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IRICO

彩虹集團新能源股份有限公司

IRICO GROUP NEW ENERGY COMPANY LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0438)

ANNOUNCEMENT

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO PROPOSED DISPOSAL OF 90% EQUITY INTEREST IN KUNSHAN IRICO

The Board announces that on 28 February 2017, the Company and IRICO Shadow Mask entered into the Equity Transfer Agreement with Zhongdian IRICO, pursuant to which the Company and IRICO Shadow Mask agreed to sell, and Zhongdian IRICO agreed to acquire 90% equity interest in Kunshan IRICO at a cash consideration of approximately RMB71,439,750. Upon completion of the Proposed Disposal, the Company will cease to have any interest in Kunshan IRICO. As such, Kunshan IRICO will cease to be a subsidiary of the Company and its financial results will not be consolidated into the accounts of the Company.

As at the date of this announcement, Zhongdian IRICO, which is directly held as to 72.08% by CEC and 27.92% by IRICO Group, is an associate of CEC and IRICO Group and thus a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Proposed Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As set out in the announcements of the Company dated 9 May 2016 and 28 December 2016, the Company has transferred to Zhongdian IRICO 60% equity interest in IRICO Accessories (at a cash consideration of RMB45,945,900) and the relevant assets of the Special Railway Lines (at a cash consideration of approximately RMB4,657,900), respectively. Pursuant to Rule 14A.81 of the Listing Rules, the previous transactions mentioned above have been aggregated with the Proposed Disposal.

As the highest applicable percentage ratio of the Proposed Disposal (as aggregated as aforesaid) exceeds 5% but is less than 25%, the Proposed Disposal constitutes a discloseable and connected transaction of the Company, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

A circular of the Company containing, among other matters, further details of the Equity Transfer Agreement and the Proposed Disposal, the opinion and recommendation of the Independent Board Committee and the letter from the independent financial adviser will be issued by the Company and despatched to the Shareholders no later than 12 April 2017 in accordance with Rule 19A.39A of the Listing Rules, because additional time is required to prepare and finalise the information to be included in the circular.

1. INTRODUCTION

The Board announces that on 28 February 2017, the Company and IRICO Shadow Mask entered into the Equity Transfer Agreement with Zhongdian IRICO, pursuant to which the Company and IRICO Shadow Mask agreed to sell, and Zhongdian IRICO agreed to acquire 90% equity interest in Kunshan IRICO at a cash consideration of approximately RMB71,439,750.

Upon completion of the Proposed Disposal, the Company and IRICO Shadow Mask will cease to have any interest in Kunshan IRICO. As such, Kunshan IRICO will cease to be a subsidiary of the Company and its financial results will not be consolidated into the accounts of the Company.

2. PROPOSED DISPOSAL

The main contents of the Equity Transfer Agreement are set out as follows:

Date: 28 February 2017

Parties:

- (1) the Company and IRICO Shadow Mask, as the vendor
- (2) Zhongdian IRICO, as the purchaser

Assets to be disposed of: Subject to the terms and conditions of the Equity Transfer Agreement, the Company agreed to sell and Zhongdian IRICO agreed to acquire 80% equity interest in Kunshan IRICO; and IRICO Shadow Mask agreed to sell and Zhongdian IRICO agreed to acquire 10% equity interest in Kunshan IRICO.

Consideration:

Pursuant to the Equity Transfer Agreement, the consideration for the Proposed Disposal is approximately RMB71,439,750.

The consideration was determined based on arm's length negotiations between the Company and Zhongdian IRICO with reference to the appraised net assets value of Kunshan IRICO as at 31 May 2016 (i.e., the valuation date) of approximately RMB79,377,500 as set out in the assets valuation report prepared by an independent and duly qualified PRC valuer using the asset-based approach.

Payment:

The consideration shall be paid in a lump sum in cash by Zhongdian IRICO to the bank account designated by the Company and IRICO Shadow Mask within forty-five days from the effective date of the Equity Transfer Agreement.

