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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, certified public accountant or other professional adviser.

**If you have sold or transferred** all your shares in GCL Technology Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, exchange participant or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

- (1) CONDITIONAL SPECIAL INTERIM DIVIDEND BY WAY OF DISTRIBUTION IN SPECIE OF SHARES IN GCL NEW ENERGY HOLDINGS LIMITED (STOCK CODE: 451);**  
**(2) CONTINUATION OF THE EXISTING PERPETUAL NOTES AGREEMENT WHICH WILL CONSTITUTE A CONTINUING CONNECTED TRANSACTION FOLLOWING THE COMPLETION OF THE PROPOSED DISTRIBUTION IN SPECIE;**  
**AND**  
**(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser to the Company**



**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



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Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the EGM to be held at Studio 2, Level 7, W Hong Kong, 1 Austin Road West, Kowloon Station, Kowloon, Hong Kong on Thursday, 22 September 2022 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

6 September 2022

**PRECAUTIONARY MEASURES FOR THE EGM**

Please see pages 1 to 2 of this circular for precautionary measures being taken to prevent and control the spread of COVID-19 at the EGM, including without limitation:

- compulsory body temperature checks;
- scan the “LeaveHomeSafe” venue QR Code;
- comply with the requirements of the “Vaccine Pass Direction”<sup>\*</sup>;
- compulsory wearing of surgical face masks (please bring your own mask);
- no refreshment will be served; and
- no souvenirs will be distributed.

<sup>\*</sup> *The definition of “Vaccine Pass Direction” is set out in the Prevention and Control of Disease (Vaccine Pass) Regulation (Chapter 599L of the Laws of Hong Kong).*

**Any person who does not comply with the above precautionary measures may be denied entry into the EGM venue. The Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the EGM at all times, and reminds the Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.**

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## PRECAUTIONARY MEASURES FOR THE EGM

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In view of the ongoing COVID-19 epidemic and recent guidelines for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect the Shareholders, staff and other stakeholders who attend the EGM from the risk of infection:

- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee. Any person with a body temperature of 37 degrees Celsius or higher may be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) the Company will require all attendees to scan the “LeaveHomeSafe” venue QR code;
- (iii) the Company will require all attendees to comply with the requirements of the “Vaccine Pass Direction”<sup>\*</sup>;
- (iv) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the EGM at all times, and to maintain a safe distance between seats (please bring your own mask);
- (v) no refreshment will be served at the EGM; and
- (vi) no souvenirs will be distributed at the EGM.

<sup>\*</sup> *The definition of “Vaccine Pass Direction” is set out in the Prevention and Control of Disease (Vaccine Pass) Regulation (Chapter 599L of the Laws of Hong Kong).*

Any person who does not comply with above requirements may be denied entry into the EGM venue or be required to leave the EGM venue. To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of other attendees at the EGM. In our case, denied entry to the EGM venue also means that person will not be allowed to attend the EGM.

In the interests of all stakeholders’ health and safety and in accordance with recent guidelines for prevention and control of the spread of COVID-19, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, the Shareholders may complete the proxy forms and appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The proxy forms were despatched to the Shareholders together with this circular, and can otherwise be downloaded from the websites of the Company at [www.gcltech.com](http://www.gcltech.com) or the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). If you are not a registered Shareholder (i.e. if your Shares are held via banks, brokers, custodians or Hong Kong Securities Clearing Company Limited), you should consult directly with your banks, brokers or custodians (as the case may be) to assist you in the appointment of proxy.

If you have any questions relating to the EGM, please contact the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, via the following:

Address : 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong  
Email : [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)  
Telephone : +852 2980 1333  
Fax : +852 2810 8185

Subject to the development of COVID-19, the Company may implement further precautionary measures and may issue further announcements on such measures as appropriate.

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## DEFINITIONS

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*In this circular, the following expressions have the meanings set out below unless the context requires otherwise:*

“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCBI”	CCB International Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, financial adviser to the Company in respect of the Proposed Distribution in Specie and the continuation of the existing Perpetual Notes as a continuing connected transaction of the Company
“ChinaClear”	means China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“Company”	GCL Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 3800)
“De Minimis Agreements”	has the meaning ascribed to it under the section headed “ <i>Other continuing connected transactions on management services, operation services and lease agreement between the Company and GNE</i> ”
“Director(s)”	director(s) of the Company
“DIS Shares”	8,639,024,713 GNE Shares, representing approximately 37% of the issued share capital of GNE as at the date of this circular
“EGM”	the extraordinary general meeting of the Company to be convened and held at Studio 2, Level 7, W Hong Kong, 1 Austin Road West, Kowloon Station, Kowloon, Hong Kong on Thursday, 22 September 2022 at 10:00 a.m.

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## DEFINITIONS

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“Elite Time”	Elite Time Global Limited, a wholly-owned subsidiary of the Company, which held 10,376,602,000 GNE Shares as at the Latest Practicable Date
“GNE”	GCL New Energy Holdings Limited (協鑫新能源控股有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 451)
“GNE Group”	GNE and its subsidiaries
“GNE Shareholder(s)”	holder(s) of the GNE Shares
“GNE Share(s)”	ordinary share(s) of one-two-hundred-fortieth (1/240) of a Hong Kong dollar each (equivalent to HK\$0.004167) in the share capital of GNE
“Golden Concord Group”	Golden Concord Group Limited, an indirect wholly-owned company of the Zhu Family Trust
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, namely Ir. Dr. Ho Chung Tai, Raymond, Mr. Yip Tai Him and Dr. Shen Wenzhong, established to advise the Independent Shareholders on the continuation of the existing Perpetual Notes as a continuing connected transaction of the Company
“Independent Shareholders”	Shareholders other than Highexcel Investments Limited, Happy Genius Holdings Limited and Get Famous Investments Limited
“Latest Practicable Date”	2 September 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC

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## DEFINITIONS

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“Maxa Capital”	Maxa Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on Corporate Finance) regulated activity under the SFO, which has been appointed as the independent financial adviser (i) to the Company pursuant to the Rule 14A.52 of the Listing Rules; and (ii) to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Perpetual Notes and the continuation of the existing Perpetual Notes as a continuing connected transaction of the Company
“Nanjing GCL”	Nanjing GCL New Energy Development Co., Ltd.* (南京協鑫新能源發展有限公司), an indirect wholly-owned subsidiary of GNE
“Non-Qualifying Shareholder(s)”	Shareholder(s) (if any) whose (respective) address(es) as shown on the register of members of the Company on the Record Date is/are in place(s) outside of Hong Kong, and whom is/are excluded from receiving the DIS Shares in the Proposed Distribution in Specie on account either of the legal or regulatory requirements or restrictions by the Board out of necessity or expediency
“Perpetual Notes”	the existing loan provided by the Perpetual Notes Lenders to Nanjing GCL pursuant to the Perpetual Notes Agreement
“Perpetual Notes Agreement”	the perpetual notes agreement entered into between Nanjing GCL and the Perpetual Notes Lenders dated 18 November 2016
“Perpetual Notes Lenders”	collectively, <ol style="list-style-type: none"><li>(1) GCL Technology (Suzhou) Co., Ltd.* (協鑫科技(蘇州)有限公司 (formerly known as GCL-Poly (Suzhou) New Energy Co., Ltd.* (保利協鑫(蘇州)新能源有限公司))</li><li>(2) Jiangsu GCL Silicon Material Technology Development Co., Ltd.* (江蘇協鑫硅材料科技發展有限公司)</li><li>(3) Suzhou GCL Photovoltaic Technology Co., Ltd.* (蘇州協鑫光伏科技有限公司) and</li><li>(4) Taicang GCL Photovoltaic Technology Co., Ltd.* (太倉協鑫光伏科技有限公司)</li></ol>
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan



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## DEFINITIONS

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“Stock Connect Investors”	PRC southbound trading Shareholders holding the Shares through Stock Connect
“Proposed A Share Listing”	the potential listing of the Company on a stock exchange in the PRC, as detailed in the announcements published by the Company dated 9 February 2022, 23 May 2022 and 15 August 2022
“Proposed Distribution in Specie”	the distribution of a conditional special interim dividend out of the Share Premium Account by way of a distribution in specie of the GNE Shares in the proportion of 318 GNE Shares for every 1,000 Shares to the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Tuesday, 27 September 2022
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Premium Account”	the share premium account of the Company from time to time
“Shareholder(s)”	the shareholder(s) of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shun Loong”	Shun Loong Securities Company Limited (順隆證券行有限公司), a licensed corporation to carry on business in type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given to it under the Listing Rules
“U.S.”	United States of America
“USD”	United States dollars, the lawful currency of the U.S.
“USD Senior Notes”	the 10.0% senior notes due 2024 (ISIN: XS2350477308) issued by GNE on 16 June 2021. For further details, please refer to the announcement published by GNE on 18 March 2022

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## DEFINITIONS

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“Zhu Family Trust”

the discretionary trust known as “Asia Pacific Energy Fund”, of which Mr. Zhu Gongshan, the Chairman and an executive director of the Company and his family (including Mr. Zhu Yufeng, an executive Director) are beneficiaries

%

per cent.

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## EXPECTED TIMETABLE

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*The expected timetable for the Proposed Distribution in Specie as set out below is for indicative purposes only. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.*

Despatch of the EGM circular . . . . .	Tuesday, 6 September 2022
Latest time for lodging transfer of the Shares in order to be qualified for attending and voting at the EGM . . . . .	4:30 p.m. on Friday, 16 September 2022
Closure of register of members of the Company for ascertaining Shareholders' eligibility to attend and vote at the EGM (both days inclusive) . . . . .	Monday, 19 September to Thursday, 22 September 2022 (both dates inclusive)
Latest time for lodging proxy forms for the EGM . . . . .	10:00 a.m. on Tuesday, 20 September 2022
Date of the EGM . . . . .	10:00 a.m. on Thursday, 22 September 2022
Announcement of results of the EGM . . . . .	Thursday, 22 September 2022
Register of members of the Company reopens . . . . .	Friday, 23 September 2022
Last day of dealings in the Shares cum-entitlement to the Proposed Distribution in Specie. . . . .	Friday, 23 September 2022
First day of dealings in the Shares ex-entitlement to the Proposed Distribution in Specie . . . . .	Monday, 26 September 2022
Latest time for lodging transfers of Shares in order to be qualified for the Proposed Distribution in Specie . . . . .	4:30 p.m. on Tuesday, 27 September 2022
Record Date for the Proposed Distribution in Specie ( <i>Note 1</i> ) . . . . .	Tuesday, 27 September 2022
Despatch of share certificates for the DIS Shares . . . . .	On or before Tuesday, 11 October 2022

*Notes:*

- (1) There will be no book closure for the Proposed Distribution in Specie. In order to qualify for the Proposed Distribution in Specie, all transfer of Shares accompanied by the relevant share certificate must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 pm on Tuesday, 27 September 2022.
- (2) All times refer to Hong Kong local time. The above expected timetable is an indication only and may be varied by the Company. Should there be any change to the expected timetable, further announcement will be made by the Company as and when appropriate.

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

ZHU Gongshan (*Chairman*)  
ZHU Zhanjun (*Vice Chairman & Joint CEO*)  
LAN Tianshi (*Joint CEO*)  
ZHU Yufeng  
SUN Wei  
YEUNG Man Chung, Charles  
(*CFO & Company Secretary*)

*Independent Non-Executive Directors:*

HO Chung Tai, Raymond  
YIP Tai Him  
SHEN Wenzhong

*Registered Office:*

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business in Hong Kong:*

Unit 1703B-1706, Level 17  
International Commerce Centre  
1 Austin Road West Kowloon,  
Hong Kong

6 September 2022

*To the Shareholders*

Dear Sir or Madam,

- (1) CONDITIONAL SPECIAL INTERIM DIVIDEND BY WAY OF DISTRIBUTION IN SPECIE OF SHARES IN GCL NEW ENERGY HOLDINGS LIMITED (STOCK CODE: 451);**  
**(2) CONTINUATION OF THE EXISTING PERPETUAL NOTES AGREEMENT WHICH WILL CONSTITUTE A CONTINUING CONNECTED TRANSACTION FOLLOWING THE COMPLETION OF THE PROPOSED DISTRIBUTION IN SPECIE;**  
**AND**  
**(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

On 30 August 2022, the Board resolved to declare a conditional special interim dividend by way of distribution in specie of 8,639,024,713 DIS Shares which are held by Elite Time, a wholly-owned subsidiary of the Company. The Board also resolved that, as a condition of the Proposed Distribution in Specie, the Perpetual Notes will be put forward to the Independent Shareholders for approval as a continuing connected transaction following completion of the Proposed Distribution in Specie.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide Shareholders with further information on the proposals that will be put forward at the EGM for Shareholders' approval and the notice of the EGM.

