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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)

**(1) PROPOSED SHARE CONSOLIDATION AND CAPITAL
REDUCTION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE; AND
(3) PROPOSED UTILISATION OF SURPLUS RESERVES TO
PARTIALLY RECOVER LOSS**

Financial Adviser to the Company



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

THE PROPOSED SHARE CONSOLIDATION AND CAPITAL REDUCTION

The Company is pleased to announce its proposal to implement the Proposed Share Consolidation and Capital Reduction on the basis that (i) every twenty (20) Existing Shares with a par value of RMB1 each be reduced to one (1) Reduced Share with a par value of RMB1 each and (ii) the total issued share capital of the Company be reduced from RMB3,526,441,400 to RMB176,322,070.

THE PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing H Shares are traded on the Stock Exchange in the board lot size of 2,000 Existing H Shares. The Board proposed to change the board lot size for trading on the Stock Exchange from 2,000 Existing H Shares to 200 Reduced H Shares conditional upon the Proposed Share Consolidation and Capital Reduction becoming effective.

THE PROPOSED UTILISATION OF SURPLUS RESERVES TO PARTIALLY RECOVER LOSS

In order to reduce the accumulated loss of the Company so as to enhance the possibility of the successful implementation of the profit distribution policy of the Company in the future, the Board proposed to use the entire amount of the surplus reserves of RMB22,477,267.06 to partially recover the accumulated loss of the Company of RMB3,031,746,538.13 as at 30 June 2020.

EGM AND CLASS MEETINGS

The resolution in relation to the Proposed Share Consolidation and Capital Reduction will be put forward at the EGM and the Class Meetings, respectively, for the consideration and approval of the Shareholders, the holders of Domestic Shares and the holders of H Shares (as the case may be). The resolution in relation to the proposed utilisation of surplus reserves to partially recover loss will be put forward by way of ordinary resolution at the EGM for the consideration and approval of the Shareholders.

A circular containing, among others, further details of (i) the Proposed Share Consolidation and Capital Reduction, (ii) the Proposed Change in Board Lot Size and (iii) the proposed utilisation of surplus reserves to partially recover loss will be issued by the Company. The Company will despatch the circular to the Shareholders no later than Thursday, 10 December 2020 in accordance with Rule 19A.39A of the Listing Rules.

THE PROPOSED SHARE CONSOLIDATION AND CAPITAL REDUCTION

The Company is pleased to announce its proposal to implement the Proposed Share Consolidation and Capital Reduction on the basis that (i) every twenty (20) Existing Shares with a par value of RMB1 each be reduced to one (1) Reduced Share with a par value of RMB1 each and (ii) the total issued share capital of the Company be reduced from RMB3,526,441,400 to RMB176,322,070.

Conditions of the Proposed Share Consolidation and Capital Reduction

The Proposed Share Consolidation and Capital Reduction is subject to satisfaction of the following conditions:

- (i) the Proposed Share Consolidation and Capital Reduction having been approved by way of special resolution at the EGM and the Class Meetings; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Reduced Shares upon the Proposed Share Consolidation and Capital Reduction becoming effective.

As at the date of this announcement, none of the conditions above has been fulfilled. In addition to the satisfaction of all the above conditions, based on article 29 of the Articles of Association, the Company shall notify its creditors within 10 days from the date of the passing of the resolution for the Proposed Share Consolidation and Capital Reduction and shall publish the notice at least three times in a newspaper within 30 days thereof. The creditors who have received the said notice shall have the right within 30 days from the date of receiving the said notice and the creditors who have not received the said notice shall have the right within 90 days of the said notice being first published to demand the Company to settle its debt or to provide corresponding security in respect of the debt. After considering the above requirement, it is expected that the Proposed Share Consolidation and Capital Reduction will become effective on Tuesday, 30 March 2021.

Effects of the Proposed Share Consolidation and Capital Reduction

Set out below is the share capital structure of the Company (i) as at the date of this announcement and (ii) immediately after the Proposed Share Consolidation and Capital Reduction becoming effective and assuming there is no change in the issued share capital of the Company prior thereto.

	As at the date of this announcement	Immediately after the Proposed Share Consolidation and Capital Reduction becoming effective
Par value	RMB1	RMB1
Number of issued Shares	3,526,441,400	176,322,070
Domestic Shares	1,601,468,000	80,073,400
H Shares	1,924,973,400	96,248,670
Total issued share capital ¹	RMB3,526,441,400	RMB176,322,070

Note 1: Total issued share capital is calculated by multiplying the par value by the number of issued shares, which together with, amongst others, capital reserve, form part of shareholders' equity.