The Company and IRICO Shadow Mask shall cooperate with Zhongdian IRICO in relation to filing for the registration of change in equity interest in Kunshan IRICO with the industry and commerce administration authority within forty-five business days from the effective date of the Equity Transfer Agreement.

Conditions precedent:

The Equity Transfer Agreement shall be concluded upon duly signed and executed by all parties and shall become effective upon fulfilment of the following conditions:

- (i) the assets valuation report of the Proposed Disposal having been filed with and approved by the relevant authorities of the Company; and
- (ii) the Company having obtained the Independent Shareholders' approval of the Proposed Disposal at the EGM.

3. GENERAL INFORMATION

(i) The Company

The Company is principally engaged in the construction and operation of solar power plants; the research, development, production and sales of solar photovoltaic glass, solar cell modules and relevant products, upstream materials of lithium battery and materials relevant to flat panel display; and the processing of quartz sand, an upstream material for photovoltaic glass.

(ii) IRICO Shadow Mask

IRICO Shadow Mask is a wholly-owned subsidiary of the Company, and is principally engaged in the research and development, design and manufacturing of the flat shadow mask and the coordinating products for CPTs.

(iii) Zhongdian IRICO

Zhongdian IRICO is principally engaged in the research, development, service and transfer of electronic information technology, industrial investment and assets operation management service, property investment and property operation management service.

(iv) Kunshan IRICO

Kunshan IRICO is principally engaged in the manufacturing and processing of the rubbers used for the electronic accessories, rubbers accessories for the metal products and other rubber accessories.

The unaudited net assets value of Kunshan IRICO as at 31 December 2016 was RMB52,884,592.36. The unaudited net profits of Kunshan IRICO before and after taxation for the year ended 31 December 2016 were RMB-2,167,024.39 and RMB-2,167,024.39, respectively. The audited net profits of Kunshan IRICO before and after taxation for the year ended 31 December 2015 were RMB-7,488,385.29 and RMB-7,488,385.29, respectively.

The financial data in relation to Kunshan IRICO as disclosed in this announcement were prepared in accordance with China Accounting Standards for Business Enterprises.

4. REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Proposed Disposal will optimise the assets structure of the Company and allow the Company to focus on developing and enhancing its core businesses in relation to new energy.

The Board (excluding the independent non-executive Directors, whose opinion on the Proposed Disposal will be set forth in the circular by reference to the advice of the independent financial adviser in this regard) is of the view that the terms and conditions of the Equity Transfer Agreement are fair and reasonable, and the Proposed Disposal is on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and its Shareholders as a whole.

The Company and IRICO Shadow Mask expects to recognise a gain from the Proposed Disposal of approximately RMB24,000,000, which is calculated based on the proceeds from the Proposed Disposal less 90% of the carrying amount of the appraised net assets value of Kunshan IRICO as at 31 May 2016.

The proceeds arising from the Proposed Disposal will be used to supplement working capital of the Company.

5. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Zhongdian IRICO, which is directly held as to 72.08% by CEC and 27.92% by IRICO Group, is an associate of CEC and IRICO Group and thus a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Proposed Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As set out in the announcements of the Company dated 9 May 2016 and 28 December 2016, the Company has transferred to Zhongdian IRICO 60% equity interest in Xianyang IRICO Electronic Accessories Co., Ltd.* (the “**IRICO Accessories**”) (at a cash consideration of RMB45,945,900) and the relevant assets of the operation department of special railway lines (the “**Special Railway Lines**”) (at a cash consideration of approximately RMB4,657,900), respectively. Pursuant to Rule 14A.81 of the Listing Rules, the previous transactions mentioned above have been aggregated with the Proposed Disposal.

As the highest applicable percentage ratio of the Proposed Disposal (as aggregated as aforesaid) exceeds 5% but is less than 25%, the Proposed Disposal constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules.

