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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)

VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF SUBSIDIARIES

BACKGROUND

Reference is made to (i) the circular of the Company dated 5 May 2022 in relation to the Previous De Minimis Disposal, the First Phase Disposals, the Second Phase Disposals, the Third Phase Disposal and the Fourth Phase Disposal and (ii) the announcement of the Company dated 2 January 2023 in relation to the Fifth Phase Disposals. Unless otherwise defined herein, the capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Previous Disposals were all completed more than 12 months before the date of the Sixth Phase Share Purchase Agreements, details of which are set out in the circular of the Company dated 5 May 2022.

On 21 March 2022, Suzhou GCL New Energy, an indirect subsidiary of the Company (as the seller) and Hunan Xinhua (as the purchaser) entered into the Fourth Phase Share Purchase Agreement. Pursuant to the Fourth Phase Share Purchase Agreement, Suzhou GCL New Energy agreed to, among other things, (a) sell 90.1% equity interest in Ningxia Shengjing to Hunan Xinhua and (b) sell 9.9% equity interest in Ningxia Shengjing to Hunan Xinhua after Suzhou GCL New Energy acquiring such equity interest from Qingdao Changsheng Ridian Solar Technology Co., Ltd.* (青島昌盛日電太陽能科技股份有限公司).

On 31 December 2022, Suzhou GCL Development and Shandong GCL New Energy, being indirect subsidiaries of the Company (as the sellers) and Hunan Xinhua (as the purchaser) entered into the Fifth Phase Share Purchase Agreements. Pursuant to the Fifth Phase Share Purchase Agreements, Suzhou GCL Development and Shandong GCL New Energy agreed to, among other things, sell the entire equity interest in Dengkou GCL Photovoltaic and 51% equity interest in Yuncheng Xinhua Energy Development to the Hunan Xinhua.

THE SIXTH PHASE SHARE PURCHASE AGREEMENTS

On 19 May 2023 (after trading hours), Suzhou GCL New Energy, being indirect subsidiary of the Company (as the seller) and Hunan Xinhua (as the purchaser) entered into the Sixth Phase Share Purchase Agreements. Pursuant to the Sixth Phase Share Purchase Agreements, the Seller agreed to, among other things, (a) sell the entire equity interest in Gaotang GCL Jinghui, (b) sell 90.1% equity interest in Inner Mongolia Xiangdao New Energy and (c) sell the remaining 9.9% equity interest in Inner Mongolia Xiangdao New Energy to the Purchaser in the event that the Seller acquires such equity interest from Inner Mongolia Xiangdao Ecological Agriculture.

Upon completion of the Sixth Phase Disposals, the Target Group will cease to be subsidiaries of the Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the financial statements of the Company upon the completion of Sixth Phase Disposals.

USE OF PROCEEDS FROM THE TRANSACTIONS

The net cash proceeds from the Transactions (being the sum of (i) the Consideration amounting to approximately RMB336,000,000, (ii) the total Net Payable Amount amounting to approximately RMB1,103,755,860, minus (iii) expected maximum Rectification Amount amounting to approximately RMB14,650,000) is expected to be approximately RMB1,425,105,860, which the Company intends to use for debts repayment.

LISTING RULES IMPLICATIONS

As the Seller, Suzhou GCL Development and Shandong GCL New Energy, being the indirect subsidiaries of the Company, entered into the Fourth Phase Share Purchase Agreement, the Fifth Phase Share Purchase Agreements and the Sixth Phase Share Purchase Agreements with Xinhua Hydropower Group within a 12-month period, the Company is required to consider the effect of aggregation of the Fourth Phase Disposal, the Fifth Phase Disposals and the Sixth Phase Disposals as a series of transactions for the Company pursuant to Rule 14.22 of the Listing Rules.

Since the highest applicable percentage ratio in respect of the Disposals (on an aggregated basis) exceeds 75%, the entering into of the Sixth Phase Share Purchase Agreements constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

For the avoidance of doubt, the Seller is not obliged to acquire the Inner Mongolia Xiangdao Subsequent Sale Shares from Inner Mongolia Xiangdao Ecological Agricultural under the Inner Mongolia Xiangdao New Energy Share Purchase Agreement. The Company will comply with the Listing Rules as and when such acquisition constitutes a notifiable transaction under the Listing Rules.

GENERAL

The SGM will be convened for the Shareholders to consider and, if thought fit, approve the Transactions and the entering into and performance of obligations under the Sixth Phase Share Purchase Agreements. A circular, which will include, among other things, further details of the Transactions and the transactions contemplated under the Sixth Phase Share Purchase Agreements, is expected to be despatched to the Shareholders on or before 30 June 2023 as additional time is required to prepare the information to be disclosed in the circular.

1. INTRODUCTION

Reference is made to (i) the circular of the Company dated 5 May 2022 in relation to the Previous De Minimis Disposal, the First Phase Disposals, the Second Phase Disposals, the Third Phase Disposal and the Fourth Phase Disposal and (ii) the announcement of the Company dated 2 January 2023 in relation to the Fifth Phase Disposals.

