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GCL-POLY ENERGY HOLDINGS LIMITED

保利協鑫能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3800)

FULFILMENT OF ALL RESUMPTION GUIDANCE AND RESUMPTION OF TRADING

FULFILMENT OF ALL RESUMPTION GUIDANCE

The Board is pleased to inform its shareholders and potential investors that as at the date of this announcement, the Company has fulfilled all the conditions set out in the Resumption Guidance.

RESUMPTION OF TRADING

Trading in shares in the Company was suspended from 9:00 a.m. on 1 April 2021 at the request of the Company. As all the conditions set out in the Resumption Guidance have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Company's shares with effect from 9:00 a.m. on 1 November 2021 on the Stock Exchange.

This announcement is made by the board (the "**Board**") of directors of GCL-Poly Energy Holdings Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

We refer to:

- (a) the Company's announcements dated 31 March 2021, 6 April 2021 and 11 April 2021 under which it was announced that:
 - (i) the publication of the 2020 Annual Results has been delayed until further notice;
 - (ii) the Board Meeting for considering and approving, among other matters, the 2020 Annual Results and its publication, and considering the payment of a final dividend, if any, has been further postponed until further notice; and
 - (iii) the suspension of trading in the shares of the Company on Stock Exchange with effect from 9:00 a.m. on 1 April 2021;
- (b) the Company's announcement dated 19 April 2021 in relation to, among other things, the publication of the unaudited management accounts of the Company for the year ended 31 December 2020;
- (c) the Company's announcement dated 28 April 2021 in relation to certain updates on the delay in despatch of the 2020 Annual Results and the 2020 Annual Report;
- (d) the Company's announcement dated 4 May 2021 in relation to the Resumption Guidance issued by the Stock Exchange;
- (e) the Company's announcement dated 7 May 2021 in relation to the appointment of Forensic Accountant;
- (f) the Company's announcement dated 17 May 2021 in relation the change of auditor;
- (g) the Company's announcement dated 29 June 2021 in relation to the formal appointment of new auditor of the Company;
- (h) the Company's announcement dated 30 June 2021 in relation to its quarterly update on resumption progress;
- (i) the Company's announcement dated 14 July 2021 in relation to the key findings of the Forensic Investigation;
- (j) the Company's announcement dated 29 July 2021 in relation to the additional Resumption Guidance issued by the Stock Exchange;

- (k) the Company's announcement dated 31 August 2021 in relation to the delay in publication of the 2021 Interim Results and despatch of interim report for the six months ended 30 June 2021 (the "**2021 Interim Report**");
 - (l) the Company's announcement dated 30 September 2021 in relation to its quarterly update on resumption progress;
 - (m) the Company's announcement dated 3 October 2021 in relation to a clarification to the quarterly update on resumption progress on 30 September 2021;
 - (n) the Company's announcement dated 25 October 2021 in relation to the key findings of the Supplemental Forensic Investigation;
 - (o) the Company's announcement dated 25 October 2021 in relation to the key findings of the Internal Controls Review;
 - (p) the Company's announcement dated 25 October 2021 in relation to the entry into and termination of the EPC Contract;
 - (q) the Company's annual results announcement for the year ended 31 December 2020 (the "**2020 Annual Results**") dated 25 October 2021; and
 - (r) the Company's interim results announcement for the six months ended 30 June 2021 (the "**2021 Interim Results**") dated 25 October 2021,
- (together, the "**Previous Announcements**").

Unless otherwise defined, capitalised terms in this announcement have the meanings as set out in the Previous Announcements.

BACKGROUND

As disclosed in the Previous Announcements, in September 2019, a subsidiary of the Company, Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.* (江蘇中能硅業科技發展有限公司) ("**Jiangsu Zhongneng**") entered into an Engineering, Procurement and Construction contract of RMB1.9 billion for a granular silicon project (the "**EPC Contract**") with a PRC state-owned enterprise (the "**SOE Lead Contractor**") and a sub-contractor (the "**Sub-Contractor**").

