date of the Accounts Receivable Transfer Agreement.
- (2) The payment of the transfer of subsequent accounts receivable shall be made by Huaneng Group to the Group within 10 working days from the date Huaneng Group agrees to purchase the subsequent accounts receivable.

The pricing terms with respect to the transfer of accounts receivable by the Group to Huaneng Group and its subsidiaries and associates will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market conditions, but at terms and prices no less favorable than those offered to the Group by an independent third party for the same or similar type of accounts receivable in the PRC.

Proposed caps

The parties agreed that the annual cap for the amount of accounts receivable to be transferred by the Group to Huaneng Group for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 is RMB500,000,000 respectively. The parties also agreed that the annual cap for the arrangement fee for the year ending 31 December 2018 is RMB 98,000,000.

Basis for the proposed annual caps

The estimate of the proposed annual cap is based on size of accounts receivable and the proposed issuance amount and interest rate of ABNs that Huaneng Group may issue.

The Company will, through the Accounts Receivable Transfer Agreement and a series of risk management arrangements in accordance with the regulatory requirements, endeavour to maintain its independence in decision-making, the fairness of the prices and terms of the transactions as well as the flexibility in transferring accounts receivable to independent third parties other than the connected persons so as to alleviate the reliance on its controlling shareholder. Such arrangements shall include without limitation the Company's right to make independent decisions as to the transfer amount and arrangement fee and to access and obtain market information through various means so that the terms obtained by the Company from Huaneng Group and its subsidiaries and associates will be no less favourable than those available from independent third parties.

Reasons for conducting such transactions and their benefits to the Company

The Company is of the view that the sale of accounts receivable by the Group to Huaneng Group and the issuance of ABNs by Huaneng Group will enhance the success rate of issuance and improve the Group's cash flows.

MEASURES TO SAFEGUARD THE INTERESTS OF THE INDEPENDENT SHAREHOLDERS

Directors and senior management of the Company will monitor closely and review regularly each continuing connected transaction of the Company. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to each continuing connected transaction, the independence of the Company; the fairness of the price of the transaction; the fairness of the terms of the transaction; and the right of the Company to conduct transactions with independent third parties other than Huaneng Group and its subsidiaries and associates. The relevant arrangements include:

- the continuing connected transactions contemplated under the Accounts Receivable Transfer Agreement are conducted on a non-exclusive basis;
- the Company will take reference to the market conditions to determine arrangement fees; and
- the contract management department will strictly review contracts, the contract enforcement department will timely monitor the amount of connected transactions, and the relevant functional departments will supervise the compliance management in production and operation. In addition to the annual review of the performance of specific contracts by the independent non-executive Directors and the Company's auditors, the independent non-executive Directors will also review and confirm whether the Company's connected transactions are fair, whether the amount is reasonable and whether is in the interests of the Company's shareholders as a whole.

The supervisory committee of the Company will also monitor the working arrangements involved in the Company's continuing connected transactions, and review whether the Company's transactions are fair, and whether the transaction prices are reasonable.

HONG KONG LISTING RULES IMPLICATIONS

As the transaction scale of the transactions under the Accounts Receivable Transfer Agreement exceeds 0.1% of one or more of the applicable percentage ratios, but all such percentage ratios are less than 5% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the transactions as contemplated under the Accounts Receivable Transfer Agreement are subject to the reporting, announcement and annual review requirement under the Hong Kong Listing Rules, but are exempt from the independent shareholders' approval requirement.

BOARD CONFIRMATION

The Board has considered and approved the resolution in connection with the Accounts Receivable Transfer Agreement. The Directors, Mr. WANG Kui, Mr. DAI Xinmin, Mr. ZHANG Qi and Mr. ZHAI Ji are employed by Huaneng Group. Therefore, Mr. WANG Kui, Mr. DAI Xinmin, Mr. ZHANG Qi and Mr. ZHAI Ji are deemed to have an interest in the Accounts Receivable Transfer Agreement and have abstained from voting on the resolution in respect of the Accounts Receivable Transfer Agreement pursuant to the Hong Kong Listing Rules.

The Board (including the independent non-executive Directors) considers that the Accounts Receivable Transfer Agreement and each of the transactions including the proposed annual caps as contemplated thereunder are entered into (i) on terms that are fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and its shareholders as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no independent non-executive Director has any material interest in the Accounts Receivable Transfer Agreement and any of the transactions as contemplated thereunder.

DEFINITIONS

The following expressions have the following meaning unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	華能新能源股份有限公司 (Huaneng Renewables Corporation Limited), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange;
“Accounts Receivable Transfer Agreement”	the accounts receivable agreement dated 10 December 2018 entered into between the Company and Huaneng Group;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;

“Huaneng Group”	中國華能集團有限公司 (China Huaneng Group Co., Ltd.), a state-owned enterprise established in the PRC and the controlling shareholder of the Company;
“PRC”	the People’s Republic of China; references in the announcement to the PRC do not apply to Hong Kong, Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“subsidiarie(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules.

By order of the Board
Huaneng Renewables Corporation Limited
ZHU Tao
Company Secretary

Beijing, the PRC, 10 December 2018

As at the date of this announcement, the Company’s Executive Directors are Mr. LIN Gang, Mr. CAO Shiguang and Mr. WEN Minggang; Non-executive Directors are Mr. WANG Kui, Mr. DAI Xinmin, Mr. ZHANG Qi and Mr. ZHAI Ji; and Independent Non-executive Directors are Mr. QIN Haiyan, Ms. DAI Huizhu, Mr. ZHOU Shaopeng and Mr. WAN Kam To.