The Previous Disposals were all completed more than 12 months before the date of the Sixth Phase Share Purchase Agreements, details of which are set out in the circular of the Company dated 5 May 2022.

On 21 March 2022, Suzhou GCL New Energy, an indirect subsidiary of the Company (as the seller) and Hunan Xinhua (as the purchaser) entered into the Fourth Phase Share Purchase Agreement. Pursuant to the Fourth Phase Share Purchase Agreement, Suzhou GCL New Energy agreed to, among other things, (a) sell 90.1% equity interest in Ningxia Shengjing to Hunan Xinhua and (b) sell 9.9% equity interest in Ningxia Shengjing to Hunan Xinhua after Suzhou GCL New Energy acquiring such equity interest from Qingdao Changsheng Ridian Solar Technology Co., Ltd.* (青島昌盛日電太陽能科技股份有限公司).

On 31 December 2022, Suzhou GCL Development and Shandong GCL New Energy, being indirect subsidiaries of the Company (as the sellers) and Hunan Xinhua (as the purchaser) entered into the Fifth Phase Share Purchase Agreements. Pursuant to the Fifth Phase Share Purchase Agreements, Suzhou GCL Development and Shandong GCL New Energy agreed to, among other things, sell the entire equity interest in Dengkou GCL Photovoltaic and 51% equity interest in Yuncheng Xinhua Energy Development to the Hunan Xinhua.

On 19 May 2023 (after trading hours), Suzhou GCL New Energy, being indirect subsidiary of the Company (as the seller) and Hunan Xinhua (as the purchaser) entered into the Sixth Phase Share Purchase Agreements. Pursuant to the Sixth Phase Share Purchase Agreements, the Seller agreed to, among other things, (a) sell the entire equity interest in Gaotang GCL Jinghui, (b) sell 90.1% equity interest in Inner Mongolia Xiangdao New Energy and (c) sell the remaining 9.9% equity interest in Inner Mongolia Xiangdao New Energy to the Purchaser in the event that the Seller acquires such equity interest from Inner Mongolia Xiangdao Ecological Agriculture.

Upon completion of the Sixth Phase Disposals, the Target Group will cease to be subsidiaries of the Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the financial statements of the Company upon the completion of Sixth Phase Disposals.

2. THE SIXTH PHASE SHARE PURCHASE AGREEMENTS

The principal terms of the Sixth Phase Share Purchase Agreements are set out below:

Date

19 May 2023 (after trading hours)

Parties

- (i) The Seller: Suzhou GCL New Energy Investment Co., Ltd.* (蘇州協鑫新能源投資有限公司)
- (ii) The Purchaser: Hunan Xinhua Water Conservancy and Electric Power Co., Ltd.* (湖南新華水利電力有限公司)
- (iii) Target Companies:
 - (i) Gaotang GCL Jinghui Photovoltaic Power Co., Ltd.* (高唐縣協鑫晶輝光伏有限公司)
 - (ii) Inner Mongolia Xiangdao New Energy Development Co., Ltd.* (內蒙古香島新能源發展有限公司)

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

Subject Matter

The entire equity interest held in Gaotang GCL Jinghui will be sold by the Seller to the Purchaser. The 90.1% equity interest held in Inner Mongolia Xiangdao New Energy will be sold by the Seller to the Purchaser. The Seller shall further sell 9.9% equity interest in Inner Mongolia Xiangdao New Energy to the Purchaser after the Seller acquiring such equity interest from Inner Mongolia Xiangdao Ecological Agriculture.

The Target Companies own 4 operational solar power plants in the PRC with grid-connected capacity of approximately 191MW.

The table below sets out the Target Companies under each of the Sixth Phase Share Purchase Agreements:

No.	Share Purchase Agreements	Target Companies
I	Gaotang GCL Jinghui Share Purchase Agreement	Gaotang GCL Jinghui
II	Inner Mongolia Xiangdao New Energy Share Purchase Agreement	Inner Mongolia Xiangdao New Energy

For further information relating to the Target Companies, please refer to the section headed “Information on the Target Group” below.

Consideration

The aggregate consideration for the Sale Shares under the Sixth Phase Share Purchase Agreements is RMB336,000,000, which comprises:

No.	Share Purchase Agreements	Consideration <i>RMB</i>
I	Gaotang GCL Jinghui Share Purchase Agreement	50,000,000
II	Inner Mongolia Xiangdao New Energy Share Purchase Agreement	286,000,000 ^(Note)
Total		<u><u>336,000,000</u></u>

Note:

The consideration of RMB286,000,000 in respect of the Inner Mongolia Xiangdao Sale Shares comprises:

- (i) RMB257,686,000, being the consideration for the Inner Mongolia Xiangdao Initial Sale Shares held by the Seller; and*
- (ii) RMB28,314,000, being the consideration for the Inner Mongolia Xiangdao Subsequent Sale Shares which will be held by the Seller in the event that the Seller acquires the same from Inner Mongolia Xiangdao Ecological Agriculture.*

Basis of the Consideration

The Consideration under the Sixth Phase Share Purchase Agreements was determined after arm's length negotiations between the Seller and the Purchaser, having taken into account of, among other things:

- (i) the net asset value of the Target Group as at the Reference Date;
- (ii) the profitability of the Target Group for the financial years ended 31 December 2022 and 31 December 2021, details of which can be found in the section headed "Information on the Target Group" of this announcement;
- (iii) the reasons for the Sixth Phase Disposals as discussed in the paragraph headed "Reasons for and Benefits of the Transactions" below; and
- (iv) the cash flow position of the Target Group as at the Reference Date.