On 9 April 2021, the Audit Committee of the Company received a letter from the Company's former auditors, Deloitte Touche Tohmatsu ("**Deloitte**") (the "**Auditor Letter**") in which Deloitte has raised concerns primarily in relation to the commercial rationale of the EPC Contract, including but not limited to the validity of a prepayment of RMB510 million made to the SOE Lead Contractor (the "**Prepayment**").

FULFILMENT OF RESUMPTION GUIDANCE

Trading in shares in the Company was suspended from 9:00 a.m. on 1 April 2021 at the request of the Company. As stated in the Company's announcements dated 4 May 2021 and 29 July 2021, the Board was informed by the Stock Exchange that it has imposed five conditions before trading in the shares of the Company can be resumed (the "**Resumption Guidance**"):

- (a) conduct an appropriate independent investigation into the various concerns raised by Deloitte in the Auditor Letter, assess the impact on the Company's business operation and financial position, disclose the findings and impact, and take appropriate remedial actions ("**Resumption Guidance 1**");
- (b) publish all outstanding financial results required under the Listing Rules and address any audit modifications ("**Resumption Guidance 2**");
- (c) demonstrate compliance with Rule 13.24 of the Listing Rules (i.e. the Company shall carry out, directly or indirectly, a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of the Company's securities) ("**Resumption Guidance 3**");
- (d) announce all material information for the Company's shareholders and investors to appraise the Company's position ("**Resumption Guidance 4**"); and
- (e) demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules ("**Resumption Guidance 5**").

The Board is pleased to inform its shareholders and potential investors that as at the date of this announcement, the Company has fulfilled all the conditions set out in the Resumption Guidance.

Details of the fulfilment of the Resumption Guidance are set out below:

1. Resumption Guidance 1 — conduct an appropriate independent investigation into the various concerns raised by Deloitte in the Auditor Letter, assess the impact on the Company's business operation and financial position, disclose the findings and impact, and take appropriate remedial actions

As disclosed in the Company's announcement dated 7 May 2021, Mazars Certified Public Accountants LLP* (the "**Forensic Accountant**") was engaged as the forensic accountant to conduct a forensic investigation to address various concerns raised by Deloitte the Auditor Letter (the "**Forensic Investigation**"), which include, among others:

- (i) the commercial rationale of the EPC Contract, including but not limited to the validity of the prepayment made for the purposes of the EPC Contract; and

- (ii) the completeness of the information disclosed by the Company's management to Deloitte, including but not limited to whether the parties to the EPC Contract were related parties.

Further, as disclosed in the Company's quarterly update announcement dated 30 September 2021, the Company subsequently instructed the Forensic Accountant to take various follow-up investigative steps (the "**Supplemental Forensic Investigation**").

Set out below is a summary of the key findings of the Forensic Investigation and the Supplemental Forensic Investigation:

Commercial rationale for the EPC Contract and the Prepayment

In 2019, the Company and Jiangsu Zhongneng faced various financial difficulties. Jiangsu Zhongneng was indebted to its usual business partners and owed various banks substantial sums of money. Neither the Company nor Jiangsu Zhongneng had sufficient available cash to fund the construction of a granular polysilicon production plant (the "**Project**").

In those circumstances, Jiangsu Zhongneng was struggling to find a suitable partner for the Project due to concerns over its ability to settle payments considering its financial difficulties at the time.

The SOE Lead Contractor was willing to partner with Jiangsu Zhongneng without demanding full, upfront payment from Jiangsu Zhongneng and to only receive the full balance of the consideration from Jiangsu Zhongneng upon completion of the Project. However, it required Jiangsu Zhongneng to make the Prepayment of RMB510 million, just over a quarter of the initially-estimated costs of the Project.

