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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 TRANSACTION AND
CONNECTED TRANSACTIONS
FINANCE LEASE CONTRACT AND GUARANTEE CONTRACT**

The Board announces that on 8 January 2020, Hefei Photovoltaic and IRICO Group, entered into the Finance Lease Contract with CGNPC Leasing, pursuant to which CGNPC Leasing has agreed to, among others (i) purchase the Leased Assets from Hefei Photovoltaic and IRICO Group at the consideration of RMB150,000,000, which will be paid to Hefei Photovoltaic in one lump sum; and (ii) lease back the Leased Assets to Hefei Photovoltaic and IRICO Group for a term of 36 months commencing from the Lease Date at an estimated lease amount of approximately RMB163,853,120.52, which will be paid by Hefei Photovoltaic to CGNPC Leasing in 12 equal instalments. On the same date, Zhongdian IRICO entered into the Guarantee Contract in favour of CGNPC Leasing with CGNPC Leasing, pursuant to which, Zhongdian IRICO has agreed to provide an irrevocable joint and several liability guarantee for all debts of Hefei Photovoltaic and IRICO Group under the Finance Lease Contract to CGNPC Leasing.

As the highest applicable percentage ratio in respect of the transaction contemplated by Hefei Photovoltaic and CGNPC Leasing under the Finance Lease Contract exceeds 5% but is less than 25%, such transaction constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the date of the Announcement, Zhongdian IRICO is directly held by CEC (the ultimate controlling Shareholder of the Company) and IRICO Group (the controlling Shareholder of the Company) for 72.08% and 27.92% respectively and is an associate of CEC and IRICO Group. Accordingly, IRICO Group and Zhongdian IRICO are connected persons of the Company under Chapter 14A of the Listing Rules. The transaction contemplated by Hefei Photovoltaic and IRICO Group under the Finance Lease Contract and the transaction contemplated under the Guarantee Contract amount to that IRICO Group and Zhongdian IRICO provide financial assistance for the interests of the Group. The financial assistance is on normal commercial terms or better which is in the Group's interests, and the Group does not provide any assets as security for such financial assistance in favour of IRICO Group and Zhongdian IRICO. Therefore, pursuant to Rule 14A.90 of the Listing Rules, such transactions are exempt from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. INTRODUCTION

The Board announces that on 8 January 2020, Hefei Photovoltaic and IRICO Group, entered into the Finance Lease Contract with CGNPC Leasing, pursuant to which CGNPC Leasing has agreed to, among others (i) purchase the Leased Assets from Hefei Photovoltaic and IRICO Group at the consideration of RMB150,000,000, which will be paid to Hefei Photovoltaic in one lump sum; and (ii) lease back the Leased Assets to Hefei Photovoltaic and IRICO Group for a term of 36 months commencing from the Lease Date at an estimated lease amount of approximately RMB163,853,120.52, which will be paid by Hefei Photovoltaic to CGNPC Leasing in 12 equal instalments. On the same date, Zhongdian IRICO entered into the Guarantee Contract in favour of CGNPC Leasing with CGNPC Leasing, pursuant to which, Zhongdian IRICO has agreed to provide an irrevocable joint and several liability guarantee for all debts of Hefei Photovoltaic and IRICO Group under the Finance Lease Contract to CGNPC Leasing.

II. FINANCE LEASE CONTRACT

The principal terms of the Finance Lease Contract are set out below:

Date	8 January 2020
Parties	(i) Sellers/Co-lessees: Hefei Photovoltaic and IRICO Group; and (ii) Purchaser/Lessor: CGNPC Leasing

Leased Assets Being certain equipment in the plants of Hefei Photovoltaic and IRICO Group, comprising certain CX03 line equipment, calender, dosing system equipment, kiln masonry, rotary brick, etc.

Consideration for transfer of the Leased Assets and payment thereof The total consideration for transfer of the Leased Assets is RMB150,000,000, which was determined after arm's length negotiations among the parties with reference to the net value of the Leased Assets as of 30 June 2019 (i.e. RMB260,116,631.84).

Upon fulfilment of the following conditions, CGNPC Leasing shall pay the consideration for transfer of the Leased Assets to Hefei Photovoltaic in one lump sum within 15 business days:

- (1) Hefei Photovoltaic and IRICO Group having provided CGNPC Leasing with their latest business licenses, Articles of Association, and corporate documents, power of attorney and relevant governmental approval documents (if required) required for signing and executing the Finance Lease Contract;
- (2) Hefei Photovoltaic and IRICO Group having provided CGNPC Leasing with the purchase certificates, product qualification certificates, ownership transfer certificates of the Leased Assets and other necessary documents that can prove Hefei Photovoltaic and IRICO Group have complete ownership of the Leased Assets;
- (3) CGNPC Leasing having received the lease security deposit as agreed under the Finance Lease Contract (as specified below);
- (4) the Finance Lease Contract and the Guarantee Contract having been signed and becoming effective;
- (5) Hefei Photovoltaic and IRICO Group having completed the relevant registration procedures for the transfer of ownership of the Leased Assets (if required), and having issued an ownership transfer confirmation on transfer of the Leased Assets to CGNPC Leasing;

- (6) there being no occurrence of any event of default by Hefei Photovoltaic and IRICO Group under the Finance Lease Contract and any other contracts entered into with CGNPC Leasing;
- (7) the relevant documents that prove the effectiveness of insurance having been received (if any);
- (8) CGNPC Leasing having received the receipt of the consideration for transfer of the Leased Assets issued by Hefei Photovoltaic and IRICO Group;
- (9) CGNPC Leasing having received the payment application letter issued by Hefei Photovoltaic and IRICO Group; and
- (10) at the time of payment by CGNPC Leasing, there being no material change in the national fiscal and taxation policy, financial policy and capital supervision measures since the entering into of the Finance Lease Contract.