### CONDITIONAL SPECIAL INTERIM DIVIDEND BY WAY OF DISTRIBUTION IN SPECIE

#### Basis of entitlement

On 30 August 2022, the Board resolved to declare a conditional special interim dividend out of the Share Premium Account by way of a distribution in specie of 8,639,024,713 GNE Shares which are currently held by Elite Time to the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date in proportion to their respective shareholding interests in the Company as follows:

**For every 1,000 Shares held . . . . . 318 GNE Shares**

The Proposed Distribution in Specie will be effected by Elite Time transferring the DIS Shares held by it directly to the Qualifying Shareholders, subject to Independent Shareholders' approval on the Proposed Distribution in Specie and conditional on the Independent Shareholders' approval for the continuation of the existing Perpetual Notes as a continuing connected transaction of the Company.

The exact total number of the DIS Shares to be distributed by the Company is subject to adjustments where necessary in order to give effect to the Proposed Distribution in Specie on the basis of 318 DIS Shares for every 1,000 Shares held on the Record Date and such other arrangements in relation to Proposed Distribution in Specie as set out in this circular.

A Qualifying Shareholder (including a Qualifying Shareholder holding less than 1,000 Shares on the Record Date) will be entitled to a pro-rata number of the DIS Shares (being rounded down to the nearest whole number of the DIS Shares). There will be no fractional distribution of the DIS Shares to the Qualifying Shareholders. Fractional entitlements to the DIS Shares and any DIS Shares left undistributed will be sold in the market, with the net proceeds of such sale being retained for the benefit of the Company. One share certificate will be issued for all the DIS Shares a Qualifying Shareholder is entitled to.

#### Odd lot matching service for the DIS Shares

The Company has, at its own costs, appointed Shun Loong to provide odd lot matching services to be provided for the sale and purchase of odd lots of the DIS Shares, on a best effort basis, to those Qualifying Shareholders entitled to the Proposed Distribution in Specie who wish to acquire odd lots of the DIS Shares to make up a full board lot size of 2,000 GNE Shares, or to dispose of their odd lots of the DIS Shares.

Qualifying Shareholders who wish to utilise the service should contact Shun Loong at 2509 7333, 1801, 18/F, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong during the period from 9:00 a.m. on Wednesday, 12 October 2022 to 4:00 p.m. on Friday, 11 November 2022, both days inclusive. Holders of odd lots of the DIS Shares should note that successful matching of such sale and purchase is not guaranteed.

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## LETTER FROM THE BOARD

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### **Qualifying Shareholders and Non-Qualifying Shareholders**

The Proposed Distribution in Specie will be available to the Shareholders whose names appear on the Hong Kong register of members of the Company, but will not be extended to any Non-Qualifying Shareholders.

### ***Shareholders with registered address outside Hong Kong***

Based on the register of members of the Company as at the Latest Practicable Date, there were a total of two Shareholders whose addresses as shown on the register of members of the Company were outside Hong Kong, comprising two overseas jurisdictions, being the PRC and Macau, with a total shareholding of 2,000 Shares, representing in aggregate approximately 0.000007% of the issued share capital of the Company as at the Latest Practicable Date.

The Company had consulted legal counsels to ascertain whether or not there are any legal or regulatory requirements or restrictions which would make extending the Proposed Distribution in Specie to the Shareholders whose addresses as shown on the register of members of the Company are located in the PRC and Macau administratively prohibitive or inexpedient.

With respect to the PRC and Macau, the Company has been advised that there are no such legal or regulatory restrictions requiring the exclusion of such Shareholder(s) from the Proposed Distribution. Having considered such advice provided by the legal counsels, the Directors are of the view that the Proposed Distribution in Specie will be extended to the Shareholders whose addressees as shown on the register of members of the Company are in the PRC and Macau on the Record Date.

Shareholders with registered addresses outside Hong Kong should consult their own professional advisers as to whether or not they are permitted to receive the DIS Shares or if any governmental or other consent is required or other formalities which need to be observed and whether there are any other restrictions in relation to the future sale of any DIS Shares so received. Notwithstanding the above, the Board reserves the ultimate right to exclude any Shareholder from the Proposed Distribution in Specie if it believes that the transfer of the DIS Shares to such person(s) may be administratively prohibitive or inexpedient or violate any applicable legal and/or regulatory requirements in the relevant jurisdiction

### ***Arrangements for Non-Qualifying Shareholders (if any)***

As the Proposed Distribution in Specie will not be extended to any Non-Qualifying Shareholder, arrangements will be made for the DIS Shares which would otherwise have been transferred to any Non-Qualifying Shareholder to be sold in the market as soon as possible, on or after the date of posting of the share certificates for the DIS Shares (which date is currently expected to be on or around Tuesday, 11 October 2022), and any proceeds of sale, after deduction of expenses and duties, will be distributed in HK\$ to the relevant Non-Qualifying Shareholders, except that net proceeds less than HK\$100 will be retained for the benefit of the Company.

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## LETTER FROM THE BOARD

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Cheques representing the net proceeds of the sale of such DIS Shares, if any, will be sent to the Non-Qualifying Shareholders at their own risk, within 14 days after the sale of all such DIS Shares. In the absence of bad faith or willful default, none of the Company or any broker or agent appointed by the Company to effect the sale shall have any liability of any loss whatsoever arising as a result of the timing or the terms of any such sale.

### **Distribution arrangements for PRC Stock Connect Investors**

According to the “Stock Connect Shareholding Search” available on the Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)), as at the Latest Practicable Date, ChinaClear held 5,785,236,054 Shares.

The PRC Stock Connect Investors will receive DIS Shares pursuant to the Proposed Distribution in Specie and hold the relevant DIS Shares received through ChinaClear. Pursuant to the Shanghai Stock Exchange Measures for the Implementation of Shanghai Connect (上海證券交易所滬港通業務實施辦法) and the Shenzhen Stock Exchange Measures for the Implementation of Shenzhen Connect (深圳證券交易所深港通業務實施辦法), the PRC Stock Connect Investors (or the relevant ChinaClear participants, as the case may be) whose stock accounts in ChinaClear are credited with the DIS Shares may only sell them on the Stock Exchange under the Shanghai Connect and the Shenzhen Connect, but they will not be allowed to buy DIS Shares through Stock Connect.

PRC Stock Connect Investors should seek advice from their intermediary (including broker, custodian, nominee or CCASS Participant) and/or other professional advisers for details of the logistical arrangements as needed.

### **Reasons for, and benefits of, the payment of a special interim dividend out of the Share Premium Account by way of Distribution in Specie**

The following matters were considered by the Board when deciding to implement the Proposed Distribution in Specie:

- (1) the Proposed Distribution in Specie shall, upon reduction of the Company’s shareholding in GNE, maximise the Company’s value in connection with the Proposed A Share Listing;
- (2) the Proposed Distribution in Specie serves as a reward for the support that has been given by the Shareholders and simultaneously allows the Group to focus and strengthen its resources on its core business; and
- (3) the Proposed Distribution in Specie will provide the Shareholders with an opportunity and the flexibility to participate, as shareholders of GNE, in the growth and prospects of GNE directly, and determine the level of their participation in investing in GNE at their own discretion.

In light of the above, the Board considered that the Proposed Distribution in Specie was in the interests of both the Company and the Shareholders.

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## LETTER FROM THE BOARD

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### **Financial implications of the Proposed Distribution in Specie**

As at the Latest Practicable Date, GNE was held as to approximately 44.44% by Elite Time and the DIS Shares represented approximately 37% of the issued share capital of GNE.

Immediately after completion of the Proposed Distribution in Specie, the Company will, through Elite Time, hold the remaining 1,737,577,287 GNE Shares, representing approximately 7.44% of the issued share capital of GNE as at the Latest Practicable Date.

The financial implications on the Group as a result of the Proposed Distribution in Specie may only be ascertained following the date of settlement of the Proposed Distribution in Specie, upon which, GNE will continue to be accounted for as an associate in the consolidated financial statement of the Group.

### **Appointment of financial adviser to the Company**

On 30 August 2022, the Company appointed CCBI as its financial adviser to provide advice on the Proposed Distribution in Specie and the continuation of the existing Perpetual Notes as a continuing connected transaction of the Company. A letter from CCBI containing its advice in respect of the Proposed Distribution in Specie and the continuation of the existing Perpetual Notes as a continuing connected transaction of the Company is set out in Appendix II to this circular.

### **Shareholders' approval as required by the Articles of Association**

The Proposed Distribution in Specie is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM as required by Article 137 of the Articles of Association.

### **INFORMATION ON THE COMPANY**

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The principal business of the Company is investment holding. The Company is principally engaged in the manufacturing and sale of polysilicon and wafers products, and developing and operating of solar farms. As at the Latest Practicable Date, the Company was interested in approximately 44.44% of the issued share capital of GNE.

### **INFORMATION ON GNE GROUP**

GNE Group is principally engaged in the sale of electricity, development, construction, operation and management of solar power plants.

**Shareholders should note that the Proposed Distribution in Specie is subject to the approval by the Independent Shareholders as described in this circular. Shareholders and/or potential investors in the Company should be aware that implementation of the Proposed Distribution in Specie may or may not become effective. There is no assurance that the Proposed Distribution in Specie will be approved or will materialise. Meanwhile, the Shareholders and prospective investors are advised to exercise caution in dealing in the Shares.**



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## LETTER FROM THE BOARD

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### CONTINUATION OF THE EXISTING PERPETUAL NOTES AGREEMENT AND APPROVAL OF THE CONTINUING CONNECTED TRANSACTION UNDER THE EXISTING PERPETUAL NOTES AGREEMENT

#### Background

We refer to the announcement of the Company dated 18 November 2016.

On 18 November 2016, the Perpetual Notes Lenders (as lenders) and Nanjing GCL, an indirect wholly-owned subsidiary of GNE (as borrower), entered into a Perpetual Notes Agreement pursuant to which the Perpetual Notes Lenders, each of which a wholly-owned subsidiary of the Company, agreed to grant a perpetual loan facility in a principal amount of RMB1,800,000,000 to Nanjing GCL.

#### Principal terms of the Perpetual Notes Agreement

The principal terms of the Perpetual Notes Agreement are set out as follows:

Date:	18 November 2016
Parties:	<ol style="list-style-type: none"><li>(1) GCL Technology (Suzhou) Co., Ltd.* (協鑫科技(蘇州)有限公司 (formerly known as GCL-Poly (Suzhou) New Energy Co., Ltd.* (保利協鑫(蘇州)新能源有限公司)), as a lender</li><li>(2) Jiangsu GCL Silicon Material Technology Development Co., Ltd.* (江蘇協鑫硅材料科技發展有限公司), as a lender</li><li>(3) Suzhou GCL Photovoltaic Technology Co., Ltd.* (蘇州協鑫光伏科技有限公司), as a lender</li><li>(4) Taicang GCL Photovoltaic Technology Co., Ltd.* (太倉協鑫光伏科技有限公司), as a lender</li><li>(5) Nanjing GCL, as borrower</li></ol>
Maximum amount:	RMB1,800,000,000.00 (the “ <b>Maximum Amount of the Perpetual Notes</b> ”)
Withdrawal schedule:	Subject to the lenders’ consent and the relevant PRC rules and regulatory requirements, the borrower can withdraw the Perpetual Notes in stages based on its financial needs (the “ <b>Perpetual Notes Withdrawal</b> ”). The borrower shall withdraw the Maximum Amount of the Perpetual Notes by 31 December 2017
Term:	Indefinite

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## LETTER FROM THE BOARD

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Interest rate:	For each Perpetual Notes Withdrawal, the interest rate is 7.3% per annum for the first two years, 9% per annum for the third to fourth year and is capped at 11% per annum starting from the fifth year, which amounts to a maximum interest payment of RMB210,000,000.00 per year
Maturity date:	There is no maturity date
Repayment terms:	<p>The interest shall be repaid on the 21<sup>st</sup> day of the last month of each quarter (the “<b>Interest Payment Date</b>”). The borrower shall have the right to defer any due and payable interest payment indefinitely by notifying the lenders five working days before the Interest Payment Date</p> <p>If the borrower chooses to defer interest payment, for as long as there is any deferred interest payment not yet paid in full, the borrower is not permitted to declare and pay dividends to its shareholders</p> <p>The lenders shall have no right at any time to request repayment of the Perpetual Notes from the borrower, but the borrower shall have the right, but not the obligations, to repay the Perpetual Notes amount by notifying the lenders in writing five working days before the repayment of the Perpetual Notes</p>
Security:	None
Purpose:	Borrower intends to use RMB1,800,000,000.00 to repay the short term borrowings and fund investment projects and operational activities

The Company was informed that Nanjing GCL declared and paid dividend to its shareholders in 2018, 2019 and 2020 (the “**Historical Dividend Distribution**”) while interest payments under the Perpetual Notes were being deferred during such period, thereby constituting a breach of its undertaking which triggered an event of default (the “**Event of Default**”) under the Perpetual Notes Agreement. Upon triggering the Event of Default, the Perpetual Notes Lenders are entitled to, among other things, demand a full repayment of the outstanding principal and accrued interests, demand indemnification on losses and damages caused by Nanjing GCL and terminate the Perpetual Notes Agreement. The Perpetual Notes Lenders have not exercised its right under the Event of Default provisions in the Perpetual Notes. As at 30 June 2022, the outstanding principal amount (together with such deferred interests) under the Perpetual Notes was approximately RMB2,637,272,222.