As the task requires expertise from multiple areas, the SOE Lead Contractor (as the consortium leader) invited the Sub-Contractor to form a consortium to provide services required under the EPC Contract to Jiangsu Zhongneng. Since the Sub-Contractor had previously provided equipment and materials to another associate of the Company, Jiangsu Zhongneng approved the Sub-Contractor to be a member of the consortium.

Under the EPC Contract, the SOE Lead Contractor was responsible for the design, construction and commissioning of the Project, while the Sub-Contractor was responsible for the procurement and supply of the required equipment and materials.

The Forensic Accountant is of the view that:

- (a) the division of responsibilities, rights and obligations between the SOE Lead Contractor and the Sub-Contractor under the EPC Contract were clear;

- (b) the EPC Contract and relevant consortium agreement were legally compliance; and
- (c) each of the state-owned enterprise and domestic-owned enterprise could leverage on their respective advantages for the benefit of the Project.

Commercial rationale of the termination of the EPC Contract

In the second half of 2020, in order to maintain confidentiality of the technology used in the Project, Jiangsu Zhongneng decided to replace the SOE Lead Contractor, which was responsible for EPC services in relation to all processes of the Project, with EPC suppliers who would only be responsible for some of the processes in relation to the Project.

This was made possible because of:

- (a) the improvement in the technology used in the Project has enabled the segregation of production units/steps of the Project; and
- (b) the Company's success in raising capital to fund the replacement of the SOE Lead Contractor and termination of the EPC Contract, including through placings in June 2020 and January 2021 for approximately HK\$264 million and HK\$4.2 billion respectively.

As a result, Jiangsu Zhongneng entered into a termination agreement with the SOE Lead Contractor and the Sub-Contractor on 6 April 2021 and a supplemental agreement on 25 April 2021, pursuant to which the Company received from the SOE Lead Contractor an aggregate refund in cash of RMB495.28 million on 26 April 2021, representing approximately 97% of the Prepayment. The balance represents costs incurred by the SOE Lead Contractor in relation to the EPC Contract which will not be refunded to Jiangsu Zhongneng.

The Forensic Accountant has studied the major reasons for the termination of the EPC Contract and considers that Jiangsu Zhongneng's decision to terminate the EPC Contract was supported by sufficient commercial reasons.

Whether the SOE Lead Contractor transferred any portion of the Prepayment to the Sub-Contractor or any third party

According to the Auditor Letter, representatives of the SOE Lead Contractor and the Sub-Contractor told Deloitte in interviews that:

- (i) the SOE Lead Contractor had transferred more than RMB400 million out of the Prepayment of RMB510 million to the Sub-Contractor; and

- (ii) the Sub-Contractor had paid approximately RMB200 million as deposit to a Japanese supplier under a purchase contract for certain raw materials sourced in relation to the EPC Contract.

During the Supplemental Forensic Investigation, the Forensic Accountant obtained a written confirmation from the SOE Lead Contractor that the SOE Lead Contractor had not in fact transferred any portion of the Prepayment to the Sub-Contractor or any other third party.

Senior representatives from the SOE Lead Contractor and its parent company (the “**SOE Parent Group**”) also specifically confirmed the same in their supplemental interview with the Forensic Accountant. They explained to the Forensic Accountant that some of the more junior representatives had previously told Deloitte that the SOE Lead Contractor had transferred a significant portion of the Prepayment to the Sub-Contractor in order to increase the apparent cost of terminating the EPC Contract in an attempt to persuade Jiangsu Zhongneng against the termination.

Representatives from the Sub-Contractor also specifically confirmed in their supplemental interview with the Forensic Accountant that the Sub-Contractor had neither (i) received any portion of the Prepayment from the SOE Lead Contractor; nor (ii) made any payment to any supplier to make procurements under the EPC Contract.

The Forensic Accountant believes that the SOE Lead Contractor is likely to be taking the matter significantly more seriously than it previously did, because of the involvement of the SOE Parent Group and the high seniority of the representatives attending interviews with them.

