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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)

MAJOR TRANSACTION
IN RELATION TO ENTRY INTO AND TERMINATION OF
THE EPC CONTRACT

THE EPC CONTRACT

As disclosed in the Previous Announcements, in September 2019, Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.* (江蘇中能硅業科技發展有限公司) (“**Jiangsu Zhongneng**”), an indirect wholly-owned subsidiary of the Company, entered into the EPC Contract with Sinomec Refinery & Chemical Corp. Ltd.* (中機國能煉化工程有限公司) as the lead contractor (the “**SOE Lead Contractor**”) and Shanghai Chuanghong Technology Co., Ltd.* (上海創泓科技有限公司) as the sub-contractor (the “**Sub-Contractor**”) in relation to a project (“**Project**”) with a planned yearly generation of 54,000 tonnes of granular silicon in the Jiangsu Xuzhou Economic and Technological Development Zone of the PRC for a total consideration of RMB1.9 billion (the “**Consideration**”), and paid the SOE Lead Contractor a prepayment of RMB510 million.

TERMINATION OF THE EPC CONTRACT

In 2020, in order to maintain confidentiality of the technology used in the Project, Jiangsu Zhongneng decided to replace the SOE Lead Contractor, which was responsible for EPC services in relation to all processes of the Project, with EPC suppliers who would only be responsible for some of the processes in relation to the Project.

As a result, Jiangsu Zhongneng entered into a termination agreement with the SOE Lead Contractor and the Sub-Contractor on 6 April 2021 and a supplemental agreement on 25 April 2021, pursuant to which the Company received from the SOE Lead Contractor an aggregate refund in cash of RMB495.28 million on 26 April 2021.

The Company is in the process of identifying and engaging EPC suppliers responsible for various processes of the Project, and will make further announcement(s) in accordance with the requirements under the Listing Rules as and when appropriate.

LISTING RULES IMPLICATIONS

Since the highest of the applicable percentage ratios in respect of the EPC Contract was over 25% but less than 100%, the entering into of the EPC Contract constituted a major transaction of the Company under Chapter 14 of the Listing Rules and was therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company acknowledges that the failure by the Company to comply with the reporting, announcement and shareholders' approval requirements in respect of the EPC Contract constituted non-compliance with Chapter 14 of the Listing Rules. The Board recognises, for the avoidance of future occurrence of non-compliance of the Listing Rules, the need to enhance its internal controls and compliance measures. As disclosed in the Company's announcement dated 30 September 2021, the Company has, on 26 July 2021, appointed Crowe (HK) Risk Advisory Limited (the "**Internal Controls Consultant**"), an independent advisory services firm, to (a) conduct an appropriate review of the Company's relevant internal controls and procedures; and (b) provide to the Company a written internal controls report of its findings. Please refer to the Company's announcement dated 25 October 2021 for details on the key findings of the review by the Internal Controls Consultant.

GENERAL

Given that the EPC Contract has been terminated as at the date of this announcement, and most of the prepayment has been repaid to the Group, no EGM will be held to ratify the EPC Contract. Instead, a circular containing, among other things, further details of the EPC Contract, will be despatched to the Shareholders for their information before the end of December 2021.

1. INTRODUCTION

We refer to:

- (a) the Company's announcements dated 31 March 2021, 6 April 2021 and 11 April 2021 under which it was announced:
 - (i) that the publication of the 2020 Annual Results has been delayed until further notice;
 - (ii) that the Board Meeting for considering and approving, among other matters, the 2020 Annual Results and its publication, and considering the payment of a final dividend, if any, has been further postponed until further notice; and
 - (iii) that the suspension of trading in the shares of the Company on Stock Exchange with effect from 9:00 a.m. on 1 April 2021;