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## LETTER FROM THE BOARD

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On 30 August 2022, the Perpetual Notes Lenders granted a waiver to Nanjing GCL on the Event of Default resulting from the Historical Dividend Distribution on the following basis:

- (1) Nanjing GCL shall undertake that no dividend will be declared or paid without the Perpetual Notes Lenders' consent until all deferred interests under the Perpetual Notes are fully repaid;
- (2) Nanjing GCL shall undertake to start repaying the outstanding principal amount (together with such deferred interests) under the Perpetual Notes after GNE's full repayment of the outstanding principal amount of the USD Senior Notes (as at the Latest Practicable Date amounted to USD374,835,963)) and its accrued interest; and
- (3) All other terms under the Perpetual Notes shall remain in full force and effect.

### **Impairment Assessment of the Perpetual Notes**

The Company has been carrying out, and will continue to carry out, an impairment assessment of the Perpetual Notes at the end of each reporting period. Based on the latest assessment conducted by the Company for the period ended 30 June 2022, no impairment was made in view of (i) the net asset value of the GNE Group of approximately RMB6.56 billion as at 30 June 2022; and (ii) the successful fundraising of approximately HK\$314 million by the GNE Group through a top-up placing completed on 4 August 2022.

### **Listing Rules implication**

Immediately following completion of the Proposed Distribution in Specie, Golden Concord Group, a substantial shareholder and a connected person of the Company, will consolidate the financial results of GNE as its subsidiary pursuant to applicable accounting standards. Pursuant to Rule 14A.07(4) of the Listing Rules, GNE will become an associate of Golden Concord Group and therefore a connected person of the Company. Accordingly, the existing Perpetual Notes Agreement will constitute a continuing connected transaction of the Company for the purposes of the Listing Rules.

The Company will comply with all applicable reporting, disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Abstain from voting**

On 30 August 2022, Mr. Zhu Gongshan, Mr. Zhu Zhanjun, Mr. Zhu Yufeng, Ms. Sun Wei and Mr. Yeung Man Chung, Charles abstained from voting on the relevant resolutions of the Board relating to the Perpetual Notes Agreement since they are considered to have a material interest in the resolutions by virtue of their respective direct or indirect shareholdings or executive positions in Golden Concord Group and/or the GNE Group.

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## LETTER FROM THE BOARD

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Highexcel Investments Limited, Happy Genius Holdings Limited and Get Famous Investments Limited, each as a subsidiary wholly-owned by Golden Concord Group which in turn is a substantial shareholder and a connected person of the Company, will abstain from voting on the resolutions relating to the Proposed Distribution in Specie and the Perpetual Notes at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, no other Shareholders will be required to abstain from voting on the resolutions to be proposed at the EGM.

### **Independent Board Committee**

An Independent Board Committee, comprising all independent non-executive Directors, namely Ir. Dr. Ho Chung Tai, Raymond, Mr. Yip Tai Him and Dr. Shen Wenzhong, has been established to advise the Independent Shareholders on whether the terms of the Perpetual Notes are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the continuation of the Perpetual Notes as a continuing connected transaction of the Company.

### **Independent Financial Adviser**

The Company has appointed Maxa Capital, as its independent financial adviser, to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Perpetual Notes and the continuation of the Perpetual Notes as a continuing connected transaction of the Company. As the existing term of the Perpetual Notes exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, Maxa Capital, as the Company's independent financial adviser, has also been appointed to explain why the Perpetual Notes requires a longer period and to confirm whether it is a normal business practice for agreements of this type to be of such duration.

### **Reasons, benefits and basis of the continuation of the Perpetual Notes Agreement**

The Company has a long term business relationship with GNE and still holds approximately 7.44% after the Proposed Distribution in Specie. The continuation of the Perpetual Notes will provide the necessary liquidity required by GNE in sustaining its operations, while the termination of the Perpetual Notes may have a substantial financial impact on Nanjing GCL and the GNE Group as a whole, which may in turn jeopardise the existing business relationship between GNE and the Company. Furthermore, the Board takes the view that (i) the existing interest rate under the Perpetual Notes is fair and reasonable and is in line with customary market terms, (ii) the loan size is relatively insignificant to the total assets of the Company as a whole, as the Maximum Amount of the Perpetual Notes only accounted for approximately 2.43% of the Company's total assets as at 30 June 2022 as disclosed in the Company's interim results announcement dated 30 August 2022, and (iii) there is a reasonable expectation that Nanjing GCL will start repaying the outstanding principal amount (together with such deferred interests) under the Perpetual Notes after GNE's full repayment of the outstanding principal amount and its accrued interest under the USD Senior Notes once it is financially viable.

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## LETTER FROM THE BOARD

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### Information on Nanjing GCL

Nanjing GCL, a limited liability company incorporated in PRC, is an indirect wholly-owned subsidiary of GCL New Energy Holdings Limited (a company listed on the Stock Exchange with stock code: 451). The principal business of Nanjing GCL is principally engaged in the development, operation and management of solar power plants in PRC.

### Information on the Perpetual Notes Lenders

- (1) *GCL Technology (Suzhou) Co., Ltd.\** (協鑫科技(蘇州)有限公司) (formerly known as GCL-Poly (Suzhou) New Energy Co., Ltd.\* (保利協鑫(蘇州)新能源有限公司)), a limited liability company incorporated in the PRC, is a wholly-owned subsidiary of the Company. Its principal business is investment holding.
- (2) *Jiangsu GCL Silicon Material Technology Development Co.,Ltd.\** (江蘇協鑫硅材料科技發展有限公司), a limited liability company incorporated in the PRC, is a wholly-owned subsidiary of the Company. Its principal business is investment holding.
- (3) *Suzhou GCL Photovoltaic Technology Co., Ltd.\** (蘇州協鑫光伏科技有限公司), a limited liability company incorporated in the PRC, is a wholly-owned subsidiary of the Company. Its principal business is investment holding.
- (4) *Taicang GCL Photovoltaic Technology Co., Ltd.\** (太倉協鑫光伏科技有限公司), a limited liability company incorporated in the PRC, is a wholly-owned subsidiary of the Company. Its principal business is investment holding.

### Other continuing connected transactions on management services, operation services and lease agreement between the Company and GNE

Prior to the Latest Practicable Date, the Group entered into certain management services, operation services and lease agreements with the GNE Group (the “**De Minimis Agreements**”). Following completion of the Proposed Distribution in Specie, the De Minimis Agreements will constitute continuing connected transactions of the Company.

However, since each of the De Minimis Agreements falls within the de minimis exemption under Rule 14A.76 of the Listing Rules and is fully exempt from shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules upon completion of the Proposed Distribution in Specie.

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## LETTER FROM THE BOARD

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### GENERAL INFORMATION OF THE EGM

#### EGM

A notice convening the EGM is set out on pages EGM-1 - EGM-3 of this circular and a form of proxy for the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the EGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM in person.

#### Voting by Poll

Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) and Rule 17.02(1)(a) of the Listing Rules.

#### **Interconditionality of the resolutions for the approval of the Proposed Distribution in Specie and the continuation of the Perpetual Notes Agreement**

The resolutions for the approval of the Proposed Distribution in Specie and the continuation of the Perpetual Notes Agreement are interconditional upon each other. Accordingly, if for any reason the continuation of the Perpetual Notes Agreement is not approved, the Proposed Distribution in Specie will not proceed, and vice versa.

### RECOMMENDATIONS

#### *Proposed Distribution in Specie*

Having considered the advice from CCBI, the Company's financial adviser, as set out in Appendix II to this circular, the Directors believe that Proposed Distribution in Specie is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Independent Shareholders vote in favour of all such resolutions to be proposed at the EGM.

#### *Continuation of the Perpetual Notes as a continuing connected transaction of the Company*

The Directors (including the independent non-executive directors having considered the advice from Maxa Capital as set out in Appendix III to this circular) believe that the terms of the Perpetual Notes are fair and reasonable, conducted on normal commercial terms, in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Independent Shareholders vote in favour of all such resolutions to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular, including (i) the letter from CCBI containing its advice in respect of the Proposed Distribution in Specie and the continuation of the existing Perpetual Notes as a continuing connected transaction of the Company; (ii) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the continuation of the Perpetual Notes as a continuing connected transaction of the Company; and (iii) the letter from Maxa Capital to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the continuation of the Perpetual Notes as a continuing connected transaction of the Company.

\* *Shareholding percentages set forth in this circular have been subject to rounding adjustments.*

\* *All of the English titles or names of the PRC companies 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*



**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)

*To the Independent Shareholders*

6 September 2022

Dear Sir or Madam,

**CONTINUATION OF THE EXISTING PERPETUAL NOTES AGREEMENT WHICH WILL  
CONSTITUTE A CONTINUING CONNECTED TRANSACTION FOLLOWING THE  
COMPLETION OF THE PROPOSED DISTRIBUTION IN SPECIE**

We refer to the circular issued by the Company dated 6 September 2022 to its Shareholders, of which this letter forms part (the “**Circular**”). Unless the context otherwise requires, terms defined in this Circular shall have the same meaning when used in this letter.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders on whether, in our opinion, the terms of the Perpetual Notes are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the continuation of the existing Perpetual Notes as a continuing connected transaction of the Company.

Maxa Capital Limited (“**Maxa Capital**”) has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Perpetual Notes and the continuation of the Perpetual Notes as a continuing connected transaction of the Company.

We wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser as set out on pages III-1 to III-21 of this Circular; and (ii) the letter from the Board as set out on pages 1 to 19 of this Circular, which set out information relating to the terms of the Perpetual Notes and the reasons, benefits and basis of the continuation of the existing Perpetual Notes as a continuing connected transaction of the Company.

As the Company’s independent non-executive Directors, we have discussed with the management of the Company the reasons, benefits and basis of the continuation of the Perpetual Notes Agreement. We have considered the factors and reasons considered by, and the opinions and recommendations of Maxa Capital, as set out on pages III-1 to III-21 of this Circular.



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## **APPENDIX I LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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We are of the opinion that the terms of the Perpetual Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the continuation of the existing Perpetual Notes as a continuing connected transaction of the Company, to be proposed at the EGM.

Yours faithfully,

For and on behalf of the  
**Independent Board Committee**

**Ho Chung Tai, Raymond**

**Yip Tai Him**

**Shen Wenzhong**

**CCB INTERNATIONAL CAPITAL LIMITED**

6 September 2022

The Board of Directors

GCL Technology Holdings Limited  
Unit 1703B-1706, Level 17  
International Commerce Centre  
1 Austin Road West, Kowloon  
Hong Kong

Dear Sirs,

We refer to the announcement of the Company dated 30 August 2022 (the “Announcement”) in connection with the declaration of conditional special interim dividend by way of distribution in specie of shares in GCL New Energy Holdings Limited (stock code: 451) and continuation of the existing Perpetual Notes Agreement which will constitute a continuing connected transaction following the completion of the Proposed Distribution in Specie and EGM. Unless specified otherwise, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

On 30 August 2022, the Board has resolved to declare a conditional special interim dividend by way of a distribution in specie of 8,639,024,713 ordinary shares of GNE which are indirectly held by Elite Time Global Limited, a wholly-owned subsidiary of the Company. As at the date of the Announcement, GNE was approximately 44.44% held by Elite Time Global Limited and the DIS Shares represent approximately 37% of the issued share capital of GNE; and as a condition of the Proposed Distribution in Specie, the Perpetual Notes will be put forward to the Independent Shareholders for approval as a continuing connected transaction following the completion of the Proposed Distribution in Specie.

**(1) CONDITIONAL SPECIAL INTERIM DIVIDED BY WAY OF DISTRIBUTION IN SPECIE**

The Board considers that the Proposed Distribution in Specie is in the interests of both the Company and the Shareholders, as the Proposed Distribution in Specie shall: (1) upon reduction of the Company’s shareholding in GNE, maximize the value of the Company in connection with the Proposed A Share Listing; (2) provide the Shareholders with an opportunity and the flexibility to participate, as shareholders of GNE, in the growth and prospects of GNE directly, and determine the level of their participation in investing in GNE at their own discretion; and (3) serve as a reward for the support of Shareholders and simultaneously allow the Group to focus and strengthen its resources on its core business.

