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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)

INSIDE INFORMATION

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE INVESTMENT IN THE ETHIOPIA-DJIBOUTI NATURAL GAS PROJECT AND PROVISION OF THE MANAGEMENT SERVICES

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

THE MOU

The Board is pleased to announce that on 18 July 2022, GNE Hong Kong entered into the MOU with POLY-GCL Petroleum Group, pursuant to which (i) GNE Hong Kong intends to invest in the Ethiopia-Djibouti Natural Gas Project through equity investment in POLY-GCL Petroleum Group; (ii) if the Possible Investment materialises, GNE Hong Kong (or any designated subsidiaries of the Group) shall provide Management Services to POLY-GCL Petroleum Group; and (iii) an option may be granted to GNE Hong Kong to make further investment in the Ethiopia-Djibouti Natural Gas Project through further equity investment in POLY-GCL Petroleum Group.

The MOU is non-legally binding (save for provisions on term, confidentiality, costs, termination, announcements and governing law). If GNE Hong Kong proceeds with the Possible Investment and the provision of the Management Services to POLY-GCL Petroleum Group, it will enter into subsequent legally binding agreement(s) with POLY-GCL Petroleum Group in respect of the Possible Investment and the Management Services.

The Board wishes to emphasise that the Possible Investment and the Management Services contemplated under the MOU may or may not proceed and that the Group has not entered into any legally binding agreements in relation to the transactions contemplated under the

MOU as at the date of this announcement. The Company will comply with the relevant disclosure and shareholders' approval requirements under the Listing Rules where appropriate. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

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THE MOU

The principal terms of the MOU are set out as follows:

Date

18 July 2022

Parties

- (1) GNE Hong Kong (as the possible investor); and
- (2) POLY-GCL Petroleum Group (as the owner of the Ethiopia-Djibouti Natural Gas Project).

Scope of cooperation between GNE Hong Kong and POLY-GCL Petroleum Group

Pursuant to the MOU, the scope of cooperation between GNE Hong Kong and POLY-GCL Petroleum Group is as follows:

- (i) GNE Hong Kong intends to invest in the Ethiopia-Djibouti Natural Gas Project through equity investment in POLY-GCL Petroleum Group;
- (ii) if the Possible Investment materialises, GNE Hong Kong (or any designated subsidiaries of the Group) shall provide Management Services to POLY-GCL Petroleum Group, which includes a service fee to be charged based on the revenue generated from the Ethiopia-Djibouti Natural Gas Project during its operation stage; and

- (iii) an option may be granted to GNE Hong Kong to make further investment in the Ethiopia-Djibouti Natural Gas Project through further equity investment in POLY-GCL Petroleum Group.

Effective term

The MOU is effective for one year commencing from the date of the signing of the MOU (subject to any early termination or further extension by mutual written agreement between the parties to the MOU).

Binding effect

Save for certain provisions such as the provisions on term, confidentiality, costs, termination, announcements and governing law, the MOU is non-legally binding.

INFORMATION ON POLY-GCL PETROLEUM GROUP

POLY-GCL Petroleum Group is a company incorporated in the British Virgin Islands with limited liability. Its principal business included the exploration, development, production and marketing of oil and natural gas, including natural gas exploration business in Ethiopia. Save for the ownership structure, the business and operation of POLY-GCL Petroleum Group is independent of the Group. POLY-GCL Petroleum Group is owned as to (i) 90% by Charm Max Limited (祥盛有限公司), which is ultimately owned by Mr. Zhu Yufeng and Golden Concord, which is ultimately held under a discretionary trust with Credit Suisse Trust Limited as trustee for Mr. Zhu Gongshan and his family as beneficiaries; and (ii) 10% by Port Beauty Limited (港美有限公司), which is ultimately owned by Mr. Yu Baodong, who is a director of POLY-GCL Petroleum Group. POLY-GCL Petroleum Group is ultimately controlled by Golden Concord and its concert parties. As POLY-GCL Petroleum Group is an associate (as defined under the Listing Rules) of Mr. Zhu Yufeng, an executive Director of the Company, it is a connected person of the Company.

