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GCL-Poly Energy Holdings Limited

保利協鑫能源控股有限公司

*(Incorporated in the Cayman Islands
with limited liability)*

(Stock code: 3800)



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)

DISCLOSEABLE TRANSACTION CAPITAL INCREASE TO SUZHOU GCL NEW ENERGY

CAPITAL INCREASE TO SUZHOU GCL NEW ENERGY

On 22 November 2017 (after trading hours), Suzhou GCL New Energy and Nanjing GCL New Energy (each is an indirect subsidiary of GCL-Poly and an indirect wholly-owned subsidiary of GNE) entered into the Capital Increase Agreements with Sumin Ruineng, Pursuant to which Sumin Ruineng agreed to make the Capital Increase in an aggregate amount of RMB1,500,000,000 to Suzhou GCL New Energy, of which RMB928,250,000 would be used as the registered capital of Suzhou GCL New Energy and the remaining RMB571,750,000 would be used as the capital reserve of Suzhou GCL New Energy. As of the date of this joint announcement, Nanjing GCL New Energy is an indirect subsidiary of GCL-Poly and an indirect wholly-owned subsidiary of GNE, and holds the entire equity interest in Suzhou GCL New Energy.

Upon Completion of the Capital Increase, Nanjing GCL New Energy and Sumin Ruineng will hold 92.82% and 7.18% equity interest in Suzhou GCL New Energy, respectively. Although Suzhou GCL New Energy will change from an indirect wholly-owned subsidiary to be an indirect non wholly-owned subsidiary of GNE, its financial results will continue to be consolidated into the accounts of GCL-Poly and GNE.

LISTING RULES IMPLICATIONS

As the Capital Increase reduces the equity interest of Nanjing GCL New Energy in Suzhou GCL New Energy from 100% to 92.82%, the Capital Increase contemplated under the Capital Increase Agreements is deemed as a disposal of GCL-Poly and GNE respectively under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the deemed disposal exceeds 5% but all of the applicable percentage ratios are less than 25%, pursuant to Chapter 14 of the Listing Rules, the deemed disposal constitutes a discloseable transaction for GCL-Poly and GNE respectively, and therefore GCL-Poly and GNE shall comply with the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The GCL-Poly Board and GNE Board announced that on 22 November 2017 (after trading hours), Suzhou GCL New Energy and Nanjing GCL New Energy (each is an indirect subsidiary of GCL-Poly and an indirect wholly-owned subsidiary of GNE) entered into the Capital Increase Agreements with Sumin Ruineng, pursuant to which Sumin Ruineng agreed to make the Capital Increase in an aggregate amount of RMB1,500,000,000 to Suzhou GCL New Energy, of which RMB928,250,000 would be used as the registered capital of Suzhou GCL New Energy and the remaining RMB571,750,000 would be used as the capital reserve of Suzhou GCL New Energy.

PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENTS

The principal terms of the Capital Increase Agreements are summarized as follows:–

Date

22 November 2017 (after trading hours)

Parties

- (1) Sumin Ruineng;
- (2) Suzhou GCL New Energy; and
- (3) Nanjing GCL New Energy

Save that the Concord Group (being the controlling shareholder of GCL-Poly and GNE), through its non wholly-owned subsidiaries, indirectly holds 11.63% equity interest in Sumin Investment and Sumin Ruineng is a private equity investment fund sponsored and managed by Sumin Investment, to the best knowledge, information and belief of the GCL-Poly Directors and GNE Directors having made all enquiries, each of Sumin Ruineng and its ultimate beneficial owners is a third party independent of GCL-Poly, GNE and their respective connected persons.

Consideration

As of the date of this joint announcement, the registered capital of Suzhou GCL New Energy was RMB12,000,000,000. According to the Capital Increase Agreements, Sumin Ruineng agreed to make the Capital Increase in an aggregate amount of RMB1,500,000,000 to Suzhou GCL New Energy, of which RMB928,250,000 would be used as the registered capital of Suzhou GCL New Energy and the remaining RMB571,750,000 would be used as the capital reserve of Suzhou GCL New Energy.