Internal control deficiencies identified in the Forensic Investigation

The Forensic Accountant noted that the EPC Contract and the Prepayment was approved by Mr. Jiang Wenwu (“**Mr. Jiang**”), the then General Manager of Jiangsu Zhongneng, who, according to the relevant internal policy, did not have authority to approve any contract involving more than RMB100 million of capital expenditure. Therefore, the approval of the EPC Contract by the General Manager of Jiangsu Zhongneng was in breach of the Company’s internal policy.

In addition, in the course of assessing the issues in relation to the EPC Contract, the Company has discovered that the EPC Contract constituted a major transaction of the Company as the consideration ratio exceeded 25% but was less than 100% based on the market capitalisation of the Company at the time when the EPC Contract was entered into. The Company had failed to comply with the reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules in relation to the EPC Contract.

As a result, the Company had appointed the Internal Controls Consultant to conduct an appropriate assessment of the Company's relevant internal controls and procedures and provide recommendations to strengthen internal compliance with its internal systems and procedures. Please refer to "Resumption Guidance 5" below for further details.

Whether the Company and the Board were aware of Jiangsu Zhongneng entering into the EPC Contract and making the Prepayment at the relevant time

Based on findings from the Forensic Accountant's investigative work, details pertaining to Jiangsu Zhongneng entering into the EPC Contract and the Prepayment were not specifically reported to the Company's Board at the relevant time of each event.

The Company wishes to add that, having made reasonable enquiries, it understands as follows:

- (a) all members of the Board were aware of, and approved of, the Company's efforts and intent to increase production capacity through the Project;
- (b) apart from Mr. Jiang (who was a former Executive Director of the Company and Jiangsu Zhongneng's former General Manager when the EPC Contract was entered into and the Prepayment was made), the Company's Directors were not specifically aware of the EPC Contract and the Prepayment at the time of each event; and
- (c) subsequently, sometime around the end of November 2019 or beginning of December 2019, following enquiries made by both Mr. Zhu Gongshan (Executive Director and Chairman of the Company) and Mr. Zhu Zhanjun (Executive Director and Chief Executive Officer of the Company) about progress to increase production capacity, Mr. Jiang reported that Jiangsu Zhongneng had made good progress with respect to the project and had paid to the SOE Lead Contractor a deposit to take forward Jiangsu Zhongneng's efforts to develop the project.

Mr. Jiang resigned as a Director of the Company with effect from 18 June 2021 and was no longer the General Manager of Jiangsu Zhongneng since March 2020.

Please refer to the Company's announcements dated 14 July 2021 and 25 October 2021 for further details on other key findings of the Forensic Investigation and the Supplemental Forensic Investigation, respectively.

The Board is of the view that the various concerns in relation to the EPC Contract raised by Deloitte in the Auditor Letter have no material adverse impact on the Company's business operation and financial position.

2. Resumption Guidance 2 — publish all outstanding financial results required under the Listing Rules and address any audit modifications

The Company had:

- (i) published the 2020 Annual Results and the 2021 Interim Results on 25 October 2021; and
- (ii) despatched the annual report for the year ended 31 December 2020 and the interim report for the six months ended 30 June 2021 to the Company's shareholders on or around 3 November 2021.

Crowe (HK) CPA Limited (“**Crowe**”), the auditor of the Company, has issued an unmodified audit opinion with a “Material Uncertainty Related to Going Concern” section in the auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2020. Please refer to the 2020 Annual Results for further details.

3. Resumption Guidance 3 — demonstrate compliance with Rule 13.24 of the Listing Rules (i.e. the Company shall carry out, directly or indirectly, a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of the Company’s securities)

Sufficient Operations

The Group is principally engaged in the manufacturing and sale of polysilicon and wafers products, and developing, owning and operation of solar farms.

