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## **GCL Technology Holdings Limited**

**協鑫科技控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3800)**

### **CONNECTED TRANSACTIONS**

#### **(1) ACQUISITION OF EQUITY INTEREST AND CAPITAL INCREASE IN THE TARGET COMPANY AND**

#### **(2) GRANT OF PUT OPTION BY GCL SYSTEM INTEGRATION TO GCL TECHNOLOGY SUZHOU**

#### **INVESTMENT AGREEMENT**

The Board is pleased to announce on 8 August 2022 (after trading hours), GCL Technology Suzhou, a wholly-owned subsidiary of the Company, has entered into the Investment Agreement with the Target Company, GCL System Integration and GCL System Integration (Suzhou). Pursuant to the Investment Agreement, GCL Technology Suzhou agreed to (i) acquire 8% of the total registered capital of the Target Company after the Reorganisation and Merger (being registered capital of RMB154.32 million in the Target Company) from GCL System Integration (Suzhou) at a consideration of RMB200 million and (ii) subscribe for the registered capital of RMB154.32 million in the Target Company at a consideration of RMB200 million.

#### **SHAREHOLDERS' AGREEMENT**

On 8 August 2022 (after trading hours), GCL Technology Suzhou has also entered into the Shareholders' Agreement with the Target Company, GCL System Integration and GCL System Integration (Suzhou) to set forth the respective rights and obligations in connection with the Target Company.

## **SUPPLEMENTAL BACKGROUND INFORMATION**

As informed by GCL System Integration, on 8 August 2022 (after trading hours), Nantong Zhongjin (being an Independent Third Party to the Company) entered into the Equity Financing Transaction Agreements with the Target Company, GCL System Integration and GCL System Integration (Suzhou) to subscribe for the registered capital of RMB115.74 million in the Target Company at a consideration of RMB150 million, which is in compliance with the restrictions on the Financing Transactions set out in the paragraphs headed “Financing Transactions” below.

Upon the completion of the Reorganisation and Merger and the Initial Series A Transactions, it is estimated that the Company will, through GCL Technology Suzhou, hold the registered capital of RMB308.64 million in the Target Company, representing approximately 14.03% of the equity interest of the Target Company as enlarged by the capital increase pursuant to Reorganisation and Merger and the Initial Series A Transactions. The Company will treat the Transactions as an equity investment in the financial statement of the Group. As such, the Target Company, Jurong GCL System Integration and Leshan GCL System Integration will not become subsidiaries of the Company upon the Reorganisation and Merger and the Initial Series A Transactions.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

Given major downstream manufacturers around the world have now engaged in the commercialization of fluidized bed reactor (FBR) based granular silicon and the iteration of the photovoltaic market from p-type to n-type technology, it is essential for the Group to develop an integrated synergistic system for its granular silicon business chains so as to fully keep abreast of the latest changes in the technological development and market trends of the granular silicon sector and thereby effectively facilitate the development of its granular silicon operations. The Target Company, as an intelligent integrated module production base built in accordance with the highest standards in the industry, will create synergies with the Group in terms of new energy technology services, which will help the Group further strengthen its capability in manufacturing and sales of granular silicon, promote the application of FBR-based granular silicon products and CCZ technology in downstream operations, accelerate the terminal verification of granular silicon products and thus lead the photovoltaic industry mowing towards a high-efficiency low-carbon era.

In addition, the Group expects that the Target Company will further develop and enhance its module and battery business and become a top-tier downstream photovoltaic manufacturer focusing on the research and development, manufacturing and sale of modules and batteries. Amid growing supply of polysilicon, the Target Company will be able to fully capture the benefits of the industry in future market competition, and its profitability will be greatly improved, which will generate sound investment returns for the Group.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, the Zhu Family Trust is the substantial shareholder and a connected person of the Company. GCL System Integration (Suzhou) and the Target Company are both the wholly-owned subsidiaries of GCL System Integration, which is in turn ultimately controlled by Mr. Zhu. Accordingly, each of GCL System Integration, GCL System Integration (Suzhou) and the Target Company is therefore a connected person of the Company and the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. In accordance with Rule 14A.76(2) of the Listing Rules, as the highest applicable percentage ratio in respect of the Transactions, on an aggregate basis, exceeds 0.1% but is less than 5%, it is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As (i) Mr. Zhu and Mr. Zhu Yufeng, son of Mr. Zhu, are beneficiaries of the Zhu Family Trust and (ii) Ms. Sun Wei is a director of GCL System Integration, Mr. Zhu, Mr. Zhu Yufeng and Ms. Sun Wei have abstained from voting on the resolutions of the Board in respect of the approval of the Transactions. In addition, Mr. Zhu Zhanjun and Mr. Yeung Man Chung, Charles have also abstained from voting on the resolutions of the Board in respect of the approval of the Transactions to avoid potential conflict of interest from a good corporate governance perspective. Save for the Directors mentioned above, none of the other Directors has a material interest or potential conflict of interest in the Transactions, and therefore none of them was required to abstain from voting on the relevant resolutions of the Board.

As the exercise of the Put Option is at the discretion of GCL Technology Suzhou, pursuant to Rule 14.75(1) of the Listing Rules, only the premium will be taken into consideration on the grant of the Put Option for the purpose of transaction classification. As there is no premium paid by GCL Technology Suzhou on the acceptance of the Put Option, such acceptance of the Put Option will not constitute a notifiable transaction of the Company. The Company will comply with the relevant requirements under Chapter 14 of the Listing Rules if and when the Put Option is exercised.

