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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF SOLAR POWER PLANTS

DISPOSAL OF SOLAR POWER PLANTS

The Board is pleased to announce that, on 28 March 2019, the Sellers, indirect subsidiaries of the Company, entered into the Share Transfer Agreements with Wuling Power respectively, pursuant to which the Sellers have conditionally agreed to sell and Wuling Power has conditionally agreed to purchase, a 55% equity interest in the Disposed Subsidiaries, at a total consideration of RMB246,440,000.

Immediately after Completion, the Disposed Subsidiaries will cease to be subsidiaries of the Company. Accordingly, the financial status of the Disposed Subsidiaries will no longer be consolidated into the Company's financial statements upon Completion.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the transactions contemplated under the Share Transfer Agreements exceeds 5% but is less than 25% for the Company, the entering into of the Share Transfer Agreements constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

1. DISPOSAL OF SOLAR POWER PLANTS

The Board is pleased to announce that, on 28 March 2019, the Sellers, indirect subsidiaries of the Company, entered into the Share Transfer Agreements with Wuling Power respectively, pursuant to which the Sellers have conditionally agreed to sell and Wuling Power has

conditionally agreed to purchase, a 55% equity interest in the Disposed Subsidiaries, at a total consideration of RMB246,440,000. The Disposed Subsidiaries held an aggregate of 280MW solar power plants located in the PRC.

2. PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENTS

- (i) **Date:** 28 March 2019

- (ii) **Parties:**
 - (1) **Sellers:** Suzhou GCL New Energy and Henan GCL New Energy (as the case may be)
 - (2) **Purchaser:** Wuling Power

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, Wuling Power and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

(iii) Subject matter

Pursuant to the Share Transfer Agreements, the Sellers have conditionally agreed to sell and Wuling Power has conditionally agreed to purchase, a 55% equity interest in each of the Disposed Subsidiaries as set out below:

- 1. Xinan GCL
- 2. Ruzhou GCL
- 3. Jiangling GCL

(collectively, the “**Disposed Subsidiaries**”, and each a “**Disposed Subsidiary**”)

Immediately after Completion, the Disposed Subsidiaries will cease to be subsidiaries of the Company. Accordingly, the financial status of the Disposed Subsidiaries will no longer be consolidated into the Company’s financial statements upon Completion.

(iv) Consideration and the basis for the consideration

The total consideration for the Disposal is RMB246,440,000.

The consideration was determined after arm’s length negotiations between the Sellers and Wuling Power after taking into consideration various factors, including (i) the reasons for the Disposal as discussed in the paragraph headed “Reasons for and benefits of the Disposal” below; (ii) the net asset value of each Disposed Subsidiary as at 31 March 2018; (iii) the financial performance of the Disposed Subsidiaries; and (iv) the relevant undertakings and commitments by the Sellers. The final Consideration will be adjusted in accordance with the financial positions of each Disposed Subsidiary for the period from 31 March 2018 to the date of Completion.

(v) Conditions precedent and payment terms

Wuling Power shall pay the consideration for each Disposed Subsidiary to the Sellers in the following manner:

First Payment

The first payment shall be RMB50,000,000 and shall be paid to the Sellers within 5 working days upon fulfilment of the following conditions precedent:

- (a) the execution of the relevant Share Transfer Agreement;
- (b) Suzhou GCL New Energy or Nanjing GCL New Energy (as the case may be) providing Wuling Power an executed letter of undertaking, pursuant to which Suzhou GCL New Energy or Nanjing GCL New Energy shall be jointly liable for returning the first payment amount to Wuling Power in the event that the Sellers fail to fulfil its obligations under the relevant Share Transfer Agreement;
- (c) the Disposed Subsidiaries signed the operation and maintenance agreement with the Group, which shall be valid for 5 years;
- (d) Suzhou GCL New Energy has provided performance guarantee in respect of the obligations under the relevant share transfer agreement; and
- (e) the Sellers providing valid receipts for amounts received.

