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GCL New Energy Holdings Limited

協鑫新能源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 451)

CONTINUING CONNECTED TRANSACTION WITH GCL SOLAR ENERGY LIMITED

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On 19 May 2016 (after trading hours), GCL New Energy International (an indirect wholly-owned subsidiary of the Company) as service provider and GCL Solar Energy (an indirect wholly-owned subsidiary of GCL-Poly), as service recipient entered into the Asset Management and Administrative Services Agreement for a term of three years. Under the Asset Management and Administrative Services Agreement, GCL New Energy International will provide certain asset management and administrative services to GCL Solar Energy.

GCL Solar Energy is an indirect wholly-owned subsidiary of GCL-Poly, a substantial shareholder of the Company. GCL Solar Energy is therefore a connected person of the Company under the Listing Rules. The entering into of the Asset Management and Administrative Services Agreement by GCL New Energy International and the transactions contemplated thereunder constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As disclosed in the Company's announcement dated 22 August 2014, the Group also entered into the Existing Operation Service Agreement with Suzhou GCL-Poly (a subsidiary of GCL-Poly). As the Existing Operation Service Agreement and the Asset Management and Administrative Service Agreement are entered into with parties who are indirect subsidiaries of GCL-Poly, the Existing Operation Service Agreement and the Asset Management and Administrative Services Agreement shall be aggregated under Rule 14A.81 of the Listing Rules.

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Aggregate Annual Caps of the transactions contemplated under the Existing Operation Service Agreement and the Asset Management and Administrative Services Agreement is more than 0.1% but less than 5%, the entering into of the Asset Management and Administrative Services Agreement is only subject to the reporting, announcement and annual review requirements and are exempted from the independent shareholders' approval requirement as prescribed under Chapter 14A of the Listing Rules.

1. CONTINUING CONNECTED TRANSACTION WITH GCL SOLAR ENERGY LIMITED

On 19 May 2016 (after trading hours), GCL New Energy International (an indirect wholly-owned subsidiary of the Company) as service provider and GCL Solar Energy (an indirect wholly-owned subsidiary of GCL-Poly) as service recipient entered into the Asset Management and Administrative Services Agreement for a term of three years. The total estimated consideration is US\$14,500,000.00 (equivalent to approximately HK\$112,621,500.00), which includes the Annual Fee, the Maximum Module Base Marketing Fee, the Maximum Module Commission and One-off Payment over the term of the Asset Management and Administrative Services Agreement. The principal terms and conditions of the Asset Management and Administrative Services Agreement are set out below.

Principal terms of the Asset Management and Administrative Services Agreement

(i) Date

19 May 2016

(ii) Parties

Service provider: GCL New Energy International

Service recipient: GCL Solar Energy

(iii) Services

GCL New Energy International agreed to provide, and GCL Solar Energy agreed to receive, certain asset management and administrative services, including:

- (a) management services for certain GCL Solar Energy's overseas operations in South Africa and the U.S., and related administrative services, in particular but not limited to:
 - (I) operating certain photovoltaic power plant projects in South Africa and the U.S.;
 - (II) restructuring or terminating an existing sale and leaseback transaction between Wells Fargo Bank N.A. and GCL Solar US (the "**Sale and Leaseback Transaction**") in order to release funds held in a restricted account;
 - (III) overseeing and implementing a human resources reorganisation in the U.S., ("**Management Services**"); and
- (b) marketing and selling an inventory of solar modules held by GCL Solar US and related administrative services ("**Module Sales Services**", and together with Management Services, "**Services**").

(iv) Service fees and reimbursements

GCL Solar Energy shall pay and GCL New Energy International shall receive the following service fees:

- (a) an annual fee for the Services of US\$500,000.00 (equivalent to approximately HK\$3,883,500.00) (“**Annual Fee**”);
- (b) US\$0.03 (equivalent to approximately HK\$0.23) per watt for any solar module sold from GCL Solar US’s inventory (“**Module Base Marketing Fee**”);
- (c) a commission if GCL New Energy International sells any solar module from GCL Solar US’s inventory to a third party at a price per watt in excess of certain floor prices per watt, to be calculated based on the following formulas:
 - (I) for solar modules greater than or equal to 280 watts of rated output, the sales price per watt subtracted by the floor price of US\$0.20 (equivalent to approximately HK\$1.55) per watt, and then multiplied by 50%; and
 - (II) for solar modules less than 280 watts of rated output, the sales price per watt subtracted by the floor price of US\$0.15 (equivalent to approximately HK\$1.17) per watt, and then multiplied by 50%, (“**Module Commission**”);
- (d) an one-off payment of US\$1,000,000.00 (equivalent to approximately HK\$7,767,000.00) upon confirmation that the Sale and Leaseback Transaction is restructured or terminated and funds in the restricted account with Wells Fargo Bank N.A. are released (“**One-Off Payment**”).