**Completion is subject to the satisfaction of the conditions precedent to the Investment Agreement and the Shareholders' Agreement, and therefore, may or may not proceed to Completion. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## INTRODUCTION

The Board is pleased to announce on 8 August 2022 (after trading hours), GCL Technology Suzhou, a wholly-owned subsidiary of the Company, has entered into the Investment Agreement with the Target Company, GCL System Integration and GCL System Integration (Suzhou). Pursuant to the Investment Agreement, GCL Technology Suzhou agreed to (i) acquire 8% of the total registered capital of the Target Company after the Reorganisation and Merger (being registered capital of RMB154.32 million in the Target Company) from GCL System Integration (Suzhou) at a consideration of RMB200 million and (ii) subscribe for the registered capital of RMB154.32 million in the Target Company at a consideration of RMB200 million.

On 8 August 2022 (after trading hours), GCL Technology Suzhou has also entered into the Shareholders' Agreement with the Target Company, GCL System Integration and GCL System Integration (Suzhou) to set forth the respective rights and obligations in connection with the Target Company.

As informed by GCL System Integration, on 8 August 2022 (after trading hours), Nantong Zhongjin (being an Independent Third Party to the Company) entered into the Equity Financing Transaction Agreements with the Target Company, GCL System Integration and GCL System Integration (Suzhou) to subscribe for the registered capital of RMB115.74 million in the Target Company at a consideration of RMB150 million, which is in compliance with the restrictions on the Financing Transactions set out in the paragraphs headed "Financing Transactions" below.

Upon the completion of the Reorganisation and Merger and the Initial Series A Transactions, it is estimated that the Company will, through GCL Technology Suzhou, hold the registered capital of the Target Company of RMB308.64 million, representing approximately 14.03% of the equity interest of the Target Company as enlarged by the capital increase pursuant to the Reorganisation and Merger and the Initial Series A Transactions. The Company will treat the Transactions as an equity investment in the financial statement of the Group. As such, the Target Company, Jurong GCL System Integration and Leshan GCL System Integration will not become subsidiaries of the Company upon the Reorganisation and Merger and the Initial Series A Transactions.

## INVESTMENT AGREEMENT

Principal terms of the Investment Agreement are set out below:

<b>Date</b>	8 August 2022 (after trading hours)
<b>Parties</b>	(i) GCL Technology Suzhou;  (ii) the Target Company;  (iii) GCL System Integration; and  (iv) GCL System Integration (Suzhou)
<b>Subject Matter</b>	GCL Technology Suzhou agreed to (i) acquire 8% of the total registered capital of the Target Company after the Reorganisation and Merger (being registered capital of RMB154.32 million in the Target Company) from GCL System Integration (Suzhou) at a consideration of RMB200 million and (ii) subscribe for the registered capital of RMB154.32 million in the Target Company at a consideration of RMB200 million. The parties to the Investment Agreement agreed that the Capital Increase shall be used as capital expenditure for the 15GW module project in Hefei and the 5GW battery project in Leshan and increase the working capital of the Target Company.
<b>Financing Transactions:</b>	GCL Technology Suzhou confirmed that it was aware of and consented to the Financing Transactions provided that such Financing Transactions satisfy the following conditions precedent:  (i) the Financing Transactions shall be confirmed no later than 60 Business Days after the Completion;  (ii) the total amount of capital increase under the Series A Transactions shall not exceed RMB1 billion;  (iii) the per share price under the Financing Transactions shall be equivalent to the per share price under the Capital Increase, being the per share price of RMB1.296 per RMB1 of registered capital of the Target Company;

- (iv) the Transactions and the Financing Transactions are independent and in parallel to each other, and their respective performance and completion are not inter-conditional to each other; and
- (v) the investors involved in the Financing Transactions shall sign the Shareholders' Agreement and agree to the terms and conditions under the Shareholders' Agreement, or enter into separate shareholders' agreement with GCL Technology Suzhou, GCL System Integration (Suzhou), GCL System Integration and the Target Company to the satisfaction of GCL Technology Suzhou, provided that (a) the shareholders' rights of GCL Technology Suzhou under such separate shareholders' agreement shall not be inferior to its rights under the Shareholders' Agreement and (b) the investors involved in such Financing Transactions shall not enjoy shareholders' rights which are more favourable than the ones granted to GCL Technology Suzhou under the separate shareholders' agreement.

**Board Composition:**

The board of directors of the Target Company shall consist of five directors.

**Payment Arrangement:**

GCL Technology Suzhou shall pay the Acquisition Consideration to the bank account designated by GCL System Integration (Suzhou) and the Capital Increase Consideration to the bank account designated by the Target Company within 20 Business Days upon the satisfaction or written waiver (as the case may be) of the conditions precedent.

**Conditions Precedent:**

The performance of the Completion obligations and the payment of the Consideration pursuant to the Investment Agreement by GCL Technology Suzhou shall be subject to the conditions precedent being satisfied or waived in writing by GCL Technology Suzhou on or before the Completion Date:

- (i) the Investment Agreement having been duly executed, validated and delivered;
- (ii) GCL Technology Suzhou having obtained its internal approvals and authorisation in respect of the transactions contemplated under the Investment Agreement;