Second payment

The second payment shall be RMB60,900,000 and shall be paid to the Sellers within 10 working days upon fulfilment of the following conditions precedent:

- (a) the adoption of the new articles of association of the relevant Disposed Subsidiary and the signing of the resolution approving the change of legal representative, board of directors, supervisors and senior management of the relevant Disposed Subsidiary;
- (b) the capital of the relevant Disposed Subsidiary meets the requirements as set out in the relevant Share Transfer Agreement;
- (c) obtaining written confirmation from a financial institution mutually agreed between the Sellers and Wuling Power agreeing to the assignment of debt and early repayment of any outstanding amount in respect of the relevant Disposed Subsidiary;
- (d) the Sellers and Wuling Power confirmed the conditions in relation to the transfer of management rights of the relevant Disposed Subsidiary;

- (e) completion of settlement of completed solar power plant projects of the relevant Disposed Subsidiary;
- (f) the Sellers providing Wuling Power a letter of undertaking in relation to the termination of employment contracts of all employees of the relevant Disposed Subsidiary; and
- (g) the Sellers providing valid receipts for amounts received.

Third payment

The third payment shall bring the amount of consideration already paid to at least 85% of the final total consideration for the relevant Disposed Subsidiary and shall be paid to the Sellers within 15 working days upon fulfilment of the following conditions precedent:

- (a) completion of the transfer of shares in the relevant Disposed Subsidiary from the Sellers to Wuling Power;
- (b) having obtained the required licenses for the operation of power business of the relevant projects, the execution of the electricity sales and purchase agreement, and having obtained the approval on on-grid tariff or confirmation on the relevant on-grid tariff documents in accordance with the local policies;
- (c) there has been no information or circumstances which has a material adverse effect on the relevant Disposed Subsidiary that has not been disclosed by the Sellers to Wuling Power;
- (d) the relevant Disposed Subsidiary having received all invoices for settlement of completed solar power plant projects; and
- (e) the Sellers providing Wuling Power with valid receipts for amounts received.

Forth payment

The forth payment shall be equivalent to 10% of the final total consideration for the relevant Disposed Subsidiary and shall be paid to the Sellers within 10 working days upon fulfilment of the following conditions precedent:

- (a) the Sellers assisting the Disposed Subsidiaries in obtaining all relevant approvals on compliance documents or opinions from the relevant government authorities in accordance with the List of Outstanding Documents on Project Compliance* (項目合規性文件及消缺清單);

- (b) the Sellers completing rectification of all defects of solar power plant projects and Wuling Power confirming that all defects have been rectified;
- (c) completion of finance leases assignment, the Disposed Subsidiaries having received all invoices from the relevant financial institutions; and
- (d) the Sellers providing valid receipts for amounts received.

Final payment

The remainder of the consideration which is equivalent to 5% of the final total consideration of the relevant Disposed Subsidiary shall be paid to the Sellers within 10 working days upon fulfilment of the following conditions precedent:

- (a) the solar power plant project of the relevant Disposed Subsidiary has been included in the National Renewable Energy Subsidies Catalogue* (國家可再生能源附加補貼目錄) and no objection was raised after such inclusion was publicly announced;
- (b) there has been no breach of any representations, warranties and undertakings under the Share Transfer Agreement by the Sellers; and
- (c) the Sellers providing valid receipts for amounts received.

(vi) Completion

Completion is expected to take place on 31 March 2019 when the Sellers transfers the management rights of the relevant Disposed Subsidiary to Wuling Power.

Pursuant to the Share Transfer Agreements, the assignment of the relevant loans shall be carried out within 3 business days from the date of Completion and the discharge of any share pledge in relation to the shares of the Disposed Subsidiaries and the registration of transfer of the shares of the Disposed Subsidiaries shall take place within 2 months from the date of Completion.

