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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)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS DIRECT POWER TRANSACTION AGREEMENT

Reference is made to the announcement made by China Resources Power Holdings Company Limited (the “**Company**”) dated 27 November 2018 in relation to the direct power transaction agreement (the “**Direct Power Transaction Agreement**”) entered into on 28 December 2017 among China Resources (Jiangsu) Electric Power Sales Co., Ltd.* (華潤(江蘇)電力銷售有限公司) (“**CR Jiangsu**”), China Resources (Xuzhou) Electric Power Co., Ltd.* (徐州華潤電力有限公司) (“**CR Xuzhou**”) and Jiangsu Electric Power Company* (國網江蘇省電力公司) (“**Jiangsu Electric Power Company**”) (the “**Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcement.

The Board would like to provide additional information to the shareholders of the Company regarding, among other things, the reasons for the transactions, the proposed annual caps, the pricing policies and the relevant risks and related internal control measures in relation to the transactions contemplated under the Direct Power Transaction Agreement.

REASONS FOR THE TRANSACTIONS

As mentioned in the Announcement, the Direct Power Transaction Agreement was entered into among (i) CR Xuzhou, as the supplier (i.e. the power plant); (ii) CR Jiangsu, as the purchaser; and (iii) Jiangsu Electric Power Company (i.e. the power grid operator in Jiangsu province of the PRC), pursuant to which CR Jiangsu will purchase electricity from CR Xuzhou, and then on-sell the electricity to its customers

and the electricity is transmitted through Jiangsu Electric Power Company to such customers (the “**Direct Power Transaction**”). Such tripartite Direct Power Transaction is an emerging business model in the electricity market in the PRC under the current electricity system reform (電力體制改革) (the “**Reform**”).

The power grid operators are in charge of the transmission, distribution and sale of electricity (輸電及配電). Prior to the Reform, all power plants in China sell all the electricity to, and all end users purchase the electricity from, the power grid operators. Under the Reform, enterprises (other than the power grid operators) are allowed to set up companies (i.e. CR Jiangsu in the case of the Direct Power Transaction) (the “**power sale companies**” (售電公司)) to sell electricity to major industrial and commercial customers, and the power plants are allowed to negotiate and sell electricity to such power sale companies and major end users directly, though still via the transmission and distribution network of the grid operators. This emerging business model allows major industrial and commercial end users of electricity to negotiate electricity price with different power sale companies and power plants, thereby reducing and managing their electricity costs.

CR Jiangsu, being the purchaser and the power sale company under the tripartite Direct Power Transaction, is more like an agent whose role is to identify and secure the end customers who need to purchase electricity and procure electricity from the power plants. As the Reform is still at an early stage, the settlement right is conferred to the power grid operators (i.e. Jiangsu Electric Power Company in the case of the Direct Power Transaction). CR Jiangsu will only make a fee or income representing the difference between the amount the end users pay to the power grid operators and the amount the power grid operators pay to power plants (excluding the fees and income of the power grid operators) under such business model.

PRICING POLICIES AND PROPOSED ANNUAL CAP

(a) Pricing Policies

As disclosed in the Announcement, pursuant to the Direct Power Transaction Agreement, the electricity fees are payable by the end users of the electricity (who are the customers of CR Jiangsu) to Jiangsu Electric Power Company (the power grid operator) and Jiangsu Electric Power Company will settle the payment with CR Jiangsu (the purchaser) and CR Xuzhou (the supplier) separately on a monthly basis. The amount CR Jiangsu receives is the difference between the amount the end users of the electricity pay to Jiangsu Electric Power Company and the amount Jiangsu Electric Power Company pays to CR Xuzhou (excluding the fees and income of the grid operator). The fees payable to CR Xuzhou are calculated on the following basis:

The monthly amount of electricity utilized x unit price of the electricity as agreed under the Direct Power Transaction

The unit price for electricity under the Direct Power Transaction Agreement is determined with reference to (i) the provincial government prescribed tariff, which is published by way of circular issued by the Jiangsu Provincial Development and Reform Commission and subject to review annually and adjustment from time to time; and (ii) review and comparison of the rates offered by other independent electricity suppliers for similar transactions in the local market in Jiangsu province; and (iii) similar transactions of CR Xuzhou or other power plants of the Group with other purchasers and end users in the local market in Jiangsu province.

(b) Proposed Annual Cap

As mentioned in the above paragraph headed “Reasons for the Transactions”, the income derived from Direct Power Transaction by CR Jiangsu represents the difference between the amount the end users pay to Jiangsu Electric Power Company and the amount pays to CR Xuzhou (excluding the fees and income of Jiangsu Electric Power Company). CR Jiangsu will only record such difference (rather than the electricity fees payable by end users) as the revenue from the Direct Power Transaction in its financial statements.

As such, the Directors consider that the proposed annual cap in relation to CR Jiangsu under the Direct Power Transaction shall be the revenue to be received by CR Jiangsu under the Direct Power Transaction (i.e. the difference between the amount the end users pay to the power grid operator and the amount the power grid operator pays to power plants) for the year ended 31 December 2018, and would like to clarify that the amount of such annual cap shall be approximately RMB2.0 million (equivalent to approximately HK\$2.4 million). On this basis, as at the date of the Direct Power Transaction Agreement, none of the relevant percentage ratios under the Listing Rules in respect of the transactions contemplated under the Direct Power Transaction Agreement reached the de minimis threshold under Rule 14A.76 of the Listing Rules, and therefore the Direct Power Transaction Agreement and the transactions contemplated thereunder are fully exempt from reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

RISKS AND INTERNAL CONTROL MEASURES

The Group normally does not bear any inventory risk or credit risk under the Direct Power Transaction. The main risk that the Group may be exposed to under the Direct Power Transaction is that, due to misjudgement about the market condition (mainly coal price fluctuations) and time gap when negotiating with the end users and the power plants, the price offered by CR Jiangsu to the end users could potentially be lower than the price that it agrees with the power plants (i.e. CR Xuzhou in the case of the Direct Power Transaction) for purchasing electricity. In such event, CR Jiangsu will suffer a loss as a result of the negative margin.

As part of the Group's internal approval and monitoring procedures, the Company's subsidiaries (including CR Jiangsu) will regularly monitor the market price for similar direct power arrangements or transactions in the local market. Before it enters into any renewed arrangement with any of its connected person(s), the Group's regional management will gather market information on the margin charged by independent electricity suppliers in the relevant province. The Group has established internal policies and procedures to review, approve and report connected transactions. By implementing such internal approval and monitoring procedures, it is believed that the Company is able to ensure that the price and terms offered by its connected person(s) are fair and reasonable and the transactions are conducted on normal commercial terms and in the interest of the Company and its shareholders as a whole.

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**
Li Ru Ge
Chairman

Hong Kong, 21 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, Mr. CH'IEN Kuo-fung, Raymond and Mr. SO Chak Kwong, Jack.

** For identification purposes only*