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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)**

### **CONTINUING CONNECTED TRANSACTION GUARANTEE AGREEMENT**

**Independent Financial Adviser**



#### **GUARANTEE AGREEMENT**

On 15 December 2019, Jiangsu Zhongneng entered into the Guarantee Agreement with Xinjiang Goens, pursuant to which Jiangsu Zhongneng shall provide guarantee for the financing activities of Xinjiang Goens. As at the financial year ended 2023, the outstanding indebtedness of Xinjiang Goens which is guaranteed by Jiangsu Zhongneng is approximately RMB846 million, comprising the principal amount and interest payable by Xinjiang Goens pursuant to the Syndicated Loan Facility. The Syndicated Loan Facility will mature on 14 December 2025. Other than the Syndicated Loan Facility, there is no other outstanding indebtedness of Xinjiang Goens which is guaranteed by Jiangsu Zhongneng pursuant to the Guarantee Agreement.

## **LISTING RULES IMPLICATIONS**

According to publicly available information, as at the date of this announcement, Xinjiang Goens is held directly as to 34.5% equity interest by Xuzhou Fund. Xuzhou Fund directly holds 10.14% equity interest in Leshan GCL, an indirect subsidiary of the Company. As such, Xuzhou Fund is a substantial shareholder of Leshan GCL, and Xinjiang Goens is an associate of Xuzhou Fund. As the relevant percentage ratios (as defined under Rule 14A.09 of the Listing Rules) in respect of Leshan GCL were less than 10% for each of the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, Leshan GCL was an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules. Therefore, Xinjiang Goens was not a connected person of the Company under the Listing Rules.

Based on the annual results announcement of the Company for the financial year ended 31 December 2023, which was published by the Company on 15 March 2024, the relevant percentage ratios (as defined under Rule 14A.09 of the Listing Rules) in respect of Leshan GCL exceeded 10% for the financial year ended 31 December 2023, and Leshan GCL has ceased to be an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules. Therefore, Xinjiang Goens has become a connected person of the Company at the subsidiary level under the Listing Rules.

Taking into account the above, as at the date of this announcement, the Guarantee Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. However, since (i) Xinjiang Goens is a connected person of the Company at the subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the Guarantee Agreement and the transactions contemplated thereunder (including the Annual Caps); and (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Guarantee Agreement are fair and reasonable, are on normal commercial terms or better, and are in the interests of the Company and the Shareholders as a whole, the Guarantee Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting, announcement and annual review requirements, but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Guarantee Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why a term longer than three years is required and to confirm that it is normal business practice for agreements of this type to be of such duration. The opinion of the Independent Financial Adviser is set out in the section headed “OPINION OF THE INDEPENDENT FINANCIAL ADVISER” in this announcement.

None of the Directors has any material interest in the Guarantee Agreement and the transactions contemplated thereunder, and therefore none of the Directors were required to abstain from voting on the board resolution approving the Guarantee Agreement and the transactions contemplated thereunder (including the Annual Caps).

## **GUARANTEE AGREEMENT**

The principal terms of the Guarantee Agreement is summarised below:

### ***Date***

15 December 2019

### ***Parties***

- (1) Jiangsu Zhongneng
- (2) Xinjiang Goens

### ***Term***

The term of the Guarantee Agreement shall end on the date which all outstanding indebtedness of Xinjiang Goens guaranteed under the Guarantee Agreement is repaid in full, being 14 December 2025, the maturity date of the Syndicated Loan Facility.

### ***Subject matter***

Pursuant to the Guarantee Agreement, Jiangsu Zhongneng shall provide guarantee for the financing activities of Xinjiang Goens. As at the financial year ended 2023, the outstanding indebtedness of Xinjiang Goens which is guaranteed by Jiangsu Zhongneng is approximately RMB846 million, comprising the principal amount and interest payable by Xinjiang Goens pursuant to the Syndicated Loan Facility. The Syndicated Loan Facility will mature on 14 December 2025. Other than the Syndicated Loan Facility, there is no other outstanding indebtedness of Xinjiang Goens which is guaranteed by Jiangsu Zhongneng pursuant to the Guarantee Agreement.