- (b) the Company's announcement dated 19 April 2021 in relation to, among other things, the publication of the Company's unaudited management accounts for the year ended 31 December 2020;
- (c) the Company's announcement dated 28 April 2021 in relation to certain updates on the delay in despatch of the 2020 Annual Results and the 2020 Annual Report;
- (d) the Company's announcement dated 4 May 2021 in relation to the Resumption Guidance issued by the Stock Exchange;
- (e) the Company's announcement dated 7 May 2021 in relation to the appointment of Forensic Accountant;
- (f) the Company's announcement dated 17 May 2021 in relation to the change of auditor;
- (g) the Company's announcement dated 29 June 2021 in relation to the formal appointment of new auditor of the Company;
- (h) the Company's announcement dated 30 June 2021 in relation to quarterly update on resumption progress;
- (i) the Company's announcement dated 14 July 2021 in relation to the key findings of the Independent Forensic Investigation;
- (j) the Company's announcement dated 29 July 2021 in relation to additional Resumption Guidance;
- (k) the Company's announcement dated 31 August 2021 in relation to the delay in publication of the 2021 Interim Results and the 2021 Interim Report;
- (l) the Company's announcement dated 30 September 2021 in relation to quarterly update on resumption progress;
- (m) the Company's announcement dated 3 October 2021 in relation to a clarification in the announcement related to the quarterly update on resumption progress on 30 September 2021;
- (n) the Company's announcement dated 25 October 2021 in relation to the key findings of the Supplemental Forensic Investigation; and

- (o) the Company's announcement dated 25 October 2021 in relation to the key findings of the Internal Controls Review,

(together, the “**Previous Announcements**”).

As disclosed in the Previous Announcements, in September 2019, Jiangsu Zhongneng, an indirect wholly-owned subsidiary of the Company, entered into the EPC Contract with the SOE Lead Contractor as the lead contractor and the Sub-Contractor as the sub-contractor in relation to the Project for a total consideration of RMB1.9 billion.

2. PRINCIPAL TERMS OF THE EPC CONTRACT

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

Date

In September 2019

Parties

- (i) Principal: Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.*
(江蘇中能硅業科技發展有限公司)
- (ii) Contractor: Sinomec Refinery & Chemical Corp. Ltd.* (中機國能煉化工程有限公司)
- (iii) Sub-Contractor: Shanghai Chuanghong Technology Co., Ltd.* (上海創泓科技有限公司)

Subject matter

The SOE Lead Contractor is responsible for the design, construction and commissioning of the Project.

The Sub-Contractor is responsible for the procurement and supply of the required equipment and materials.

Term

Up until the completion of the Project.

Consideration

The Consideration was RMB1.9 billion, subject to further negotiations between the parties based on the basic design estimate in relation to the Project to be approved by Jiangsu Zhongneng.

The Consideration was determined after arm's length negotiations among the parties to the EPC Contract, taking into account, among other things: (i) the deliverables to be provided under the EPC Contract; and (ii) the reasonable profit margin of the Project.

Payment of the Consideration

Jiangsu Zhongneng paid the SOE Lead Contractor a prepayment of RMB510 million for the initial phase of the EPC Contract on 19 September 2019.

Construction commencement and expected completion date

The Project commenced on 30 September 2019 and was originally expected to complete on 30 November 2020.

3. TERMINATION OF THE EPC CONTRACT

In 2020, in order to maintain confidentiality of the technology used in the Project, Jiangsu Zhongneng decided to replace the SOE Lead Contractor, which was responsible for EPC services in relation to all processes of the Project, with EPC suppliers who would only be responsible for some of the processes in relation to the Project.

As a result, Jiangsu Zhongneng entered into a termination agreement with the SOE Lead Contractor and the Sub-Contractor on 6 April 2021 and a supplemental agreement on 25 April 2021, pursuant to which Jiangsu Zhongneng agreed to prioritise contracting the SOE Lead Contractor and the Sub-Contractor for similar projects under the same conditions in the future. The parties further agreed that the SOE Lead Contractor and the Sub-Contractor incurred a total cost of RMB14.72 million for the work performed in the initial phase of the EPC Contract, and deducting such costs from the prepayment sum of RMB510 million, the Company received from the SOE Lead Contractor an aggregate refund in cash of RMB495.28 million on 26 April 2021.

The Company is in the process of identifying and engaging EPC suppliers responsible for various processes of the Project, and will make further announcement(s) in accordance with the requirements under the Listing Rules as and when appropriate.

4. INFORMATION ON THE PARTIES

Jiangsu Zhongneng

Jiangsu Zhongneng is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Jiangsu Zhongneng is principally engaged in the production and sale of polysilicon.