Payment Arrangements of the Consideration

The Consideration under the Sixth Phase Share Purchase Agreements shall be paid by the Purchaser to the Seller in the following manner:

- | | |
|-------------------|--|
| First instalment | The Purchaser shall pay a total of RMB184,611,600, being the first instalment for the Gaotang GCL Jinghui Sale Shares and Inner Mongolia Xiangdao Initial Sale Shares to the Seller within five Business Days upon the signing of the Sixth Phase Share Purchase Agreements and the Shareholders' approval of the Transactions. |
| Second instalment | <p>The Purchaser shall pay a total of RMB123,074,400, being the remaining balance for the Gaotang GCL Jinghui Sale Shares and Inner Mongolia Xiangdao Initial Sale Shares, to the Seller within five Business Days after the fulfilment of all of the following conditions:</p> <ul style="list-style-type: none">(i) the Handover of Account Passwords and Seals and the Handover of Assets and Information have been completed; and(ii) the Registration Procedures in respect of the disposals of Gaotang GCL Jinghui Sale Shares and Inner Mongolia Xiangdao Initial Sale Shares have been completed. |

Third instalment The Purchaser shall pay a total of RMB28,314,000, being the consideration for the Inner Mongolia Xiangdao Subsequent Sale Shares, to the Seller within 30 Business Days in the event that the Seller acquires the Inner Mongolia Xiangdao Subsequent Sale Shares from Inner Mongolia Xiangdao Ecological Agriculture.

Payment arrangement of the Net Payable Amount

The Amount Payable as at the Reference Date will be set off against the Amount Receivable as at the Reference Date in order to ascertain the Net Payable Amount as at the Reference Date payable by the Target Companies to the Seller, which such payment of the Target Companies shall be procured by the Purchaser and paid to the Seller within 45 days from the Closing Date. As at the Reference Date, the Net Payable Amount payable by the Target Companies to the Seller is approximately RMB1,103,755,860.

The table below sets out the carrying amount of the Net Payable Amount of each of the Target Companies under each of the Sixth Phase Share Purchase Agreements as at the Reference Date:

No.	Target Companies	Initial Net Payable Amount ^(Note) RMB	Rectification Amount ^(Note) RMB	Actual Net Payable Amount ^(Note) RMB
I	Gaotang GCL Jinghui	82,096,285	5,630,000	76,466,285
II	Inner Mongolia Xiangdao New Energy	<u>1,021,659,575</u>	<u>9,020,000</u>	<u>1,012,639,575</u>
Total		<u>1,103,755,860</u>	<u>14,650,000</u>	<u>1,089,105,860</u>

Note: The Actual Net Payable Amount under each of the Sixth Phase Share Purchase Agreements payable by the Target Companies to the Seller represents the deduction of the agreed rectification amount for the engineering and compliance defects of each of the Target Companies under each of the Sixth Phase Share Purchase Agreements (“**Rectification Amount**”) from the initial Net Payable Amount to be received by the Seller under each of the Sixth Phase Share Purchase Agreements.

The Seller and the Purchaser agreed the terms and conditions of the Net Payable Amount as at the Reference Date and the newly incurred Net Payable Amount during the Transition Period (excluding the Rectification Amount) will be in accordance with the existing loan agreement entered into between the Target Companies and the Seller on 1 January 2022.

Payment arrangement of the Rectification Amount

The Seller undertakes to rectify the engineering and compliance defects specified under the Sixth Phase Share Purchase Agreements within one month from the Closing Date. The maximum Rectification Amount under the Sixth Phase Share Purchase Agreements amounts to RMB14,650,000.

If the Seller fails to rectify certain engineering and compliance defects within the agreed deadline, the Purchaser and/or Inner Mongolia Xiangdao New Energy shall be entitled to deduct the Rectification Amount from the Net Payable Amount as at the Reference Date payable by the Target Companies to the Seller.

Other Undertakings

The Seller and the Purchaser agreed to be subject to certain undertakings, including but not limited to, the following undertakings:

- (i) within six months after the Closing Date, the Purchaser undertakes to provide guarantee substitution or procure the Target Companies' early repayment of its liabilities owed to the financial institutions in order to release the existing guarantees provided by the Seller or its affiliates in respect of such liabilities;
- (ii) within three years from the Closing Date, if the tax authority imposes any supplemental tax amount, surcharge or penalty on the Target Companies in connection to the laws and policies existed prior to the Closing Date, such amount payable by the Target Companies to the tax authority shall be borne by the Seller and the Purchaser is entitled to recover such amount paid by the Purchaser and Target Companies to the tax authority from the Seller;
- (iii) (applicable to Gaotang GCL Jinghui only) the Seller shall submit the registration application in relation to the consolidation by merger of Gaotang GCL Tiandiyuan within five days upon the signing of the Gaotang GCL Jinghui Share Purchase Agreement; and
- (iv) in the event of any other circumstance specified in the Sixth Phase Share Purchase Agreements that may cause the Seller to be liable for any damages or compensation to the Target Companies, the Purchaser is entitled to request the Seller to pay the amount of such damages or compensation.