The total estimated consideration is US\$14,500,000.00 (equivalent to approximately HK\$112,621,500.00), which includes the Annual Fee, the Maximum Module Base Marketing Fee, the Maximum Module Commission and the One-off Payment over the term of the Asset Management and Administrative Services Agreement.

In addition, GCL Solar Energy shall reimburse GCL New Energy International for all reasonable non-wage costs and expenses arising from or related to the performance of the Services (“**Reimbursement**”), including, but not limited to, third party professional fees, office equipment lease payments, travel costs and expenses, office supplies and pre-agreed third party engineering fees.

(v) Term

Three years from 19 May 2016

(vi) Payment Terms

GCL Solar Energy shall pay to GCL New Energy International:

- (a) the Annual Fee proportionately within 1 month of each quarter end;
- (b) the Module Base Marketing Fee and Module Commission within 1 month following the receipt of the sale proceeds for solar modules;

- (c) the One-Off Payment within 30 days after the confirmation that the Sale and Leaseback Transaction is restructured or terminated and funds from the restricted account with Wells Fargo Bank N.A. are released; and
- (d) the Reimbursement within 5 business days following receipt of the invoice from GCL New Energy International each quarter.

(vii) Limitation of Liability

The aggregate amount of damages, compensation or other liabilities payable by GCL New Energy International under the Asset Management and Administrative Services Agreement shall be limited to US\$10,000.00 (equivalent to approximately HK\$77,670.00) in each calendar year.

(viii) Basis of the consideration

The consideration under the Asset Management and Administrative Services Agreement was determined on normal commercial terms after arm's length negotiation with reference to the prevailing market prices of the Services provided, the cost of providing the Services and the scope of work to be provided in respect of the Services.

2. NEW ANNUAL CAPS

The annual caps for the continuing connected transactions under the Asset Management and Administrative Services Agreement are set out below (the "New Annual Caps"):

Type of service fee	For the period from 19 May 2016 to 31 December 2016	For the year ending 31 December 2017	For the year ending 31 December 2018	For the period from 1 January 2019 to 18 May 2019
Annual fee	US\$309,139.78 (equivalent of approximately HK\$2,401,088.67)	US\$500,000.00 (equivalent of approximately HK\$3,883,500.00)	US\$500,000.00 (equivalent of approximately HK\$3,883,500.00)	US\$190,860.22 (equivalent of approximately HK\$1,482,411.33)
Maximum Module Base Marketing Fee	US\$1,500,000.00 (equivalent of approximately HK\$11,650,500.00)	US\$1,500,000.00 (equivalent of approximately HK\$11,650,500.00)	US\$1,500,000.00 (equivalent of approximately HK\$11,650,500.00)	US\$1,500,000.00 (equivalent of approximately HK\$11,650,500.00)
Maximum Module Commission	US\$1,500,000.00 (equivalent of approximately HK\$11,650,500.00)	US\$1,500,000.00 (equivalent of approximately HK\$11,650,500.00)	US\$1,500,000.00 (equivalent of approximately HK\$11,650,500.00)	US\$1,500,000.00 (equivalent of approximately HK\$11,650,500.00)
One-Off Payment	US\$1,000,000.00 (equivalent of approximately HK\$7,767,000.00)	US\$1,000,000.00 (equivalent of approximately HK\$7,767,000.00)	US\$1,000,000.00 (equivalent of approximately HK\$7,767,000.00)	US\$1,000,000.00 (equivalent of approximately HK\$7,767,000.00)
Total	US\$4,309,139.78 (equivalent of approximately HK\$33,469,088.67)	US\$4,500,000.00 (equivalent of approximately HK\$34,951,500.00)	US\$4,500,000.00 (equivalent of approximately HK\$34,951,500.00)	US\$4,190,860.22 (equivalent of approximately HK\$32,550,411.33)

The New Annual Caps are based on (i) the expected sales of the solar modules over the term of the Asset Management and Administrative Services Agreement; (ii) the expected sales prices of the solar modules over the term of the Asset Management and Administrative Services Agreements; and (iii) the Annual Fee and the One-Off Payment.

As the transaction contemplated under the Asset Management and Administrative Services Agreement represent a new transaction with GCL Solar Energy, no historical transaction amounts are available for disclosure purposes.