- (iii) the Target Company, GCL System Integration and GCL System Integration (Suzhou) having obtained their respective internal approvals and authorisation in respect of the transactions contemplated under the Investment Agreement, and GCL System Integration having completed the corresponding information disclosure in accordance with the regulatory requirements;
- (iv) the core employees of the Target Company as set out in the Investment Agreement having signed the labor contracts and non-competition and confidentiality agreements with the Target Company in the form and with the content satisfactory to GCL Technology Suzhou;
- (v) the Target Company having completed the Reorganisation and Merger (subject to the completion of Registration Procedures);
- (vi) the Target Company and GCL System Integration having entered into entrusted management agreements in respect of other photovoltaic manufacturing assets and businesses;
- (vii) the Target Company having entered into licensing agreement with the licensor in respect of licensing of the “GCL” brand;
- (viii) each of the representations and warranties given or made by the parties under the Investment Agreement being true, accurate and complete as at the Completion Date;
- (ix) no event having occurred or likely to occur that would have a material adverse effect on the financial position, operational result, assets or business of the Target Company and its subsidiaries as at the Completion Date;
- (x) there having been no act or procedure by any governmental authority which restricts, prohibits, delays or otherwise prevents or seeks to prevent the Completion as at the Completion Date;
- (xi) GCL System Integration (Suzhou) and the Target Company having provided a confirmation letter to GCL Technology Suzhou confirming that all of the conditions precedent have been satisfied or waived by GCL Technology Suzhou;



- (xii) the registered capital of the Target Company having been increased to RMB1,929.04 million and the shareholding structure of the Target Company having been restructured in accordance to the structure set out in the Investment Agreement (subject to the completion of Registration Procedures); and
- (xiii) Jurong GCL System Integration having signed a lease renewal agreement with Jiangsu GCL Energy to renew the lease of certain sites and facilities pursuant to the Investment Agreement.

Save for condition (i), (ii) and (iii), GCL Technology Suzhou may waive all or any of the condition precedents with or without condition, or extend the deadline of the fulfilment of certain conditions precedent at any time by written notice to GCL System Integration (Suzhou). In the event that certain condition precedents are conditionally waived by GCL Technology Suzhou, such conditions precedent will remain as the commitment of GCL System Integration (Suzhou) upon Completion, and GCL System Integration shall satisfy such conditions precedent within a reasonable period pursuant to the waiver letter issued by GCL Technology Suzhou after the Completion Date.

If the conditions precedents have not been satisfied or waived by GCL Technology Suzhou within 30 Business Days after the signing of the Investment Agreement (the “**Long Stop Date**”), GCL Technology Suzhou is entitled to terminate the Investment Agreement and other transaction documents relevant to the Investment Agreement following the expiry of the Long Stop Date. In such case, the non-defaulting parties shall not be liable for the breach of contract and GCL Technology Suzhou shall not be legally liable to the other parties to the Investment Agreement.



**Other Undertaking:**

Within six months upon Completion, the Target Company intends to acquire the offshore business related to the sale of photovoltaic component operated by the subsidiaries of GCL System Integration. In respect of the subsidiaries of GCL System Integration which do not meet the acquisition conditions, such subsidiaries will cease its business related to the sale of photovoltaic component (the “**Ceased Offshore Business**”) and the Target Company will set up new subsidiary in such location for business expansion. The Target Company shall sign labor contracts, non-competition and confidentiality agreements with the core employees of such Ceased Offshore Business within six months upon Completion.

If the Target Company grants any terms and conditions in respect of the Series A Transactions and other future financing (including equity financing) which are more favorable than the ones granted to GCL Technology Suzhou (the “**More Favourable Terms**”), GCL Technology Suzhou shall be entitled to the More Favourable Terms without cost.

**Put Option:**

Upon occurrence of any of the following circumstances (the “**Repurchase Events**”) , GCL Technology Suzhou shall be entitled to require GCL System Integration to acquire all or part of its equity interests in the Target Company held as a result of the transactions under the Investment Agreement (the “**Repurchase Obligation**”) by written notice, and GCL System Integration shall acquire such equity interests in cash:

- (i) the Target Company has not received the Acceptance of Qualified IPO before 31 March 2027;

- (ii) GCL System Integration or a third party entity designated by GCL System Integration fails to complete the acquisition of GCL Technology Suzhou's equity interests in the Target Company before 30 June 2027. The consideration for such acquisition shall be determined in accordance with the following pricing method (whichever is higher), and GCL Technology Suzhou may require that the cash consideration shall not be less than its investment principal and an opportunity cost calculated at an annual interest rate of 8% (simple interest) from the Completion Date to the date on which GCL System Integration passes a board resolution in respect of the acquisition:
  - (a) 18 times of the average net profit after deduction of non-recurring profit or loss of the Target Company for the years 2022 to 2023; or
  - (b) 15 times of the net profit after deduction of non-recurring profit or loss of the Target Company for year 2023;
- (iii) the Target Company fails to achieve the Qualified IPO by 31 December 2027;
- (iv) the representations and warranties made by the Target Company and/or GCL System Integration (Suzhou) in the transaction documents are materially untrue or misleading, or there is material omission in such representations and warranties;
- (v) the Target Company, GCL System Integration (Suzhou) and/or GCL System Integration have materially breached the covenants, undertakings or obligations under the transaction documents or seriously violated the relevant laws and regulations; or
- (vi) the Target Company has encountered serious difficulty in its operation and production.

The repurchase price (the “**Repurchase Price**”) shall be corresponding to the ratio of equity interest to be repurchased as required by GCL Technology Suzhou, which is the sum of (i) the actual investment principal contributed by GCL Technology Suzhou and (ii) an opportunity cost calculated at an annual interest rate of 8% (simple interest) from the Completion Date to the date on which GCL Technology Suzhou receives the Repurchase Price in full, minus the dividends received by GCL Technology Suzhou in respect of the equity interest subject to repurchase.

GCL System Integration shall pay the Repurchase Price in full within two months upon receiving the written notice from GCL Technology Suzhou.

**Completion:**

The Completion will occur upon the receipt of Acquisition Consideration and Capital Increase Consideration by GCL System Integration (Suzhou) and the Target Company.