The reduction in the total issued share capital arising from the Proposed Share Consolidation and Capital Reduction will be credited to the capital reserve account of the Company.

As at the date of this announcement, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Existing Shares.

Upon the Proposed Share Consolidation and Capital Reduction becoming effective, the Reduced Shares shall rank pari passu in all aspects with one another in accordance with the Articles of Association.

Other than the relevant expenses incurred in relation to the Proposed Share Consolidation and Capital Reduction and on the basis that no creditor would demand the Company to settle the debt or to provide corresponding security in respect of the debt, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, except that any fractional Reduced Shares, if any, will not be allocated to the Shareholders who may otherwise be entitled to them. As set out in the section headed “EGM and Class Meetings” below, under the Articles of Association, the Proposed Share Consolidation and Capital Reduction will be considered as a variation of rights of the Shareholders.

Listing and Dealings of the Reduced H Shares

An application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Reduced H Shares arising from the Proposed Share Consolidation and Capital Reduction.

Subject to the granting of listing of, and permission to deal in, the Reduced H Shares on the Stock Exchange upon the Proposed Share Consolidation and Capital Reduction becoming effective, the Reduced H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Reduced H Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made by the Company for the Reduced H Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares is listed or dealt in on any other stock exchange other than the Stock Exchange. At the time the Proposed Share Consolidation and Capital Reduction becoming effective, the Reduced Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange and no such listing or permission to deal is being sought.

Fractional Shares and Odd Lots Matching Arrangement

Fractional Reduced Shares, if any, will not be issued by the Company to the Shareholders. Any fractional entitlements of the Reduced Shares will be aggregated and sold (for Reduced H Shares only) for the benefit of the Company. Fractional Reduced Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

In order to facilitate the trading of odd lots (if any) of the Reduced H Shares arising from the Proposed Share Consolidation and Capital Reduction, the Company will appoint a designated broker to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Reduced H Shares to make up a full board lot or to dispose of their holding of odd lots of the Reduced H Shares. Details of the odd lots matching arrangement will be set out in the circular to be despatched to the Shareholders.

Holders of odd lots of the Reduced H Shares should note that the matching of the sale and purchase of odd lots of the Reduced H Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Shareholders or potential investors should note that (i) odd lots may be created after the Proposed Share Consolidation and Capital Reduction, (ii) the odd lots matching arrangement does not guarantee successful matching of all odd lots at the relevant market price and (iii) odd lots may be sold below market price.

Exchange of Share Certificate

Subject to the Proposed Share Consolidation and Capital Reduction becoming effective, which is expected to be on Tuesday, 30 March 2021, holders of H Shares may, during a period between Tuesday, 30 March 2021 and Monday, 10 May 2021 (both days inclusive), submit their existing share certificates in yellow colour for the Existing H Shares to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong to exchange for new share certificates in blue colour for the Reduced H Shares at the expense of the Company. Thereafter, existing share certificates for the Existing H Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Reduced H Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each existing share certificate cancelled or each new share certificate issued for Reduced H Shares (whichever is higher) but will not be acceptable for trading, settlement and registration.

THE PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing H Shares are traded on the Stock Exchange in the board lot size of 2,000 Existing H Shares. The Board proposed to change the board lot size for trading on the Stock Exchange from 2,000 Existing H Shares to 200 Reduced H Shares conditional upon the Proposed Share Consolidation and Capital Reduction becoming effective.

Based on the closing price of HK\$1.03 per Existing H Share as quoted on the Stock Exchange on the date of this announcement, (i) the market value per board lot of 2,000

Existing H Shares is HK\$2,060 and (ii) the theoretical market value per board lot of 200 Reduced H Shares will be HK\$4,120 assuming the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size becoming effective.

The Proposed Change in Board Lot Size will not result in any change in the interests or rights of the Shareholders.

Reasons for the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size

The Proposed Share Consolidation and Capital Reduction will reduce the total number of Existing Shares and therefore bring about a corresponding upward adjustment in the trading price of H Shares. As at the date of this announcement, the closing price of the Existing H Shares is HK\$1.03 per Existing H Share; while for the 180 consecutive trading days prior to the date of this announcement, the average closing price of the Existing H Shares is approximately HK\$0.84 per Existing H Share. The Company expects that after the Proposed Share Consolidation and Capital Reduction becoming effective, the Company will be able to attract more professional and institutional investors and optimise the shareholder base of the Company.

