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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)

CONNECTED TRANSACTIONS IN RELATION TO THE INVESTMENT INTO DR BIOMASS DEVELOPMENT (HK) LIMITED

The Board announces that on 30 October 2019, CRP New Energy (an indirectly wholly-owned subsidiary of the Company) entered into the Subscription Agreement with the Target Company, CR Gas and CR Ng Fung, in relation to the Company's subscription for 30% in the Target Company's share capital. On the same day, CRP New Energy, CR Environment, CR Gas, CR Ng Fung (in their capacities as the shareholders of the Target Company upon completion of the share subscriptions under the Subscription Agreement) and the Target Company also entered into a Shareholders' Agreement, which will become effective upon completion of the share subscriptions under the Subscription Agreement.

As of the date of this announcement, CR Group is the sole shareholder of the Target Company, holding 1 share of the Target Company. Prior to completion of the subscriptions under the Subscription Agreement, CR Group will transfer all the share it holds in the Target Company to CR Environment and the Target Company will then issue additional 49 shares to CR Environment such that CR Environment will hold 50 shares of the Target Company prior to completion of the subscriptions under the Subscription Agreement.

Pursuant to the Subscription Agreement, CRP New Energy shall pay HK\$12,692,782 (equivalent to approximately RMB11,448,966) to subscribe for 30% of the share capital in the Target Company. CRP New Energy is also expected to enter into an offshore shareholder's loan agreement with the Target Company and CRP Investment is expected to enter into onshore shareholder's loan agreements with four wholly-owned onshore project companies of the Target Company to provide shareholder's loans in the maximum amount of RMB186,000,000 (equivalent to approximately HK\$206,207,045) to the Target Company and four wholly-owned onshore project companies of the Target Company in 2019. The Company will make a separate announcement when the Shareholders' Loans Agreements are signed in accordance with the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, as at the date of this announcement, each of the Target Company, CR Environment, CR Gas and CR Ng Fung is a subsidiary of the CR Group. CR Group is the controlling shareholder (as defined under the Listing Rules) of the Company and accordingly, each of CR Environment, CR Gas, CR Ng Fung, the Target Company and its wholly-owned project companies is a connected person of the Company pursuant to the Listing Rules.

The Proposed Transactions (including the subscriptions under the Subscription Agreement and the transactions under the Shareholders' Loan Agreements) constitute connected transactions of the Company under Chapter 14A of the Listing Rules and since the highest applicable percentage ratios (as defined under the Listing Rules) calculated with reference to the Proposed Transactions exceed 0.1% but are less than 5%, the Proposed Transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this announcement is based on the exchange rate of RMB1.00 = HK\$1.10864. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

The Board announces that on 30 October 2019, CRP New Energy (an indirect wholly-owned subsidiary of the Company) entered into the Subscription Agreement with the Target Company, CR Gas and CR Ng Fung, in relation to, among others, the proposed subscriptions of shares in the Target Company by each of CRP New Energy, CR Gas and CR Ng Fung.

CRP New Energy is also expected to enter into an offshore shareholder's loan agreement with the Target Company and CRP Investment is expected to enter into onshore shareholder's loan agreements with four wholly-owned onshore project companies of the Target Company, pursuant to which CRP New Energy and CRP Investment are expected to provide shareholder's loans in the maximum amount of RMB186,000,000 (equivalent to approximately HK\$206,207,045) to the Target Company and four wholly-owned onshore project companies of the Target Company in 2019.

THE PROPOSED TRANSACTIONS

As of the date of this announcement, CR Group is the sole shareholder of the Target Company, holding 1 share of the Target Company. Prior to completion of the subscriptions under the Subscription Agreement, CR Group will transfer all the share it holds in the Target Company to CR Environment and the Target Company will issue additional 49 shares to CR Environment such that CR Environment will hold 50 shares of the Target Company prior to completion of the subscriptions under the Subscription Agreement (the aforesaid transactions are referred to as "**Share Allocation to CR Environment**"). Pursuant to the terms of the Subscription Agreement, the Subscribers shall subscribe for 50 shares to be newly issued by the Target Company. Upon completion of the subscriptions under the Subscription Agreement, the total issued shares of the Target Company will be 100 shares.