The Consideration was determined after arm’s length negotiations between the parties to the Investment Agreement, having taken into account of, among other things:

- (i) the aggregate net asset value of the Target Company, Jurong GCL System Integration and Leshan GCL System Integration as at 31 December 2021;
- (ii) the Valuation Report on the Target Company issued by the Valuer, details of which can be found in the section headed “Valuation”;
- (iii) the profitability of the Target Company, Jurong GCL System Integration and Leshan GCL System Integration for the financial years ended 31 December 2021 and 31 December 2020, details of which can be found in the section headed “Information on the Target Company, Jurong GCL System Integration and Leshan GCL System Integration” of this announcement; and
- (iv) the reasons for the Transactions as discussed in the paragraph headed “Reasons for and Benefits of the Transactions” below.

## VALUATION

Subject to the assumptions set out in the paragraph headed “Valuation Assumption” below (including but not limited to the completion of the Merger and Reorganisation before 31 December 2021 (the “**Reference Date**”)), assuming that GCL System Integration and GCL System Integration (Suzhou) have completed the capital increase in the Target Company, the appraised value of the shareholders’ equity of the Target Company as at the Reference Date pursuant to the Valuation Report is approximately RMB2,514.90 million.

### Valuation Methodology

The Valuer has considered three commonly used valuation approaches, including the asset approach, market approach and income approach. The Valuer considered that (i) asset approach is not an appropriate method as it does not take future growth potential of the Target Company into consideration; and (ii) market approach is not an appropriate method as there is insufficient market information available for companies similar to the Target Company or comparable transactions. In consideration of the valuation purpose, valuation target, type of valuation and available information, the Valuer has therefore adopted the income approach to capitalise and/or discount the expected income of the Target Company to determine the appraised value of its shareholders’ equity.

The Valuation Report is based on, among others, the following approaches:

- (i) analysing the historic financial data in relation to the revenue, costs and expenses of the Target Company;
- (ii) in consideration of the capital structure, operating conditions, prospects of the Target Company, reviewing the income forecast of the Target Company during the forecast period (i.e. from January 2022 to December 2026 and the stabilised period after 2026 (assuming the business of the Target Company will be stabilised in 2026 and operate in perpetuity thereafter)) (the “**Forecast Period**”) provided by the management of the Target Company; and estimating the cash flow and the value of operating assets of the Target Company during the Forecast Period;
- (iii) analysing the income trend of the Target Company and estimating the value of the Target Company after the Forecast Period based on the macroeconomic conditions, prospects of the industry and the business model of the Target Company;
- (iv) analysing whether the Target Company has surplus assets, non-operating assets and liabilities to adjust the calculation method under the Valuation Report; and
- (v) calculating the appraised value of the shareholders’ equity of the Target Company based on the value of the abovementioned assets and liabilities after deducting the interest-bearing liabilities.

The discounted cash flow model adopted in the Valuation Report has considered (i) the overall value of the Target Company which consists of (a) the value of operating assets of the Target Company and (b) the value of non-operating assets or surplus assets of the Target Company as of the Reference Date, (ii) the interest-bearing liabilities and (iii) the minority shareholders interest of the Target Company. The discount rate is determined through the weighted average cost of capital (“WACC”) model which has considered the (i) cost of equity capital and debt capital of the Target Company, (ii) the profit tax rate applicable to the Target Company, (iii) the equity market value of the Target Company and (iv) the value of interest-bearing liabilities of the Target Company. The discount rate under the WACC model is 11.45% pursuant to the Valuation Report. The Valuer has also considered, among others, the revenue, cost, tax and surcharges, expenses, profit tax, working capital, capital expenditure, depreciation and amortisation and free cash flow of the Target Company during the Forecast Period.

### **Valuation Assumptions**

The Valuer has prepared the Valuation Report based on the following principal basic and specific assumptions:

#### **(i) *Basic assumptions***

- (a) Going concern assumption: It is assumed that the subject of valuation will continue to operate as a going concern after the Reference Date, and all the assets of the subject of valuation will continue to be used in the current locations and for the current purposes;
- (b) Transaction assumption: It is assumed that all assets to be valued are in the process of transaction, and the valuation is based on the transaction terms of such assets and simulated market; and
- (c) Open market assumption: It is assumed that the parties to the transaction or proposed transaction in the market are in equal position and have opportunities and time to obtain sufficient market information, so as to make rational judgments on the functions, purposes and transaction prices of the assets. The open market assumption is based on the fact that such assets can be openly traded in the market.

#### **(ii) *Specific assumptions***

- (a) There are no material changes in the relevant prevailing laws, regulations and policies and the macroeconomic conditions, and there are no material changes in the political, economic and social environment of the regions where the parties to the transaction are located;

- (b) There are no material changes in the interest rates, exchange rates, tax bases, tax rates and policy-based levies in the regions where the subject of valuation operates;
- (c) It is assumed that the subject of valuation will maintain its existing management model and approach, and its business scope and model are consistent with the current direction;
- (d) It is assumed that the management of the subject of valuation are responsible and capable of performing their duties, and there is no significant adverse change in the core management team of the subject of valuation;
- (e) It is assumed that the subject of valuation fully complies with all relevant laws and regulations;
- (f) It is assumed that the Target Company has acquired Jurong GCL System Integration and Leshan GCL System Integration before the Reference Date;
- (g) It is assumed that the GCL System Integration (Suzhou) has completed the capital increase in relation to the Target Company and Leshan GCL System Integration before the Reference Date;
- (h) It is assumed that the accounting policies to be adopted by the subject of valuation in the future are substantially consistent with the accounting policies used in the preparation of the Valuation Report in material aspect; and
- (i) There are no other force majeure factors and unforeseeable factors that have a material adverse impact on the subject of valuation.

### **Qualification of Valuer**

The Valuer (being an Independent Third Party to the Company) is a qualified asset appraisal firm authorised by the Ministry of Finance of the PRC to perform valuation works in relation to securities and futures in the PRC since June 2009.