On the date of Completion, a firm of accountants shall be appointed to carry out a completion-day audit of the Disposed Subsidiaries and produce an audit report to Wuling Power and the Sellers.

The procedures for use of land during the construction of the solar power projects of the Disposed Subsidiaries (“**Target Projects**”), includes but is not limited to, land planning adjustments, preliminary approval on project sites, approval on land use right (i.e. land expropriation and transfer as well as land supply procedures for construction on freehold lands), approval on use of forest land (if needed), approval on use of glassland (if needed) and other approvals, permits, registration or filing in relation to the use of land for the

Target Projects. If the implementation of the Target Projects is significantly affected due to violation of the aforesaid land use procedures prior to Completion, Wuling Power shall be entitled to demand the Sellers to repurchase the Disposed Subsidiaries.

(v) Warranties

The Sellers have given certain warranties to Wuling Power including warranties in relation to the Sellers' power and capacity and ownership of the Disposed Subsidiaries, valid incorporation of the Disposed Subsidiaries, and intellectual property, employees, taxes, contracts and litigation in relation to the Disposed Subsidiaries.

(vi) Termination

Wuling Power may elect to terminate the Share Transfer Agreements by a notice to the Sellers in writing if any conditions precedent under the Share Transfer Agreements have not been satisfied by the relevant long-stop date, subject to a grace period.

Also, if any warranties or information provided by the Sellers is untrue, incomplete or omits material details and has a material impact on the Disposal, or if the Sellers' actions or omissions cause Wuling Power to be unable to become the registered owner of the Disposed Subsidiaries, Wuling Power shall be entitled to terminate the Share Transfer Agreements and require the Sellers to pay an amount equal to 10% of the consideration which has been paid by Wuling Power under that Share Transfer Agreement as compensation.

3. SPECIAL PROVISIONS OF THE SHARE TRANSFER AGREEMENTS

- (i) The Sellers shall obtain the meeting minutes of the Disposed Subsidiaries about assignment of financing contracts entered into with financial institutions or other documents as agreed by both parties upon execution of the Share Transfer Agreement, and shall coordinate all parties to prepare all the relevant documents for the releasing of guarantees such as the share pledge on shares of the Disposed Subsidiaries, with cooperation, participation and witness of Wuling Power. In case of failure to implement the registration for change in shareholders due to any reason not on the part of Wuling Power, Wuling Power shall be entitled to terminate the Share Transfer Agreements, and the Sellers shall return all the consideration paid by Wuling Power for the transfer of the equity interests together with interests incurred thereon.
- (ii) The Target Projects are expected to be enlisted on the relevant batch of the National Renewable Energy Subsidy Catalogue* (國家可再生能源附加補貼目錄) (“**Catalogue**”) after Completion without encountering any obstacles and will receive no objection upon publication of the required notice. In case of failure of the Target Projects to be enlisted

on the Catalogue and the required notice on time, the Sellers shall compensate the Disposed Subsidiaries in accordance with the progress and timing of the settlement of the relevant batch of subsidies or shall repurchase the Disposed Subsidiaries.

- (iii) the Sellers shall be responsible for the operation and maintenance of the solar power plants of the Disposed Subsidiaries for a period of 5 years.
- (iv) The Company shall provide guarantees to Wuling Power in respect of the obligations of each of the Sellers under the Share Transfer Agreements.

4. INFORMATION ON THE DISPOSED SUBSIDIARIES

The Disposed Subsidiaries are project companies established by the Group to own and operate solar power plants in the PRC.

The following table sets out certain financial information of the Disposed Subsidiaries, which was extracted from the audited financial statements prepared in accordance with the China Accounting Standards for the years ended 31 December 2017 and 2018:

	For the year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	237,130	172,648
Net profit before income tax	57,476	57,127
Net profit after income tax	57,283	56,817

As at 31 December 2018, the audited net assets of the Disposed Subsidiaries amount to approximately RMB535,295,000.