Conditions Precedent

Pursuant to the Sixth Phase Share Purchase Agreements, the transactions contemplated under Sixth Phase Share Purchase Agreements shall be subject to the fulfilment of all of the following conditions precedent:

- (i) the Seller and the Purchaser shall negotiate with the bank to release the Existing Share Pledge. The Purchaser shall cooperate with the bank to release the Existing Share Pledge, including issuance of letter of undertaking or provision of surety money;
- (ii) if the Seller fails to complete the procedures in relation to the release of the Existing Share Pledge within 90 Business Days from the signing of the Sixth Phase Share Purchase Agreements, either the Seller or the Purchaser is entitled to terminate the Sixth Phase Share Purchase Agreements. The Seller shall return the Consideration actually received to the Purchaser within five Business Days upon the termination of the Sixth Phase Share Purchase Agreements, together with an interest calculated based on the rate set out in the paragraph headed "Termination" below. The Seller shall also return the funds paid by the Purchaser to the escrow account for the purpose of releasing the Existing Share Pledge, together with an interest calculated at the same rate;
- (iii) the Seller and the Purchaser shall undertake and warrant the legality of the signing and execution of the Sixth Phase Share Purchase Agreements. Save for the approvals or authorizations to be obtained in accordance with the applicable law, the entering into or the performance of the Sixth Phase Share Purchase Agreements by the Seller and the Purchaser shall not violate any provisions set out in the business license, incorporation agreement, bye-laws or equivalent constitutional documents of the respective party and will not result in breach of the relevant law, government authorizations or approvals, or any contract which the Seller or the Purchaser is a party of; and
- (iv) the Shareholders have approved the Transactions.

Closing

The Closing shall take place within five Business Days from the release of the Existing Share Pledge.

Transition Period

The profits and losses of the Target Companies during the Transition Period shall be enjoyed and borne by the respective Target Company. The Seller undertake not to provide external guarantee or distribute dividend on behalf of the Target Companies during the Transition Period.

Pursuant to the Sixth Phase Share Purchase Agreements, the Purchaser shall engage an auditing agency to audit the financials of the Target Companies for Transition Period and prepare the Transition Period Audit Report within a month after the Closing Date. The Purchaser shall procure the Target Companies to pay the Net Payable Amount newly incurred during the Transition Period, which shall be determined in accordance with the Transition Period Audit Report, to the Seller within 20 days after the completion of the Transition Period Audit Report.

Termination

The Purchaser is entitled to terminate the respective Sixth Phase Share Purchase Agreement upon the occurrence of any of the following circumstances:

- (i) freeze of the equity or assets of the Target Companies during litigation or arbitration caused by the reasons of the Seller or the Target Companies before Closing, and the Seller fails to resolve such issue within 180 days from the effective date of the Sixth Phase Share Purchase Agreements; and
- (ii) undisclosed liabilities of the Target Companies with an amount exceeding RMB10 million identified before Closing and the Seller and the Target Companies fail to repay such liabilities before the Closing Date.

Upon the termination of the Sixth Phase Share Purchase Agreements, the Seller shall return the funds paid by the Purchaser to the Purchaser together with an interest calculated according to the market interest rate published by the National Interbank Funding Center (全國銀行間同業拆借中心).

3. INFORMATION ON THE PARTIES TO THE SIXTH PHASE SHARE PURCHASE AGREEMENTS

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.

Suzhou GCL New Energy

Suzhou GCL New Energy is a company incorporated in the PRC with limited liability and an indirect subsidiary of the Company. Suzhou GCL New Energy is principally engaged in photovoltaic power investment, investment management and consultation, business management consultation, technology development, technology transfer, technical advice related to photovoltaic power projects, and sales of photovoltaic materials and equipment. Suzhou GCL New Energy indirectly owns a majority of solar power plants of the Company in the PRC.

4. INFORMATION ON THE PURCHASER

Hunan Xinhua is a company established in the PRC with limited liability. Hunan Xinhua is mainly engaged in investment of power infrastructure and hydropower projects, consultancy services of hydropower technology and power projects, power business, contracting of mechanical engineering constructions and power facilities, as well as sale, design, development and maintenance of power and mechanical engineering equipment.