### **Directors' view on the Valuation Report**

Taking into account the aforesaid factors, the Board is of the view that the valuation methodology and assumptions of the Valuation Report are comparable to the market practice and are therefore fair and reasonable.

## SHAREHOLDERS' AGREEMENT

Principal terms of the Shareholders' Agreement are set out below:

**Date** 8 August 2022 (after trading hours)

**Parties**

- (v) GCL Technology Suzhou;
- (vi) the Target Company;
- (vii) GCL System Integration; and
- (viii) GCL System Integration (Suzhou)

**Financing Transactions:** The terms in respect of the Financing Transactions under the Shareholders' Agreement are equivalent to those under the Investment Agreement, details of which can be found in the paragraph headed "Financing Transactions" under the section "Investment Agreement".

**Pre-emptive Rights:** If the Target Company proposes to increase its registered capital, save for certain circumstances specified in the Shareholders' Agreement, GCL Technology Suzhou is granted the pre-emptive rights to subscribe for the additional registered capital of the Target Company in proportion to its then shareholding.

**Anti-dilution Rights:** Save for certain circumstances specified in the Shareholders' Agreement, in the event that the increase in the registered capital (the "**New Capital Increase**") is approved at the shareholders' meeting of the Target Company and its per share price is lower than the per share price paid by GCL Technology Suzhou (the "**Original Investment Price**", the Original Investment Price shall be adjusted accordingly in the event of any ex-right or ex-dividend event of the Target Company such as distribution of dividends, bonus issue, conversion of capital reserve into share capital, placement of shares, etc.), or if GCL System Integration (Suzhou) transfers its equity interests in the Target Company to a third party at a price lower than the Original Investment Price or on more favourable conditions, GCL Technology Suzhou is entitled to adjust the amount of the registered capital corresponding to its equity interest in the Target Company as permitted by the applicable PRC laws.



Unless GCL Technology Suzhou has received additional registered capital in accordance to above terms and save for certain circumstances specified in the Shareholders' Agreement, the Target Company, GCL System Integration (Suzhou) and/or GCL System Integration shall not implement any capital increase or share transfer at a price lower than the Original Investment Price.

**Rights of First Refusal:**

Save for certain circumstances specified in the Shareholders' Agreement, if any shareholders of the Target Company intends to transfer or otherwise dispose of its equity interests in the Target Company directly or indirectly to a third party (other than the shareholders of the Target Company and their respective affiliates), GCL Technology Suzhou shall be entitled to exercise its rights of first refusal on equal conditions and in proportion to its relative shareholding to that of the other shareholders of the Target Company who intend to exercise the rights of first refusal.

**Put Option:**

The terms in respect of the Put Option under the Shareholders' Agreement are equivalent to those under the Investment Agreement, details of which can be found in the paragraph headed "Put Option" under the section "Investment Agreement".

**Tag-along Rights**

If GCL System Integration intends to directly or indirectly transfer or otherwise dispose of its equity interest in the Target Company to a transferee other than its affiliates (the "**Non-affiliate Transferee**"), GCL Technology Suzhou shall be entitled to transfer its equity interest in the Target Company to such Non-affiliate Transferee at the same price and on the same conditions. GCL System Integration shall not transfer its equity interest in the Target Company to the Non-affiliate Transferee before GCL Technology Suzhou has confirmed whether to exercise its tag-along rights.

In the event of the occurrence of any Repurchase Events, if GCL System Integration fails to perform its Repurchase Obligation pursuant to the Shareholders' Agreement and other shareholders of the Target Company intend to transfer their equity interest in the Target Company (the "**Selling Shareholders**") to any other third party, GCL Technology Suzhou is entitled to exercise its tag-along rights to sell its equity interest in the Target Company to such third party at the same price and on the same conditions provided that such third party proposes to purchase more equity interest than the interest held by the Selling Shareholders. The exercise of the tag-along right by GCL Technology Suzhou shall not be deemed as a waiver of GCL System Integration's Repurchase Obligation. If GCL Technology Suzhou fails to transfer all of its equity interest in the Target Company to third party or the transfer price to such third party (the "**Transfer Price**") is lower than the Repurchase Price, GCL System Integration shall fulfill its Repurchase Obligation or compensate GCL Technology Suzhou for the difference between the Transfer Price and the Repurchase Price.

**Realisation Rights:**

If the Target Company completes the Qualified IPO, GCL Technology Suzhou is entitled to dispose of all or part of its equity interest in the Target Company upon the expiration of the lock-up period in accordance with the application laws, regulations and regulatory requirements.

**Most Favoured Nation Treatment**

If the Target Company, GCL System Integration (Suzhou) or GCL System Integration grants More Favourable Terms to any shareholders of the Target Company (including the investors involved in the Financing Transactions), GCL Technology Suzhou shall be automatically entitled to such More Favourable Terms (except drag-along rights). If any shareholder of the Target Company exercises its rights in relation to the More Favourable Terms, the right of GCL Technology Suzhou under such More Favourable Terms is automatically triggered.

**Termination of Special Rights and Preferential Rights:**

If the Target Company is converted into a joint stock limited company and receives counseling for the Qualified IPO from a securities company with sponsorship business qualifications, the parties to the Shareholders' Agreement shall, no later than the inspection and acceptance on such counseling by the local securities regulatory bureau, terminate the provisions on special rights or preferential rights of the Target Company granted to GCL Technology Suzhou under the Shareholders' Agreement to comply with the listing regulatory requirement.

## INFORMATION ON THE PARTIES

### The Company

The Company is an investment company and its subsidiaries are principally engaged in the manufacturing and the sale of polysilicon and wafers products as well as the development, owning and operation of solar farms.