3. AGGREGATE ANNUAL CAPS

Taking into account both the Existing Operation Service Agreement and the Asset Management and Administrative Services Agreement, the Aggregate Annual Caps will be as follows:

	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 18 May 2019
Asset Management and Administrative Services Agreement	US\$4,309,139.78 (equivalent to approximately HK\$33,469,088.67)	US\$4,500,000.00 (equivalent to approximately HK\$34,951,500.00)	US\$4,500,000.00 (equivalent to approximately HK\$34,951,500.00)	US\$4,190,860.22 (equivalent to approximately HK\$32,550,411.33)
Existing Operation Service Agreement	RMB35,300,000.00 (equivalent to approximately HK\$41,837,560.00)	RMB18,375,342.00 (equivalent to approximately HK\$21,778,455.34)	—	—
Aggregate Annual Cap in HK\$	<u>75,306,648.67</u>	<u>56,729,955.34</u>	<u>34,951,500.00</u>	<u>32,550,411.33</u>

The Aggregate Annual Caps are based on the total amount of fees payable for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the period from 1 January 2019 to 18 May 2019.

4. LISTING RULES IMPLICATIONS

GCL Solar Energy is an indirect wholly-owned subsidiary of GCL-Poly, a substantial shareholder of the Company. GCL Solar Energy is therefore a connected person of the Company under the Listing Rules. The entering into of the Asset Management and Administrative Services Agreement by GCL New Energy International and the transactions contemplated thereunder constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As disclosed in the Company's announcement dated 22 August 2014, the Group also entered into the Existing Operation Service Agreement with Suzhou GCL-Poly (a subsidiary of GCL-Poly). As the Existing Operation Service Agreement and the Asset Management and Administrative Service Agreement are entered into with parties who are indirect subsidiaries of GCL-Poly, the Existing Operation Service Agreement and the Asset Management and Administrative Service Agreement shall be aggregated under Rule 14A.81 of the Listing Rules.

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Aggregate Annual Caps of the transactions contemplated under the Existing Operation Service Agreement and the Asset Management and Administrative Services Agreement is more than 0.1% but less than 5%, the entering into of the Asset Management and Administrative Services Agreement is only subject to the reporting, announcement and annual review requirements and are exempted from the independent shareholders' approval requirement as prescribed under Chapter 14A of the Listing Rules.

5. REASONS AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION

The Group is engaged in, among other things, the management of photovoltaic power stations. The provision of asset management and administrative services, especially in the U.S. and South Africa, represents an opportunity for the Group to expand its experience, expertise and reputation outside of the PRC.

Based on the above reasons, the Directors (including the independent non-executive Directors) are of the view that the Asset Management and Administrative Services Agreement was entered into in the ordinary and usual course of the business of the Group, and on normal commercial terms which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As Mr. Zhu Gongshan, Mr. Zhu Yufeng and Mr. Yeung Man Chung, Charles are directors of GCL-Poly and Ms. Hu Xiaoyan and Ms. Sun Wei are executives of GCL-Poly, they have a material interest in the continuing connected transactions under the Asset Management and Administrative Services Agreement. Accordingly, each of Mr. Zhu Gongshan, Mr. Zhu Yufeng, Ms. Hu Xiaoyan, Ms. Sun Wei and Mr. Yeung Man Chung, Charles abstained from voting on the resolutions of the Board to approve the continuing connected transaction under the Asset Management and Administrative Services Agreement.

6. INFORMATION ON THE PARTIES TO THE CONTINUING CONNECTED TRANSACTION

GCL Solar Energy

GCL Solar Energy is a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of GCL-Poly, a substantial shareholder of the Company. Its principal business is investment holding.

The Group

The Group is principally engaged in the development, construction, operation and management of solar power stations, as well as the manufacturing and selling of printed circuit boards.

7. DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Aggregate Annual Caps”	the maximum aggregate amount of fees receivable by the Group under the Existing Operation Service Agreement and the Asset Management and Administrative Services Agreement for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the period from 1 January 2019 to 18 May 2019
“Annual Fee”	the annual fee of US\$500,000.00 (equivalent to approximately HK\$3,883,500.00) per year payable to GCL New Energy International under the Asset Management and Administrative Services Agreement
“Asset Management and Administrative Services Agreement”	the agreement dated 19 May 2016 between GCL New Energy International and GCL Solar Energy in relation to certain asset management and administrative services to be provided by GCL New Energy International to GCL Solar Energy
“Board”	the board of the Directors
“Company”	GCL New Energy Holdings Limited 協鑫新能源控股有限公司, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange, with stock code 451
“connected persons”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Existing Operation Service Agreement”	the operation service agreement dated 22 August 2014 between Nanjing GCL New Energy Development Limited* (南京協鑫新能源發展有限公司) (an indirect wholly-owned subsidiary of the Company) and Suzhou GCL-Poly (a subsidiary of GCL-Poly)
“GCL New Energy International”	GCL New Energy International Limited, a company incorporated in Hong Kong with limited liability
“GCL-Poly”	GCL-Poly Energy Holdings Limited 保利協鑫能源控股有限公司, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, with stock code 3800
“GCL Solar Energy”	GCL Solar Energy Limited, a company incorporated in Hong Kong with limited liability
“GCL Solar US”	GCL Solar Energy, Inc., a corporation established under the laws of California, U.S. and an indirect wholly-owned subsidiary of GCL Solar Energy