The consideration was arrived at after arm's length negotiations among the parties with reference to (i) the past operation and financial performance of Suzhou GCL New Energy, including historical revenue and profit; and (ii) the reasons for and benefits of the Capital Increase as disclosed in this joint announcement.

Upon Completion of the Capital Increase, Nanjing GCL New Energy and Sumin Ruineng will hold 92.82% and 7.18% equity interest in Suzhou GCL New Energy, respectively.

Conditions precedent

The Completion of the Capital Increase shall be conditional upon the fulfilment and/or waiver of, among others, the following conditions by Sumin Ruineng on Completion Date:—

- 1) Nanjing GCL New Energy and Suzhou GCL New Energy having obtained and completed all necessary authorisation(s) and approval(s) in respect of the Capital Increase for entering into the Capital Increase Agreements;
- 2) Nanjing GCL New Energy having agreed in writing to waive any of its pre-emptive rights entitled by virtue of the Capital Increase, and the Capital Increase being approved at the general meeting of Suzhou GCL New Energy;
- 3) There being no any effective applicable laws (including but not limited to Chinese laws), orders by relevant government agencies and/or binding legal documents entered into between either party to the Capital Increase Agreements and other third party(ies) that restrict, prohibit or otherwise prevent the completion of the Capital Increase, or constitute material modification to the Capital Increase or render the Capital Increase invalid;
- 4) From the date of signing of the Capital Increase Agreements up to the Completion Date, the representations and warranties of Suzhou GCL New Energy and Nanjing GCL New Energy set forth in the Capital Increase Agreements being true, accurate and complete without material adverse changes;

- 5) From the date of signing of the Capital Increase Agreements up to the Completion Date, Suzhou GCL New Energy and its subsidiaries continuing their normal operation in all business segments and being in consistent with their usual operation and having no material adverse changes in respect of their commerce, business, operation, shareholding structures, assets, technology, legal affairs, financial position and other aspects; and
- 6) Suzhou GCL New Energy and Nanjing GCL New Energy having performed all agreements, undertakings and obligations as required by the Capital Increase Agreements to be performed or complied with by them on or before the Completion.

Completion

The parties agreed that the conditions precedent as stipulated in the Capital Increase Agreements shall be fulfilled before 1 December 2017. Upon fulfilment of the conditions precedent, Suzhou GCL New Energy shall deliver a confirmation letter and a payment notice in writing to Sumin Ruineng. Sumin Ruineng shall transfer its Capital Increase amount into the capital verification account designated by Suzhou GCL New Energy within five (5) working days after receipt of such confirmation letter and written payment notice.

Upon receipt of the Capital Increase amount from Sumin Ruineng, Suzhou GCL New Energy shall conduct the capital verification and the industry and commerce change registration.

Preferential Right for Annual Gains

According to the terms and conditions under the Capital Increase Agreements, Sumin Ruineng shall be entitled to a preferential dividend distribution for each of the first three years when holding the equity interest in Suzhou GCL New Energy. All annual and interim dividend distribution of Suzhou GCL New Energy shall be subject to the unanimous consent of all of its shareholders before Sumin Ruineng actually receives such preferential annual dividend.

In addition, in the event that Sumin Ruineng chooses to continue to hold 2.856% equity interest in Suzhou GCL New Energy upon expiry of a term of three years, should Sumin Ruineng's annualised rate of return (being all the distribution received by Sumin Ruineng from Suzhou GCL New Energy) exceed 20% upon Sumin Ruineng's exit from its investment, 30% of the portion exceeding such 20% annualised return shall be allocated to Nanjing GCL New Energy as reward.

Right of access to information

With effect from the Completion Date, Sumin Ruineng shall be entitled to have access to the quarterly financial statements, annual financial reports, annual budget plans and other statistics, trading information and financial information relating to operation and finance of Suzhou GCL New Energy.

Anti-dilution right

Nanjing GCL New Energy undertakes that during the period when Sumin Ruineng holds the equity interest in Suzhou GCL New Energy, Suzhou GCL New Energy shall not accept any capital contribution (including but not limited to capital increase, transfer of original shares, etc. but excluding share option incentives and staff shareholding plan) from new investors at a valuation lower than the Capital Increase without written consent from Sumin Ruineng.