INFORMATION ON THE ETHIOPIA-DJIBOUTI NATURAL GAS PROJECT

The Ethiopia-Djibouti Natural Gas Project involves (i) upstream exploration and development of natural gas reserves in Ogaden Basin, Ethiopia such as Calub and Hilala discoveries; (ii) transportation of natural gas via an approximately 750km pipeline from the reserves to a near shore liquefaction plant in the coast of Djibouti; and (iii) conversion of natural gas to LNG before exporting to end consumers in various countries.

Based on the information provided by POLY-GCL Petroleum Group, the foregoing natural gas reserves, with resources of approximately 5 trillion cubic meters of natural gas and approximately 4 billion tons of crude oil in the relevant block, are owned by POLY-GCL Petroleum, which acquired the operating licenses in 2013 and has drilled a total of 16 wells in addition to 40 existing wells since

then. According to a reserve report provided by POLY-GCL Petroleum Group, the Ethiopia-Djibouti Natural Gas Project has natural gas 2P geological reserve of approximately 190.7 billion cubic meters and condensate geological reserve of approximately 5.77 million tons.

In September 2015, POLY-GCL Petroleum Group and the Ministry of Mines of Ethiopia signed a heads of agreement of the pipeline construction project and a FEED report has been prepared by a third party consultant. In May 2018, POLY-GCL Petroleum and the Ministry of Mines of Ethiopia commenced the discussion of a petroleum pipeline development agreement. In May 2018, POLY-GCL Pipeline (Djibouti) Limited, an indirect wholly-owned subsidiary of POLY-GCL Petroleum Group, signed an agreement with the Djibouti government on the construction of the pipeline. In February 2019, as a major energy project under the PRC's "Belt and Road" initiative, the Ethiopian government and Djibouti government signed an intergovernmental agreement stipulating that both countries agreed to facilitate the construction, expansion, extension, reconstruction and operation of natural gas pipeline to transport natural gas from Ethiopia to the LNG facility which will be constructed in Djibouti. In April 2020, POLY-GCL Petroleum signed a gas commercialization agreement with the Ministry of Mines of Ethiopia. In June 2020, POLY-GCL Petroleum commenced the discussion of an operation agreement with Ethiopian Mineral, Petroleum and Bio-fuels Corporation.

The Ethiopia-Djibouti Natural Gas Project is expected to be developed in 3 phases with the target annual production capacities to be approximately 3 million tons LNG, 6 million tons LNG and 10 million tons LNG in Phase 1, Phase 2 and Phase 3 respectively.

The estimated total funding required for the development of Phase 1 of the Ethiopia-Djibouti Natural Gas Project is approximately US\$2.9 billion, including but not limited to the construction costs, preparation costs for the reserve reports and FEED reports and working capital. Such funding is expected to be raised through a mix of equity financing and project financing. POLY-GCL Petroleum Group is contemplating the first phase of possible equity fund raising activity of not less than US\$500 million for the development of the Ethiopia-Djibouti Natural Gas Project, which will be used for the preparation of reserve reports and FEED reports, and appointment of construction contractors. It is expected that the construction of Phase 1 of the Ethiopia-Djibouti Natural Gas Project will commence in the fourth quarter of 2022 and its commercial production will commence in mid 2025.

INFORMATION ON THE GROUP

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

GNE Hong Kong is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. Its principal business is investment holding.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE MOU

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. The recent Russia-Ukraine tension has further impacted the global supply of LNG, driving up the price of LNG to a historical high level. Recently, the European Parliament voted to allow natural gas to be included in the list of environmental 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 up investment in natural gas production. With the abundance of natural gas resources of the Ethiopia-Djibouti Natural Gas Project, the Group considers that the possible investment in the Ethiopia-Djibouti Natural Gas Project through equity investment in POLY-GCL Petroleum Group allows the Group to tap into the LNG business and broaden the Group's revenue stream in the energy sector.

Meanwhile, as mentioned in the announcement of the Company dated 28 July 2021, the Company has established a hydrogen energy business unit to actively conduct the research and development of hydrogen energy and related businesses. The Possible Investment could complement the Group's future investment in hydrogen energy business with its involvement in the production of LNG, being the crucial raw materials for the production of hydrogen energy, by providing the Group with first-hand knowledge of the source and condition of LNG supply and its pricing in Ethiopia. Once the Group's research on hydrogen energy business achieves any breakthrough in future, it could capture the advantage of its connection and investment in the Ethiopia-Djibouti Natural Gas Project.