As confirmed by Hunan Xinhua and as at the date of this announcement, Hunan Xinhua is held as to approximately 99.63% by Xinhua Hydropower Company Limited* (新華水力發電有限公司) (“**Xinhua Hydropower**”) and approximately 0.37% by Hunan Sheng Hydropower Company Limited* (湖南省水利電力有限責任公司) (“**Hunan Sheng Hydropower**”). Xinhua Hydropower is owned as to (i) 55% by China National Nuclear Corporation* (中國核工業集團有限公司), which is in turn wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council in the PRC, and (ii) 45% by Xinhua Water Conservancy Holding Group Co., Ltd.* (新華水利控股集團有限公司), which is in turn wholly-owned by Comprehensive Affairs Bureau of the Ministry of Water Resources* (水利部綜合事業局) in the PRC. Hunan Sheng Hydropower is owned as to approximately 99.21% by Hunan Water Conservancy Development Investment Co., Ltd.* (湖南省水利發展投資有限公司), which is in turn indirectly owned as to approximately 91% by the State-owned Assets Supervision and Administration Commission of the People’s Government of Hunan Province in the PRC and approximately 9% by the People’s Government of Hunan Province.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Hunan Xinhua and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

5. INFORMATION ON THE TARGET GROUP

The table below sets out the information on the Target Companies under each of the Sixth Phase Share Purchase Agreements:

No. Share Purchase Agreements	Information on the Target Companies
I Gaotang GCL Jinghui Share Purchase Agreement	Gaotang GCL Jinghui is a company established in the PRC with limited liability, which is directly wholly-owned by Suzhou GCL New Energy and an indirect subsidiary of the Company. Gaotang GCL Jinghui is principally engaged in the operation of solar power plants in the PRC.
II Inner Mongolia Xiangdao New Energy Share Purchase Agreement	Inner Mongolia Xiangdao New Energy is a company established in the PRC with limited liability, which is owned as to 90.1% by Suzhou GCL New Energy and 9.9% by Inner Mongolia Xiaodao Ecological Agricultural, an independent third party to the Company. Inner Mongolia Xiangdao New Energy is an indirect subsidiary of the Company and principally engaged in the operation of solar power plants in the PRC.

Set out below is an extract of the audited financial statements prepared for the financial years ended 31 December 2021 and 31 December 2022 of each of the Target Companies prepared in accordance with China Accounting Standards:

Share Purchase Agreements	Target Companies	For the year ended 31 December			
		2022		2021	
		Profit/ (loss) before taxation	Profit/ (loss) after taxation	Profit/ (loss) before taxation	Profit/ (loss) after taxation
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
I	Gaotang GCL Jinghui	713	759	4,817	4,070
II	Inner Mongolia Xiangdao New Energy	(4,035)	(4,035)	(13,226)	(13,607)

The audited net assets as at the Reference Date (i.e. 31 December 2021) and unaudited net assets as at 31 December 2022 of the Target Companies amounted to approximately RMB387,239,000 and approximately RMB383,964,000, respectively.

Gaotang GCL Tiandiyuan is a company established in the PRC with limited liability. It is principally engaged in consulting and technology development of agricultural business. As at the date of this announcement, Gaotang GCL Tiandiyuan is wholly-owned by Gaotang GCL Jinghui.

The unaudited loss of Gaotang GCL Tiandiyuan for the year ended 31 December 2022 and 31 December 2021 is as follows:

For the year ended 31 December			
2022		2021	
Loss before taxation	Loss after taxation	Loss before taxation	Loss after taxation
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
22	22	68	68

The unaudited net assets as at the Reference Date and 31 December 2022 of Gaotang GCL Tiandiyuan amounted to approximately RMB565,000 and approximately RMB544,000, respectively.

6. FINANCIAL IMPACT OF THE TRANSACTIONS

Upon the Closing, the Target Group will cease to be subsidiaries of the Group, and the profit and loss, as well as the assets and liabilities of the Target Group will no longer be consolidated into the consolidated financial statements of the Group.

As at the date of this announcement, it is estimated that the Group will realise a net loss on the Sixth Phase Disposals of approximately RMB65,889,000 and such loss is calculated with reference to the difference between the sum of the Consideration of RMB336,000,000 and the net asset value of the Target Companies based on the audited financial statements of the Target Companies as at the Reference Date of approximately RMB387,239,000, after deducting expected Rectification Amount amounting to approximately RMB14,650,000. The actual loss as a result of the Sixth Phase Disposals to be recorded by the Group is subject to audit and will be reassessed after completion of the Sixth Phase Disposals.

7. USE OF PROCEEDS FROM THE TRANSACTIONS

The net cash proceeds from the Transactions (being the sum of (i) the Consideration amounting to approximately RMB336,000,000, (ii) the total Net Payable Amount amounting to approximately RMB1,103,755,860, minus (iii) expected maximum Rectification Amount amounting to approximately RMB14,650,000) is expected to be approximately RMB1,425,105,860, which the Company intends to use for debts repayment.

8. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Upon completion of the Transactions, the Target Group will no longer be subsidiaries of the Group, and the profit and loss as well as the assets and liabilities of the Target Group will no longer be consolidated into the consolidated financial statements of the Group. The liabilities of the Group will decrease by approximately RMB2,014,016,000. Meanwhile, the cash derived from the Transactions amounting to approximately RMB1,425,105,860 will be used for further repayment of debts, and the gearing ratio of the Group will decrease by approximately 9.8%, calculated with reference to the audited financial statements of the Group as at 31 December 2022, thus effectively reducing the financial risks.