Certain Directors, namely, Mr. Si Yuncong, Mr. Huang Mingyan and Mr. Chen Changqing, by virtue of their respective senior positions in IRICO Group which held 27.92% equity interest in Zhongdian IRICO as at the date of this announcement, may be considered as having a material interest in the Proposed Disposal. As such, they have abstained from voting on the Board resolution approving the Equity Transfer Agreement and the Proposed Disposal. Save as mentioned above, none of the other Directors has a material interest in the Proposed Disposal and thus no other Director has abstained from voting on such Board resolution.

6. EGM

The Board will convene the EGM for the Independent Shareholders to consider and, if appropriate, to approve the Proposed Disposal. An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the Proposed Disposal. An independent financial adviser, Octal Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Listing Rules.

IRICO Group, holding approximately 71.74% of the issued share capital of the Company as at the date of this announcement, will be required to abstain from voting on the resolution approving the Proposed Disposal at the EGM. Save as mentioned above, to the best of the Directors' knowledge, information and belief, no other Shareholder has any material interest in the Proposed Disposal and therefore will be required to abstain from voting to approve the resolution regarding the Proposed Disposal at the EGM. The proposed resolution on approving the Proposed Disposal will be passed by way of ordinary resolution and voting will be conducted by way of poll in accordance with the requirements of the Listing Rules.

A circular of the Company containing, among other matters, further details of the Equity Transfer Agreement and the Proposed Disposal, the opinion and recommendation of the Independent Board Committee and the letter from the independent financial adviser will be issued by the Company and despatched to the Shareholders no later than 12 April 2017 in accordance with Rule 19A.39A of the Listing Rules, because additional time is required to prepare and finalise the information to be included in the circular.

7. DEFINITIONS

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

“Board”	the board of Directors
“CEC”	China Electronics Corporation* (中國電子信息產業集團有限公司), a wholly state-owned company incorporated in the PRC and the ultimate controlling Shareholder holding approximately 71.74% of the issued share capital of the Company through IRICO Group as at the date of this announcement
“Company”	IRICO Group New Energy Company Limited* (彩虹集團新能源股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Proposed Disposal
“Equity Transfer Agreement”	the equity transfer agreement dated 28 February 2017 entered into between the Company and Zhongdian IRICO in relation to the Proposed Disposal
“Independent Board Committee”	the committee of Directors consisting of Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng who are independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Proposed Disposal

“Independent Shareholders”	the Shareholders other than IRICO Group who will abstain from voting on the relevant resolution in relation to the Proposed Disposal at the EGM
“IRICO Group”	IRICO Group Corporation* (彩虹集團公司), a wholly state-owned enterprise and the controlling Shareholder of the Company directly holding approximately 71.74% of the issued share capital of the Company as at the date of this announcement
“IRICO Shadow Mask”	Xianyang IRICO Electronics Shadow Mask Co., Ltd.* (咸陽彩虹電子網版有限公司), a limited liability company incorporated in the PRC, which is directly and indirectly held as to 100% by the Company as at the date of this announcement
“Kunshan IRICO”	Kunshan IRICO Industry Co., Ltd.* (昆山彩虹實業有限公司), a limited liability company incorporated in the PRC and a subsidiary of the Company, which is held as to 80% by the Company and 10% by IRICO Shadow Mask as at the date of this announcement
“PRC”	the People’s Republic of China
“Proposed Disposal”	the proposed disposal of 80% equity interest and 10% equity interest in Kunshan IRICO by the Company and IRICO Shadow Mask to Zhongdian IRICO, respectively, pursuant to the Equity Transfer Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder”	the shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Zhongdian IRICO”

Xianyang Zhongdian IRICO Group Holdings Ltd.*
(咸陽中電彩虹集團控股有限公司), which is
directly held as to 72.08% by CEC and 27.92% by
IRICO Group as at the date of this announcement
and a connected person of the Company

“%”

per cent

By order of the Board
IRICO Group New Energy Company Limited*
Si Yuncong
Chairman

Shaanxi Province, the PRC
28 February 2017

As at the date of this announcement, the Board consists of Mr. Si Yuncong and Mr. Zou Changfu as executive Directors, Mr. Huang Mingyan and Mr. Chen Changqing as non-executive Directors, and Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng as independent non-executive Directors.

* *For identification purpose only*