Preferential subscription, purchase and disposal right

In the event that Nanjing GCL New Energy transfers its equity interest in Suzhou GCL New Energy with the written consent of Sumin Ruineng, Sumin Ruineng shall be entitled to (1) purchase, on equal terms, the relevant equity interest on a preferential basis; or (2) dispose of all or part of its equity interest in Suzhou GCL New Energy on the terms same as or favourable than those from Nanjing GCL New Energy. If the expected purchaser does not agree such preferential disposal, Nanjing GCL New Energy shall not unilaterally transfer its proposed disposed equity interest to the expected purchaser, unless with the prior written consent of Sumin Ruineng.

In the event that Suzhou GCL New Energy subsequently conducts any equity financing (except Listing) such as increase of registered capital or issue of convertible bonds, Sumin Ruineng shall, in proportion to its capital contribution, entitle to a preferential subscription on equal terms.

Preferential liquidation right

During the period when Sumin Ruineng holds the equity interests in Suzhou GCL New Energy, in the event that Suzhou GCL New Energy is subject to liquidation, transfer of core assets or change of control for any reason(s), the property or the total consideration of transfer distributable to shareholders shall be first applied to pay the entire investment of Sumin Ruineng and its unpaid agreed dividend, with the remaining amount being allocated among all the shareholders (including Sumin Ruineng) according to their respective shareholdings.

Other Principal Terms

- 1) From the date of signing the Capital Increase Agreements to the Completion Date, Nanjing GCL New Energy and/or Suzhou GCL New Energy has agreed (among other things):–
 - a) to grant Sumin Ruineng the right to participate in the discussions of the management of Suzhou GCL New Energy on major issues, and review and record the relevant documents and inspect the operating premises of Suzhou GCL New Energy and/or its subsidiaries at any working time with prior notice to Suzhou GCL New Energy;
 - b) that it will not i) in any form, transfer or otherwise dispose of equity interests in Suzhou GCL New Energy; ii) set or permit to set any rights restrictions thereon; iii) introduce third party investment through other capital increase;

- c) Nanjing GCL New Energy and its connected parties shall not, at any time, engage directly or indirectly in any business that competes with the principal business of Suzhou GCL New Energy, during (i) the period of holding (directly and/or indirectly) Suzhou GCL New Energy; (ii) 2 years after no longer holding (directly and/or indirectly) the equity interests in Suzhou GCL New Energy; (iii) the period when having the work relationship with Suzhou GCL New Energy; and (iv) 2 years after the termination of the work relationship with Suzhou GCL New Energy, except as expressly provided or with prior written consent by Sumin Ruineng.
- 2) In the event that Suzhou GCL New Energy is proposed to be listed, upon the commencement of the Listing process, all parties agree that the provisions of the Capital Increase Agreements on Annual Gains Right and liquidation preference of Sumin Ruineng shall be automatically terminated upon full protection of the agreed interest of Sumin Ruineng.
- 3) In order to ensure that the relevant parties fulfil their obligations under the Capital Increase Agreements, Nanjing GCL New Energy pledged its 3% equity interest in Suzhou GCL New Energy to Sumin Ruineng. The pledge agreement will be signed separately.

INFORMATION ON THE PARTIES TO THE CAPITAL INCREASE AGREEMENTS

Sumin Ruineng

Sumin Ruineng is a private equity investment fund established in the PRC and is sponsored and managed by Sumin Investment. Sumin Ruineng is principally engaged in equity investment and the use of its own funds for overseas investment. Save that the Concord Group (being the controlling shareholder of GCL-Poly and GNE), through its non wholly-owned subsidiaries, indirectly holds 11.63% equity interest in Sumin Investment, to the best knowledge, information and belief of the GCL-Poly Directors and GNE Directors having made all reasonable enquiries, each of Sumin Ruineng and its ultimate beneficial owners is a third party independent of GCL-Poly, GNE and their respective connected persons.

GNE

The GNE group is principally engaged in the development, construction, operation and management of solar power stations.

FINANCIAL EFFECTS OF AND USE OF PROCEEDS FROM THE CAPITAL INCREASE

Upon Completion of the Capital Increase, Nanjing GCL New Energy and Sumin Ruineng will hold 92.82% and 7.18% equity interest in Suzhou GCL New Energy, respectively. Although Suzhou GCL New Energy will change from an indirect wholly-owned subsidiary to be an indirect non wholly-owned subsidiary of GNE, its financial results will continue to be consolidated into the accounts of GCL-Poly and GNE.