We concur with the views of the Board that the value of the Company will be maximized in connection with the Proposed A Share Listing and the Proposed Distribution in Specie will facilitate such by (i) minimizing the required work done in connection with GNE and hence the relevant approval process of the Proposed A Share Listing can be accelerated; (ii) other ways of reduction of the Shares will not be as beneficial and efficient as there is no assurance that the Company can dispose the DIS Shares in the market on a timely basis without affecting the share price of GNE and as a result the considerations to be received by the Company; (iii) serve as a reward for the support of the Shareholders since the last dividend payment in January 2016 and provide them an opportunity to directly hold the GNE Shares to participate in the growth and prospects of GNE directly; and (iv) the Group will be able to focus on its core business and the positioning as the leading polysilicon manufacturer will be further strengthened.

In addition, we concur with the Board's decision to retain approximately 7.44% of GNE Shares after the Proposed Distribution in Specie in consideration of the Company's long term business relationship with GNE and such will also allow the Company to monitor the management and operation of GNE, including but not limited to its ability to repay the Perpetual Notes.

## **(2) CONTINUATION OF THE EXISTING PERPETUAL NOTES AGREEMENT**

We refer to the Principal terms of the Perpetual Notes Agreement, the waiver granted to the Event of Default on 30 August 2022, and the rising of the continuing connected transaction as a result of the Proposed Distribution in Specie as stated in the Announcement.

The Directors believe that the terms of the Perpetual Notes are fair and reasonable, conducted on normal commercial terms, in the ordinary and usual course of business of the Company, and are in the interest of the Company and the Shareholders as a whole.

We concur with the views of the Directors and that (i) given the long term business relationship with GNE whilst retaining approximately 7.44%, the continuation of the Perpetual Notes will prevent jeopardizing such relationship as well as providing the liquidity and operation stability of GNE; (ii) the loan size is relatively insignificant to the total assets of the Company as a whole; and (iii) there is a reasonable expectation that Nanjing GCL will start repaying the outstanding principal amount (together with such deferred interests) under the Perpetual Notes after GNE's full repayment of the outstanding principal amount and its accrued interests under the USD Senior Notes once it is financially viable.

On the basis that the Directors have no further matters that should be brought forward to our attention other than that stated in the Announcement, we concur with the views of the Board and the Directors as stated above and herein.

Yours faithfully,  
For and on behalf of  
**CCB International Capital Limited**  
**Gilman Siu**

*Managing Director, Mergers and Acquisitions*

*The following is the full text of the letter from Maxa Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders setting out its advice in respect of the terms of the Perpetual Notes Agreement and the continuation of the existing Perpetual Notes Agreement, which has been prepared for the purpose of inclusion in this circular.*



Unit 1908, Harbour Center  
25 Harbour Road  
Wan Chai  
Hong Kong

6 September 2022

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

**CONTINUATION OF THE EXISTING PERPETUAL NOTES AGREEMENT WHICH  
CONSTITUTES A CONTINUING CONNECTED TRANSACTION**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Perpetual Notes and the continuation of the Perpetual Notes Agreement as a continuing connected transaction of the Company, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 6 September 2022 (the “**Circular**”), of which this letter forms parts. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 18 November 2016 (the “**2016 Perpetual Notes Announcement**”). On 18 November 2016, the Perpetual Notes Lenders (as lenders) and Nanjing GCL, an indirect wholly-owned subsidiary of GNE (as borrower), entered into the Perpetual Notes Agreement pursuant to which the Perpetual Notes Lenders, each of which as wholly-owned subsidiaries of the Company, agreed to grant a perpetual loan facility in a principal amount of RMB1,800,000,000 to Nanjing GCL.

**LISTING RULES IMPLCATION**

Immediately following completion of the Proposed Distribution in Specie, Golden Concord Group, a substantial shareholder and a connected person of the Company, will consolidate the financial results of GNE as its subsidiary pursuant to applicable accounting standards. Pursuant to Rule 14A.07(4) of the Listing Rules, GNE will become an associate of Golden Concord Group as a connected person of the Company. Accordingly, the existing Perpetual Notes Agreement will constitute a continuing connected transaction of the Company for the purpose of the Listing Rules.

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## **APPENDIX III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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The Company will comply in full with all applicable reporting, disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board has therefore resolved that, as a condition of the Proposed Distribution in Specie, the Perpetual Notes will be put forward to the Independent Shareholders for approval as a continuing connected transaction following completion of the Proposed Distribution in Specie.

The EGM will be convened, among others, to seek Independent Shareholders' approval on the continuation of the Perpetual Notes Agreement. As at the Latest Practicable Date, Highexcel Investments Limited, Happy Genius Holdings Limited and Get Famous Investments Limited, each as subsidiary wholly-owned by Golden Concord Group which in turn is a substantial shareholder and a connected person of the Company, will abstain from voting on the resolutions relating to the Perpetual Notes at the EGM.

### **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising Ir. Dr. Raymond Ho Chung Tai, Mr. Yip Tai Him and Dr. Shen Wenzhong, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders on whether the terms of the Perpetual Notes are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company, and in the interests of the Company and Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the continuation of the Perpetual Notes as a continuing connected transaction of the Company. We, Maxa Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. In addition, pursuant to Rule 14A.52 of the Listing Rules, as the existing term of the Perpetual Notes exceeds three years, the Company has appointed us to explain why the Perpetual Notes require a longer period and to confirm whether it is a normal business practice for agreements of this type to be of such duration.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Perpetual Notes Agreement. During the past two years immediately preceding and up to the Latest Practicable Date, save for this appointment as the Independent Financial Adviser, there were no other engagements between Maxa Capital Limited and the Company. Apart from the normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company.

**BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the Perpetual Notes Agreement; (ii) the annual report of the Company for the year ended 31 December 2020 (the “**2020 AR**”); (iii) the annual report of the Company for the year ended 31 December 2021 (the “**2021 AR**”); (iv) the interim results announcement of the Company for the six months ended 30 June 2022 (the “**2022 IRA**”); (v) the annual report of GNE for the year ended 31 December 2020 (the “**GNE 2020 AR**”); (vi) the annual report of GNE for the year ended 31 December 2021 (the “**GNE 2021 AR**”); and (vii) the interim results announcement of GNE for the six months ended 30 June 2022 (the “**GNE 2022 IRA**”). We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the “**Management**”). We have reviewed, inter alia, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representations and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the terms of the Perpetual Notes and the continuation of the existing Perpetual Notes Agreement, we have taken into consideration the following principal factors and reasons:

**1. Background information of the Group**

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The principal business of the Company is investment holding. The Group is principally engaged in the manufacturing and sales of polysilicon and wafers products, and developing and operating of solar farms.

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2020 (“FY2020”) and 31 December 2021 (“FY2021”) as extracted from the 2020 AR and 2021 AR, the six months ended 30 June 2021 (“1H2021”) and 30 June 2022 (“1H2022”) as extracted from the 2022 IRA:

	<b>For the year ended</b>		<b>For the six months</b>	
	<b>31 December</b>		<b>ended 30 June</b>	
	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Revenue</b>	<b>14,671,267</b>	<b>19,697,978</b>	<b>8,803,371</b>	<b>15,325,988</b>
-Solar material business	9,225,026	16,653,431	6,778,118	14,679,035
-Solar farm business	460,521	214,947	92,682	96,039
-New energy business	4,985,720	2,829,600	1,923,571	550,914
<b>Gross profit</b>	<b>3,752,792</b>	<b>7,347,585</b>	<b>3,623,947</b>	<b>7,335,453</b>
<b>Profit/(loss) for the year/period</b>	<b>(6,271,251)</b>	<b>4,701,007</b>	<b>2,526,041</b>	<b>6,688,460</b>

As disclosed in the 2021 AR, the total revenue of the Group was approximately RMB19,698.0 million for FY2021, representing an increase of approximately RMB5,026.7 million or 34.3% as compared to approximately RMB14,671.3 million for FY2020. Such increase was primarily attributable to the increase in the revenue derived from the solar material business from approximately RMB9,225.0 million for FY2020 to approximately RMB16,653.4 million for FY2021, resulting from (a) the increase in sales of polysilicon and wafer products benefiting from the increasing annual production capacity of rod silicon and granular silicon as well as the increasing annual wafer production capacity through technical transformation, respectively, during FY2021; and (b) the increase in sales price of polysilicon and wafer (excluding OEM wafer). The Group recorded profit for the year of approximately RMB4,701.0 million for FY2021 as compared to loss for the year of approximately RMB6,271.3 million for FY2020. Such turnaround was primarily attributable to (i) the increase in revenue derived from the solar material business as mentioned above; (ii) the decrease in finance costs by approximately RMB1,252.2 million resulting from the decrease of average bank and

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other borrowings balances from the Group and GNE Group during FY2021; and (iii) the substantial decrease in the net losses of other expenses, gains and losses by approximately RMB3,989.9 million due to the decrease of impairment loss on property, plant and equipment from approximately RMB4,248.3 million for FY2020 to approximately RMB331.4 million for FY2021.

As disclosed in the 2022 IRA, the total revenue of the Group was approximately RMB15,326.0 million for 1H2022, representing an increase of approximately RMB6,522.6 million or 42.6% as compared to approximately RMB8,803.4 million for 1H2021. Such increase was primarily attributable to the increase in the revenue derived from the solar material business from approximately RMB6,778.1 million for 1H2021 to approximately RMB14,679.0 million for 1H2022, resulting from (a) the increase in sales of polysilicon and wafer products due to the increasing annual production capacity of rod silicon and granular silicon as well as the increasing annual wafer production capacity through technical transformation, respectively, during 1H2022; and (b) the increase in sales price of polysilicon and wafer (excluding OEM wafer). The Group recorded profit for the period of approximately RMB6,688.5 million for 1H2022 as compared to profit for the period of approximately RMB2,526.0 million for 1H2021. Such increase was primarily attributable to (i) the increase in revenue derived from the solar material business as mentioned above; (ii) the decrease in finance costs by approximately RMB741.4 million resulting from the decrease in interest-bearing debts during 1H2022; and (iii) the increase in share of profits of associates by approximately RMB1,239.9 million, which was primarily contributed by the increase in share of profit from Xinjiang GCL New Energy Materials Technology Co., Ltd. during 1H2022.

	<b>As at 31 December</b>		<b>As at 30 June</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Non-current assets	53,022,259	34,282,577	40,795,640
Current assets	27,480,638	29,815,337	33,390,216
<b>Total assets</b>	<b>80,502,897</b>	<b>63,097,914</b>	<b>74,185,856</b>
Non-current liabilities	15,463,013	7,579,416	6,502,570
Current liabilities	44,648,679	24,216,893	26,791,010
<b>Total liabilities</b>	<b>60,111,692</b>	<b>31,796,309</b>	<b>33,293,580</b>
<b>Net current assets/(liabilities)</b>	<b>(17,168,041)</b>	<b>5,598,444</b>	<b>6,599,206</b>
<b>Net assets</b>	<b>20,391,205</b>	<b>32,301,605</b>	<b>40,892,276</b>

The Group had total assets of approximately RMB80,502.9 million as at 31 December 2020, which mainly comprised of (i) bank balances and cash, pledged and restricted bank and other deposits of approximately RMB6,256.3 million; (ii) trade and other receivables of approximately RMB16,487.8 million; (iii) interests in associates of approximately RMB7,039.0 million; and (iv) property, plant and equipment of approximately RMB36,706.2 million. The Group had total assets of approximately RMB63,097.9 million as at 31 December 2021, which mainly comprised of (i) bank balances and cash, pledged and restricted bank and other deposits of approximately RMB9,932.1 million; (ii) trade and other receivables of approximately RMB17,527.4 million; (iii) interests in associates of approximately RMB9,605.2 million; and (iv) property, plant and equipment of approximately RMB18,292.5 million. The Group had total assets of approximately RMB74,185.9



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million as at 30 June 2022, which mainly comprised of (i) bank balances and cash, pledged and restricted bank and other deposits of approximately RMB7,558.4 million; (ii) trade and other receivables of approximately RMB23,078.2 million; (iii) interests in associates of approximately RMB11,831.9 million; and (iv) property, plant and equipment of approximately RMB23,014.1 million.

