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IRICO

彩虹集團新能源股份有限公司

IRICO GROUP NEW ENERGY COMPANY LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0438)

DISCLOSEABLE AND CONNECTED TRANSACTIONS ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENTS

The Board announces that on 24 May 2019, the Company, Hefei Photovoltaic and IRICO New Material entered into the Accounts Receivable Assignment Agreement I, the Accounts Receivable Assignment Agreement II and the Accounts Receivable Assignment Agreement III with CEC, respectively, pursuant to which the Company, Hefei Photovoltaic and IRICO New Material have agreed to transfer the Subject Assets I, the Subject Assets II and the Subject Assets III to CEC at considerations of RMB14,238,601.45, RMB36,238,527.33 and RMB27,900,768.28, respectively.

As at the date of this announcement, CEC, the ultimate controlling Shareholder of the Company indirectly holding approximately 73.15% of the issued share capital of the Company through IRICO Group and its subsidiary, Rui Bou Electronics (HK) Limited, is a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the Accounts Receivable Assignment Agreements constitute connected transactions of the Company under the Listing Rules. Meanwhile, the transactions contemplated under the Accounts Receivable Assignment Agreements shall be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Accounts Receivable Assignment Agreements, when aggregated with the Previous Transaction, exceeds 5% but is less than 25%, such transactions constitute discloseable and connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other matters, the details of the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder, the opinion and recommendation of the Independent Board Committee and the letter from the Independent Financial Adviser will be issued by the Company. As additional time is required to prepare and finalise the information to be included in the circular, the Company will dispatch the circular to the Shareholders no later than 30 June 2019 in accordance with Rule 19A.39A of the Listing Rules.

I. INTRODUCTION

The Board announces that on 24 May 2019, the Company, Hefei Photovoltaic and IRICO New Material entered into the Accounts Receivable Assignment Agreement I, the Accounts Receivable Assignment Agreement II and the Accounts Receivable Assignment Agreement III with CEC, respectively, pursuant to which the Company, Hefei Photovoltaic and IRICO New Material have agreed to transfer the Subject Assets I, the Subject Assets II and the Subject Assets III to CEC at considerations of RMB14,238,601.45, RMB36,238,527.33 and RMB27,900,768.28, respectively.

II. THE ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENT I

The main contents of the Accounts Receivable Assignment Agreement I are set out as follows:

Date: 24 May 2019

Parties: (i) the Company as the assignor, and
(ii) CEC as the assignee

Subject Assets: Pursuant to the Accounts Receivable Assignment Agreement I, the Subject Assets I represent the accounts receivable and their ancillary security interests (if any) of the Company against the relevant payment obligors under the sales agreements and the Accounts Receivable Assignment Agreement I. Details of the Subject Assets I shall be subject to the list of the Subject Assets to be provided by the Company prior to the Purchase Date.

Pursuant to the Accounts Receivable Assignment Agreement I, on the Purchase Date, the Company shall transfer to CEC the following assets or interests commencing from the Benchmark Date (inclusive):

(i) all titles and related interests (present and future, existing and contingent) of the Subject Assets I held by the Company;

- (ii) all the repayments, due or to become due, attributable to the Subject Assets I;
- (iii) the proceeds from recovery, sale or otherwise disposal of the Subject Assets I;
- (iv) the rights to request, sue, recover and receive all the payments in relation to the Subject Assets I (no matter whether such payments are payable by the payment obligors under the sales agreements); and
- (v) the interests arising from commitments in relation to the Subject Assets I and enforcement rights of all the rights and legal remedies arising from the Subject Assets I.

Consideration: Pursuant to the Accounts Receivable Assignment Agreement I, the consideration for transfer of the Subject Assets I to CEC is RMB14,238,601.45.

The consideration was determined based on arm's length negotiations between the Company and CEC with reference to the carrying value of the Subject Assets I in the accounts (i.e. RMB14,962,445.86).

Payment: The consideration shall be paid at the time and in the manner otherwise agreed upon by the Company and CEC prior to the Purchase Date.

Delivery: CEC shall, on the completion date of the establishment of the Asset-backed Special Plan pursuant to relevant asset management agreements, pay the consideration to the Company pursuant to the Accounts Receivable Assignment Agreement I, while the Company shall enter into the delivery confirmation letter with CEC. The entering into of the delivery confirmation letter shall be deemed as the confirmation of the delivery of the Subject Assets I by both parties, which shall become effective immediately upon duly signed or executed by the legal representatives or the authorized representatives of both parties and sealed with their respective chops, and shall be legally binding on both parties.