“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”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Services”	the management services for certain GCL Solar Energy’s overseas operations in South Africa and the U.S. and related administrative services under the Asset Management and Administrative Services Agreement
“Maximum Module Base Marketing Fee”	a maximum marketing fee of US\$1,500,000.00 (equivalent to approximately HK\$11,650,500.00) per year in respect of sales of solar modules under the Asset Management and Administrative Services Agreement
“Maximum Module Commission”	a maximum commission of US\$1,500,000.00 (equivalent to approximately HK\$11,650,500.00) per year in respect of sales of solar modules under the Asset Management and Administrative Services Agreement
“Module Base Marketing Fee”	the marketing fee payable to GCL New Energy International in respect of sales of solar modules from GCL Solar US’s inventory under the Asset Management and Administrative Services Agreement
“Module Commission”	the commission payable to GCL New Energy International in respect of sales of solar modules from GCL Solar US’s inventory to a third party which are in excess of certain floor prices per watt under the Asset Management and Administrative Services Agreement
“Module Sales Services”	the marketing and selling of an inventory of solar modules held by GCL Solar US and related administrative services under the Asset Management and Administrative Services Agreement
“New Annual Caps”	the annual caps in respect of the amounts payable by GCL Solar Energy under the Asset Management and Administrative Services Agreement
“One-off Payment”	an one-off payment of US\$1,000,000.00 (equivalent to approximately HK\$7,767,000.00) payable to GCL New Energy International in respect of the restructuring or termination of the Sale and Leaseback Transaction
“Reimbursement”	reimbursements payable to GCL New Energy International in respect of all reasonable non-wage costs and expenses arising from or related to the performance of the Services
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Leaseback Transaction”	an existing sale and leaseback transaction between Wells Fargo Bank N.A. and GCL Solar US
“Services”	collectively, the Management Services and the Module Sales Services
“Share(s)”	ordinary shares of one-two-hundred-fortieth (1/240) of a Hong Kong dollar each (equivalent to HK\$0.00416) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed to it under the Listing Rules
“Suzhou GCL-Poly”	Suzhou GCL-Poly Solar Power Investment Ltd.* (蘇州保利協鑫光伏電力投資有限公司), a company incorporated in the PRC with limited liability, a subsidiary of GCL-Poly
“U.S.”	United States of America
“US\$”	U.S. dollars, the lawful currency of the U.S.
“%”	per cent

This announcement contains translations between US\$ and Hong Kong dollar amounts at US\$1 = HK\$7.7670 and translations between RMB and Hong Kong dollar amounts at RMB1 = HK\$1.1852, being the exchange rates prevailing on 19 May 2016. The translations should not be taken as a representation that the US\$ and the RMB could actually be converted into Hong Kong dollars at that rate or at all.

** All of the English titles or names of the PRC entities, as well as certain items contained in this announcement have been included for identification purpose only and may not necessarily be the official English translations of the corresponding Chinese titles or names. If there is any inconsistency between the English translations and the Chinese titles or names, the Chinese titles or names shall prevail.*

By order of the Board
GCL New Energy Holdings Limited
協鑫新能源控股有限公司
Zhu Yufeng
Chairman

Hong Kong, 19 May 2016

As at the date of this announcement, the executive Directors are Mr. Zhu Gongshan, Mr. Zhu Yufeng, Mr. Sun Xingping, Ms. Hu Xiaoyan, Mr. Tong Wan Sze and Mr. Yip Sum Yin; the non-executive Directors are Ms. Sun Wei, Mr. Sha Hongqiu and Mr. Yeung Man Chung, Charles; and the independent non-executive Directors are Mr. Wang Bohua, Mr. Xu Songda, Mr. Lee Conway Kong Wai, Mr. Wang Yanguo and Dr. Chen Ying.