The Group had total liabilities of approximately RMB60,111.7 million as at 31 December 2020, which mainly comprised of (i) trade and other payables of approximately RMB12,530.7 million; (ii) bank and other borrowings of approximately RMB36,236.7 million; (iii) lease liabilities of approximately RMB1,890.2 million; and (iv) notes payables of approximately RMB3,312.9 million. The Group had total liabilities of approximately RMB31,796.3 million as at 31 December 2021, which mainly comprised of (i) trade and other payables of approximately RMB13,853.1 million; (ii) bank and other borrowings of approximately RMB8,583.0 million; (iii) notes payables of approximately RMB3,115.4 million; and (iv) amounts due to related companies of approximately RMB2,744.0 million. The Group had total liabilities of approximately RMB33,293.6 million as at 30 June 2022, which mainly comprised of (i) trade and other payables of approximately RMB16,072.5 million; (ii) bank and other borrowings of approximately RMB7,334.5 million; (iii) notes payables of approximately RMB2,516.8 million; and (iv) amounts due to related companies of approximately RMB3,045.1 million.

The decrease in the total assets by approximately RMB17,405.0 million to approximately RMB63,097.9 million as at 31 December 2021 as compared to 31 December 2020 was mainly due to the decrease in property, plant and equipment by approximately RMB18,413.7 million; and was partially offset by the increase in bank balances and cash, pledged and restricted bank and other deposits by approximately RMB3,675.8 million. The decrease in the total liabilities by approximately RMB28,315.4 million to approximately RMB31,796.3 million as at 31 December 2021 as compared to 31 December 2020 was mainly attributable to (i) the decrease in bank and other borrowings by approximately RMB27,653.7 million; and (ii) the decrease in loans from related companies by approximately RMB756.4 million.

The increase in the total assets by approximately RMB11,087.9 million to approximately RMB74,185.9 million as at 30 June 2022 as compared to 31 December 2021 was mainly due to (i) the increase in property, plant and equipment by approximately RMB4,721.5 million; and (ii) the increase in trade and other receivables by approximately RMB5,550.9 million. The increase in the total liabilities by approximately RMB1,497.3 million to approximately RMB33,293.6 million as at 30 June 2022 as compared to 31 December 2021 was mainly attributable to the increase in trade and other payables by approximately RMB2,219.4 million; and was partially offset by the decrease in bank and other borrowings by approximately RMB1,248.4 million.

**2. Background information of Nanjing GCL and GNE**

Nanjing GCL, a limited liability company incorporated in the PRC, is an indirect wholly-owned subsidiary of GNE. Nanjing GCL is principally engaged in the development, operation and management of solar power plants in the PRC.

GNE is incorporated in Bermuda as an exempted company with limited liability. The principal business of GNE is investment holdings. GNE Group is principally engaged in the sale of electricity, development, construction, operation and management of solar power plants.

Set out below is a summary of the consolidated financial information of GNE Group for FY2020 and FY2021 as extracted from the GNE 2020 AR and GNE 2021 AR, 1H2021 and 1H2022 as extracted from the GNE 2022 IRA:

	<b>For the year ended 31 December</b>		<b>For the six months ended 30 June</b>	
	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Revenue</b>	<b>5,023,754</b>	<b>2,844,899</b>	<b>1,942,650</b>	<b>558,036</b>
- Sales of electricity and tariff adjustments	4,935,189	2,694,979	1,891,721	410,224
- Operation and management services for solar power plants	64,849	79,637	26,232	73,995
- Solar related supporting services income	23,716	70,283	24,697	73,817
<b>Gross profit</b>	<b>3,220,008</b>	<b>1,778,776</b>	<b>1,250,448</b>	<b>254,697</b>
<b>Profit/(loss) for the year/period</b>	<b>(1,217,879)</b>	<b>(561,724)</b>	<b>177,935</b>	<b>(410,401)</b>

As disclosed in the GNE 2021 AR, the total revenue of GNE Group was approximately RMB2,844.9 million for FY2021, representing a decrease of approximately RMB2,178.9 million or 43.4% as compared to approximately RMB5,023.8 million for FY2020. Such decrease was primarily attributable to the decrease in revenue derived from sales of electricity and tariff adjustments from approximately RMB4,935.2 million for FY2020 to approximately RMB2,695.0 million for FY2021 resulting from the decrease in grid connected capacity from 4.8 GW as at 31 December 2020 to 1.0 GW as at 31 December 2021 due to the disposal of solar power plants during FY2021. GNE Group recorded loss for the year of approximately RMB561.7 million for FY2021 as compared to loss for the year of approximately RMB1,217.9 million for FY2020. Such decrease was primarily attributable to (i) the decrease in revenue derived from sales of electricity and tariff adjustments as mentioned above; (ii) the decrease in finance costs by approximately RMB872.0 million resulting from the decrease of average borrowing balances as a result of disposal of solar power plants and repayment of borrowings during FY2021; and (iii) the decrease in the net losses of other gains and losses by approximately RMB1,067.1 million resulting from the decrease of impairment loss on property, plant and equipment during FY2021. We note from the GNE 2021 AR that GNE Group has implemented the

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strategic asset-light transformation by way of disposal of solar power plants with an aim to reduce GNE Group’s debt level and maintain a stable cash flow. As a result of such strategic transformation, the total installed capacity of GNE Group’s subsidiary power plants decrease from approximately 4,964 megawatts (“MW”) as at 31 December 2020 to approximately 1,051MW as at 31 December 2021.

As disclosed in the 2022 GNE IRA, the total revenue of GNE Group was approximately RMB558.0 million for 1H2022, representing a decrease of approximately RMB1,384.7 million or 71.3% as compared to approximately RMB1,942.7 million for 1H2021. Such decrease was primarily attributable to the decrease in the revenue derived from sales of electricity and tariff adjustments from approximately RMB1,891.7 million for 1H2021 to approximately RMB410.2 million for 1H2022, resulting from the decrease in grid connected capacity from 2.9 gigawatts (“GW”) as at 30 June 2021 to 0.8 GW as at 30 June 2022 due to the disposal of solar power plants during 1H2022. GNE Group recorded loss for the period of approximately RMB410.4 million for 1H2022 as compared to profit for the period of approximately RMB177.9 million for 1H2021. Such deterioration in the operating results of GNE Group was primarily attributable to the decrease in revenue derived from sales of electricity and tariff adjustments as mentioned above; and was partially offset by the decrease in finance costs by approximately RMB528.5 million for 1H2022 resulting from the decrease in average borrowing balance as a result of the disposal of solar power plants.

	<b>As at 31 December</b>		<b>As at 30 June</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Non-current assets	30,795,063	7,714,442	6,687,043
Current assets	14,241,405	8,202,227	7,041,636
<b>Total assets</b>	<b>45,036,468</b>	<b>15,916,669</b>	<b>13,728,679</b>
Non-current liabilities	13,028,048	5,318,825	4,244,839
Current liabilities	23,471,539	3,643,971	2,921,726
<b>Total liabilities</b>	<b>36,499,587</b>	<b>8,962,796</b>	<b>7,166,565</b>
<b>Net current assets/(liabilities)</b>	<b>(9,230,134)</b>	<b>4,558,256</b>	<b>4,119,910</b>
<b>Net assets</b>	<b>8,536,881</b>	<b>6,953,873</b>	<b>6,562,114</b>

GNE Group had total assets of approximately RMB45,036.5 million as at 31 December 2020, which mainly comprised of (i) bank balances and cash, pledged bank and other deposits of approximately RMB1,887.5 million; (ii) trade and other receivables of approximately RMB8,961.6 million; and (iii) property, plant and equipment of approximately RMB25,363.2 million. GNE Group had total assets of approximately RMB15,916.7 million as at 31 December 2021, which mainly comprised of (i) bank balances and cash, pledged bank and other deposits of approximately RMB1,015.8 million; (ii) trade and other receivables of approximately RMB6,319.9 million; (iii) property, plant and equipment of approximately RMB5,520.4 million; and (iv) interests in associates

of approximately RMB1,350.9 million. GNE Group had total assets of approximately RMB13,728.7 million as at 30 June 2022, which mainly comprised of (i) bank balances and cash, pledged bank and other deposits of approximately RMB594.6 million; (ii) trade and other receivables of approximately RMB5,550.7 million; (iii) property, plant and equipment of approximately RMB4,754.8 million; and (iv) interests in associates of approximately RMB1,376.6 million.

GNE Group had total liabilities of approximately RMB36,500.0 million as at 31 December 2020, which mainly comprised of (i) other payables and deferred income of approximately RMB4,688.4 million; (ii) bank and other borrowings of approximately RMB24,004.5 million; (iii) senior notes of approximately RMB3,261.1 million; and (iv) lease liabilities of approximately RMB987.7 million. GNE Group had total liabilities of approximately RMB8,962.8 million as at 31 December 2021, which mainly comprised of (i) other payables and deferred income of approximately RMB1,340.2 million; (ii) bank and other borrowings of approximately RMB3,093.5 million; and (iii) senior notes of approximately RMB3,115.4 million. GNE Group had total liabilities of approximately RMB7,166.6 million as at 30 June 2022, which mainly comprised of (i) other payables and deferred income of approximately RMB1,100.1 million; (ii) bank and other borrowings of approximately RMB2,257.5 million; and (iii) senior notes of approximately RMB2,516.8 million.

The significant decrease in the total assets by approximately RMB29,119.8 million to approximately RMB15,916.7 million as at 31 December 2021 as compared to 31 December 2020 was mainly due to (i) the decrease in property, plant and equipment by approximately RMB19,842.8 million; (ii) the decrease in bank balances and cash, pledged and other deposits by approximately RMB871.7 million; (iii) the decrease in right-of-use assets by approximately RMB941.1 million; (iv) the decrease in contract assets by approximately RMB1,187.0 million; and (v) the decrease in trade and other receivables by approximately RMB2,641.7 million. The decrease in the total liabilities by approximately RMB27,536.8 million to approximately RMB8,962.8 million as at 31 December 2021 as compared to 31 December 2020 was mainly attributable to (i) the decrease in bank and other borrowings by approximately RMB20,911.0 million; (ii) the decrease in loans from related companies by approximately RMB876.2 million; and (iii) the decrease in other payables and deferred income by approximately RMB3,348.2 million.

The decrease in the total assets by approximately RMB2,188.0 million to approximately RMB13,728.7 million as at 30 June 2022 as compared to 31 December 2021 was mainly due to (i) the decrease in property, plant and equipment by approximately RMB765.6 million; (ii) the decrease in bank balances and cash, pledged and other deposits by approximately RMB482.7 million; and (iii) the decrease in trade and other receivables by approximately RMB769.1 million. The decrease in the total liabilities by approximately RMB1,796.2 million to approximately RMB7,166.6 million as at 30 June 2022 as compared to 31 December 2021 was mainly attributable to (i) the decrease in bank and other borrowings by approximately RMB836.0 million; (ii) the decrease in senior notes by approximately RMB598.6 million; and (iii) the decrease in other payables and deferred income by approximately RMB240.2 million.

*Trading prospect of GNE Group*

As disclosed in the GNE 2022 IRA, GNE Group's asset-light transformation in 2021 helped reducing its total liabilities to total assets ratio to a relatively stable level for a balanced cash flow and opened up an opportunity to enter into a new industry for a magnificent turnaround and took business sustainability to a new level. With a significant reduction in overall debts and a great improvement in liquidity and financing pressure, GNE Group proactively and prudently handled debt clause requirements concerning the USD Senior Notes. In the future, GNE Group will continue to perform the corresponding obligations to the holders of the USD Senior Notes as agreed and repurchase and repay debts at a proportion on time in strict compliance with the debt clauses of the USD Senior Notes to further reduce its overall debt level and financing costs.

As a leading company in the solar power industry, GNE Group has accumulated abundant experience in the development, construction, and operation and maintenance (“O&M”) management of solar power plants with the installed capacity of more than 7GW. To continuously and thoroughly implement strategic asset-light transformation, GNE Group will actively transform its business strategy in terms of the development of solar power plants to adopt an asset-light development cycle of “development — construction — operation — transfer”. GNE Group will also work with central enterprises, state-owned enterprises, large financial institutions, and partners across the industry chain to invest in and develop solar power plant projects through joint development, commissioned development or cooperative development. Their relatively lower financing costs and longer financing periods will help improve the return on investment of the projects. Meanwhile, GNE Group will tap into the distributed energy field for zero-carbon industrial parks by developing the projects of the comprehensive application of distributed energy, mainly, clean energy to provide comprehensive net-zero emission solutions for the parks. So far, GNE Group has founded professional development companies including 18 provincial ones that are specialized in the development of solar power projects with a focus on distributed energy projects in parks. These projects are expected to become a new growth driver for business development.