The aggregate amounts of RMB1,500,000,000 from Capital Increase, of which RMB928,250,000 would be used as the registered capital of Suzhou GCL New Energy and the remaining RMB571,750,000 would be used as the capital reserve of Suzhou GCL New Energy to repay debts, develop the principle business and replenish liquidity by Suzhou GCL New Energy and its subsidiaries.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The GNE Directors are of the view that the Sumin Investment as the provincial-level private investment consortium represents a valuable opportunity for the GNE Group to bring in an investor with strong financial background. The GNE Directors consider that the Capital Increase represents a good opportunity to enter into strategic cooperation with Sumin Investment. The GNE Directors consider that the entering into of the Capital Increase Agreements could (i) raise a substantial amount of additional capital funds for the GNE Group and reduce gearing ratio; (ii) improve the financial and liquidity position of the GNE Group; and (iii) provide the GNE Group with the financial flexibility necessary for the GNE Group's future business development and the capability to capture any prospective investment opportunities as and when the same arise.

In the premises, the Capital Increase is in the interests of GNE and the GNE Shareholders as a whole. GNE intends to use the funds to be raised from the Capital Increase to repay debts and expand the GNE Group's business in the renewable energy sector, including development, acquisition of or investment in new or existing solar power plants, solar projects, solar energy assets or through other similar opportunities.

Based on the above reasons and having considered all relevant factors, the GNE Directors believe and consider that the terms of the Capital Increase are on normal commercial terms, are fair and reasonable and the entering into of the Capital Increase Agreements is in the interests of GNE and the GNE Shareholders as a whole.

Based on the views of the GNE Directors and having considered all relevant factors, the GCL-Poly Directors (including the independent non-executive GCL-Poly Directors) believe and consider that the terms of the Capital Increase are on normal commercial terms, are fair and reasonable and that the entering into of the Capital Increase Agreements is in the interests of GCL-Poly and the GCL-Poly Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Capital Increase reduces the equity interest of Nanjing GCL New Energy in Suzhou GCL New Energy from 100% to 92.82%, the Capital Increase contemplated under the Capital Increase Agreements is deemed as a disposal of GCL-Poly and GNE respectively under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the deemed disposal exceeds 5% but all of the applicable percentage ratios are less than 25%, pursuant to Chapter 14 of the Listing Rules, the deemed disposal constitutes a discloseable transaction for GCL-Poly and GNE respectively, and therefore GCL-Poly and GNE shall comply with the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Mr. Zhu Gongshan and Mr. Zhu Yufeng having beneficial interest in the Concord Group, and Ms. Sun Wei and Mr. Yeung Man Chung, Charles are the senior management of the Concord Group, all of them have abstained from voting in the meeting of the GCL-Poly Board.

As Mr. Zhu Yufeng, having beneficial interest in the Concord Group, and Mr. Sun Xingping, Ms. Hu Xiaoyan, Ms. Sun Wei, Mr. Sha Hongqiu and Mr. Yeung Man Chung, Charles are the senior management of the Concord Group, all of them have abstained from voting in the meeting of GNE Board.

DEFINITIONS

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

“Annual Gains”	the dividend distribution to Sumin Ruineng under the Capital Increase Agreements for each of the first three years during its holding of the equity interest in Suzhou GCL New Energy
“Annual Gains Right”	the preferential right of Sumin Ruineng to receive dividend distribution under the Capital Increase Agreements for each of the first three years during its holding of the equity interest in Suzhou GCL New Energy
“associate”	has the same meaning ascribed to it under the Listing Rules
“Capital Increase”	the capital increase in an aggregate amount of RMB1,500,000,000 made by Sumin Ruineng to Suzhou GCL New Energy pursuant to the Capital Increase Agreements, of which RMB928,250,000 would be used as the registered capital of Suzhou GCL New Energy and the remaining RMB571,750,000 would be used as the capital reserve of Suzhou GCL New Energy
“Capital Increase Agreements”	the Original Capital Increase Agreement and the Supplemental Agreement
“Completion”	the completion of Capital Increase
“Completion Date”	the date on which the completion of Capital Increase takes place