Effectiveness: The Accounts Receivable Assignment Agreement I shall become effective upon duly signed or executed by the legal representatives or the authorized representatives of both parties.

III. ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENT II

The main contents of the Accounts Receivable Assignment Agreement II are set out as follows:

Date: 24 May 2019

Parties: (1) Hefei Photovoltaic as the assignor, and
(2) CEC as the assignee

Subject Assets: Pursuant to the Accounts Receivable Assignment Agreement II, the Subject Assets II represent the accounts receivable and their ancillary security interests (if any) of Hefei Photovoltaic against the relevant payment obligors under the sales agreements and the Accounts Receivable Assignment Agreement II. Details of the Subject Assets II shall be subject to the list of the Subject Assets to be provided by Hefei Photovoltaic prior to the Purchase Date.

Pursuant to the Accounts Receivable Assignment Agreement II, on the Purchase Date, Hefei Photovoltaic shall transfer to CEC the following assets or interests commencing from the Benchmark Date (inclusive):

- (i) all titles and related interests (present and future, existing and contingent) of the Subject Assets II held by Hefei Photovoltaic;
- (ii) all the repayments, due or to become due, attributable to the Subject Assets II;
- (iii) the proceeds from recovery, sale or otherwise disposal of the Subject Assets II;
- (iv) the rights to request, sue, recover and receive all the payments in relation to the Subject Assets II (no matter whether such payments are payable by the payment obligors under the sales agreements); and
- (v) the interests arising from commitments in relation to the Subject Assets II and enforcement rights of all the rights and legal remedies arising from the Subject Assets II.

Consideration: Pursuant to the Accounts Receivable Assignment Agreement II, the consideration for transfer of the Subject Assets II to CEC is RMB36,238,527.33.

The consideration was determined based on arm's length negotiations between Hefei Photovoltaic and CEC with reference to the carrying value of the Subject Assets II in the accounts (i.e. RMB38,068,468.00).

Payment: The consideration shall be paid at the time and in the manner otherwise agreed upon by Hefei Photovoltaic and CEC prior to the Purchase Date.

Delivery: CEC shall, on the completion date of the establishment of the Asset-backed Special Plan pursuant to relevant asset management agreements, pay the consideration to Hefei Photovoltaic pursuant to the Accounts Receivable Assignment Agreement II, while Hefei Photovoltaic shall enter into the delivery confirmation letter with CEC. The entering into of the delivery confirmation letter shall be deemed as the confirmation of the delivery of the Subject Assets II by both parties, which shall become effective immediately upon duly signed or executed by the legal representatives or the authorized representatives of both parties and sealed with their respective chops, and shall be legally binding on both parties.

Effectiveness: The Accounts Receivable Assignment Agreement II shall become effective upon duly signed or executed by the legal representatives or the authorized representatives of both parties.

IV. ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENT III

The main contents of the Accounts Receivable Assignment Agreement III are set out as follows:

Date: 24 May 2019

Parties: (1) IRICO New Material as the assignor, and
(2) CEC as the assignee

Subject Assets: Pursuant to the Accounts Receivable Assignment Agreement III, the Subject Assets III represent the accounts receivable and their ancillary security interests (if any) of IRICO New Material against the relevant payment obligors under the sales agreements and the Accounts Receivable Assignment Agreement III. Details of the Subject Assets III shall be subject to the list of the Subject Assets to be provided by IRICO New Material prior to the Purchase Date.

Pursuant to the Accounts Receivable Assignment Agreement III, on the Purchase Date, IRICO New Material shall transfer to CEC the following assets or interests commencing from the Benchmark Date (inclusive):

- (i) all titles and related interests (present and future, existing and contingent) of the Subject Assets III held by IRICO New Material;
- (ii) all the repayments, due or to become due, attributable to the Subject Assets III;
- (iii) the proceeds from recovery, sale or otherwise disposal of the Subject Assets III;
- (iv) the rights to request, sue, recover and receive all the payments in relation to the Subject Assets III (no matter whether such payments are payable by the payment obligors under the sales agreements); and
- (v) the interests arising from commitments in relation to the Subject Assets III and enforcement rights of all the rights and legal remedies arising from the Subject Assets III.

Consideration: Pursuant to the Accounts Receivable Assignment Agreement III, the consideration for transfer of the Subject Assets III to CEC is RMB27,900,768.28.

The consideration was determined based on arm's length negotiations between IRICO New Material and CEC with reference to the carrying value of the Subject Assets III in the accounts (i.e. RMB29,412,080.23).

Payment: The consideration shall be paid at the time and in the manner otherwise agreed upon by IRICO New Material and CEC prior to the Purchase Date.