(1) Subscription Agreement

The principal terms of the Subscription Agreement are set out below:

Date

30 October 2019

Parties

1. The Target Company;
2. CRP New Energy;
3. CR Gas; and
4. CR Ng Fung.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, as at the date of this announcement, each of the Target Company, CR Gas and CR Ng Fung is a subsidiary of the CR Group. CR Group is the controlling shareholder (as defined under the Listing Rules) of the Company and accordingly, each of the Target Company, CR Gas and CR Ng Fung is a connected person of the Company pursuant to the Listing Rules.

Subscriptions

Upon completion of the Share Allocation to CR Environment and subject to the satisfaction of the conditions precedent of the Subscription Agreement, the Target Company will allot and issue 50 new shares, and each of the Subscribers will subscribe for the number of shares in the Target Company at a subscription amount as set out against its respective name below:

Name of Subscribers	No of shares in the Target Company to subscribe	Share Subscription Amount
CRP New Energy	30	HK\$12,692,782 (equivalent to approximately RMB11,448,966)
CR Gas	15	HK\$6,346,391 (equivalent to approximately RMB5,724,483)
CR Ng Fung	5	HK\$2,115,464 (equivalent to approximately RMB1,908,161)

The consideration has been arrived at after arm's length negotiations between the Subscribers and the Target Company based on the appraised fair value of the Target Company as at the valuation date (31 October 2018) by an independent professional appraiser and after taking into account the interest that should have been paid in respect of the interest-free loan extended by the previous shareholder of the Target Company to the Target Company. The consideration shall be paid in full on the completion date.

Conditions Precedent

Completion of the subscriptions under the Subscription Agreement will take place subject to the completion of the Share Allocation to CR Environment and fulfilment of the following conditions precedent:

1. the board of the Target Company having approved the subscriptions contemplated under the Subscription Agreement; and
2. CR Environment, being the sole shareholder of the Target Company upon completion of the Share Allocation to CR Environment, having approved the subscriptions by CRP New Energy, CR Gas and CR Ng Fung contemplated under the Subscription Agreement.

Completion

Following the completion of the subscriptions under the Subscription Agreement, the share capital of the Target Company will be as follows:

Name of Shareholders	Number of shares held in the Target Company	Shareholding percentage in the Target Company (%)
CRP New Energy	30	30
CR Environment	50	50
CR Gas	15	15
CR Ng Fung	5	5
Total	100	100

On the same day, CRP New Energy, CR Environment, CR Gas, CR Ng Fung (in their capacities as the shareholders of the Target Company upon completion of the share subscriptions under the Subscription Agreement) and the Target Company also entered into the Shareholders' Agreement to govern their rights as shareholders of the Target Company, which will become effective upon completion of the share subscriptions under the Subscription Agreement. Please refer to the paragraph headed "Shareholders' Agreement" below for details of the principal terms therein.

Upon completion of the Proposed Transaction, the Target Company will be accounted for using the equity method by the Company.

(2) Shareholders' loan

CRP New Energy is also expected to enter into an offshore shareholder's loan agreement with the Target Company, pursuant to which, CRP New Energy will provide a shareholder's loan in the maximum amount of RMB68,400,000 as capital and working capital of the project companies of the Target Company. The Target Company can draw down the loan by instalments in accordance with its actual need of capital. The term of the loan is expected to be within 12 months from the date of first drawdown as confirmed in the drawdown notice from the borrower to the lender. The interest of the loan is by reference to the PBOC's benchmark lending rate. The interest shall be payable by the Target Company to CRP New Energy in one lump sum on the due date of the loan.

CRP Investment is also expected to enter into onshore shareholder's loan agreements with four wholly-owned onshore project companies of the Target Company. The detailed information is set forth as follows:

No.	Name of Borrowers	Amount	Use of Loan	Term of Loan	Interest of Loan
1.	Long'an Chaorun Biomass	RMB17,310,000	as construction	within 12 months	the benchmark lending
2.	Harbin Yilan DR Biomass	RMB24,210,000	expenditure and working	from the date of first	rate published by the
3.	DR (Wuchang) Biomass	RMB46,500,000	capital for utilization of	drawdown as confirmed	PBOC and the interest
4.	Heilongjiang Hongxinglong Nongken DR Biomass	RMB29,580,000	clean energy generated from straw stalk gasification	in the drawdown notice from the borrower to the lender	will be calculated on the basis of the actual loan amount and term of loan
Total		RMB117,600,000			

In accordance with the abovementioned Shareholder's Loan Agreements, CRP New Energy and CRP Investment are expected to provide shareholder's loans to the Target Company and its wholly-owned onshore project companies in the maximum amount of RMB186,000,000 (equivalent to approximately HK\$206,207,405) in 2019. Such shareholder's loans are to be provided by CRP New Energy and CRP Investment in proportion to its shareholding interest in the Target Company.

