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## 華潤電力控股有限公司

### China Resources Power Holdings Company Limited

*(incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 836)**

## **CONTINUING CONNECTED TRANSACTIONS PROPERTY LEASE FRAMEWORK AGREEMENT 2018**

On 20 December 2018, the Company entered into the Property Lease Framework Agreement 2018 with CRH for a term of two years from 1 January 2019 to 31 December 2020.

As at the date of this announcement, CRH is interested in approximately 62.94% of the total issued capital of the Company and is the controlling shareholder of the Company. Accordingly, CRH is a connected person of the Company under the Listing Rules and the transactions contemplated under the Property Lease Framework Agreement 2018 would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the transactions contemplated under the Property Lease Framework Agreement 2018 exceed 0.1% but are less than 5%, the transactions contemplated under the Property Lease Framework Agreement 2018 are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

On 20 December 2018, the Company entered into the Property Lease Framework Agreement 2018 with CRH for a term of two years from 1 January 2019 to 31 December 2020.

## **PROPERTY LEASE FRAMEWORK AGREEMENT 2018**

The principal terms of the Property Lease Framework Agreement 2018 are set out below.

|                        |  |
|------------------------|--|
| <b>Date:</b>           | 20 December 2018   |
| <b>Parties:</b>        | (i) the Company; and<br>(ii) CRH   |
| <b>Term:</b>           | 1 January 2019 to 31 December 2020   |
| <b>Subject matter:</b> | The Group may lease certain properties (including buildings and land) from CRH and its associates and enter into separate lease agreements, which shall set out specific terms and conditions pursuant to the principles and conditions provided in the Property Lease Framework Agreement 2018. |

In addition, CRH and its associates may provide relevant property management services in relation to some of the properties leased to the Group.

|                                    |   |
|------------------------------------|---|
| <b>Price and basis of pricing:</b> | <ul style="list-style-type: none"><li>• The rents of the properties will be determined through arm's length negotiation with reference to the market price at the time of signing individual agreements. If there is no market price or the market price cannot be determined, the rents will be determined by the parties with reference to reasonable costs and profit margin as well as relevant taxes payable by the parties;</li></ul> |
|------------------------------------|---|

- During the lease term of individual leased property, the management fees, including but not limited to, property fees, water fees, electricity fees, cleaning fees, air-conditioning fees, heating fees, parking fees and other fees relating to the use of the leased property, will be determined by the parties through arm's length negotiation with reference to the market price of similar property management service at the time of signing individual agreements; and
- The relevant standard for the rents will be regularly reviewed and adjusted according to individual agreements.

## **HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS**

### **(a) Historical Transaction Amounts**

The aggregate rents and management fees paid by the Group to CRH and its associates in relation to the lease of properties for each of the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 amounted to approximately RMB22.4 million (equivalent to approximately HK\$26.9 million), RMB23.9 million (equivalent to approximately HK\$28.7 million), RMB24.3 million (equivalent to approximately HK\$29.2 million) and RMB20.6 million (equivalent to HK\$24.7 million), respectively.

### **(b) Proposed Annual Caps**

The proposed annual caps for the transactions contemplated under the Property Lease Framework Agreement 2018 for each of the years ending 31 December 2019 and 2020 are expected to be RMB70,000,000 (equivalent to approximately HK\$84,000,000) and RMB85,000,000 (equivalent to approximately HK\$102,000,000), respectively.

The above proposed annual caps are determined after taking into account the following factors:

- (i) the increasing demand of the Group for office space and the availability of such properties to be provided by CRH and its associates;

- (ii) the rents and management fees agreed under the existing leases with CRH and its associates; and
- (iii) the expected increase in the growth rate of rents and management fees of the leased properties and other comparable properties in first and second-tier cities in the PRC in the upcoming years.

## **INTERNAL CONTROL MEASURES**

The Group will adopt internal control procedures and corporate governance measures in relation to the transactions contemplated under the Property Lease Framework Agreement 2018. Before entering into any lease agreement with CRH and/or its associates, the Group will compare the price offered by CRH and/or its associates against the prevailing market price of properties in the same area and of similar usage. In addition, the Group will closely monitor the aggregate rents and management fees under all the leases entered into with CRH and its associates and ensure that the proposed annual caps under the Property Lease Framework Agreement 2018 will not be exceeded.