### GCL Technology Suzhou

GCL Technology Suzhou is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. The principal business of GCL Technology Suzhou is the sale of solar products.

Set out below is an extract of audited financial statement prepared for the financial year ended 31 December 2021 of GCL Technology Suzhou prepared in accordance with the China Accounting Standards for Business Enterprises:

	<i>RMB('000)</i>
Total assets	10,328,384.6
Total liabilities	5,021,412.0
Net assets	5,306,972.6
Operating Revenue	5,743,707.9
Operating Profit	46,316.3
Net Profit	49,127.9

The unaudited net assets of GCL Technology Suzhou as at 31 March 2022 amounted to approximately RMB5,293,087,000.

### GCL System Integration

GCL System Integration is a company established in the PRC and the shares of which are listed on the Shenzhen Stock Exchange. The principal business of GCL System Integration is research, development, manufacturing and distribution of solar system, including solar materials and solar modules.

### GCL System Integration (Suzhou)

GCL System Integration (Suzhou) is a company established in the PRC with limited liability and a wholly-owned subsidiary of GCL System Integration. The principal business of GCL System Integration (Suzhou) is the new energy technology services.

## **INFORMATION OF THE TARGET COMPANY, JURONG GCL SYSTEM INTEGRATION AND LESHAN GCL SYSTEM INTEGRATION**

The Target Company is a company established in the PRC with limited liability and a wholly-owned subsidiary of GCL System Integration (Suzhou). The Target Company is principally engaged in provision of solar power technology services and manufacturing of photovoltaic equipment and components.

Jurong GCL System Integration is a company established in the PRC with limited liability. As at the date of this announcement, Jurong GCL System Integration is owned by GCL System Integration. After the completion of the Reorganisation and Merger, Jurong GCL System Integration will be wholly-owned by the Target Company. Jurong GCL System Integration is principally engaged in research and development, manufacturing and sales of photovoltaic modules, and provision of new energy technology services.

Leshan GCL System Integration is a company established in the PRC with limited liability. As at the date of this announcement, Leshan GCL System Integration is owned by GCL System Integration (Suzhou), which is in turn wholly-owned by GCL System Integration. After the completion of the Reorganisation and Merger, Leshan GCL System Integration will be wholly-owned by the Target Company. Leshan GCL System Integration is principally engaged in manufacturing and sales of photovoltaic batteries, and provision of new energy technology services.

Set out below is an extract of the financial statements prepared for the financial years ended 31 December 2020 and 31 December 2021 of each of the Target Company, Jurong GCL System Integration and Leshan GCL System Integration prepared in accordance with China Accounting Standards:

	For the year ended 31 December				As at
	2021		2020		31 December
	Profit/(loss)	Profit/(loss)	Profit/(loss)	Profit/(loss)	Net asset
	before	after	before	after	value
	taxation	taxation	taxation	taxation	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Target Company	(32,639.4)	(32,639.4)	(102.2)	(102.2)	667,258.4
Jurong GCL System					
Integration	(204,562.0)	(210,423.0)	(87,263.9)	(81,393.2)	1,043,807.5
Leshan GCL System					
Integration <i>(Note)</i>	(645.0)	(645.0)	N/A	N/A	2,655.0
Total	(237,846.4)	(243,707.4)	(87,366.1)	(81,495.4)	1,713,720.9

*Note:* Leshan GCL System Integration was established on 31 December 2020.

Set out below is the shareholding structure of the Target Company (i) as at the date of this announcement and immediately before the Reorganisation and Merger, (ii) immediately after the Reorganisation and Merger and (iii) immediately after the Reorganisation and Merger and the Initial Series A Transactions:

Name of shareholder	As at the date of		Immediately after the		Immediately after the	
	this announcement and		Reorganisation and Merger		Reorganisation and Merger	
	Registered	Shareholding	Registered	Shareholding	Registered	Shareholding
	capital	percentage	capital	percentage	capital	percentage
	RMB (million)		RMB (million)		RMB (million)	
GCL System Integration	Nil	Nil	531.74	27.57%	531.74	24.18%
GCL System Integration (Suzhou)	800.00	100%	1,397.30	72.43%	1,242.98	56.53%
GCL Technology Suzhou	Nil	Nil	Nil	Nil	308.64	14.03%
Nantong Zhongjin	Nil	Nil	Nil	Nil	115.74	5.26%
	<b>800</b>	<b>100%</b>	<b>1,929.04</b>	<b>100%</b>	<b>2199.10</b>	<b>100%</b>

## INFORMATION ON NANTONG ZHONGJIN

Nantong Zhongjin Qijiang Equity Investment Partnership (Limited Partnership)\* (南通中金啟江股權投資合夥企業(有限合夥)) (“**Nantong Zhongjin**”) is a limited partnership established in the PRC and is principally engaged in equity investment and the provision of financial advisory services.