The Company will make a separate announcement when the Shareholders' Loans Agreements are signed.

(3) Shareholders Agreement

On 30 October 2019, CRP New Energy, CR Environment, CR Gas, CR Ng Fung and the Target Company also entered into the Shareholders Agreement, which will become effective upon completion of the share subscriptions under the Subscription Agreement. The major terms of the Shareholders Agreement are set out below:

Board of Directors

The board of directors of the Target Company shall comprise seven members. Each of CR Environment, CRP New Energy, CR Gas and CR Ng Fung is entitled to nominate three members, two members, one member and one member, respectively, to the board of directors of the Target Company. The parties to the Shareholders Agreement should also procure the respective director(s) nominated by them to appoint a director nominated by CR Environment to be the chairman of the board of directors of the Target Company.

Additionally, the parties to the Shareholders Agreement also agree that the authorized signatory of the board of directors of the Target Company shall be nominated by CR Environment.

Reserved Matters

The following matters could only proceed with the approval by all the directors (or their respective authorized persons if applicable) attending the relevant meeting of the board of directors of the Target Company considering and approving such matter(s):

- (i) transfer, sale, lease, mortgage or dispose of the assets of the Target Company;
- (ii) entering into or amending any loan agreement or guarantee agreement to which the Target Company is a party;
- (iii) approving the transfer of shares by a shareholder of the Target Company;
- (iv) approving the Target Company to raise funds by issuance of corporate bonds or other means;
- (v) approving the business plan or the investment plan of the Target Company;
- (vi) approving the profit distribution plan or loss recovery plan of the Target Company; and
- (vii) approving charitable donations made by the Target Company.

Right of First Refusal

Within the term of the Shareholders Agreement, without the consent of other shareholders of the Target Company, none of the shareholders of the Target Company could transfer, pledge, mortgage or dispose of all or part of their shares in the Target Company to a third party who is not an existing shareholder of the Target Company. Transfer of the shares in the Target Company between the existing shareholders of the Target Company are not subject to the aforesaid restriction.

If an existing shareholder (the “**Transferor**”) intends to transfer all or part of its shares in the Target Company, it shall notify other shareholders of the Target Company in writing (the “**Transfer Notice**”), indicating its intention to transfer the shares in the Target Company, the number of shares to be transferred and share transfer price. The Transferor can only proceed with the proposed share transfer after getting written confirmation from other shareholders of the Target Company approving such proposed share transfer. Other shareholders shall have the right to purchase the shares to be transferred by the Transferor on the same terms and conditions (the “**Right of First Refusal**”).

Within thirty days after receiving the Transfer Notice, the shareholders of the Target Company receiving the Transfer Notice shall reply to the Transferor as to whether they intend to exercise the Right of First Refusal. If a shareholder of the Target Company receiving the Transfer Notice fails to reply within thirty days after receiving the Transfer Notice, such shareholder will be deemed to have agreed to the proposed share transfer by the Transferor.

The abovementioned restrictions will not apply to the transfer of the shares in the Target Company by an existing shareholder of the Target Company to its parent company, subsidiary or a company controlled by its parent company.