The Transactions are one of the important steps taken by the Company to achieve its “transformation and upgrade” development objective and transformation to an asset-light model.

Solar power generating business is the principal business engaged by the Company. Solar power generating business is also a capital intensive industry, which highly relies on external financing in order to fund for the construction of solar power plants while the recovery of capital investment takes a long period of time. Given the Company highly relies on external financing in order to obtain investment capital for new solar power plant project development, any interest rate changes will have an impact on the capital expenditure and finance expenses of the Company, hence, affecting its operating results. Therefore, transformation into an asset-light model, being the business model adopted by the Company, is an effective way to reduce its debts and interest rate exposure. The Company intends to reinforce the strategic cooperation with domestic centralised management enterprises and local state-owned enterprises, including the Purchaser to achieve an asset-light model.

For the purpose of this section, the Remaining Group shall mean the Group after completion of the Sixth Phase Disposals.

The table below sets out the respective number of solar power plants operated by the Remaining Group and their respective locations upon the completion of the Sixth Phase Disposals:

Geographic location	Number of solar power plant(s)	Grid-connected Capacity (MW)
Jiangsu	2	23
Inner Mongolia	2	28
Henan	4	15
Shandong	3	83
Hebei	1	21
Jilin	4	51
Liaoning	3	60
Gansu	1	20
Guangdong	4	13
Shanghai	1	7
Fujian	3	56
Qinghai	4	98
United States	2	134
Total	34	609

Through the divestiture of the operational solar power plants of the Target Companies, the asset-light model allows the Group to optimize the finance structure by lowering gearing ratio as well as reducing debt and interest rate exposure.

In addition to optimising the finance structure under the asset-light model, the Group sought to explore opportunities to expand its business by providing more operation, management and maintenance services, in particular to other solar power plant operators in the PRC (including purchasers of certain solar power plant projects disposed by the Group), thereby generating an additional and stable source of income. As such, the Group could leverage on its established development strength, scientific research capabilities and extensive experience in intelligent operation in the solar energy development and power operation sector while continue to reduce its finance cost and the size of debts.

As of 31 December 2022, the Group had entered into various contracts to provide operation and maintenance services for solar power plants with total installed capacity of approximately 3,669 MW to successfully accomplish market-oriented reform and asset-light transformation.

Based on the above reasons and having considered all relevant factors, the Directors believe and consider that the terms of the Transactions are on normal commercial terms, are fair and reasonable and that the entering into of the Sixth Phase Share Purchase Agreements is in the interests of the Company and the Shareholders as a whole.

9. LISTING RULES IMPLICATIONS

As the Seller, Suzhou GCL Development and Shandong GCL New Energy, being the indirect subsidiaries of the Company, entered into the Fourth Phase Share Purchase Agreement, the Fifth Phase Share Purchase Agreements and the Sixth Phase Share Purchase Agreements with Xinhua Hydropower Group within a 12-month period, the Company is required to consider the effect of aggregation of the Fourth Phase Disposal, the Fifth Phase Disposals and the Sixth Phase Disposals as a series of transactions for the Company pursuant to Rule 14.22 of the Listing Rules.

Since the highest applicable percentage ratio in respect of the Disposals (on an aggregated basis) exceeds 75%, the entering into of the Sixth Phase Share Purchase Agreements constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

For the avoidance of doubt, the Seller is not obliged to acquire the Inner Mongolia Xiangdao Subsequent Sale Shares from Inner Mongolia Xiangdao Ecological Agricultural under the Inner Mongolia Xiangdao New Energy Share Purchase Agreement. The Company will comply with the Listing Rules as and when such acquisition constitutes a notifiable transaction under the Listing Rules.

10. GENERAL

The SGM will be convened for the Shareholders to consider and, if thought fit, approve the Transactions and the entering into and performance of obligations under the Sixth Phase Share Purchase Agreements. A circular, which will include, among other things, further details of the Transactions and the transactions contemplated under the Sixth Phase Share Purchase Agreements, is expected to be despatched to the Shareholders on or before 30 June 2023 as additional time is required to prepare the information to be disclosed in the circular.

11. DEFINITIONS

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

“affiliates”	for the purpose of this announcement, means affiliates of the Target Companies, which shall include Suzhou GCL New Energy
“Amount Payable”	the amount payable (if any) by the Target Companies to the Seller and its affiliates (if applicable, including other subsidiaries of the Company) under the Sixth Phase Share Purchase Agreements
“Amount Receivable”	the amount receivable (if any) by the Target Companies from the Seller and its affiliates (if applicable, including other subsidiaries of the Company) under the Sixth Phase Share Purchase Agreements
“Announcement”	the announcement of the Company dated 2 January 2023 in relation to the Fifth Phase Disposals
“Board”	the board of Directors
“Business Day”	a day on which banks in China are open for general commercial business, other than a Saturday, Sunday or public holiday in the PRC
“Closing”	for Gaotang GCL Jinghui Share Purchase Agreement, the closing in respect of the disposal of Gaotang GCL Jinghui Sale Shares; for Inner Mongolia Xiangdao New Energy Share Purchase Agreement, the closing in respect of the disposal of Inner Mongolia Xiangdao Initial Sale Shares
“Closing Date”	for Gaotang GCL Jinghui Share Purchase Agreement, the date of issuance as stated on the new business certificate of Gaotang GCL Jinghui upon the completion of the Registration Procedures in respect of the disposal of Gaotang GCL Jinghui Sale Shares; for Inner Mongolia Xiangdao New Energy Share Purchase Agreement, the date of issuance as stated on the new business certificate of Inner Mongolia Xiangdao New Energy upon the completion of the Registration Procedures in respect of the disposal of Inner Mongolia Xiangdao Initial Sale Shares