Leveraging on its extensive experience in O&M of solar power plants, scale advantage and huge data accumulation, GNE Group expedites the O&M management outsourcing business of various clean energy projects. GNE Group strives to provide value-added services for the O&M management outsourcing of the clients including equipment commission, equipment function testing, secondary system maintenance, external cable maintenance, electricity market transaction, asset evaluation and wind and solar power to hydrogen storage integrated energy services, so as to create value for the clients, achieve a win-win situation and promote mutual development. Currently, GNE Group provides O&M management outsourcing services for energy projects in 106 solar power plants with total installed capacity of more than 3.4GW. GNE Group has extended its O&M management outsourcing business across the country and established a leading market presence.

In July 2021, GNE Group announced that it has established the Hydrogen Energy business unit. It also actively studied the long-term purchase of stable natural gas sources at competitive prices from POLY-GCL Petroleum Investments Limited to provide a solid guarantee for the development of the Hydrogen Energy business. Considering a global shortage of energy and a growing energy gap, GNE Group considers that energy prices are expected to remain high for a long period of time. This combined with the yet-to-mature hydrogen production technologies and market has made GNE Group resolutely adjust its clean energy development strategy after in-depth research and prudent

consideration. On 18 July 2022, GNE Group announced the entering into of a memorandum of understanding with POLY-GCL Petroleum Group Limited (“**POLY-GCL Petroleum Group**”) to invest in the Ethiopia-Djibouti natural gas project of POLY-GCL Petroleum Group located in the Ethiopian gas field in Africa by holding minority interests at low and controllable risks. The Ethiopia-Djibouti natural gas project plans to transport natural gas from the deposits to a liquefaction plant located off the coast of Djibouti through a pipeline of approximately 750 kilometres for the export of LNG converted from natural gas to end clients in multiple countries or regions. In this way, GNE Group will keep up with the huge demand for clean energy from countries around the world and rising energy prices.

After the implementation of the Ethiopia-Djibouti natural gas project, GNE Group will provide operation and management services for POLY-GCL Petroleum Group with its rich experience in the O&M management outsourcing business and leading advantages in technology and operation and management, to further expand the service scope, scale and regional coverage of its energy projects. This not only follows GNE Group’s long-term asset-light development direction, but also reduces the risk of over-reliance on a single service scope and provides a long-term stable source of income. Meanwhile, GNE Group may choose to increase its investment in the Ethiopia-Djibouti natural gas project through further equity investment to greatly increase the flexibility and return of investment. On the other hand, GNE Group still believes that the Hydrogen Energy business has huge potential for future development. Therefore, it will continue to conduct research on hydrogen energy, especially the technology for hydrogen production from natural gas. When the time comes for hydrogen energy development, GNE Group will quickly secure natural gas supply and technology through investment in the Ethiopia-Djibouti natural gas project to develop unique advantages for the future planning of the Hydrogen Energy business.

### **3. Reasons for and benefits of the continuation of the Perpetual Notes Agreement**

#### *3.1 Background and reasons for the Perpetual Notes Agreement*

As disclosed in the 2016 Perpetual Notes Announcement, the proceeds from the Perpetual Notes were intended to enable GNE Group, which was then a non wholly-owned subsidiary of the Group, to repay its short term borrowings, enhance its working capital and strengthen the capital base and financial position so as to support its business development. As advised by the Management, it was GNE’s business strategy at that time to actively invest into solar power plants projects and achieve significant growth in the total installed capacity of solar power plant in order to realize economies of scale. Given that GNE Group’s business is capital intensive in nature, which requires substantial capital investments for developing and constructing solar power plants, its gearing ratio is relatively high. As a result, GNE Group’s indebtedness increased from approximately RMB13.7 billion as at 31 December 2015 to approximately RMB22.9 billion as at 31 December 2016. In order to manage and reduce the overall gearing ratio of GNE Group, the Perpetual Notes Lenders, each of which as wholly-owned subsidiaries of the Company, entered into the Perpetual Notes Agreement with Nanjing GCL with principal amount of RMB1.8 billion. The Perpetual Notes were classified as equity instruments in the financial statements of Nanjing GCL and GNE Group. The Management advised that the enlarged capital base of both Nanjing GCL and GNE Group by way of the issuance of the Perpetual Notes would reduce their gearing ratios which in turn facilitate Nanjing GCL and GNE

Group to secure debt financing at relatively low interest rate. As GNE was then a non wholly-owned subsidiary of the Group, the entering into of the Perpetual Notes Agreement was commercially justifiable as it would reduce the gearing ratio and improve the liquidity position of GNE Group.

We note that shortly after the entering into of the Perpetual Notes Agreement, GNE had fully drawn down the Perpetual Notes of RMB1.8 billion as at 31 December 2016. Based on our review of the annual reports of GNE for the year ended 31 December 2016 and 2017, we note that GNE Group had made interest payment under the Perpetual Notes of approximately RMB4.8 million and RMB65.3 million for the year ended 31 December 2016 and 2017, respectively. As advised by the Management, in order to maintain sufficient working capital to cope with daily operations and meet the capital expenditures of GNE Group's business, GNE Group decided to defer the interest payment of the Perpetual Notes since 2017. Based on our review of the financial statements of GNE, we note that the net debt position of GNE Group had increased significantly from approximately RMB16.8 billion as at 31 December 2016 to approximately RMB37.2 billion as at 31 December 2018. Although GNE Group's gearing ratio had subsequently improved with the net debt position reduced to approximately RMB4.9 billion as at 30 June 2022, GNE Group only maintained bank balances and cash (including pledged bank and other deposits) of approximately RMB594.6 million as at 30 June 2022. In light of the above, we consider that the deferral of interest payment of the Perpetual Notes was imperative from GNE's perspective in order to preserve its working capital and maintain sufficient liquidity. As at 30 June 2022, the cumulative amount of deferred interest payment under the Perpetual Notes was approximately RMB837.3 million and the outstanding principal of the Perpetual Notes was RMB1.8 billion.

### *3.2 Financial impacts on GNE Group resulting from termination or modification of the Perpetual Notes Agreement*

As disclosed in the Letter from the Board, the Directors consider that the continuation of the Perpetual Notes Agreement will provide the necessary liquidity required by GNE in sustaining its operations, while the termination of the Perpetual Notes Agreement may have a substantial financial impact on Nanjing GCL and GNE Group as a whole. Based on our review and discussion of the financial information of GNE Group as set out in the section headed "2. Background information of Nanjing GCL and GNE" above, we note that GNE Group has, since FY2021, implemented the strategic asset-light transformation and disposal of solar power plants to reduce its net debt position and gearing ratio. We note that GNE Group has managed to reduce its net debts to total equity ratio from approximately 339.1% as at 31 December 2020 to approximately 75.1% as at 30 June 2022. Although GNE Group had net current assets of approximately RMB4.1 billion as at 30 June 2022, we note that its bank balances and cash (including pledged bank and other deposits) had also decreased significantly from approximately RMB1.9 billion as at 31 December 2020 to approximately RMB594.6 million as at 30 June 2022. Assuming that the Group decided to terminate the Perpetual Notes Agreement and request for immediate repayment of the outstanding principal and deferred interest payment under the Perpetual Notes with carrying amount of approximately RMB2.6 billion as at 30 June 2022, we consider that the existing financial resources of GNE Group would not be sufficient to fully settle the Perpetual Notes. On the other hand, should the term of the Perpetual Notes be modified to a fixed maturity date, the principal amount of the Perpetual Notes of RMB1.8 billion would

be reclassified from equity instrument of GNE Group to interest-bearing borrowings and increase the gearing ratio of GNE Group. For illustrative purpose, should the principal amount of the Perpetual Notes be classified as interest-bearing borrowings as at 30 June 2022, GNE Group's net debts to equity ratio would increase from approximately 75.1% to 141.3%.

Furthermore, based on our review of the GNE 2021 AR, we note that on 23 January 2018, GNE issued senior notes of US\$500 million (the “**2018 Senior Notes**”), which bore interest at 7.1% and matured on 30 January 2021. During FY2021, the restructuring of the 2018 Senior Notes (the “**Restructuring**”) was implemented. On 16 June 2021, the Restructuring has become effective and the 2018 Senior Notes was replaced by the USD Senior Notes. The principal amount of the USD Senior Notes bearing interest at 10% per annum and will mature on 30 January 2024. As at the date of the announcement of continuation of the Perpetual Notes Agreement, the outstanding principal amount of the USD Senior Notes was approximately US\$374.8 million (equivalent to approximately RMB2,527.8 million). We have reviewed the note indenture of the USD Senior Notes and are aware that certain covenant of the USD Senior Notes specifically restricts GNE Group from making any payment under the Perpetual Notes Agreement until full repayment of the USD Senior Notes. As such, should GNE Group decide to early repay the outstanding amount under the Perpetual Notes, GNE Group would be in breach of the covenant and constitutes an event of default under the USD Senior Notes.

*Overall comments*

As disclosed in the Letter from the Board, the Company has a long-term business relationship with GNE. We note that GNE was previously accounted for as a subsidiary of the Group and its financial results were consolidated into the financial statements of the Group. In view of the relationship between GNE and the Group, we consider that the entering into of the Perpetual Notes Agreement is commercially justifiable from the Group's perspective in order to provide financial support for GNE's business development. Although the Group's interest in GNE will significantly reduce from approximately 44.44% to 7.44% immediately after the Proposed Distribution in Specie, the Group still maintain a close business relationship with GNE Group. The Group's solar material business belongs to the upstream of the solar supply chain, which supplies polysilicon and wafer to companies operating in the solar industry. Polysilicon is the primary raw material used in the solar wafer production. In the solar industry supply chain, wafers are further processed by downstream manufacturers to produce solar cells and modules. Solar power plants operators such as GNE Group would then procure the modules as parts for the construction of the solar power plants. On the other hand, GNE Group is currently providing asset management and administrative services to the Group's overseas operation in South Africa and the US. Also, GNE Group is currently providing operation and management services to the Group's certain solar power plants located in the PRC. Therefore, the termination of the Perpetual Notes Agreement may negatively affect the existing business relationship between the Group and GNE Group.



Furthermore, in case the Group decides to terminate the Perpetual Notes Agreement or request for early repayment of the Perpetual Notes, it is likely that GNE Group would not have the necessary liquidity required in sustaining its operations and trigger technical default of other borrowings. Under such circumstance, we are concern that the termination of the Perpetual Notes Agreements could materially impair GNE Group's ability to fulfil the repayment obligations of its existing borrowings and the Perpetual Notes, which would eventually result in impairment loss of the carrying amount of the Perpetual Notes held by the Group. As mentioned in the section headed "2. Background information of Nanjing GCL and GNE" above, GNE Group had implemented the asset-light transformation to reduce its gearing ratio to a relatively stable level for a balanced cash flow. In additions, GNE Group vigorously pursues the O&M management outsourcing business model and explores the hydrogen energy business opportunity, which we believe would help to improve the financial results GNE Group going forward. As disclosed in the Letter from the Board, based on the Management's latest assessment, no impairment loss on the Perpetual Notes has been made having taken into account of GNE Group's net asset value of approximately RMB6.56 billion as at 30 June 2022 and subsequent completion of equity fund raising with gross proceeds of approximately HK\$314 million on 4 August 2022. In view of the above, we concur with the Directors' view that there is no impairment on the Perpetual Notes.

In light of the above, we consider that the continuation of the Perpetual Notes Agreement would provide GNE Group with financial flexibility to implement its existing business transformation, fulfill its financial obligations and gradually repay the outstanding principal and deferred interest payment under the Perpetual Notes Agreement when it is financially viable.

Upon completion of the Proposed Distribution in Specie, the Shareholders will, through their interest in the DIS Shares, have the opportunity to directly participate in the growth and prospects of GNE Group. In view of the negative financial impacts on GNE Group resulting from termination or modification of the Perpetual Notes Agreement as discussed above, we consider that it is in the Shareholders' interest, from the perspective of the shareholders of GNE upon completion of the Proposed Distribution in Specie, to approve the continuation of the Perpetual Notes Agreement in order to maintain a sound and stable financial position for GNE Group and provide GNE Group with the financial flexibility to implement its existing business transformation and pursue new business opportunities. Shareholders should be reminded that the continuation of the Perpetual Notes Agreement and the Proposed Distribution in Specie are interconditional upon each other. Accordingly, if for any reason the continuation of the Perpetual Notes Agreement is not approved, the Proposed Distribution in Species will not proceed, and vice versa. In addition, whether GNE Group is able to successfully implement its business strategy, pursue prospective business opportunities or timely fulfill the repayment obligations of its existing borrowings would eventually depends on the prospect and performance of the new energy market where GNE Group's businesses operate, which can be affected by various factors, including economic and financial development, government policies and regulation, interest rates and the availability of capital, all of which may be beyond GNE Group's control.

Having considered the reasons and factors above, we concur with the Directors' view that the continuation of the Perpetual Notes Agreement is in the interests of the Company and the Shareholders as a whole.

