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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 EPC AGREEMENT**

### **THE EPC AGREEMENT**

On 17 March 2023, GNE Africa, an indirect wholly owned subsidiary of the Company, entered into the EPC Agreement with Hangzhou Fortune and Zhejiang Engineering. Pursuant to which, Hangzhou Fortune and Zhejiang Engineering, acting as the joint contractors, will provide EPC services to GNE Africa, as the principal, for the construction of the Natural Gas Liquefaction Plant at a consideration of approximately US\$15,030,000 (tax inclusive).

### **LISTING RULES IMPLICATION**

As the highest applicable percentage ratio in respect of the EPC Agreement is more than 5% but less than 25%, the entering into of the EPC Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **INTRODUCTION**

On 17 March 2023, GNE Africa, an indirect wholly owned subsidiary of the Company, entered into the EPC Agreement with Hangzhou Fortune and Zhejiang Engineering. Pursuant to which, Hangzhou Fortune and Zhejiang Engineering, acting as the joint contractors, will provide EPC services to GNE Africa, as the principal, for the construction of the Natural Gas Liquefaction Plant at a consideration of approximately US\$15,030,000 (tax inclusive).

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

## **THE EPC AGREEMENT**

### **Date**

17 March 2023 (after trading hours)

### **Parties**

- (i) GNE Africa (as the principal);
- (ii) Hangzhou Fortune (as the lead and joint contractor); and
- (iii) Zhejiang Engineering (as the joint contractor).

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

### **Subject matter**

Pursuant to the EPC Agreement, the Contractors agreed to serve as the contractors to provide EPC services to GNE Africa for the construction of the Natural Gas Liquefaction Plant and to meet all formalities and engineering construction for its legal operation.

The EPC services include, among others, the design, procurement of equipment, facilities and materials, construction engineering, equipment installation, commissioning, performance assessment, completion acceptance, testing, project management, technical services and provision of other facilities related to natural gas liquefaction production.

The Contractors shall be responsible for providing the technology, labour, equipment, materials, machinery, tools, testing and inspection required for completing the construction of the Natural Gas Liquefaction Plant in accordance with the terms of the EPC Agreement and remedy any failure and defects during the 24-months warranty period of the construction of the Natural Gas Liquefaction Plant.

### **Construction period**

The construction of the Natural Gas Liquefaction Plant is expected to be completed, and the commissioning conditions shall be met, within 330 calendar days following the date on which GNE Africa makes the pre-payment according to the terms of the EPC Agreement.

## **Consideration and payment terms**

The consideration of the EPC Agreement amounts to US\$15,030,000 (tax inclusive), which consists of fixed contract price of US\$12,030,000 and civil engineering payments of US\$3,000,000. Such consideration comprises approximately US\$9,350,000 for the purchase of equipment and materials, approximately US\$4,250,000 for construction work, and approximately US\$1,430,000 for design, project management, transportation and customs clearance, and other fees, which shall be settled as follows:

### *(i) Pre-payment*

20% of the fixed contract price under the EPC Agreement, in the amount of US\$2,406,000, shall be paid to Hangzhou Fortune and Zhejiang Engineering as pre-payment within 15 days upon entering into of the EPC Agreement and notice by GNE Africa to the Contractors to submit a bank guarantee of amount equal to the pre-payment after review and acceptance by GNE Africa.

### *(ii) Progress payment*

20% of the fixed contract price under the EPC Agreement, in the amount of US\$2,406,000, shall be paid to the Contractors as the equipment procurement fee upon fulfillment of the following conditions, including (i) passing of the preliminary design review and signing of the main equipment procurement contract; (ii) release of the pre-payment guarantee; and (iii) submission by the Contractors of a performance guarantee of 10% of the total consideration amount.

30% of the fixed contract price under the EPC Agreement, in the amount of US\$3,609,000, shall be paid to the Contractors as the equipment delivery payment upon all skid-mounted equipment having met the delivery conditions.

20% of the fixed contract price under the EPC Agreement, in the amount of US\$2,406,000, shall be paid to the Contractors as the project payment upon installation of all the equipment and the commissioning conditions are met after acceptance by GNE Africa.

### *(iii) Acceptance payment*

The remaining amount of the fixed contract price under the EPC Agreement, in the amount of US\$1,203,000, shall be paid to the Contractors according to the completion settlement audit results upon the fulfillment of the following conditions, including (i) issuance of the performance appraisal certificate by GNE Africa; (ii) the completion and acceptance of the project; (iii) completion of project handover; (iv) review and confirmation by GNE Africa of the completion settlement data; and (v) provision of quality guarantee issued by a bank recognized by GNE Africa.

*(iv) Quality assurance fund*

No quality assurance deposit is required under the EPC Agreement. Following the 24-months warranty period, GNE Africa shall release the quality guarantee provided that (i) there are no quality issues relating to the project; (ii) the performance and energy consumption indicators are normal; and (iii) the operation of the project is normal and stable.

*(v) Civil engineering payments*

The civil engineering payments shall be made according to the terms of the contract signed between the Contractors and the construction subcontractors, and shall be paid to the Contractors within 14 days after GNE Africa has approved the construction quality and progress.

## **BASIS OF DETERMINATION OF THE CONSIDERATION**

The consideration of the EPC Agreement was determined by the parties after arm's length negotiation and through a tendering selection process. In particular, the Company has considered the following factors during the selection: (i) the track record of the candidates of contractor on performing projects of similar size; (ii) the size of operation, manpower, financial performance, specialised technological know-hows and professional qualifications of the candidates of contractor; and (iii) quotations submitted by the candidates of contractor and the prevailing market price of provision of similar services.