As disclosed in the 2021 Interim Results and 2020 Annual Results:

- (a) the Group’s unaudited revenue and profit for the six months ended 30 June 2021 were RMB8,778.7 million and RMB2,526.0 million, respectively; and
- (b) the Group’s audited revenue and loss for the year ended 31 December 2020 were RMB14,620.7 million and RMB6,271.3 million.

As at the date of this announcement, the business operations of the Group are continuing as usual in all material respects. The Board is of the view that the various concerns raised by Deloitte in the Auditor Letter have no material adverse impact on the normal business operations of the Group.

Sufficient Assets

As disclosed in the 2021 Interim Results and 2020 Annual Results:

- (a) the Group's unaudited total assets and net assets as at 30 June 2021 were approximately RMB70,941.1 million and RMB27,810.3 million, respectively; and
- (b) the Group's audited total assets and net assets as at 31 December 2020 were RMB80,502.9 million and RMB20,391.2 million, respectively.

Based on the above, the Board is of the view that the Group has a viable and sustainable business with a sufficient level of operations and assets of sufficient value to support its operations to meet the requirements under Rule 13.24 of the Listing Rules and warrant the continued listing of the Shares on the Stock Exchange.

4. Resumption Guidance 4 — announce all material information for the Company's shareholders and investors to appraise the Company's position

Since its trading suspension on 1 April 2021, the Company has continued to disclose material information in connection with the audit issues raised in the Auditor Letter to the public by issuing announcements in a timely manner.

The Board believes that the Company has announced all material information it considers necessary and appropriate for the Company's shareholders and investors to appraise the Company's position.

5. Resumption Guidance 5 — demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules

As disclosed in the Company's announcement dated 14 July 2021, the Company was planning to engage appropriate external consultants to review and, if necessary, strengthen internal compliance with its internal systems and procedures.

On 26 July 2021, the Company appointed Crowe (HK) Risk Advisory Limited (the "**Internal Controls Consultant**"), an independent advisory services firm, to:

- (i) conduct an appropriate assessment of the Company's relevant internal controls and procedures (the "**Internal Controls Review**"); and
- (ii) provide to the Company a written report of its findings.

The key findings of the Internal Controls Review, including the findings and recommendations of the Internal Controls Consultant and the remedial steps implemented by the Company in relation to each of the internal control deficiencies identified were set out in the Company's announcement dated 25 October 2021.

The Directors (including the independent non-executive Directors) and the Internal Controls Consultant are of the view that the Company:

- (a) has addressed recommendations of the Internal Controls Consultant in respect of all 19 key internal controls deficiencies identified in the Internal Controls Review; and
- (b) currently has sufficient and reliable corporate governance, internal controls and financial reporting systems to fulfil its obligations under the Listing Rules.

RESUMPTION OF TRADING

By reason of the above, the Company confirms that it has remedied the issues causing the trading suspension and fully complied with the Listing Rules to the Stock Exchange's satisfaction. The Company also confirms that it has fulfilled all the conditions set out in the Resumption Guidance.

Trading in shares in the Company was suspended from 9:00 a.m. on 1 April 2021 at the request of the Company. As all the Resumption Guidance have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Company's shares with effect from 9:00 a.m. on 1 November 2021 on the Stock Exchange.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
GCL-Poly Energy Holdings Limited
保利協鑫能源控股有限公司
Zhu Gongshan
Chairman

Hong Kong, 29 October 2021

As at the date of this announcement, the Board comprises Mr. Zhu Gongshan (Chairman), Mr. Zhu Zhanjun, Mr. Zhu Yufeng, Ms. Sun Wei, Mr. Yeung Man Chung, Charles and Mr. Zheng Xiongjiu as executive Directors; Ir. Dr. Ho Chung Tai, Raymond, Mr. Yip Tai Him, Dr. Shen Wenzhong and Mr. Wong Man Chung, Francis as independent non-executive Directors.

* *For identification purposes only*