The Proposed Share Consolidation and Capital Reduction will also provide the Company with greater flexibility to issue new Shares in the future, including the proposed A share offering as announced on 19 October 2020. As required by the applicable PRC laws and regulations, the issue price of the new Shares shall not be lower than the par value of RMB1 per Share. Moreover, the credit arising from the Proposed Share Consolidation and Capital Reduction will be credited to the capital reserve account of the Company, which will be utilised by the Company in such manner as and when the Board deems fit and appropriate. It is important for the Shareholders to note that, at this stage, there is no assurance that the Company will issue new Shares, even if the Proposed Share Consolidation and Capital Reduction takes effect.

It is expected that the Proposed Share Consolidation and Capital Reduction will reduce the number of board lots and substantially increase the value of each board lot if the board lot size remains unchanged at 2,000 Existing H Shares. To improve the liquidity of the Reduced H Shares, the Board proposed to change the board lot size from 2,000 Existing H Shares to 200 Reduced H Shares upon the Proposed Share Consolidation and Capital Reduction becoming effective in order to produce (i) a larger number of board lots and (ii) a relatively lower market value of each board lot.

The Company believes that the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size will attract a broader range of institutional and professional investors and other members of the investing public. As such, the Board is of the view that the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole.

Expected Timetable

Set out below is the expected timetable for the implementation of the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size.

Event	Time and date
Expected despatch date of the circular with notice and proxy form for the EGM and Class Meetings	On or before Thursday, 10 December 2020
Latest date and time for lodging transfer instruments and share certificates in order to qualify for attending and voting at the EGM and Class Meetings	4:30 p.m. on Monday, 21 December 2020
Closure of register of members for determining the entitlement to attend and vote at the EGM and Class Meetings, during this period, no transfer of Existing H Shares will be registered	Tuesday, 22 December 2020 to Monday, 28 December 2020 (both days inclusive)
Latest date and time for lodging proxy forms for the EGM and Class Meetings	9:00 a.m., 10:00 a.m. and 10:30 a.m. on Sunday, 27 December 2020*
Date and time of the EGM	9:00 a.m. on Monday, 28 December 2020
Date and time of the Class Meetings	10:00 a.m. and 10:30 a.m. on Monday, 28 December 2020
Announcement of poll results of the EGM and Class Meetings	Monday, 28 December 2020

- * Please note that 27 December 2020 is not a working day in Hong Kong and Computershare Hong Kong Investor Services Limited's offices will not be open on that day for physical delivery of the proxy forms. To be effective, all proxy appointments must be lodged with Computershare Hong Kong Investor Services Limited before the deadline.

The following events are conditional upon the fulfilment of the conditions for the implementation of the Proposed Share Consolidation and Capital Reduction as set out in the section headed “Conditions of the Proposed Share Consolidation and Capital Reduction” above.

Effective date of the Proposed Share Consolidation and Capital Reduction	Tuesday, 30 March 2021
First day of free exchange of existing share certificates for new share certificates for the Reduced H Shares	Tuesday, 30 March 2021
Commencement of dealings in the Reduced H Shares	9:00 a.m. on Tuesday, 30 March 2021
Original counter for trading in the Existing H Shares in board lots of 2,000 Existing H Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Tuesday, 30 March 2021
Temporary counter for trading in the Reduced H Shares in board lots of 100 Reduced H Shares (in the form of existing share certificates) opens	9:00 a.m. on Tuesday, 30 March 2021
Original counter for trading in the Reduced H Shares in new board lots of 200 Reduced H Shares (in the form of new share certificates) re-opens	9:00 a.m. on Friday, 16 April 2021
Parallel trading in the Reduced H Shares (in form of new share certificates and existing share certificates) commences	9:00 a.m. on Friday, 16 April 2021
Designated broker starts to stand in the market to provide matching services for odd lots of the Reduced H Shares	9:00 a.m. on Friday, 16 April 2021
Temporary counter for trading in the Reduced H Shares in board lots of 100 Reduced H Shares (in the form of existing share certificates) closes	4:10 p.m. on Thursday, 6 May 2021

Parallel trading in the Reduced H Shares
(in form of new share certificates and
existing share certificates) ends

4:10 p.m. on Thursday,
6 May 2021

Designated broker ceases to stand in the
market to provide matching services for
odd lots of the Reduced H Shares

4:10 p.m. on Thursday,
6 May 2021

Latest date and time for free exchange of
existing share certificates for new share
certificates for the Reduced H Shares

4:30 p.m. on Monday,
10 May 2021

All times and dates in this announcement refer to Hong Kong local times and dates. The expected timetable set out above is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

THE PROPOSED UTILISATION OF SURPLUS RESERVES TO PARTIALLY RECOVER LOSS

As reviewed by BDO China Shu Lun Pan Certified Public Accountants LLP, the Company recorded accumulated loss of RMB3,031,746,538.13 and surplus reserves of RMB22,477,267.06 as at 30 June 2020.