CGNPC Leasing may, at its discretion, decide to waive, on a temporary or permanent basis, any of the aforementioned conditions.

Lease period

36 months commencing from the Lease Date

Lease amount and payment thereof

The total lease amount payable to CGNPC Leasing under the Finance Lease Contract is approximately RMB163,853,120.52, which shall be paid by Hefei Photovoltaic in 12 equal instalments over the lease period. The estimated total lease amount payable includes:

- (1) the total principal lease amount of RMB150,000,000; and
- (2) the estimated total interest of RMB13,853,120.52. The interest is calculated at a floating interest rate and will be referenced to the RMB benchmark interest rate for 3-5 year loans as promulgated by the People's Bank of China from time to time plus a margin of 15%.

The lease amount under the Finance Lease Contract was determined after arm's length negotiations among the parties with reference to the average market interest rate and the transaction terms.

Lease security deposit

An aggregate amount of RMB7,500,000, which shall be paid in one lump sum by Hefei Photovoltaic to CGNPC Leasing prior to the Lease Date. As agreed by CGNPC Leasing, the security deposit may be used to set off against the lease amount payable by Hefei Photovoltaic. Upon the expiry of the lease period, CGNPC Leasing shall refund the balance of the security deposit (if any) to Hefei Photovoltaic if all the payables under the Finance Lease Contract have been settled.

Ownership of the Leased Assets

From the date of issuing the ownership transfer confirmation on transfer of the Leased Assets by Hefei Photovoltaic and IRICO Group, the ownership of the Leased Assets shall be transferred to CGNPC Leasing. Upon expiry of the lease period, the ownership of the Leased Assets will be transferred back to Hefei Photovoltaic and IRICO Group after the payment by Hefei Photovoltaic of (1) all the payables under the Finance Lease Contract, and (2) the repurchase price of the Leased Assets (being RMB10,000).

Guarantee

On the same date, Zhongdian IRICO entered into the Guarantee Contract in favour of CGNPC Leasing with CGNPC Leasing, pursuant to which, Zhongdian IRICO has agreed to provide an irrevocable joint and several liability guarantee for all debts of Hefei Photovoltaic and IRICO Group under the Finance Lease Contract to CGNPC Leasing.

III. REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE CONTRACT

The Directors are of the view that the Finance Lease Contract and the transaction contemplated thereunder can effectively optimize the financial structure of the Company and will help to ease the problem of the liquidity shortage. It will also further expand the Company's financing channels and supplement with other financial means to meet the Company's financing needs in a timely manner, which is conducive to the development of the Company. The consideration for transfer of the Leased Assets will be used to implement the working capital to achieve higher operation efficiency. In addition, the transaction will help to put idle equipment to better use to boost asset value.

The Board (including independent non-executive Directors) are of the view that the terms and conditions of the Finance Lease Contract are fair and reasonable and on normal commercial terms, and are in the interest of the Company and its Shareholders as a whole.

IV. 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 Group

IRICO Group, in addition to operating businesses through the Company, is principally engaged in the research and development, production and trading of businesses relating to colour picture tubes, display panels and their components, colour television sets and electronic products.

(iv) Zhongdian IRICO

Zhongdian IRICO is principally engaged in the research, development, services and transfer of electronic information technology, industrial investment and assets operation management services, property investment and property operation management services.

(v) CGNPC Leasing

CGNPC Leasing is principally engaged in financial leasing business, rental business, acquisition of leased assets at home and abroad, disposal of residual value of leased properties and maintenance of leased properties, lease transaction consultation and guarantee, and commercial factoring business in relation to the principal business (non-bank financing type). The ultimate beneficial owner of CGNPC Leasing is the State Council, which holds 100% interest of CGNPC Leasing. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, CGNPC Leasing and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

V. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the transaction contemplated by Hefei Photovoltaic and CGNPC Leasing under the Finance Lease Contract exceeds 5% but is less than 25%, such transaction constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

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VI. DEFINITIONS

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

“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, as at the date of this announcement
“CGNPC Leasing”	CGNPC International Financial Leasing Co., Ltd.* (中廣核國際融資租賃有限公司), a company incorporated in the PRC with limited liability
“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
“Directors”	the directors of the Company
“Finance Lease Contract”	the finance lease contract dated 8 January 2020 entered into among Hefei Photovoltaic, IRICO Group and CGNPC Leasing in respect of the Leased Assets
“Group”	the Company and its subsidiaries
“Guarantee Contract”	the guarantee contract dated 8 January 2020 entered into among Zhongdian IRICO and CGNPC Leasing in respect of the Finance Lease Contract
“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

“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
“Lease Date”	the date on which CGNPC Leasing pay the consideration for transfer of the Leased Assets to Hefei Photovoltaic
“Leased Assets”	has the meaning set forth in the section “Finance Lease Contract – Leased assets” 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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Zhongdian IRICO”

Xianyang Zhongdian IRICO Group Holdings Ltd.*
(咸陽中電彩虹集團控股有限公司), a wholly-owned subsidiary of CEC, the ultimate controlling Shareholder of the Company as at the date of this announcement

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

Shaanxi Province, the People’s Republic of China
8 January 2020

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

* *For identification purpose only*