Finance

In addition to the share capital contributed by the shareholders of the Target Company, the additional funds of the Target Company shall be raised by the following means:

- (i) The Target Company will serve as an investment platform by setting up investment companies and project companies in the PRC. The registered share capital of such investment companies and project companies shall be contributed by the shareholders of the Target Company on a pro rata basis in proportion to their respective shareholding percentage in the Target Company.
- (ii) The investment companies or the project companies set up by the Target Company shall obtain the remaining operating capital by means of bank borrowings. If a bank does not accept non-guaranteed borrowing or asset-pledged borrowing, the shareholders of the Target Company shall provide guarantees acceptable to the bank on a pro rata basis in proportion to their respective capital contribution in the investment companies or the project companies.
- (iii) If an investment company or a project company set up by the Target Company fails to receive financing from banks or if bank financing is not sufficient to meet the actual need of an investment company or a project company, the shareholders of the Target Company shall provide shareholders’ loans to such investment company or project company on a pro rata basis in proportion to their respective capital contribution in such investment company or project company. If a shareholder of the Target Company fails to provide the aforesaid shareholder’s loan, the shareholding effectively held by such shareholder in the relevant investment company or the project company will be diluted accordingly.

Total Investment Amount

The Total Investment Amount of CRP New Energy in the Target Company (namely the sum of the subscription amount for 30% shares in the Target Company and the shareholder’s loans expected to be provided to the Target Company (including its wholly-owned project companies) in 2019) shall be approximately RMB197,448,966 (equivalent to approximately HK218,899,827).

The funding from CRP New Energy for the Proposed Transaction will be sourced from internal resources.

INFORMATION ON THE TARGET COMPANY

The Target Company is an investment holding company which primarily focuses on biomass business and implements the strategic development plan in biomass industry of CR Group through its subsidiaries.

The Target Company was incorporated in September 2017 and set below is the consolidated financial information of the Target Company for the financial year ended 31 December 2018:

	For the financial year ended 31 December 2018 (audited)
Net profit before taxation	HK\$285,241
Net profit after taxation	HK\$285,241

The audited total assets of the Target Company as at 31 December 2018 was approximately HK\$182,633,201.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS

The Directors consider that the Proposed Transactions contemplated under the relevant transaction documents will enable the Group to enter into biomass power generation industry so as to enhance the Group's capability in developing renewable energy and optimize the sources of power generated by the Group. The investment in the Target Company is in line with the Group's principal business and its long-term corporate strategy and it provides a strong strategic fit to the Group's focus in renewable energy.

In light of the above, the Board (including the independent non-executive Directors but excluding Mr. Li Ru Ge, Mr. Chen Ying and Mr. Wang Yan) believes that the terms of the relevant transaction documents and the Proposed Transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and its shareholders as a whole.

Mr. Li Ru Ge, Mr. Chen Ying and Mr. Wang Yan, each a non-executive Director, abstained from voting on the relevant resolutions of the Board in view of their senior management roles at CR Group. Save as disclosed, none of the Directors has a material interest in the Proposed Transactions nor was required to abstain from voting on the relevant resolution of the Board.

LISTING RULES IMPLICATIONS

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, as at the date of this announcement, each of the Target Company, CR Environment, CR Gas and CR Ng Fung is a subsidiary of CR Group. CR Group is the controlling shareholder (as defined under the Listing Rules) of the Company and accordingly, each of the Target Company, CR Environment, CR Gas and CR Ng Fung is a connected person of the Company pursuant to the Listing Rules.

The Proposed Transactions (including the subscriptions under the Subscription Agreement and the transactions under the Shareholders' Loan Agreements) constitute connected transactions of the Company under Chapter 14A of the Listing Rules and since the highest applicable percentage ratios (as defined under the Listing Rules) calculated with reference to the Proposed Transactions exceed 0.1% but are less than 5%, the Proposed Transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION ON THE RELEVANT 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 Company is principally engaged in the investment, development, operation and management of power plants in the PRC.

CR Environment

CR Environment is a company incorporated in Hong Kong with limited liability and is a subsidiary of CR Group. As the investment platform of CR Group in environmental protection industry, CR Environment is engaged in investing in domestic and foreign environmental protection projects.

CR Gas

CR Gas is a company incorporated in Hong Kong with limited liability and is a subsidiary of CR Group. CR Gas is primarily engaged in investing and operating urban gas business in mainland China.

CR Ng Fung

CR Ng Fung is a company incorporated in Hong Kong with limited liability and is a subsidiary of CR Group. CR Ng Fung is an integrated food group containing food research and development, production, processing, wholesale, retail, transportation, and international trade.

Long'an Chaorun Biomass

Long'an Chaorun Biomass is a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Target Company. Long'an Chaorun Biomass is primarily engaged in biomass power business.