Based on publicly available information, as at the date of this announcement,

- (i) Nantong Zhongjin is owned as to approximately 0.05% by CICC Capital Operation Co., Ltd.\* (中金資本運營有限公司) (“**CICC Capital Operation**”), which acts as the general partner of Nantong Zhongjin. CICC Capital Operation is wholly-owned by China International Capital Corporation Limited (中國國際金融股份有限公司), which is a joint stock limited company established in the PRC and listed on the Stock Exchange (stock code: 3908);
- (ii) Nantong Zhongjin is also owned as to approximately 49.95% by Guotong Trust Co., Ltd.\* (國通信托有限責任公司) (“**Guotong Trust**”). Guotong Trust is indirectly owned as to approximately (a) 75.00% by State-owned Assets Supervision and Administration Commission of Wuhan Municipal People’s Government\* (武漢市人民政府國有資產監督管理委員會), (b) 15.38% by The Bank of East Asia, Limited, which is a limited company incorporated in Hong Kong and listed on the Stock Exchange (stock code: 23) and (c) 9.62% by Beijing Founder Group Co., Ltd.\* (北京方正集團有限公司) which is indirectly owned as to 70% by Peking University; and
- (iii) Nantong Zhongjin is also owned as to approximately (i) 30.00% by Nantong Industrial Investment Fund of Funds Co., Ltd.\* (南通市產業投資母基金有限公司) (“**Nantong Industrial**”), (ii) 19.90% by Nantong Nengda Emerging Industry Fund of Funds Partnership (Limited Partnership)\* (南通能達新興產業母基金合夥企業(有限合夥)) (“**Nantong Nengda**”) and (iii) 0.10% by Nantong Ze’an Investment Management Co., Ltd.\* (南通澤安投資管理有限公司) (“**Nantong Ze’an**”). Nantong Industrial, Nantong Nengda and Nantong Ze’an are all state-owned.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Nantong Zhongjin and its ultimate beneficial owners are Independent Third Party of the Company and its connected persons.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

Given major downstream manufacturers around the world have now engaged in the commercialization of fluidized bed reactor (FBR) based granular silicon and the iteration of the photovoltaic market from p-type to n-type technology, it is essential for the Group to develop an integrated synergistic system for its granular silicon business chains so as to fully keep abreast of the latest changes in the technological development and market trends of the granular silicon sector and thereby effectively facilitate the development of its granular silicon operations. The Target Company, as an intelligent integrated module production base built in accordance with the highest standards in the industry, will create synergies with the Group in terms of new energy technology services, which will help the Group further strengthen its capability in manufacturing and sales of granular silicon, promote the application of FBR-based granular silicon products and CCZ technology in downstream operations, accelerate the terminal verification of granular silicon products and thus lead the photovoltaic industry moving towards a high-efficiency low-carbon era.

In addition, the Group expects that the Target Company will further develop and enhance its module and battery business and become a top-tier downstream photovoltaic manufacturer focusing on the research and development, manufacturing and sale of modules and batteries. Amid growing supply of polysilicon, the Target Company will be able to fully capture the benefits of the industry in future market competition, and its profitability will be greatly improved, which will generate sound investment returns for the Group.

Based on the above reasons and having considered all relevant factors, the Directors (including the independent non-executive Directors) consider the Investment Agreement and the Shareholders' Agreement are on normal commercial terms which are fair and reasonable, in the ordinary course of business of the Group and are in the interests of the Company and the Shareholders as a whole.



## LISTING RULES IMPLICATION

As at the date of this announcement, the Zhu Family Trust is the substantial shareholder and a connected person of the Company. GCL System Integration (Suzhou) and the Target Company are both the wholly-owned subsidiaries of GCL System Integration, which is in turn ultimately controlled by Mr. Zhu. Accordingly, each of GCL System Integration, GCL System Integration (Suzhou) and the Target Company is therefore a connected person of the Company and the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. In accordance with Rule 14A.76(2) of the Listing Rules, as the highest applicable percentage ratio in respect of the Transactions, on an aggregate basis, exceeds 0.1% but is less than 5%, it is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As (i) Mr. Zhu and Mr. Zhu Yufeng, son of Mr. Zhu, are beneficiaries of the Zhu Family Trust and (ii) Ms. Sun Wei is a director of GCL System Integration, Mr. Zhu, Mr. Zhu Yufeng and Ms. Sun Wei have abstained from voting on the resolutions of the Board in respect of the approval of the Transactions. In addition, Mr. Zhu Zhanjun and Mr. Yeung Man Chung, Charles have also abstained from voting on the resolutions of the Board in respect of the approval of the Transactions to avoid potential conflict of interest from a good corporate governance perspective. Save for the Directors mentioned above, none of the other Directors has a material interest or potential conflict of interest in the Transactions, and therefore none of them was required to abstain from voting on the relevant resolutions of the Board.

As the exercise of the Put Option is at the discretion of GCL Technology Suzhou, pursuant to Rule 14.75(1) of the Listing Rules, only the premium will be taken into consideration on the grant of the Put Option for the purpose of transaction classification. As there is no premium paid by GCL Technology Suzhou on the acceptance of the Put Option, such acceptance of the Put Option will not constitute a notifiable transaction of the Company. The Company will comply with the relevant requirements under Chapter 14 of the Listing Rules if and when the Put Option is exercised.

**Completion is subject to the satisfaction of the conditions precedent to the Investment Agreement and Shareholders' Agreement, and therefore, may or may not proceed to Completion. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

“Acceptance of Qualified IPO”	the acceptance of the listing application for a Qualified IPO submitted by the Target Company
“Acquisition”	the acquisition of 8% of the total registered capital of the Target Company after the Reorganisation and Merger (being registered capital of RMB154.32 million in the Target Company) by GCL Technology Suzhou from GCL System Integration (Suzhou) pursuant to the Investment Agreement
“Acquisition Consideration”	the consideration amounting RMB200 million in respect of the Acquisition payable by GCL Technology Suzhou to GCL System Integration (Suzhou) under the Investment Agreement
“Board”	the board of Directors
“Business Day(s)”	a day on which banks in China are open for general commercial business, other than a Saturday, Sunday or public holiday in the PRC
“Capital Increase”	the capital increase in the Target Company to be contributed by GCL Technology Suzhou of RMB200 million pursuant to the Investment Agreement
“Capital Increase Consideration”	the consideration amounting RMB200 million in respect of the Capital Increase payable by GCL Technology Suzhou to the Target Company under the Investment Agreement
“Company”	GCL Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, formerly known as “GCL-Poly Energy Holdings Limited”
“Completion”	the completion of the Acquisition and Capital Increase under the Investment Agreement
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the Acquisition Consideration and Capital Increase Consideration with an aggregate amount of RMB400 million