SOE Lead Contractor

The SOE Lead Contractor is a state-owned enterprise in the PRC and its parent company is SINOMECH* (中國能源工程集團有限公司). The SOE Lead Contractor is principally engaged in the design, construction and commission projects.

Sub-Contractor

The Sub-Contractor is a company incorporated in the PRC with limited liability. The Sub-contractor is principally engaged in the procurement and supply of the required equipment and materials.

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, the SOE Lead Contractor and the Sub-Contractor are independent third parties of the Company and its connected persons.

5. REASONS AND BENEFITS OF ENTERING INTO THE EPC CONTRACT

EPC Contract

In 2019, Jiangsu Zhongneng has accumulated certain operational experiences and developed its technology, and decided to build a production line with a yearly generation of 54,000 tonnes of granular silicon. Given the expertise of the SOE Lead Contractor in similar construction projects and the responsibilities that the SOE Lead Contractor is willing to take up under the EPC Contract, the Directors believed that it was in the best interests of the Company to engage the SOE Lead Contractor and the Sub-Contractor for their services under the EPC Contract.

The Directors believe that the EPC Contract was on normal commercial terms, had been entered into in the ordinary and usual course of business of the Company, the terms of the EPC Contract were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. LISTING RULES IMPLICATIONS

Since the highest of the applicable percentage ratios in respect of the EPC Contract was over 25% but less than 100%, the entering into of the EPC Contract constituted a major transaction of the Company under Chapter 14 of the Listing Rules and was therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company acknowledges that the failure by the Company to comply with the reporting, announcement and shareholders' approval requirements in respect of the EPC Contract constituted non-compliance with Chapter 14 of the Listing Rules. The Board recognises, for the avoidance of future occurrence of non-compliance of the Listing Rules, the need to enhance its internal controls and compliance measures. As disclosed in the Company's announcement dated 30 September 2021, the Company has, on 26 July 2021, appointed the Internal Controls Consultant, an independent advisory services firm, to (a) conduct an appropriate review of the Company's relevant internal controls and procedures; and (b) provide to the Company a written internal controls report of its findings. Please refer to the Company's announcement dated 25 October 2021 for details on the key findings of the review by the Internal Controls Consultant.

7. GENERAL

Given that the EPC Contract has been terminated as at the date of this announcement, and most of the prepayment has been repaid to the Group, no EGM will be held to ratify the EPC Contract. Instead, a circular containing, among other things, further details of the EPC Contract, will be despatched to the Shareholders for their information before the end of December 2021.

8. CONTINUED SUSPENSION OF TRADING

Trading in shares in the Company was suspended from 9:00 a.m. on 1 April 2021 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing the security of the Company.

9. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors of the Company
“Company”	GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Consideration”	the total consideration for the services provided under the EPC Contract, being RMB1.9 billion
“SOE Lead Contractor”	Sinomec Refinery & Chemical Corp. Ltd.* (中機國能煉化工程有限公司), a state-owned enterprise in the PRC
“Director(s)”	director(s) of the Company
“EGM”	extraordinary general meeting of the Company
“EPC”	Engineering, Procurement and Construction
“EPC Contract”	An Engineering, Procurement and Construction Contract entered into in September 2019 among Jiangsu Zhongneng, the SOE Lead Contractor and the Sub-contractor
“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
“Internal Controls Consultant”	Crowe (HK) Risk Advisory Limited
“Jiangsu Zhongneng”	Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.* (江蘇中能硅業科技發展有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Previous Announcements”	the Company’s announcements dated 31 March 2021, 6 April 2021, 11 April 2021, 19 April 2021, 28 April 2021, 4 May 2021, 7 May 2021, 17 May 2021, 29 June 2021, 30 June 2021, 14 July 2021, 29 July 2021, 31 August 2021, 30 September 2021, 3 October 2021 and 25 October 2021
“Project”	a granular silicon project with a planned yearly generation of 54,000 tonnes of granular silicon, located in the Jiangsu Xuzhou Economic and Technological Development Zone, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sub-contractor”	Shanghai Chuanghong Technology Co., Ltd.* (上海創泓科技有限公司), a company incorporated in the PRC with limited liability
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given to it under the Listing Rules

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

Hong Kong, 25 October 2021

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

* *For identification purposes only*