In order to reduce the accumulated loss of the Company so as to enhance the possibility of the successful implementation of the profit distribution policy of the Company in the future, the Board intends to use the entire amount of the surplus reserves of RMB22,477,267.06 to partially recover the accumulated loss of the Company.

EGM AND CLASS MEETINGS

The Proposed Share Consolidation and Capital Reduction will be considered as a variation of rights of the holders of Domestic Shares and H Shares under the Articles of Association. As such, pursuant to the Articles of Association, the resolution in relation to the Proposed Share Consolidation and Capital Reduction is required to be approved by way of special resolution at a general meeting and separate class meetings of the holders of Domestic Shares and the holders of H Shares. Such resolution will be put forward at the EGM and the Class Meetings, respectively, for the consideration and approval of the Shareholders, the holders of Domestic Shares and the holders of H Shares (as the case may be).

The resolution in relation to the proposed utilisation of surplus reserves to partially recover loss will be put forward by way of ordinary resolution at the EGM for the consideration and approval of the Shareholders.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder will be required to abstain from voting to approve the abovementioned resolutions at the EGM and the Class Meetings.

A circular containing, among others, further details of (i) the Proposed Share Consolidation and Capital Reduction, (ii) the Proposed Change in Board Lot Size and (iii) the proposed utilisation of surplus reserves to partially recover loss will be issued by the Company. The Company will despatch the circular to the Shareholders no later than Thursday, 10 December 2020 in accordance with Rule 19A.39A of the Listing Rules.

Shareholders and potential investors should be aware that the Proposed Share Consolidation and Capital Reduction is subject to the conditions as set out in the section headed “Conditions of the Proposed Share Consolidation and Capital Reduction” above. The Proposed Change in Board Lot Size is conditional upon the Proposed Share Consolidation and Capital Reduction becoming effective. Accordingly, the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Class Meeting(s)”	the respective class meetings of the holders of H Shares and holders of Domestic Shares to be convened and held to consider and, if appropriate, to approve, among others, the Proposed Share Consolidation and Capital Reduction
“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
“Domestic Share(s)”	the ordinary domestic Share(s) of par value of RMB1 each in the share capital of the Company, which are subscribed for in RMB
“EGM”	the forthcoming extraordinary general meeting of the Company to be convened and held to consider and, if appropriate, to approve, among others, (i) the Proposed Share Consolidation and Capital Reduction and (ii) the proposed utilisation of surplus reserves to partially recover loss
“Existing H Share(s)”	the H Share(s) of par value of RMB1 each prior to the Proposed Share Consolidation and Capital Reduction becoming effective
“Existing Share(s)”	the share(s) of par value of RMB1 each in the share capital of the Company of RMB3,526,441,400 prior to the Proposed Share Consolidation and Capital Reduction becoming effective, comprising 1,601,468,000 Domestic Shares and 1,924,973,400 H Shares
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“H Share(s)”	the overseas listed foreign invested Share(s) of par value of RMB1 each in the share capital of the Company, which are subscribed for and traded in HK\$
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“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

“Proposed Change in Board Lot Size”	the proposed change in board lot size of the H Shares for trading on the Stock Exchange from 2,000 Existing H Shares to 200 Reduced H Shares
“Proposed Share Consolidation and Capital Reduction”	the proposed share consolidation and capital reduction on the basis that (i) every twenty (20) Existing Shares with a par value of RMB1 each be reduced to one (1) Reduced Share with a par value of RMB1 each and (ii) the total issued share capital of the Company be reduced from RMB3,526,441,400 to RMB176,322,070
“Reduced H Share(s)”	the H Share(s) of par value of RMB1 each immediately after the Proposed Share Consolidation and Capital Reduction becoming effective
“Reduced Share(s)”	the share(s) of par value of RMB1 each in the share capital of the Company of RMB176,322,070 immediately after the Proposed Share Consolidation and Capital Reduction becoming effective, comprising 80,073,400 Domestic Shares and 96,248,670 H Shares
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the Existing Share(s) or the Reduced Share(s), as the case may be
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Shaanxi Province, the PRC
11 November 2020

As at the date of this announcement, the Board consists of Mr. Si Yuncong and Mr. Tong Xiaofei as executive Directors, 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