“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Equity Financing Transaction”	the capital increase in the Target Company by Nantong Zhongjin pursuant to the Equity Financing Transaction Agreements
“Equity Financing Transaction Agreements”	the investment agreement and shareholders’ agreement entered into among, Nantong Zhongjin, the Target Company, GCL System Integration and GCL System Integration (Suzhou) dated 8 August 2022 in relation to the subscription of RMB115.74 million in the registered capital of the Target Company at a consideration of RMB150 million
“Financing Transactions”	the introduction of investors (other than GCL Technology Suzhou) to the Target Company within 60 Business Days after the Completion in accordance with the terms and conditions set out in the paragraphs headed “Financing Transactions”, including the Equity Financing Transaction
“GCL Group”	GCL Group Co., Ltd* (協鑫集團有限公司), a company established in the PRC with limited liability and controlled by the Zhu Family Trust
“GCL System Integration”	GCL System Integration Technology Co., Ltd.* (協鑫集成科技股份有限公司), a company established in the PRC with its shares listed in the Shenzhen Stock Exchange (stock code: 002506)
“GCL System Integration (Suzhou)”	GCL System Integration Technology (Suzhou) Co., Ltd.* (協鑫集成科技(蘇州)有限公司), a company established in the PRC with limited liability and a subsidiary of GCL System Integration
“GCL Technology Suzhou”	GCL Technology Suzhou Co., Ltd.* (協鑫科技(蘇州)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“Initial Series A Transactions”	the Transactions and Equity Financing Transaction
“Investment Agreement”	the investment agreement dated 8 August 2022 entered into between GCL Technology Suzhou, the Target Company, GCL System Integration and GCL System Integration (Suzhou) in respect of the Acquisition and Capital Increase, as described in the section headed “Investment Agreement” in this announcement
“Jiangsu GCL Energy”	Jiangsu GCL Energy System Manufacturing Co., Ltd.* (江蘇協鑫能源系統製造有限公司), a company established in the PRC with limited liability and indirectly wholly-owned by Mr. Zhu Yufeng
“Jurong GCL System Integration”	Jurong GCL System Integration Technology Co., Ltd.* (句容協鑫集成科技有限公司), a company established in the PRC with limited liability
“Leshan GCL System Integration”	Leshan GCL System Integration Technology Co., Ltd.* (樂山協鑫集成科技有限公司), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhu”	Mr. Zhu Gongshan, the Chairman and an executive Director of the Company
“Mr. Zhu Yufeng”	Mr. Zhu Yufeng, son of Mr. Zhu and an executive Director of the Company
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	for the purpose of this announcement, the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan

“Put Option”	the put option granted by GCL System Integration to GCL Technology Suzhou under the Investment Agreement and the Shareholders’ Agreement, as described in the paragraphs headed “Put Option”
“Qualified IPO”	an initial public offering and listing of Renminbi-denominated ordinary shares of the Target Company on the stock exchanges in the PRC (Shanghai Stock Exchange, Main Board of Shenzhen Stock Exchange, ChiNext Board and Sci-Tech Innovation Board)
“Registration Procedures”	the industrial and commercial registration procedures in respect of the change of registered capital in the PRC
“Reorganisation and Merger”	the reorganisation and merger by way of transfer of the entire equity interest of Jurong GCL System Integration and Leshan GCL System Integration from GCL System Integration and GCL System Integration (Suzhou) to the Target Company. Immediately after the completion of such transfer, GCL System Integration and GCL System Integration (Suzhou) will have registered capital of RMB531.74 million and RMB1,397.30 million, respectively, in the Target Company
“RMB”	Renminbi, the lawful currency of the PRC
“Series A Transactions”	the Transactions and the Financing Transactions, the total consideration of which shall not exceed RMB1 billion
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated 8 August 2022 entered into between GCL Technology Suzhou, the Target Company, GCL System Integration and GCL System Integration (Suzhou), as described in the section headed “Shareholders’ Agreement” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given to it under the Listing Rules
“Target Company”	Hefei GCL System Integration New Energy Technology Co., Ltd.* (合肥協鑫集成新能源科技有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of GCL System Integration (Suzhou)

“Transactions”	the transactions contemplated under the Investment Agreement and the Shareholders’ Agreement
“Valuation Report”	the valuation report issued by the Valuer in respect of the valuation of the Target Company, details of which can be found in the section headed “Valuation”
“Valuer”	Jiangsu Huaxin Asset Appraisal Co., Ltd.* (江蘇華信資產評估有限公司), a qualified asset appraisal firm authorised by the Ministry of Finance of the PRC to perform valuation works in relation to securities and futures in the PRC
“Zhu Family Trust”	the discretionary trust known as the “Asia Pacific Energy Fund”, of which Mr. Zhu and his family (including Mr. Zhu Yufeng, an executive Director and son of Mr. Zhu) are beneficiaries
“%”	per cent.

\* *All of the English titles or names of the PRC entities, as well as certain items contained in this announcement have been included for identification purpose only and may not necessarily be the official English translations of the corresponding Chinese titles or names. If there is any inconsistency between the English translations and the Chinese titles or names, the Chinese titles or names shall prevail.*

By order of the Board  
**GCL Technology Holdings Limited**  
**協鑫科技控股有限公司**  
**Zhu Gongshan**  
*Chairman*

8 August 2022

*As at the date of this announcement, the Board comprises Mr. Zhu Gongshan (Chairman), Mr. Zhu Zhanjun, Mr. Lan Tianshi, 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 and Dr. Shen Wenzhong as independent non-executive Directors.*