### *Service fee*

Jiangsu Zhongneng shall have the right to charge a service fee at a rate of 1.5% per annum based on the outstanding guaranteed amount. The service fee shall be paid by Xinjiang Goens to Jiangsu Zhongneng each quarter.

### **HISTORICAL TRANSACTION AMOUNTS**

Based on the audited consolidated results of the Company for the three financial years ended 31 December 2023, the historical transaction amounts for the transactions contemplated under the Guarantee Agreement are as follows:

	<b>Financial year ended 31 December 2021</b>	<b>Financial year ended 31 December 2022</b>	<b>Financial year ended 31 December 2023</b>
The outstanding guaranteed amount under the Guarantee Agreement (as at 31 December of the relevant financial year)	Approximately RMB1,988 million	Approximately RMB1,270 million	Approximately RMB846 million

### **ANNUAL CAPS UNDER THE GUARANTEE AGREEMENT**

The Board considers that the Annual Caps for the remaining term under the Guarantee Agreement are as follows:

	<b>Financial year ending 31 December 2024</b>	<b>Financial year ending 31 December 2025</b>
The maximum outstanding guaranteed amount under the Guarantee Agreement	RMB860 million	RMB430 million

The Annual Caps with respect to the Guarantee Agreement were determined after taking into account (i) the financing arrangement pursuant to the Syndicated Loan Facility of Xinjiang Goens; and (ii) the relevant future repayment schedule of the Syndicated Loan Facility.

## **OPINION OF THE INDEPENDENT FINANCIAL ADVISER**

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Guarantee Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why a term longer than three years is required and to confirm that it is normal business practice for agreements of this type to be of such duration.

### **Reasons for the Guarantee Agreement having a term exceeding three years**

In assessing the reasons for the duration of the Guarantee Agreement to be longer than three years, the Independent Financial Adviser has considered the following factors:

- (i) as advised by the management of the Company, the Syndicated Loan Facility is guaranteed by the Group by way of the Guarantee Agreement throughout the entire term of the Syndicated Loan Facility, which will mature by the end of 2025;
- (ii) other than the Syndicated Loan Facility, there is no other outstanding indebtedness of Xinjiang Goens which is required to be guaranteed by Jiangsu Zhongneng pursuant to the Guarantee Agreement; and
- (iii) the loans provided under the Syndicated Loan Facility are strictly used to support the development of facilities for the manufacturing and development of solar-grade silicon by Xinjiang Goens. Given Xinjiang Goens has been one of the major solar-grade polysilicon suppliers of the Group, the provision of guarantee by the Group would allow Xinjiang Goens to enhance its production ability, thereby ensuring a stable and reliable supply of solar-grade polysilicon. Such supportive action provided by the Group has also fostered the Group's long-term relationship with Xinjiang Goens.

## **Whether a term exceeding three years is normal business practice**

In considering whether it is a normal business practice for the Guarantee Agreement to have a duration longer than three years, the Independent Financial Adviser has conducted research, on best effort basis, of similar transactions in relation to the provision of guarantee by companies listed on the Main Board of the Stock Exchange to their respective connected person(s), with a duration longer than three years (the “**Comparable Guarantee Transactions**”), in the past two full financial years (i.e. from 1 January 2022 to 31 December 2023). Based on our research on the Stock Exchange’s website, the Independent Financial Adviser has identified three Comparable Guarantee Transactions with duration exceeding three years. In light of the above and having considered that the fact that the duration of the Guarantee Agreement is to align with the term of the Syndicated Loan Facility, the Independent Financial Adviser is of the view that the duration of the Guarantee Agreement, which is longer than three years, is required and it is normal business practice for the Guarantee Agreement to be of such duration.

