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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)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

On 9 February 2021, the Company entered into the IRICO Group Master Sales Agreement with IRICO Group to regulate the sales of photovoltaic products such as coated and tempered glass by the Company to IRICO Group for the period from 9 February 2021 to 31 December 2021.

As at the date of this announcement, IRICO Group is the controlling Shareholder of the Company which directly and indirectly holds approximately 47.52% of the issued share capital of the Company, and is therefore a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the IRICO Group Master Sales Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio for the proposed cap under the IRICO Group Master Sales Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the IRICO Group Master Sales Agreement and the proposed cap thereof are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. BACKGROUND

On 9 February 2021, the Company entered into the IRICO Group Master Sales Agreement with IRICO Group to regulate the sales of photovoltaic products such as coated and tempered glass by the Company to IRICO Group for the period from 9 February 2021 to 31 December 2021.

II. IRICO GROUP MASTER SALES AGREEMENT

Details of the IRICO Group Master Sales Agreement are set out below:

Date: 9 February 2021

Parties: (i) the Company (as the supplier); and
(ii) IRICO Group (as the purchaser)

Term: 9 February 2021 to 31 December 2021, subject to early termination by either party by giving at least one month's prior written notice to the other party.

Nature of transactions: The Company shall sell the photovoltaic products such as coated and tempered glass to IRICO Group.

Pricing policy: The prices for the photovoltaic products such as coated and tempered glass shall be determined in accordance with the Market Price (as defined below).

“Market Price” shall be determined in accordance with the following order: (i) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the selling or purchasing places or its nearby regions; or (ii) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the PRC.

Upon receipt of orders from IRICO Group, the marketing department of the Company and its designated persons (namely, the business planning executives, who are primarily responsible for the examination and approval of the sales plans and the execution of sales contracts) will ascertain the prices offered or charged by independent third parties, generally by way of obtaining quotations for a comparable volume of same or similar category of products from at least two independent third parties via emails, fax, phone or tenders by publishing tender notice via various media resources (for instance, the local newspapers), and take average of such quotations as the Market Price. The selling price of each category of products will be submitted to the marketing department of the Company for approval.

The Directors are of the view that such pricing policy is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Payment term:

The actual settlement price and the method of payment (including payment by way of cash or such other manners as agreed by the parties) shall be determined based on the principles, instructions, conditions and terms of the IRICO Group Master Sales Agreement and set out in the specific sales agreements to be entered into by the parties.

The payment terms shall be entered into on market terms which are no less favourable than those available from independent third parties.

Other major terms:

The Company and its subsidiaries may enter into specific sales agreements with IRICO Group and its associates in respect of the transactions contemplated under the IRICO Group Master Sales Agreement. The specific sales agreements shall set out the term of validity, quality requirements, acceptance standards, payment terms, liability for breach of agreement and dispute resolutions, and comply with the principles, instructions, conditions and terms of the IRICO Group Master Sales Agreement.

The parties shall procure their respective subsidiaries or associates to, and guarantee that they shall, perform the specific sales agreements in compliance with the terms and conditions stipulated thereunder.

As the specific sales agreements are simply further elaborations on the sales of products contemplated under the IRICO Group Master Sales Agreement, they do not constitute new categories of connected transactions.

III. PROPOSED CAP AND BASIS FOR THE PROPOSED CAP

The Directors propose to set the proposed cap for the period from 9 February 2021 to 31 December 2021 for the continuing connected transactions under the IRICO Group Master Sales Agreement as set out in the table below. The proposed cap for the continuing connected transactions contemplated under the IRICO Group Master Sales Agreement has been determined primarily based on the following factors: (i) the development plan of IRICO Group and its demand for photovoltaic products such as coated and tempered glass; (ii) the demand of Jiangsu Yongneng for the photovoltaic products such as coated and tempered glass provided by the Company. In December 2020, the Company completed the disposal of 51% equity interests in Jiangsu Yongneng to IRICO Group. Upon the completion of the disposal, Jiangsu Yongneng became a subsidiary of IRICO Group, and is therefore a connected person of the Company under the Listing Rules. For details of the disposal, please refer to the announcements of the Company dated 30 October 2020 and 28 December 2020 and the circular dated 8 December 2020; and (iii) current estimation of the Company on the market price of photovoltaic products such as coated and tempered glass.

Proposed Cap
For the period from
9 February 2021 to
31 December
2021
(RMB'000)

Maximum fees payable to the Company by IRICO
Group under the IRICO Group Master Sales
Agreement

100,000

The Board confirmed that, as at the date of this announcement, the Company has not sold any photovoltaic products such as coated and tempered glass to the IRICO Group under the IRICO Group Master Sales Agreement.

IV. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Board is of the view that the entering into of the IRICO Group Master Sales Agreement is essential to the normal operations of and beneficial to the Company. In forming such view, the Board has taken into account the following factors:

- (i) The Company and IRICO Group have established a long-term relationship, and understand their respective planning of business operations, quality control as well as certain specific requirements of both parties; and

- (ii) The prices and terms for the sales of photovoltaic products such as coated and tempered glass by the Company to IRICO Group would be no less favourable to the Company than those available from independent third parties.

The Board (including the independent non-executive Directors) considers that (i) the transactions under the IRICO Group Master Sales Agreement are conducted on normal commercial terms or on terms no less favourable to the Company than those available from independent third parties, and are entered into in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the proposed cap in respect of the transactions under the IRICO Group Master Sales Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, certain Directors, namely Mr. Si Yuncong and Mr. Fan Laiying, by virtue of their respective senior positions in IRICO Group, may be deemed to have material interests in the transactions contemplated under the IRICO Group Master Sales Agreement. As such, they have abstained from voting on the Board resolutions approving the IRICO Group Master Sales Agreement and the transactions contemplated thereunder (including the proposed cap). Save as mentioned above, none of the other Directors has a material interest in the transactions contemplated under the IRICO Group Master Sales Agreement, and therefore, none of the other Directors has abstained from voting on approval of the relevant Board resolutions.

V. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, IRICO Group is the controlling Shareholder of the Company which directly and indirectly holds approximately 47.52% of the issued share capital of the Company, and is therefore a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the IRICO Group Master Sales Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio for the proposed cap under the IRICO Group Master Sales Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the IRICO Group Master Sales Agreement and the proposed cap thereof are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

VI. GENERAL INFORMATION

(i) The Company

The Company is principally engaged in the research and 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 display; the construction and operation of solar power plants; and the processing of upstream quartz sands for photovoltaic glass.

(ii) 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.

(iii) CEC

As at the date of this announcement, IRICO Group is a wholly-owned subsidiary of CEC. CEC is principally engaged in the research and 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.

VII. DEFINITIONS

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

“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“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 of the Company indirectly holding approximately 72.73% of the issued share capital of the Company 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
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“IRICO Group”	IRICO Group Company Limited* (彩虹集團有限公司), a wholly state-owned company incorporated in the PRC and the controlling Shareholder of the Company directly and indirectly holding approximately 47.52% of the issued share capital of the Company as at the date of this announcement
“IRICO Group Master Sales Agreement”	the IRICO Group master sales agreement dated 9 February 2021 entered into between the Company and IRICO Group in respect of the sales of photovoltaic products such as coated and tempered glass by the Company to IRICO Group

“Jiangsu Yongneng”	Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司), a limited liability company incorporated in the PRC
“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)”	the shareholder(s) of the Company
“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
9 February 2021

As at the date of this announcement, the Board of the Company 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 purposes only