#### 4. Principal terms of the Perpetual Notes Agreement

##### 4.1 Principal terms of the Perpetual Notes Agreement

The principal terms of the Perpetual Notes Agreement are set out as follows:

<b>Date:</b>	18 November 2016
<b>Parties:</b>	<ol style="list-style-type: none"><li>(1) GCL Technology (Suzhou) Co., Ltd. (協鑫科技(蘇州)有限公司) (formerly known as GCL-Poly (Suzhou) New Energy Co., Ltd. (保利協鑫(蘇州)新能源有限公司), as a lender</li><li>(2) Jiangsu GCL Silicon Material Technology Development Co., Ltd. (江蘇協鑫硅材料科技發展有限公司), as a lender</li><li>(3) Suzhou GCL Photovoltaic Technology Co., Ltd. (蘇州協鑫光伏科技有限公司), as a lender</li><li>(4) Taicang GCL Photovoltaic Technology Co., Ltd. (太倉協鑫光伏科技有限公司), as a lender</li><li>(5) Nanjing GCL as borrower</li></ol>
<b>Maximum amount:</b>	RMB1,800,000,000.00 (the “ <b>Maximum Amount of the Perpetual Notes</b> ”)
<b>Withdrawal schedule:</b>	Subject to the lenders’ consent and the relevant PRC rules and regulatory requirements, the borrower can withdraw the Perpetual Notes in stages based on its financial needs (the “ <b>Perpetual Notes Withdrawal</b> ”). The borrower shall withdraw the Maximum Amount of the Perpetual Notes by 31 December 2017
<b>Term:</b>	Indefinite
<b>Interest rate:</b>	For each Perpetual Notes Withdrawal, the interest rate is 7.3% per annum for the first two years (the “ <b>Initial Interest Rate</b> ”), 9% per annum for the third to fourth year and is capped at 11% per annum starting from the fifth year (the “ <b>Maximum Step-up Interest Rate</b> ”), which amounts to a maximum interest payment of RMB210,000,000.00 per year
<b>Maturity date:</b>	There is no maturity date

**Repayment terms:** The interest shall be repaid on the 21st day of the last month of each quarter (the “**Interest Payment Date**”). The borrower shall have the right to defer any due and payable interest payment indefinitely by notifying the lenders five working days before the Interest Payment Date.

If the borrower chooses to defer interest payment, for as long as there is any deferred interest payment not yet paid in full, the borrower is not permitted to declare and pay dividends to its shareholders.

The lenders shall have no right at any time to request repayment of the Perpetual Notes from the borrower, but the borrower shall have the right, but not the obligations, to repay the Perpetual Notes amount by notifying the lenders in writing five working days before the repayment of the Perpetual Notes.

**Security:** None

**Purpose:** Borrower intends to use RMB1,800,000,000.00 to repay the short term borrowings and fund investment projects and operational activities.

#### *4.2 Evaluation of the interest rate of the Perpetual Notes*

In assessing the fairness and reasonableness of the terms of the Perpetual Notes Agreement, including the Initial Interest Rate and the Maximum Step-up Interest Rate, we have identified a list of transactions in relation to the issuance of the perpetual loan facility (collectively, the “**Comparable Issues**”) conducted by companies listed on the Main Board of the Stock Exchange that were announced within approximately twenty four months period prior to the date of announcing the continuation of the Perpetual Notes Agreement. We would consider the review period chosen to be fair and reasonable as the selection of a twenty four months period would allow us to capture a sufficient number of samples for a meaningful analysis on the market practice in respect of such transaction.

The selection of the Comparable Issues is based on the following criteria: (i) issuances of perpetual capital securities, perpetual corporate bonds, perpetual subordinated securities/bonds and perpetual preference shares carried out by the companies listed on the Main Board of Stock Exchange or by their subsidiaries; (ii) excluding issuance of perpetual securities for acquisition purposes or perpetual securities that are convertible into ordinary shares of the issuers; and (iii) excluding companies under prolonged suspension. To the best of our knowledge and as far as we are aware of, we identify an exhaustive list of 13 transactions which meet the aforesaid criteria by searching the website of the Stock Exchange. Although the business, operation and prospects of GNE Group are not the same as the listed issuers of the Comparable Issues, and different reasons for their respective fund-raising activities, we consider that the Comparable Issues can provide a fair and representative reference of the market practices in relation to issuance of the perpetual loan facility which is similar to that of the issuance of Perpetual Notes.

**APPENDIX III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

<b>Date of announcement</b>	<b>Stock code</b>	<b>Company</b>	<b>Size of issuance</b>	<b>Nature of issue</b>	<b>Initial distribution rate per annum</b>	<b>Period for initial rate to apply (year)</b>	<b>First reset rate (Note 1)</b>	<b>Subsequent reset frequency (year) (Note 2)</b>	<b>Possible maximum reset rate (Note 3)</b>	<b>Redemption terms</b>
16-Jun-21	6058	China Industrial Securities International Financial Group Limited	HK\$1,000,000,000	Subordinated Perpetual Securities	1.58%	3	Hong Kong inter-bank offered rate +1.5% (Note 4)	3	Hong Kong inter-bank offered rate +1.5% (Note 4)	Issuer Discretion
2-Jun-21	3311	China State Construction International Holdings Limited	US\$500,000,000	Perpetual Capital Securities	3.40%	5	2.581% + treasury rate + 3%	5	2.581% + treasury rate + 3%	Issuer Discretion
24-May-21	1821	ESR Cayman Limited	SGD150,000,000	Perpetual Subordinated Securities	5.65%	5	4.73% + 2% + prevailing 5-year SGD swap offer rate	5	4.73% + 2% + prevailing 5-year SGD swap offer rate	Issuer Discretion
21-Apr-21	6881	China Galaxy Securities Co., Ltd.	RMB5,000,000,000	Perpetual Subordinated Bonds (Second Tranche)	4.30%	5	N/A (Note 5)	5	N/A (Note 5)	Issuer Discretion
29-Mar-21	6881	China Galaxy Securities Co., Ltd.	RMB5,000,000,000	Perpetual Subordinated Bonds (First Tranche)	4.57%	5	N/A (Note 5)	5	N/A (Note 5)	Issuer Discretion
24-Feb-21	1821	ESR Cayman Limited	SGD200,000,000	Perpetual Subordinated Securities	5.65%	5	4.73% + 2% + prevailing 5-year SGD swap offer rate	5	4.73% + 2% + prevailing 5-year SGD swap offer rate	Issuer Discretion
14-Dec-20	836	China Resources Power Holdings Company Limited	RMB2,000,000,000	Perpetual Corporate Bonds (Second Tranche)	3.99%	2	prevailing benchmark interest rate + initial interest spread + 3.00%	2	prevailing benchmark interest rate + initial interest spread + 3.00%	Issuer Discretion

**APPENDIX III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

<b>Date of announcement</b>	<b>Stock code</b>	<b>Company</b>	<b>Size of issuance</b>	<b>Nature of issue</b>	<b>Initial distribution rate per annum</b>	<b>Period for initial rate to apply (year)</b>	<b>First reset rate (Note 1)</b>	<b>Subsequent reset frequency (year) (Note 2)</b>	<b>Possible maximum reset rate (Note 3)</b>	<b>Redemption terms</b>
24-Nov-20	6881	China Galaxy Securities Co., Ltd.	RMB5,000,000,000	Perpetual Subordinated Bonds (First Tranche)	4.80%	5	N/A (Note 5)	5	N/A (Note 5)	Issuer Discretion
22-Oct-20	836	China Resources Power Holdings Company Limited	RMB2,500,000,000	Perpetual Corporate Bonds (First Tranche)	3.99%	2	prevailing benchmark interest rate + initial interest spread + 3.00%	2	prevailing benchmark interest rate + initial interest spread + 3.00%	Issuer Discretion
21-Oct-20	165	China Everbright Limited	US\$300,000,000	Perpetual Capital Securities	3.80%	3	3.612% + prevailing rate of comparable US Treasury securities + 4.00%	3	3.612% + prevailing rate of comparable US Treasury securities + 4.00%	Issuer Discretion
29-Sep-20	3989	Capital Environment Holdings Limited	HK\$1,631,620,000	Preference Shares	4.00%	3	4.00%+3.00%	3	4.00%+3.00%	Issuer Discretion
24-Sep-20	2799	China Huarong Asset Management Co., Ltd.	US\$250,000,000	Subordinated Perpetual Securities	4.25%	5	3.979% + treasury rate + 3.00%	5	3.979% + treasury rate + 3.00%	Issuer Discretion
23-Sep-20	1638	Kaisa Group Holdings Limited	US\$200,000,000	Perpetual Capital Securities	10.875%	3	10.718% + 5.00% + treasury rate	3	10.718% + 5.00% + treasury rate	Issuer Discretion
				Average	4.68%	3.92		3.92	Prevailing benchmark rate + 7.26% (Note 6)	

Date of announcement	Stock code	Company	Size of issuance	Nature of issue	Initial distribution rate per annum	Period for initial rate to apply (year)	First reset rate (Note 1)	Subsequent reset frequency (year) (Note 2)	Possible maximum reset rate (Note 3)	Redemption terms
				Maximum	10.88%	5.00		5.00	prevailing benchmark rate + 15.718% (Note 6)	
				Minimum	1.58%	2.00		2.00	prevailing benchmark rate + 1.5% (Note 6)	
			<b>RMB1,800,000,000</b>		<b>7.30%</b>	<b>2.00</b>	<b>9.00%</b>	<b>2.00</b>	<b>11.00%</b>	<b>(Note 7)</b>
			<b>The Perpetual Notes</b>							

Source: *The Stock Exchange website*

Notes:

1. The “first reset rate” refers to the reset rate applicable to the relevant security from the first reset date until the subsequent reset date.
2. The “subsequent reset frequency” refers to frequency for which the reset mechanism would take effect following the first reset period until the following reset date.
3. The “possible maximum reset rate” is the possible maximum reset rate for the subject issue based on the information as disclosed in the respective announcement.
4. Based on the respective announcement, if Hong Kong Inter-bank Offered Rate is not available for the relevant distribution payment period, the rate of distribution would be equal to the best lending rate for Hong Kong dollars quoted by Standard Chartered Bank (Hong Kong) Limited less 1.50% per annum.
5. No additional detail was disclosed in the announcement regarding the applicable first reset rate or subsequent reset rate. As such, the first reset rate and the possible maximum reset rate are assumed to be not applicable.
6. For analytical and comparison purpose, we have not included (i) China Galaxy Securities Co., Ltd. as relevant figures are not available; (ii) China Resources Power Holdings Company Limited as, apart from the prevailing benchmark rate, it also contains an additional floating rate which make it not entirely comparable to other Comparable Issues; and (iii) Capital Environment Holdings Limited as it does not contain the element of floating rate.
7. The Perpetual Notes Agreement resets the interest rate every two years and capped at 11% per annum starting from the fifth year.

As illustrated by the table above, we note that the initial distribution rate per annum ranges from approximately 1.58% to approximately 10.88% with an average of approximately 4.68%. Given the Initial Interest Rate is near the high end of the initial distribution rate and above the average of the initial distribution rates of the Comparable Issues, we consider the Initial Interest Rate to be reasonable.

We also note from the table above that, save for the perpetual preference shares of Capital Environment Holdings Limited (“**Capital Environment PS**”) with maximum reset rate fixed at 7.00%, the maximum reset rates of the other Comparable Issues (the “**Maximum Reset Rates**”) are determined based on a combination of the floating rate (such as treasury rate or other prevailing market rate) plus a predetermined risk premium rate. In light of the fact that the Maximum Step-Up Interest Rate is fixed at 11% and does not contain the element of floating rate, for analytical and comparison purpose, we try to work out the implied risk premium rate of the Maximum Step-Up Interest Rate by deducting against an appropriate benchmark floating rate. Given that the Perpetual Notes are denominated in RMB and the Maximum Step-Up Interest Rate is capped at 11.00% per annum starting from the fifth year without any subsequent reset, we consider that it is reasonable to use the 30-year China Government Bond yield as the benchmark floating rate of the Maximum Step-Up Interest Rate (the “**Benchmark Rate**”). Based on the data available from website of the Chinabond.com.cn (中國債券訊息網), the 30-year China Government Bond yield was quoted at approximately 3.12% as at the date of the announcing the continuation of the Perpetual Notes Agreement. As such, the implied risk premium rate of the Maximum Step-Up Interest Rate, after deducting of the Benchmark Rate, is approximately 7.88%, which is within the range of the risk premium rates of the Maximum Reset Rates of approximately 1.50% to 15.72% and above the average risk premium rates of the Maximum Reset Rates of approximately 7.26%. Also, the Maximum Step-Up Interest Rate of 11% is above the maximum reset rate of Capital Environment PS of 7.00%. In addition, we have reviewed the GNE 2021 AR and note that the Maximum Step-Up Interest Rate of 11.00% per annum is higher than the effective interest rates of GNE Group’s RMB fixed rate borrowings ranged from 4.41% to 8.10% for FY2021.