## **Opinion of the Independent Financial Adviser**

Based on the analysis mentioned above, the Independent Financial Adviser is of the view and confirms that (i) the Guarantee Agreement requires a term exceeding three years; and (ii) it is normal business practice for agreements of this type to be of such duration. Further, taking into account the Independent Financial Adviser’s review on the information provided by the Company, the Independent Financial Adviser is of the view that the Guarantee Agreement and the transactions contemplated thereunder (including the Annual Caps) were negotiated on arm’s length basis, were entered into in the ordinary and usual course of business of the Group, are fair and reasonable, and are on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL MEASURES FOR CONTINUING CONNECTED TRANSACTIONS**

In order to ensure that the transactions contemplated under the Guarantee Agreement (including the Annual Caps) are consistent with the pricing policies and connected transaction policies of the Group and the terms of the Guarantee Agreement, the Group has adopted the following internal control measures:

- (a) the financial department of Jiangsu Zhongneng will conduct regular checks to monitor, review and assess the transactions contemplated under the Guarantee Agreement and report to the Board, in particular, including but not limited to regularly monitor the transactions under the Guarantee Agreement and report on, among other things, the outstanding indebtedness, the guaranteed amount and the service fee to the financial department of the Company each month;

- (b) the financial department of the Company will then ensure sufficient information in relation to all such transactions is provided to the Board, the independent non-executive Directors and external auditors of the Company for review;
- (c) the Board, the independent non-executive directors and external auditors may make recommendations from time to time to enhance the Group's procedures and systems and to ensure the internal control measures of the Group are complete and effective for monitoring the continuing connected transactions going forward;
- (d) the audit committee of the Group will convene annual meetings to discuss and assess the implementation of the continuing connected transactions of the Group (including those transactions contemplated under the Guarantee Agreement and the Annual Caps);
- (e) the independent non-executive Directors will conduct an annual review of the continuing connected transactions of the Group (including those transactions contemplated under the Guarantee Agreement and the Annual Caps) and provide annual confirmations that the relevant transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the relevant agreements, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole; and
- (f) the external auditors of the Company will also conduct an interim and annual review of the continuing connected transactions of the Group (including those transactions contemplated under the Guarantee Agreement and the Annual Caps) to confirm the relevant transactions have been approved by the Board, are in accordance with the pricing policies of the Group and the relevant agreements, and have not exceeded the relevant Annual Caps.

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

The Board believes that the provision of guarantee to Xinjiang Goens under the Guarantee Agreement ensures financial security for the business operations of Xinjiang Goens, which in turn generate investment income to the Group because Xinjiang Goens is an associate of the Group. The Guarantee Agreement by Jiangsu Zhongneng (as a shareholder of Xinjiang Goens) is one of the conditions in the grant of the loan under the Syndicated Loan Facility, the proceeds of which were used for, among other things, the development of the facilities for the manufacturing and development of solar-grade silicon by Xinjiang Goens. In addition, the Group charges guarantee fees under the Guarantee Agreement, which generates extra revenue for the Group and contributes to the Group's financial growth.

Based on the above reasons and having considered all relevant factors, the Directors (including the independent non-executive Directors) are of the view that the Guarantee Agreement and the transactions contemplated thereunder were negotiated on arm's length basis, were entered into in the ordinary and usual course of business of the Group, are fair and reasonable, and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

### **The Group**

The Company is a company incorporated in the Cayman Islands with limited liability. The principal business of the Company is investment holding. The Group is principally engaged in the manufacturing and sale of polysilicon and wafer products, as well as developing, owning and operating solar farms.

### **Jiangsu Zhongneng**

Jiangsu Zhongneng is established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The principal business of Jiangsu Zhongneng is manufacturing and sale of polysilicon.

### **Xinjiang Goens**

According to publicly available information, as at the date of this announcement, Xinjiang Goens is established in the PRC with limited liability, which is held (i) as to approximately 38.50% by Jiangsu Zhongneng, (ii) as to approximately 34.50% by Xuzhou Fund, and (iii) as to approximately 27.00% by TCL Zhonghuan New Energy Technology Co., Ltd.\* (TCL中環新能源科技股份有限公司), a joint stock company listed on the Shenzhen Stock Exchange (stock code: 002129). The principal business of Xinjiang Goens is principally engaged in the research, production and sale of polysilicon and monosilicon.