“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 Main Board of the Stock Exchange, with stock code 451
“connected persons”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Sixth Phase Disposals
“Directors”	the directors of the Company
“Disposals”	the Fourth Phase Disposal, the Fifth Phase Disposals and the Sixth Phase Disposals
“Existing Share Pledge”	the pledges of the Gaotang GCL Jinghui Sale Shares and the Inner Mongolia Xiangdao Initial Sale Shares by the Seller to a bank
“Fifth Phase Disposals”	the disposal of the entire equity interest in Dengkou GCL Photovoltaic and 51% equity interest in Yuncheng Xinhua Energy Development
“Fifth Phase Share Purchase Agreements”	the two equity transfer agreements dated 31 December 2022 entered into between Suzhou GCL Development, Shandong GCL New Energy and Hunan Xinhua in relation to the Fifth Phase Disposals
“First Phase Disposals”	the disposal of the entire equity interest in Shenmu Pingyuan Power Co., Ltd.* (神木市平元電力有限公司), Shenmu Pingxi Power Co., Ltd.* (神木市平西電力有限公司), Shenmu County Jingdeng Power Co., Ltd.* (神木縣晶登電力有限公司) and Xixian New District GCL Photovoltaic Power Co., Ltd.* (西咸新區協鑫光伏電力有限公司) by stages
“Fourth Phase Disposal”	the disposal of the entire equity interest of Ningxia Shengjing by stages as contemplated under the Fourth Phase Share Purchase Agreement
“Fourth Phase Share Purchase Agreement”	an equity transfer agreement dated 21 March 2022 entered into between Suzhou GCL New Energy and Hunan Xinhua in relation to the sale of the entire equity interest of Ningxia Shengjing by stages

“Gaotang GCL Jinghui”	Gaotang GCL Jinghui Photovoltaic Power Co., Ltd.* (高唐縣協鑫晶輝光伏有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Suzhou GCL New Energy and an indirect subsidiary of the Company as at the date of this announcement
“Gaotang GCL Jinghui Sale Shares”	the entire equity interest in Gaotang GCL Jinghui held by the Seller as at the date of this announcement
“Gaotang GCL Jinghui Share Purchase Agreement”	an equity transfer agreement dated 19 May 2023 entered into between the Purchaser and the Seller in relation to the sale of the entire equity interest of Gaotang GCL Jinghui
“Gaotang GCL Tiandiyuan”	Gaotang GCL Tiandiyuan Agricultural Development Co., Ltd.* (高唐縣協鑫天地源農業開發有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company which is wholly-owned by Gaotang GCL Jinghui as at the date of this announcement
“Group”	the Company and its subsidiaries
“Handover of Account Passwords and Seals”	handover of online encryption keys of all bank accounts and all corporate seals of the Target Companies by the Seller or the Target Companies to the Purchaser
“Handover of Assets and Information”	handover of all assets and information of the Target Companies, including but not limited to financial data, project approval data, engineering data and maintenance data by the Seller or the Target Companies to the Purchaser
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hunan Xinhua” or “Purchaser”	Hunan Xinhua Water Conservancy and Electric Power Co., Ltd.* (湖南新華水利電力有限公司), a company established in the PRC with limited liability and an independent third party to the Company

“Inner Mongolia Xiangdao Ecological Agriculture”	Inner Mongolia Xiangdao Ecological Agriculture Development Co., Ltd.* (內蒙古香島生態農業開發有限公司), a company established in the PRC with limited liability, and a minority shareholder of Inner Mongolia Xiangdao New Energy which held the Sixth Phase Subsequent Sale Shares as at this date of this announcement. As at the date of this announcement and based on the public information available, Inner Mongolia Xiangdao Ecological Agriculture is held as to (i) approximately 54.37% directly by Liu Yongliang (劉永良), (ii) approximately 25.94% indirectly by Hong Yushen (洪育慎) and (iii) approximately 19.68% directly by Bai Yuying (白玉英), respectively
“Inner Mongolia Xiangdao New Energy”	Inner Mongolia Xiangdao New Energy Development Co., Ltd.* (內蒙古香島新能源發展有限公司), a company established in the PRC with limited liability, which is directly owned as to 90.1% by Suzhou GCL New Energy and 9.9% by Inner Mongolia Xiangdao Ecological Agricultural, an independent third party to the Company, and an indirect subsidiary of the Company as at the date of this announcement
“Inner Mongolia Xiangdao New Energy Share Purchase Agreement”	an equity transfer agreement dated 19 May 2023 entered into between the Purchaser and the Seller in relation to the Inner Mongolia Xiangdao Initial Sale Shares and Inner Mongolia Xiangdao Subsequent Sale Shares
“Inner Mongolia Xiangdao Initial Sale Shares”	90.1% equity interest in Inner Mongolia Xiangdao New Energy held by the Seller as at the date of this announcement
“Inner Mongolia Xiangdao Subsequent Sale Shares”	9.9% equity interest in Inner Mongolia Xiangdao New Energy held by Inner Mongolia Xiangdao Ecological Agricultural as at the date of this announcement, which may be acquired by the Seller before disposing the same to the Purchaser
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatt(s)
“Net Payable Amount”	the amount equivalent to the difference between the Amount Payable and the Amount Receivable in the event that the Amount Payable is more than the Amount Receivable