“connected persons”	has the same meaning ascribed to it under the Listing Rules
“Concord Group”	Golden Concord Group Limited, the controlling shareholder of GCL-Poly and GNE
“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. As at the date of this joint announcement, GCL-Poly is interested in approximately 62.28% of the issued share capital of GNE
“GCL-Poly Board”	the board of the GCL-Poly Directors
“GCL-Poly Directors”	the directors of GCL-Poly (as the case may be, excluding Mr. Zhu Gongshan, Mr. Zhu Yufeng, Ms. Sun Wei and Mr. Yeung Man Chung, Charles who have abstained from voting in the meeting of GCL-Poly Board)
“GNE”	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
“GNE Board”	the board of the GNE Directors
“GNE Directors”	the directors of GNE (as the case may be, excluding Mr. Zhu Yufeng, Mr. Sun Xingping, Ms. Hu Xiaoyan, Ms. Sun Wei, Mr. Sha Hongqiu and Mr. Yeung Man Chung, Charles who have abstained from voting in the meeting of GNE Board)
“GNE Group”	GNE and its subsidiaries
“Listing”	the possible public offering which may be made by Suzhou GCL New Energy upon exit from the capital market in the future after completion of the capital management project
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing GCL New Energy”	Nanjing GCL New Energy Development Co., Ltd. 南京協鑫新能源發展有限公司, an indirect subsidiary of GCL-Poly and an indirect wholly-owned subsidiary of GNE which is incorporated in the PRC with limited liability

“Original Capital Increase Agreement”	the capital increase agreement dated 22 November 2017 between Suzhou GCL New Energy, Nanjing GCL New Energy and Sumin Ruineng in relation to the Capital Increase made by Sumin Ruineng to Suzhou GCL New Energy
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed to it under the Listing Rules
“Sumin Investment”	Jiangsu Minying Investment Holding Co., Ltd* (江蘇民營投資控股有限公司), a company incorporated in the PRC with limited liability. The Concord Group, through its non wholly-owned subsidiaries, indirectly holds approximately 11.63% of its equity interest
“Sumin Ruineng”	Sumin Ruineng Wuxi Equity Investment Partnership (Limited Partnership)* (蘇民睿能無錫股權投資合夥企業(有限合夥)), a limited liability partnership established in the PRC and is sponsored and managed by Sumin Investment. Save that the Concord Group (being the controlling shareholder of GCL-Poly and GNE), through its non wholly-owned subsidiaries, indirectly holds 11.63% equity interest in Sumin Investment, to the best knowledge, information and belief of the GCL-Poly Directors and GNE Directors having made all reasonable enquiries, each of Sumin Ruineng and its ultimate beneficial owners is a third party independent of GCL-Poly, GNE and their respective connected persons.
“Supplemental Agreement”	the supplemental agreement to the capital increase agreement dated 22 November 2017 between Suzhou GCL New Energy, Nanjing GCL New Energy and Sumin Ruineng
“Suzhou GCL New Energy”	Suzhou GCL New Energy Investment Co., Ltd.* (蘇州協鑫新能源投資有限公司), an indirect subsidiary of GCL-Poly and an indirect wholly-owned subsidiary of GNE which is incorporated in the PRC with limited liability

“%” per cent.

* *For identification purpose only*

By order of the GCL-Poly Board
GCL-Poly Energy Holdings Limited
保利協鑫能源控股有限公司
Zhu Gongshan
Chairman

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

Hong Kong, 22 November 2017

As at the date of this joint announcement, the GCL-Poly Board comprises Mr. Zhu Gongshan (Chairman), Mr. Zhu Zhanjun, Mr. Ji Jun, Mr. Zhu Yufeng, Ms. Sun Wei, Mr. Yeung Man Chung, Charles, Mr. Jiang Wenwu and Mr. Zheng Xiongjiu as executive GCL-Poly Directors; Ir. Dr. Raymond Ho Chung Tai, Mr. Yip Tai Him, Dr. Shen Wenzhong and Mr. Wong Man Chung, Francis as independent non-executive GCL-Poly Directors.

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