## LISTING RULES IMPLICATIONS

According to publicly available information, as at the date of this announcement, Xinjiang Goens is held directly as to 34.5% equity interest by Xuzhou Fund. Xuzhou Fund directly holds 10.14% equity interest in Leshan GCL, an indirect subsidiary of the Company. As such, Xuzhou Fund is a substantial shareholder of Leshan GCL, and Xinjiang Goens is an associate of Xuzhou Fund. As the relevant percentage ratios (as defined under Rule 14A.09 of the Listing Rules) in respect of Leshan GCL were less than 10% for each of the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, Leshan GCL was an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules. Therefore, Xinjiang Goens was not a connected person of the Company under the Listing Rules.

Based on the annual results announcement of the Company for the financial year ended 31 December 2023, which was published by the Company on 15 March 2024, the relevant percentage ratios (as defined under Rule 14A.09 of the Listing Rules) in respect of Leshan GCL exceeded 10% for the financial year ended 31 December 2023, and Leshan GCL has ceased to be an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules. Therefore, Xinjiang Goens has become a connected person of the Company at the subsidiary level under the Listing Rules.

Taking into account the above, as at the date of this announcement, the Guarantee Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. However, since (i) Xinjiang Goens is a connected person of the Company at the subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the Guarantee Agreement and the transactions contemplated thereunder (including the Annual Caps); and (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Guarantee Agreement are fair and reasonable, are on normal commercial terms or better, and are in the interests of the Company and the Shareholders as a whole, the Guarantee Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting, announcement and annual review requirements, but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Guarantee Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why a term longer than three years is required and to confirm that it is normal business practice for agreements of this type to be of such duration. The opinion of the Independent Financial Adviser is set out in the section headed "OPINION OF THE INDEPENDENT FINANCIAL ADVISER" in this announcement.

None of the Directors has any material interest in the Guarantee Agreement and the transactions contemplated thereunder, and therefore none of the Directors were required to abstain from voting on the board resolution approving the Guarantee Agreement and the transactions contemplated thereunder (including the Annual Caps).

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Annual Caps”	the maximum aggregate annual contract value pursuant to the Guarantee Agreement as estimated and proposed by the Board, details of which are set out in the section headed “ANNUAL CAPS UNDER THE GUARANTEE AGREEMENT” in this announcement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“Company”	GCL Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and whose shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantee Agreement”	the guarantee agreement dated 15 December 2019 and entered into between Jiangsu Zhongneng and Xinjiang Goens
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Financial Adviser”	Maxa Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong), which has been appointed as the independent financial adviser for the purpose of Rule 14A.52 of the Listing Rules
“Jiangsu Zhongneng”	Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.* (江蘇中能硅業科技發展有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Leshan GCL”	Leshan GCL New Energy Technology Co., Ltd. * (樂山協鑫新能源科技有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company and of which Xuzhou Fund is a substantial shareholder
“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, excludes Taiwan, Hong Kong and the Macau Special Administrative Region
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Syndicated Loan Facility”	the syndicated loan facility granted pursuant to the facility agreement dated 15 December 2019 and entered into between Xinjiang Goens (as borrower) and the financiers listed therein (as lenders)

“Xinjiang Goens”	Xinjiang Goens Energy Technology Co., Ltd.* (新疆戈恩斯能源科技有限公司), a company established in the PRC with limited liability and an associate of Xuzhou Fund
“Xuzhou Fund”	Xuzhou Zhongping GCL Industrial Upgrading Equity Investment Fund LLP* (徐州中平協鑫產業升級股權投資基金(有限合夥)), a limited partnership established under the laws of the PRC and a substantial shareholder of Leshan GCL
“%”	per cent.

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

Hong Kong, 15 March 2024

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

\* *For identification purpose only*