In view of the above, we consider that the interest rates of the Perpetual Notes are fair and reasonable and in line with the general market.

#### *4.3 Duration of the Perpetual Notes Agreement*

As there is no maturity date for the Perpetual Notes Agreement, we have enquired with the Management as to the reasons for the term of the Perpetual Notes Agreement being more than three years. We understand from the Management that:

- (i) as GNE Group is principally engaged in the development, construction, operation and management of solar power plants, which is capital intensive in nature, it is vital for GNE Group to maintain healthy and stable gearing ratio and liquidity position in order to secure debt and equity financing at a reasonable cost;
- (ii) as discussed in the section headed “3. Reasons for and benefits of the continuation of the Perpetual Notes Agreement” above, GNE Group had bank balances and cash (including pledged bank and other deposits) of approximately RMB594.6 million as

at 30 June 2022, which is not sufficient to fully settle the carrying amount of the Perpetual Notes of approximately RMB2.6 billion as at 30 June 2022. It would exert significant financial pressure to GNE Group should the Group modify the maturity of the Perpetual Notes to a shorter term or request for immediate repayment from GNE Group; and

- (iii) certain covenant under the USD Senior Notes specifically restricts GNE Group from making any payment under the Perpetual Notes Agreement until full repayment of the USD Senior. Therefore, the existing term of the Perpetual Notes Agreement would provide GNE Group with the necessary financial flexibility to fulfill its debt obligations. The Management expects that GNE Group will start repaying the outstanding principal amount and deferred interest payment under the Perpetual Notes Agreement once it is financially viable.

In considering whether it is a normal business practice for the Perpetual Notes Agreement to have a duration longer than three years, we have noted from our research of the Comparable Issues above that it is not uncommon for companies listed on the Stock Exchange to issue perpetual securities, without fixed or definite term, for financing its operations or replenishing working capital.

Taking into account of the above, we are of the view that the duration of the Perpetual Notes Agreement, which is longer than three years, is required and it is normal business practice for the Perpetual Notes Agreement to be of such duration.

### **RECOMMENDATION**

Having taken into consideration the principal factors and reasons discussed above, we are of the view that (i) the terms of the Perpetual Notes Agreement and the transactions contemplated thereunder, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the continuation of the Perpetual Notes Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed for approving the continuation of the Perpetual Notes Agreement at the EGM.

Yours faithfully,  
For and on behalf of  
**Maxa Capital Limited**  
**Sammy Leung**  
*Managing Director*

*Mr. Sammy Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in the corporate finance industry.*



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors' and chief executives' interests and short positions in shares and underlying shares of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

#### Long/short position in the Shares:

Name of Director/ chief executive	Long / Short position (L/S)	Number of Shares held				Number of underlying Shares held	Total	Approximate percentage of the issued share capital of the Company (note 4)
		Beneficiary of a trust	Corporate interests	Personal/ Family interests				
Zhu Gongshan	L	6,405,332,156 (note 1)	—	—	6,300,000 (note 2)	6,411,632,156	23.65%	
	S	240,000,000 (note 3)	—	—	—	—		
Zhu Zhanjun	L	—	—	3,400,000	6,019,359 (note 2)	9,419,359	0.03%	
Lan Tianshi	L	—	—	1,500,000	9,390,000 (note 2)	10,890,000	0.04%	
Zhu Yufeng	L	6,405,332,156 (note 1)	—	—	5,010,755 (note 2)	6,410,342,911	23.64%	
	S	240,000,000 (note 3)	—	—	—	—		
Sun Wei	L	—	—	5,723,000	5,012,189 (note 2)	10,735,189	0.03%	

Name of Director/ chief executive	Long / Short position (L/S)	Number of Shares held			Number of underlying Shares held	Total	Approximate percentage of the issued share capital of the Company (note 4)
		Beneficiary of a trust	Corporate interests	Personal/ Family interests			
Yeung Man Chung, Charles	L	—	—	—	4,700,000 (note 2)	4,700,000	0.01%
Raymond Ho Chung Tai	L	—	—	—	1,507,170 (note 2)	1,507,170	0.005%
Yip Tai Him	L	—	—	—	1,507,170 (note 2)	1,507,170	0.005%
Shen Wenzhong	L	—	—	—	500,000 (note 2)	500,000	0.001%

*Notes:*

- (1) An aggregate of 6,405,332,156 shares of the Company are collectively held by Highexcel Investments Limited, Happy Genius Holdings Limited and Get Famous Investments Limited, which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust with Credit Suisse Trust Limited as trustee and Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng, a Director of the Company and the son of Mr. Zhu Gongshan) as beneficiaries.
- (2) Includes (i) share options granted by the Company to the Directors, pursuant to the share option scheme adopted by the shareholders of the Company on 22 October 2007, which can be exercised by the Directors at various intervals during the period from 1 April 2009 to 28 March 2026 at an exercise price of HK\$1.324, HK\$1.160 or HK\$0.586; and (ii) share awards granted by the Company to the Directors, pursuant to the share award scheme adopted by the Company on 16 January 2017.
- (3) The short position was held as a result of an equity of derivative agreement entered by Happy Genius Holdings Limited.
- (4) The total number of ordinary shares of the Company in issue as at the Latest Practicable Date was 27,108,497,973.

Long position in the shares of GNE, an associated corporation of the Company, in which the Company indirectly held approximately 44.44% issued shares as at the Latest Practicable Date:

Name of Director/ chief executive	Number of GNE Shares held			Number of underlying GNE Shares held	Total	Approximate percentage of the issued share capital of GNE (note 3)
	Beneficiary of a trust	Corporate interests	Personal/Family interests			
Zhu Gongshan	1,905,978,301 (note 1)	—	—	—	1,905,978,301	8.16%
Zhu Yufeng	1,905,978,301 (note 1)	—	—	17,500,000 (note 2)	1,923,478,301	8.24%
Sun Wei	—	—	—	10,000,000 (note 2)	10,000,000	0.04%
Yeung Man Chung, Charles	—	—	—	5,000,000 (note 2)	5,000,000	0.02%
Lan Tianshi	—	—	210,000	—	210,000	0.0008%

*Notes:*

- (1) 1,905,978,301 shares of GNE are beneficially owned by Dongsheng Photovoltaic Technology (Hong Kong) Limited (“**Dongsheng PV**”). Dongsheng PV is indirectly wholly-owned by GCL System Integration Technology Co., Ltd. (“**GCL System Integration**”) and an aggregate of over 30% of the issued shares in GCL System Integration, is indirectly held by the Zhu Family Trust and Mr. Zhu Yufeng, an executive director of the Company and GNE and son of Mr. Zhu Gongshan.
- (2) These are share options granted by GNE. Such granted share options can be exercised by Mr. Zhu Yufeng, Ms. Sun Wei and Mr. Yeung Man Chung, Charles at the interval between 3 November 2022 and 2 November 2031 at an exercise price of HK\$0.357 per share of GNE.
- (3) The total number of ordinary shares of GNE in issue as at the Latest Practicable Date was 23,348,715,441.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

### 4. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2021, being the date to which the latest published and audited consolidated financial statements of the Company were made up.

Save for transactions which were disclosed pursuant to the Listing Rules, there was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date of which any Director was materially interested and which is significant in relation to the business of the Group.

### 5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, so far as the Directors were aware, none of the Directors or their respective associate had interest in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group.

<b>Name of Director</b>	<b>Name of company in which the Director has interest</b>	<b>Principal activities of the competing company</b>	<b>% interest in competing company</b>
Mr. Zhu Yufeng	Xilingol Zhongneng Silicon Co., Ltd.* (錫林郭勒中能硅業有限公司) (Dormant and inactive)	Intend to produce polysilicon ingot upon completion of construction	Mr. Zhu Yufeng, through companies controlled by him, holds 70% interest

### 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2021, being the date to which the latest published and audited financial statements of the Group were made up.

## 7. EXPERT AND CONSENT

Each of the following experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears:

<b>Name</b>	<b>Qualification</b>
CCB International Capital Limited	A corporation licensed under Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Maxa Capital Limited	A corporation licensed under Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above experts did not have any interest, direct or indirect, in any assets which have been since 31 December 2021 (being the date to which the latest published audited consolidated accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 8. GENERAL

The English text of this circular prevails over its Chinese translation in case of discrepancy.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following document will be published on the website of the Company at [www.gcltech.com](http://www.gcltech.com) and HKEXnews at [www.hkexnews.hk](http://www.hkexnews.hk) from the date of this circular up to and including 20 September 2022:

- (a) the Perpetual Notes Agreement.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**EGM**”) of GCL Technology Holdings Limited (the “**Company**”) will be held at Studio 2, Level 7, W Hong Kong, 1 Austin Road West, Kowloon Station, Kowloon, Hong Kong on Thursday, 22 September 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the following ordinary resolutions of the Company.

Unless otherwise indicated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 6 September 2022 (the “**Circular**”).

The following resolutions will be considered and, if thought fit, approved by the Shareholders, with or without amendments, at the EGM:

### ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the passing of ordinary resolution 2 set out below by the shareholders of the Company:
  - (a) the declaration and payment of a special interim dividend entirely out of the Share Premium Account to the Qualifying Shareholders by way of distribution in specie of the DIS Shares held by the Company through Elite Time in the proportion of 318 GNE Shares for every 1,000 Shares held in the Company, be and is hereby confirmed and approved; and
  - (b) any director of the Company be and is hereby authorised to effect the Proposed Distribution in Specie, to do all such acts and things, and to approve, sign and execute all such documents, as such director may consider necessary, desirable or expedient, for the purposes of or incidental to the Proposed Distribution in Specie.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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2. “**THAT** subject to and conditional upon the passing of ordinary resolution 1 set out above by the shareholders of the Company:
- (a) the continuation of the existing Perpetual Notes as a continuing connected transaction of the Company with details set out in the Circular, be and is hereby confirmed, ratified and approved; and
  - (b) any director of the Company be and is hereby authorised to do all such acts and things, and to approve, sign and execute all such documents, as such director may consider necessary, desirable or expedient, for the purposes of or incidental to the continuation of the existing Perpetual Notes as a continuing connected transaction of the Company.”

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

Hong Kong,  
6 September 2022

*Notes:*

- (1) Any Shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder.
- (2) In order to be valid, a form of proxy and the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited with the Company’s Hong Kong share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof.
- (3) Completion and delivery of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM convened and in such event, the form of proxy shall be deemed to be revoked. It is advised that all Shareholders, particularly Shareholders who are subject to quarantine in relation to Coronavirus Disease 2019 (COVID-19), that they may appoint any person or the chairman of the EGM as a proxy to vote on the resolution, instead of attending the EGM in person. The form of proxy can be downloaded from the website of the Company at [www.gcltech.com](http://www.gcltech.com) or [HKEXnews](http://HKEXnews) at [www.hkexnews.hk](http://www.hkexnews.hk).
- (4) In the case of joint registered holders of any share, any one of such joint registered holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the EGM, the vote of the senior who tenders a vote either personally or by proxy shall be accepted to the exclusion of the votes of the other joint registered holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (5) For determining Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company is expected to be closed from Monday, 19 September 2022 to Thursday, 22 September 2022 (both dates inclusive). During such period, no transfer of Shares will be registered. In order to be eligible to attend the EGM, Shareholders should ensure that all transfers accompanied by the relevant transfer certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 September 2022.
- (6) If Typhoon Signal No. 8 or above, or "extreme conditions" caused by super typhoons or a "black" rainstorm warning is in effect any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed. Shareholders may visit the website of the Company at [www.gcltech.com](http://www.gcltech.com) for details of the postponement and alternative meeting arrangement.
- (7) In view of the ongoing COVID-19 epidemic and recent guidelines for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect the Shareholders, staff and other stakeholders who attend the EGM from the risk of infection:
- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee. Any person with a body temperature of 37 degrees Celsius or higher may be denied entry into the EGM venue or be required to leave the EGM venue;
  - (ii) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the EGM at all times, and to maintain a safe distance between seats (please bring your own mask);
  - (iii) no refreshment will be served at the EGM; and
  - (iv) no souvenirs will be distributed at the EGM.

*As at the date of this notice, the Board comprises Mr. Zhu Gongshan (Chairman), Mr. Zhu Zhanjun, Mr. Lan Tianshi, Mr. Zhu Yufeng, 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.*