“Net Receivable Amount”	the amount equivalent to the difference between the Amount Payable and the Amount Receivable in the event that the Amount Payable is less than the Amount Receivable
“Ningxia Hanguang”	Ningxia Hanguang New Energy Co., Ltd.* (寧夏含光新能源有限公司), a company established in the PRC with limited liability and an independent third party to the Company
“Ningxia Shengjing”	Ningxia Shengjing Solar Power Technology Company Limited (寧夏盛景太陽能科技有限公司), a company established in the PRC with limited liability and ceased to be an indirect subsidiary of the Company in June 2022
“PRC”	the People’s Republic of China, and for the purpose of this joint announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Previous De Minimis Disposal”	the disposal of the entire equity interest in Yanyuan Xian Baiwu New Energy Technology Co., Ltd.* (鹽源縣白烏新能源科技有限公司)
“Previous Disposals”	the Previous De Minimis Disposal, the First Phase Disposals, the Second Phase Disposals and the Third Phase Disposal
“Rectification Amount”	the agreed rectification amount for the engineering and compliance defects of the Target Companies under the Sixth Phase Share Purchase Agreements
“Reference Date”	31 December 2021
“Registration Procedures”	the registration procedures in respect of the change of shareholders of the Target Companies and other relevant filing procedures in respect of the Sixth Phase Disposals in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the Gaotang GCL Jinghui Sale Shares, the Inner Mongolia Xiangdao Initial Sale Shares and the Inner Mongolia Xiangdao Subsequent Sale Shares
“Second Phase Disposals”	the disposal of the entire equity interest in Shenmu Jingfu Power Co., Ltd.* (神木市晶富電力有限公司) and Shenmu Jingpu Power Co., Ltd.* (神木市晶普電力有限公司) by stage

“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Sixth Phase Disposals and the entering into and performance of obligations under the Sixth Phase Share Purchase Agreements
“Shandong GCL New Energy”	Shandong GCL New Energy Co., Ltd.*(山東協鑫新能源有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company as at the date of this announcement
“Shareholders”	the shareholders of the Company
“Sixth Phase Share Purchase Agreements”	the Gaotang GCL Jinghui Share Purchase Agreement and the Inner Mongolia Xiangdao New Energy Share Purchase Agreement
“Sixth Phase Disposals”	the proposed disposals of the Sale Shares by the Seller to the Purchaser as contemplated under the Sixth Phase Share Purchase Agreements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou GCL Development”	Suzhou GCL New Energy Development Co., Ltd.* (蘇州協鑫新能源發展有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company as at the date of this announcement
“Suzhou GCL New Energy” or “Seller”	Suzhou GCL New Energy Investment Co., Ltd.* (蘇州協鑫新能源投資有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company as at the date of this announcement
“Target Companies”	Gaotang GCL Jinghui and Inner Mongolia Xiangdao New Energy
“Target Group”	the Target Companies and Gaotang GCL Tiandiyuan
“Third Phase Disposal”	the disposal of the entire equity interest in Ningxia Xinken Jianquan Photovoltaic Power Company Limited* (寧夏鑫墾簡泉光伏電力有限公司)
“Transactions”	the transactions contemplated under the Sixth Phase Share Purchase Agreements
“Transition Period”	the period between the Reference Date and the Closing Date

“Transition Period Audit Report”	the closing audit report prepared by an auditing agency appointed by the Purchaser to audit the financial status of the Target Companies in the period from the Reference Date to the Closing Date in accordance with the Sixth Phase Share Purchase Agreements
“Xinhua Hydropower Group”	Hunan Xinhua and Ningxia Hanguang, which are owned as to approximately 99.63% and 42% by Xinhua Hydropower, respectively and whose decisions to entered into the Previous Disposals, the Fourth Phase Disposal, the Fifth Phase Disposals and the Sixth Phase Disposals are subject to the approval of Xinhua Hydropower

* *All of the English titles or names of the PRC entities, as well as certain items contained in this announcement have been included for identification purpose only and may not necessarily be the official English translations of the corresponding Chinese titles or names. If there is any inconsistency between the English translations and the Chinese titles or names, the Chinese titles or names shall prevail.*

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, 19 May 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.