## **REASONS FOR AND BENEFITS OF THE EPC AGREEMENT**

As the global supply of LNG may not be able to match the strong global demand for LNG in the future, the price of LNG has been on an upward trend in recent years. Recently, the European Parliament voted to allow natural gas to be included in the list of environmentally sustainable economic activities of the European Union. It is expected that the inclusion of natural gas as a type of green energy would allow natural gas to be used in a wider area and would boost investment in natural gas production. Therefore, the Group considers that its development of LNG business will broaden the Group's revenue stream in the energy sector, so as to enhance returns to the Shareholders.

The Group has to engage contractors to provide EPC services to construct, develop and maintain its LNG projects. Each of the Contractors is an established EPC contractor and has substantial experience in the construction and development of LNG projects. The Group believes that the Contractors can deliver quality services, meet the international design standards and specifications, satisfy the requirements of safety, environmental protection and economic operation and meet the expectations of the Group.

The Directors are of the view that the transactions contemplated under the EPC Agreement are in the ordinary and usual course of business of the Group, and the terms of such transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INFORMATION ON THE PARTIES TO THE EPC AGREEMENT**

### **The Company**

The Company is incorporated in Bermuda as exempted company with limited liability. The principal business of the Company is investment holding. The Group is principally engaged in the sale of electricity, development, construction, operation and management of solar power plants.

### **GNE Africa**

GNE Africa is a company incorporated in the BVI with limited liability and an indirect wholly owned subsidiary of the Company. It is principally engaged in investment holding.

### **Hangzhou Fortune**

Hangzhou Fortune is a joint stock limited company established in the PRC and is listed on the Shanghai Stock Exchange (stock code: 603173). Hangzhou Fortune is principally engaged in the development of various cryogenic technology processes and the design, manufacture and sales of cryogenic equipment. It is also a professional LNG plant, air separation unit, coil-wound heat exchanger and cryogenic cold box manufacturer.

### **Zhejiang Engineering**

Zhejiang Engineering is a company established in the PRC with limited liability. Zhejiang Engineering is a high-tech enterprise integrating planning, consulting, design, project management, and EPC services for chemical, petrochemical, pharmaceutical engineering, and construction engineering in the construction industry.

Based on publicly available information, as at the date of this announcement,

- (i) Zhejiang Engineering is owned as to 45% by Juhua Group Corporation\* (巨化集團有限公司) (“**Juhua Group**”), 39.5% by Beijing Sanlian Hope Shin-Gosen Technical Service Co., Ltd.\* (北京三聯虹普新合纖技術服務股份有限公司), which is a limited company established in the PRC and listed on the Shenzhen Stock Exchange (stock code: 300384), 10% by Zhejiang Juhua Co., Ltd.\* (浙江巨化股份有限公司), which is a limited company established in the PRC and listed on the Shanghai Stock Exchange (stock code: 600160), and 5.5% by Hangzhou Jinlian Automation Engineering Technology Co., Ltd.\* (杭州金聯自動化工程技術有限公司) (“**Hangzhou Jinlian**”);

- (ii) Juhua Group is directly or indirectly owned as to approximately 90% by the State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province in the PRC (浙江省人民政府國有資產監督管理委員會) and approximately 10% by the Finance Department of Zhejiang Province in the PRC (浙江省財政廳); and
- (iii) Hangzhou Jinlian is directly owned as to 80%, 10% and 10% by Jin Weiliang (金為良), Xu Yingzi (徐英姿) and Jin Guoliang (金國良), respectively.

## LISTING RULES IMPLICATION

As the highest applicable percentage ratio in respect of the EPC Agreement is more than 5% but less than 25%, the entering into of the EPC Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“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 Stock Exchange, with stock code 451
“connected persons”	has the same meaning ascribed to it under the Listing Rules
“Contractors”	Hangzhou Fortune and Zhejiang Engineering
“Director(s)”	director(s) of the Company
“EPC”	engineering, procurement and construction
“EPC Agreement”	the EPC agreement entered into between GNE Africa and the Contractors dated 17 March 2023 in relation to the construction of the Natural Gas Liquefaction Plant
“GNE Africa”	GCL New Energy Africa Limited (協鑫新能源非洲有限公司), a company incorporated in the BVI with limited liability
“Group”	the Company and its subsidiaries

“Hangzhou Fortune”	Hangzhou Fortune Cryogenic Group Co., Ltd.* (杭州福斯達深冷裝備股份有限公司), a joint stock limited company established in the PRC
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas
“Natural Gas Liquefaction Plant”	the natural gas liquefaction plant is located at Calub Gas Field, Somali Regional State, Ethiopia with planned production volume of 200,000 Nm <sup>3</sup> /day
“PRC”	The People’s Republic of China
“Share(s)”	ordinary shares of one-twelfth (1/12) of a Hong Kong dollar each (equivalent to HK\$0.083) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed to it under the Listing Rules
“US\$”	US dollar, the lawful currency of the United States of America
“Zhejiang Engineering”	Zhejiang Engineering Design Co., Ltd.* (浙江工程設計有限公司), a company established in the PRC with limited liability
“%”	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 Gongshan**  
*Chairman*

Hong Kong, 17 March 2023

*As at the date of this announcement, the Board comprises Mr. Zhu Gongshan (Chairman), Mr. Zhu Yufeng, Mr. Wang Dong and Ms. Hu Xiaoyan as executive Directors of the Company; Ms. Sun Wei, Mr. Yeung Man Chung, Charles and Mr. Fang Jiancai as non-executive Directors of the Company; and Mr. Lee Conway Kong Wai, Mr. Wang Yanguo, Dr. Chen Ying and Mr. Cai Xianhe as independent non-executive Directors of the Company.*