Delivery: CEC shall, on the completion date of the establishment of the Asset-backed Special Plan pursuant to relevant asset management agreements, pay the consideration to IRICO New Material pursuant to the Accounts Receivable Assignment Agreement III, while IRICO New Material shall enter into the delivery confirmation letter with CEC. The entering into of the delivery confirmation letter shall be deemed as the confirmation of the delivery of the Subject Assets III by both parties, which shall become effective immediately upon duly signed or executed by the legal representatives or the authorized representatives of both parties and sealed with their respective chops, and shall be legally binding on both parties.

Effectiveness: The Accounts Receivable Assignment Agreement III shall become effective upon duly signed or executed by the legal representatives or the authorized representatives of both parties.

V. GENERAL INFORMATION

(i) The Company

The Company is principally engaged in the construction and operation of solar power plants; the research, development, production and sales of solar photovoltaic glass, solar cell modules and relevant products, upstream materials of lithium batteries and materials relevant to flat panel displays; and the processing of quartz sands, an upstream material for photovoltaic glass.

(ii) Hefei Photovoltaic

Hefei Photovoltaic is principally engaged in the investment and development of new energy industries and solar power projects; and the construction, operation and management as well as contracting of solar photovoltaic power plant projects.

(iii) IRICO New Material

IRICO New Material is principally engaged in production of various luminous materials for display devices and lighting devices; electronic paste; various battery materials for 3C products and electrical vehicles; target materials for TFT-LED, photoresists and other functional chemicals; various coating fluids for photovoltaic glass; sales of self-produced products; wholesale of coal; wholesale of chemical materials; and self-operated and commissioned import and export of goods.

(iv) CEC

CEC is principally engaged in the research, development, service and transfer of electronic information technology; investment in information industry, real estate industry, commerce and trade business with self-owned capital and assets (non-monetary assets) operation and management services; property management; import and export; purchase and sales of LCD glass substrate, glass products and raw materials, photovoltaic products, components and raw materials, electronic products and raw materials, metal materials, common parts, chemical products (excluding hazardous chemicals), rubber, plastic products, electromechanical equipment (excluding special equipment), paper products, timber, steel, construction materials, coal, mineral products (excluding commodities under special government control), electric wires and cables; storage and logistic services.

VI. REASONS FOR AND BENEFITS OF ENTERING INTO THE ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENTS

The Board believes that the transfer of the Subject Assets will help revitalize such assets, control the risk of accounts receivable, reduce the amount of accounts receivable so as to optimize the Company's asset structure, increase liquidity and improve capital efficiency and financial condition of the Company, thereby optimizing the financial statements of the Company.

In light of the above reasons, the Directors (excluding the independent non-executive Directors, whose opinion on the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder will be set forth in the circular by reference to the advice of the Independent Financial Adviser in this regard) are of the view that the terms and conditions of the Accounts Receivable Assignment Agreements are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

The Group expects to recognize financing costs for the transactions contemplated under the Accounts Receivable Assignment Agreements of RMB4,065,097.03 (subject to audit), which is calculated based on the considerations for the transfer of the Subject Assets less the carrying value of the Subject Assets in the accounts.

The proceeds raised from the transfer of the Subject Assets will be used to fund the Company's solar photovoltaic glass projects.

VII. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CEC, the ultimate controlling Shareholder of the Company indirectly holding approximately 73.15% of the issued share capital of the Company through IRICO Group and its subsidiary, Rui Bou Electronics (HK) Limited, is a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the Accounts Receivable Assignment Agreements constitute connected transactions of the Company under the Listing Rules. Meanwhile, the transactions contemplated under the Accounts Receivable Assignment Agreements shall be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

Reference is made to the circular of the Company dated 1 June 2018 in relation to the transfer of 51% equity interest in Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠寶業有限公司) by the Company to Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) (the “**Previous Transaction**”). As the highest applicable percentage ratio in respect of the transactions contemplated under the Accounts Receivable Assignment Agreements, when aggregated with the Previous Transaction, exceeds 5% but is less than 25%, such transactions constitute discloseable and connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Certain Directors, namely, Mr. Si Yuncong and Mr. Fan Laiying, may be considered as having a material interest in the transactions contemplated under the Accounts Receivable Assignment Agreements by virtue of their senior positions in IRICO Group as at the date of this announcement. As such, they have abstained from voting on the Board resolution approving the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder. Save as mentioned above, none of the other Directors has a material interest in the transactions contemplated under the Accounts Receivable Assignment Agreements and thus no other Director has abstained from voting on such Board resolution.

VIII. EGM

The Board will convene the EGM for the Independent Shareholders to consider and, if appropriate, to approve the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder. An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders in this regard. An Independent Financial Adviser, Octal Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Listing Rules.