5. USE OF PROCEEDS AND EFFECT OF THE DISPOSAL

As at the date this announcement, the profit or loss from the Disposal will not have a material impact on the profitability of the Group. The actual profit or loss recorded by the Group from the Disposal will be subject to audit and will be reassessed upon completion of the Disposal.

The net cash proceeds from the Disposal, net of estimated taxation and transaction costs, is estimated to be approximately RMB246,000,000. The Group plans to use the proceeds for repayment of its debts.

6. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board is of the opinion that the Group can use the proceeds from the transfer of the Target Projects to improve current cash flow and for repayment of debts, so as to achieve the Group's development goal of transformation and upgrade. In addition, the Group will continue to provide operation and maintenance services for the disposed Target Projects after Completion, generating a stable management fee income for the Group.

Based on the above and having considered all relevant factors, the Directors believe and consider that the terms of the Disposal are on normal commercial terms, are fair and reasonable and that the entering into of the Share Transfer Agreements are in the interest of the Company and its shareholders as a whole.

7. INFORMATION ON WULING POWER AND THE GROUP

Wuling Power

Wuling Power was incorporated in the PRC on 3 May 1995 and registered as a Sino-foreign joint venture with limited liability on 11 April 2006. Wuling Power is held by the China Power International Development Limited (中國電力國際發展有限公司), a company listed on the Stock Exchange with stock code 2380 and Hunan Xiangtuo International Investment Limited* (湖南湘投國際投資有限公司) as to 63% and 37%, respectively.

Wuling Power is principally engaged in the development, production and supply of hydropower in Hunan and Guizhou.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Wuling Power and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

The Group

The Group is principally engaged in the sale of electricity, development, construction, operation and management of solar power plants.

8. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the transactions contemplated under the Share Transfer Agreements exceeds 5% but is less than 25% for the Company, the entering into of the Share Transfer Agreements constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

9. DEFINITIONS

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

“Board”	the board of 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, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 451)
“Completion”	the completion of the Disposal
“connected persons”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of 55% equity interest in the Disposed Subsidiaries by the Sellers to Wuling Power pursuant to the Share Transfer Agreements
“Disposed Subsidiaries”	Ruzhou GCL, Xinan GCL and Jiangling GCL
“Group”	the Company and its subsidiaries
“Henan GCL New Energy”	Henan GCL New Energy Investment Company Limited* (河南協鑫新能源投資有限公司), a company incorporated in the PRC with limited liability and an indirect subsidiary of the Company
“Jiangling GCL”	Jiangling County GCL Photovoltaic Power Co., Ltd.* (江陵縣協鑫光伏電力有限公司), a wholly-owned subsidiary of Suzhou GCL New Energy, holding the 100MW solar power plant project located in Jiangling County, Jingzhou City, Hubei Province
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MW”	megawatt(s)
“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 the Company which is incorporated in the PRC with limited liability
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Ruzhou GCL”	Ruzhou GCL Photovoltaic Power Co., Ltd.* (汝州協鑫光伏電力有限公司), a wholly-owned subsidiary of Henan GCL New Energy, holding the 80MW solar power plant project located in Wangzhai County in Ruzhou City, Henan Province
“Sellers”	Suzhou GCL New Energy and Henan GCL New Energy
“Share Transfer Agreements”	the share transfer agreements, each dated 28 March 2019, entered into between the Sellers and Wuling Power in relation to the disposal of the Disposed Subsidiaries
“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 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 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 the Company which is incorporated in the PRC with limited liability
“Wuling Power”	Wuling Power Corporation Ltd.* (五凌電力有限公司), a company incorporated in the PRC with limited liability

“Xinan GCL”

Xinan GCL Photovoltaic Power Co., Ltd.* (新安縣協鑫光伏電力有限公司), a wholly-owned subsidiary of Suzhou GCL New Energy, holding the 100MW solar power plant project located in Xinan County, Luoyang City, Henan Province

“%”

per cent.

* *for identification purpose only*

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, 28 March 2019

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