## **REASONS FOR AND BENEFITS OF THE PROPERTY LEASE FRAMEWORK AGREEMENT 2018**

When the Group leases properties in the ordinary and usual course of its business, it selects properties and landlords based on its internal evaluation and selection procedures taking into account various factors, including the Group's business needs, the rents and locations of the properties. The Group selects the most suitable landlord among the candidates which comprise both connected persons and independent third parties. Historically, the Group entered into lease arrangements with CRH and its associates having considered the suitability of locations, rents and quality of the properties offered by them.

Having considered the foregoing, all Directors of the Company (including the independent non-executive Directors) consider that the transactions contemplated under the Property Lease Framework Agreement 2018 are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms of the Property Lease Framework Agreement 2018 are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ABOUT THE PARTIES**

### **The Company**

The Company was incorporated in Hong Kong with limited liability and the shares of the Company have been listed on the Stock Exchange since 12 November 2003. The Group is principally engaged in the investment, development, operation and management of power plants in the PRC.

## **CRH**

CRH's core businesses include consumer products (including retail, beer, food and beverages), power, real estate, cement, gas, pharmaceuticals and finance.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CRH is interested in approximately 62.94% of the total issued capital of the Company and is the controlling shareholder of the Company. Accordingly, CRH is a connected person of the Company and the transactions contemplated under the Property Lease Framework Agreement 2018 constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the transactions contemplated under the Property Lease Framework Agreement 2018 exceed 0.1% but are less than 5%, the transactions contemplated under the Property Lease Framework Agreement 2018 are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors is considered to have material interest in the Property Lease Framework Agreement 2018. As a good corporate governance practice, Mr. Li Ru Ge, Mr. Wang Yan and Mr. Chen Ying have abstained from voting on the relevant board resolution in view of their senior management roles at CRH.

## **DEFINITIONS**

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

|                |  |
|----------------|--|
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Board”        | the board of directors of the Company                    |

|   |  |
|---|--|
| “Company”                                 | China Resources Power Holdings Company Limited (華潤電力控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 836) |
| “connected person(s)”                     | has the meaning ascribed thereto under the Listing Rules   |
| “controlling shareholder”                 | has the meaning ascribed thereto under the Listing Rules   |
| “CRH”                                     | China Resources (Holdings) Company Limited (華潤(集團)有限公司), a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company   |
| “Director(s)”                             | the director(s) of the Company   |
| “Group”                                   | the Company and its subsidiaries   |
| “HK\$”                                    | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”                               | Hong Kong Special Administrative Region of the PRC   |
| “Listing Rules”                           | has the meaning ascribed thereto under the Listing Rules   |
| “normal commercial terms or better”       | has the meaning ascribed thereto under the Listing Rules   |
| “PRC”                                     | the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan  |
| “Property Lease Framework Agreement 2018” | the property lease framework agreement dated 20 December 2018 between the Company and CRH in relation to the lease of properties by the Group from CRH, its subsidiaries or associates                                       |
| “RMB”                                     | Renminbi, the lawful currency of the PRC   |
| “Stock Exchange”                          | The Stock Exchange of Hong Kong Limited  |

*For illustrative purpose of this announcement only, conversion of RMB into HK\$ is made at the rate of RMB1.00 = HK\$1.2.*

By Order of the Board  
**CHINA RESOURCES POWER  
HOLDINGS COMPANY LIMITED**  
**WANG Xiao Bin**  
*Executive Director and  
Company Secretary*

Hong Kong, 20 December 2018

*As at the date of this announcement, the Board of the Company comprises three non-executive directors, namely Mr. LI Ru Ge (Chairman), Mr. CHEN Ying and Mr. WANG Yan; three executive directors, namely Mr. GE Changxin (Vice Chairman), Mr. HU Min (President) and Ms. WANG Xiao Bin (Chief Financial Officer and Company Secretary); and four independent non-executive directors, namely Mr. MA Chiu-Cheung, Andrew, Ms. LEUNG Oi-sie, Elsie, Dr. CH'IEN Kuo-fung, Raymond and Mr. SO Chak Kwong, Jack.*