CEC and its associates will be required to abstain from voting on the resolution approving the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder at the EGM. Save as mentioned above, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the transactions contemplated under the Accounts Receivable Assignment Agreements and therefore no other Shareholder will be required to abstain from voting to approve the resolution regarding such transactions at the EGM. The resolution on approving the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder will be passed by way of an ordinary resolution and voting will be conducted by way of poll in accordance with the requirements of the Listing Rules.

A circular containing, among other matters, the details of the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder, the opinion and recommendation of the Independent Board Committee and the letter from the Independent Financial Adviser will be issued by the Company. As additional time is required to prepare and finalise the information to be included in the circular, the Company will dispatch the circular to the Shareholders no later than 30 June 2019 in accordance with Rule 19A.39A of the Listing Rules.

IX. DEFINITIONS

Unless the context otherwise requires, the following terms used in this announcement shall have the following meanings:

“Accounts Receivable Assignment Agreements”	Accounts Receivable Assignment Agreement I, Accounts Receivable Assignment Agreement II and Accounts Receivable Assignment Agreement III
“Accounts Receivable Assignment Agreement I”	the accounts receivable assignment agreement I dated 24 May 2019 entered into between the Company and CEC in relation to the transfer of the Subject Assets I by the Company to CEC
“Accounts Receivable Assignment Agreement II”	the accounts receivable assignment agreement II dated 24 May 2019 entered into between Hefei Photovoltaic and CEC in relation to the transfer of the Subject Assets II by Hefei Photovoltaic to CEC
“Accounts Receivable Assignment Agreement III”	the accounts receivable assignment agreement III dated 24 May 2019 entered into between IRICO New Material and CEC in relation to the transfer of the Subject Assets III by IRICO New Material to CEC
“Asset-backed Special Plan”	an asset-backed special plan to be established by CEC, pursuant to which CEC proposes to utilize the Subject Assets as principal assets after completion of the transactions contemplated under the Accounts Receivable Assignment Agreements

“Benchmark Date”	the date on which the accounts receivable was assigned to the assets of CEC, namely 30 April 2019
“Board”	the board of Directors
“CEC”	China Electronics Corporation* (中國電子信息產業集團有限公司), a wholly state-owned company incorporated in the PRC and the ultimate controlling Shareholder holding approximately 73.15% of the issued share capital of the Company through IRICO Group and its subsidiary, Rui Bou Electronics (HK) Limited (瑞博電子(香港)有限公司), as at the date of this announcement
“Company”	IRICO Group New Energy Company Limited* (彩虹集團新能源股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on The Stock Exchange of Hong Kong Limited
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting to be convened and held by the Company to consider and, if appropriate, to approve the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hefei Photovoltaic”	IRICO (Hefei) Photovoltaic Co., Ltd.* (彩虹(合肥)光伏有限公司), a wholly-owned subsidiary of the Company as at the date of this announcement

“Independent Board Committee”	the committee of Directors of the Company consisting of Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng, who are independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder
“Independent Financial Adviser”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than CEC and its associates (including IRICO Group and its subsidiary, Rui Bou Electronics (HK) Limited) who will abstain from voting on the resolution with respect to the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder at the EGM
“IRICO Group”	IRICO Group Company Limited* (彩虹集團有限公司), a wholly state-owned enterprise and the controlling Shareholder of the Company, directly and indirectly holding approximately 73.15% of the issued share capital of the Company as at the date of this announcement
“IRICO New Material”	Shaanxi IRICO New Material Company Limited* ((陝西彩虹新材料有限公司), a wholly-owned subsidiary of the Company as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“Purchase Date”	the date on which the Asset-backed Special Plan is established
“RMB”	Renminbi, the lawful currency of China
“Shareholder(s)”	holder(s) of the shares of the Company
“Subject Assets”	Subject Assets I, Subject Assets II and Subject Assets III
“Subject Assets I”	has the meaning set out under the section headed “THE ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENT I – Subject Assets” in this announcement
“Subject Assets II”	has the meaning set out under the section headed “THE ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENT II – Subject Assets” in this announcement
“Subject Assets III”	has the meaning set out under the section headed “THE ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENT III – Subject Assets” in this announcement
“%”	per cent

By order of the Board
IRICO Group New Energy Company Limited*
Si Yuncong
Chairman

Shaanxi Province, the PRC
24 May 2019

As at the date of this announcement, the Board consists of Mr. Si Yuncong and Mr. Chen Xiaoning as executive Directors, Mr. Fan Laiying as non-executive Director, and Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng as independent non-executive Directors.

* For identification purpose only