Upon signing of the MOU, the Group will commence its due diligence review of the financial, legal, business, operation and other matters of POLY-GCL Petroleum Group and its subsidiaries with an aim of entering into the Definitive Agreement during the term of the MOU. The Group may consider to conduct equity fund-raising activities for the funding of the Possible Investment.

Moreover, since 2018, the Group has continued to increase its strategic cooperation and formed strong alliances with enterprises directly under the central government of the PRC and local state-owned enterprises, accelerated cash inflow, and unswervingly promoted the strategic asset-light transformation by disposing of its solar power plants to reduce its debts and mitigate the pressure on project financing. Meanwhile, the Group has commenced the model of "Development-Construction-Cooperation-O&M" with the provision of project management services to owners/developers of solar power plants. Should the Possible Investment materialise, GNE Hong Kong (or any designated subsidiaries of the Group) shall provide Management Services to POLY-GCL Petroleum Group for the Ethiopia-Djibouti Natural Gas Project.

With a team of experienced energy project management personnel of the Group and the proposed recruitment of the additional management personnel to enhance the team's local experience and knowledge in Ethiopia and with the Group's well established energy management system, the Group believes that the provision of the Management Services could broaden the Group's geographical

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| “Company” | GCL New Energy Holdings Limited (協鑫新能源控股有限公司), a company incorporated in Bermuda as exempted company 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 same meaning ascribed to it under the Listing Rules |
| “Definitive Agreement” | the formal agreement which may be entered into between GNE Hong Kong and POLY-GCL Petroleum Group in respect of the Possible Investment and the Management Services |
| “Directors” | the directors of the Company |
| “Ethiopia-Djibouti Natural Gas Project” | the proposed project that involves natural gas exploration at POLY-GCL Petroleum Plant on Ogaden Basin, Ethiopia, appraisal, development, production and sales at Ogaden Basin, Ethiopia and construction of natural gas pipeline from gas field on Ethiopia to Djibouti and liquefaction in the coast of Djibouti owned by POLY-GCL Petroleum |
| “FEED” | Front End Engineering Design conducted to control project expenses and thoroughly plan the Ethiopia-Djibouti Natural Gas Project |
| “GNE Hong Kong” | GCL New Energy Hong Kong Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement |
| “Golden Concord” | Golden Concord Group Limited, a company incorporated in Hong Kong with limited liability |
| “Group” | the Company, together with its subsidiaries |
| “km” | kilometer |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “LNG” | liquefied natural gas |

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| “Management Services” | the provision of energy project management services by GNE Hong Kong (or any designated subsidiaries of the Group) to POLY-GCL Petroleum Group to supervise and facilitate the construction progress and operation of the Ethiopia-Djibouti Natural Gas Project |
| “MOU” | the non-legally binding memorandum of understanding dated 18 July 2022 entered into between GNE Hong Kong and POLY-GCL Petroleum Group |
| “Ogaden Basin” | an area in Ethiopia that holds significant reserves of crude oil and natural gas |
| “POLY-GCL Petroleum” | POLY-GCL Petroleum Investments Limited (保利協鑫天然氣投資有限公司), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of POLY-GCL Petroleum Group as at the date of this announcement and holds the right to operate the POLY-GCL Petroleum Plant |
| “POLY-GCL Petroleum Group” | POLY-GCL Petroleum Group Limited (保利協鑫天然氣集團有限公司), a company incorporated in the British Virgin Islands with limited liability |
| “POLY-GCL Petroleum Plant” | the natural gas facility based at Ogaden Basin, Ethiopia and is operated by POLY-GCL Petroleum |
| “Possible Investment” | the possible investment by GNE Hong Kong in the Ethiopia-Djibouti Natural Gas Project through equity investment in POLY-GCL Petroleum Group pursuant to the MOU |
| “PRC” | the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Shareholders” | the shareholders of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “US\$” | US dollar |

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, 18 July 2022

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