Harbin Yilan DR Biomass

Harbin Yilan DR Biomass is a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Target Company. Harbin Yilan DR Biomass is primarily engaged in biomass power business.

DR (Wuchang) Biomass

DR (Wuchang) Biomass is a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Target Company. DR (Wuchang) Biomass is primarily engaged in biomass power business.

Heilongjiang Hongxinglong Nongken DR Biomass

Heilongjiang Hongxinglong Nongken DR Biomass is a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Target Company. Heilongjiang Hongxinglong Nongken DR Biomass is primarily engaged in biomass power business.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Board”	the board of Directors
“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(s)”	has the meaning ascribed thereto under the Listing Rules
“CR Group”	China Resources (Holdings) Company Limited (華潤(集團)有限公司), a state-owned enterprise which indirectly controls 62.94% of the share capital in the Company and is the controlling shareholder of the Company
“CR Environment”	CR Environmental Protection (HK) Limited (華潤環保(香港)有限公司), a company incorporated in Hong Kong with limited liability, which is a subsidiary of CR Group
“CR Gas”	China Resources Gas (Hong Kong) Investment Limited (華潤燃氣(香港)投資有限公司), a company incorporated in Hong Kong with limited liability, which is a subsidiary of CR Group
“CR Ng Fung”	China Resources Ng Fung Limited (華潤五豐有限公司), a company incorporated in Hong Kong with limited liability, which is a subsidiary of CR Group
“CRP Investment”	CRP Investment Co.,Ltd. (華潤電力投資有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company
“CRP New Energy”	China Resources Power New Energy Investment Limited (華潤電力新能源投資有限公司), a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company
“Directors”	the director(s) of the Company

“DR (Wuchang) Biomass”	DR (Wuchang) Biomass Development Co., Ltd. (德潤(五常)生物質開發有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Target Company
“Group”	the Company and its subsidiaries
“Harbin Yilan DR Biomass”	Harbin Yilan DR Biomass Development Co., Ltd. (哈爾濱依蘭德潤生物質開發有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Target Company
“Heilongjiang Hongxinglong Nongken DR Biomass”	Heilongjiang Hongxinglong Nongken DR Biomass Development Co., Ltd. (黑龍江省紅興隆農墾德潤生物質開發有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Target Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long’an Chaorun Biomass”	Long’an Chaorun Biomass Development Co., Ltd. (隆安超潤生物質開發有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Target Company
“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Transactions”	the proposed subscription of a 30% equity stake in the Target Company under the Subscription Agreement and the contemplated provision of shareholder loans to the Target Company and its subsidiaries under the Shareholders’ Loans Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders Agreement”	the shareholders agreement entered into between CRP New Energy, CR Environment, CR Gas, CR Ng Fung and the Target Company in respect of the Target Company on 30 October 2019, which will become effective upon completion of the subscriptions under the Subscription Agreement
“Shareholders’ Loans Agreements”	the offshore shareholder’s loan agreement expected to be entered into between CRP New Energy and the Target Company, and the onshore shareholder’s loan agreements expected to be entered into between CRP Investment and four wholly-owned project companies of the Target Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	CRP New Energy, CR Gas and CR Ng Fung
“Subscription Agreement”	the subscription agreement entered into between the Target Company, CRP New Energy, CR Gas and CR Ng Fung dated 30 October 2019 in relation to the subscription of the Target Company’s share capital by the Subscribers
“Target Company”	DR Biomass Development (HK) Limited (德潤生物質開發(香港)有限公司), a company incorporated in Hong Kong with limited liability
“Total Investment Amount”	the total investment amount payable by the Company and its subsidiaries to the Target Company and its subsidiaries (including the share subscription amount payable under the Subscription Agreement and the amount of the expected shareholders loans to be provided to the Target Company and its subsidiaries)
“%”	per cent

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For and on behalf of the Board
**CHINA RESOURCES POWER HOLDINGS
COMPANY LIMITED**
Li Ru Ge
Chairman

Hong Kong, 30 October 2019

As at the date of this announcement, the Board of the Company comprises four non-executive directors, namely Mr. LI Ru Ge (Chairman), Mr. CHEN Ying, Mr. WANG Yan and Mr. GE Changxin; two executive directors, namely 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 K.F., Raymond and Mr. SO Chak Kwong, Jack.