THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult appropriate independent advisers to obtain independent professional advice.

If you have sold or transferred all your shares in **IRICO Group New Energy Company Limited*,** you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENTS

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

八方金融有限公司
OCTAL Capital Limited

A letter from the Board is set out on pages 1 to 14 of this circular. A letter from the Independent Board Committee is set out on pages 15 to 16 of this circular. A letter from Octal Capital, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 36 of this circular.

The EGM will be held at the conference room of the Company at No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC at 9:00 a.m., on Tuesday, 16 July 2019. Please refer to the notice of the EGM dated 31 May 2019 published on the websites of the Stock Exchange and the Company.

28 June 2019

* *For identification purpose only*

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In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

"Accounts Receivable Assignment Agreements"	Accounts Receivable Assignment Agreement I, Accounts Receivable Assignment Agreement II and Accounts Receivable Assignment Agreement III
"Accounts Receivable Assignment Agreement I"	the accounts receivable assignment agreement dated 24 May 2019 entered into between the Company and CEC in relation to the transfer of the Subject Assets I by the Company to CEC
"Accounts Receivable Assignment Agreement II"	the accounts receivable assignment agreement dated 24 May 2019 entered into between Hefei Photovoltaic and CEC in relation to the transfer of the Subject Assets II by Hefei Photovoltaic to CEC
"Accounts Receivable Assignment Agreement III"	the accounts receivable assignment agreement dated 24 May 2019 entered into between IRICO New Material and CEC in relation to the transfer of the Subject Assets III by IRICO New Material to CEC
"associate(s)"	has the same meaning ascribed thereto under the Listing Rules
"Benchmark Date"	the date on which the accounts receivable was assigned to the assets of CEC, namely 30 April 2019
"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 73.15% of the issued share capital of the Company through IRICO Group and its subsidiary, Rui Bou Electronics (HK) Limited (瑞博電子(香港)有限公司), as at the Latest Practicable Date

"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
"connected person(s)"	has the same meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened on Tuesday, 16 July 2019 to consider and, if thought fit, to approve the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"Hefei Photovoltaic"	IRICO (Hefei) Photovoltaic Co., Ltd.* (彩虹(合肥)光伏有限公司), a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the committee of Directors of the Company consisting of Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng, who are independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders other than CEC and its associates (including IRICO Group and its subsidiary, Rui Bou Electronics (HK) Limited) who will abstain from voting on the resolution in relation to the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder at the EGM

"IRICO Group"	IRICO Group Company Limited* (彩虹集團有限公司), a wholly state-owned enterprise and the controlling Shareholder of the Company, directly and indirectly holding approximately 73.15% of the issued share capital of the Company as at the Latest Practicable Date
"IRICO New Material"	Shaanxi IRICO New Material Company Limited* (陝西彩虹新材料有限公司), a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Latest Practicable Date"	21 June 2019, being the latest practicable date for ascertaining certain information included herein before the printing of this circular
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Octal Capital"	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder
"PRC"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Payment Date"	the effective date of the Accounts Receivable Assignment Agreements, on which the considerations for transfer of the Subject Assets I, Subject Assets II and Subject Assets III will be paid by CEC to the Company, Hefei Photovoltaic and IRICO New Material, respectively
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subject Assets"	Subject Assets I, Subject Assets II and Subject Assets III
"Subject Assets I"	has the meaning set out under the section headed "THE ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENT I – Subject Assets" in this circular
"Subject Assets II"	has the meaning set out under the section headed "THE ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENT II – Subject Assets" in this circular
"Subject Assets III"	has the meaning set out under the section headed "THE ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENT III – Subject Assets" in this circular
"Supervisor(s)"	the supervisor(s) of the Company
"%"	per cent

The English names of the PRC entities adopted in this circular marked ""are translations from their Chinese names for identification purpose only.*

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)

Directors:
Executive Directors
Si Yuncong *(Chairman)*
Chen Xiaoning

Non-executive Directors
Fan Laiying
Ni Huadong

Independent non-executive Directors
Feng Bing
Wang Jialu
Wang Zhicheng

Legal address and the head office in the PRC:
No.1 Caihong Road
Xianyang, Shaanxi Province
The People's Republic of China
Postal code: 712021

Principal place of business in Hong Kong:
Units 1607–8, 16/F
Citicorp Centre, 18 Whitfield Road
Causeway Bay, Hong Kong

Hong Kong share registrar and transfer office:
Computershare Hong Kong
Investor Services Limited
17M/F, Hopewell Centre
183 Queen's Road East
Hong Kong

28 June 2019

To the Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO
ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENTS**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 24 May 2019 in relation to the Accounts Receivable Assignment Agreements.

On 24 May 2019, the Company, Hefei Photovoltaic and IRICO New Material entered into the Accounts Receivable Assignment Agreement I, the Accounts Receivable Assignment Agreement II and the Accounts Receivable Assignment Agreement III with CEC, respectively, pursuant to which the Company, Hefei Photovoltaic and IRICO New Material have agreed to transfer the Subject Assets I, the Subject Assets II and the Subject Assets III to CEC at considerations of RMB14,238,601.45, RMB36,238,527.33 and RMB27,900,768.28, respectively.

The purpose of this circular is to provide Shareholders with the following information, so that the Shareholders can make properly informed decisions on such resolution at the EGM:

(i) details of the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder;

(ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders; and

(iii) a letter from Octal Capital containing its advice to the Independent Board Committee and the Independent Shareholders.

II. THE ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENTS

1. The Accounts Receivable Assignment Agreement I

The main contents of the Accounts Receivable Assignment Agreement I are set out as follows:

Date:	24 May 2019
Parties:	(1) the Company as the assignor, and
	(2) CEC as the assignee

Subject Assets:

Pursuant to the Accounts Receivable Assignment Agreement I, the Subject Assets I represent the accounts receivable and their ancillary security interests (if any) of the Company against the relevant payment obligors under the sales agreements and the Accounts Receivable Assignment Agreement I. The Subject Assets I comprise of the accounts receivables owned to the Company by its customers in an aggregate amount of RMB14,962,445.86 under the sales agreements for photovoltaic glass entered between them, pursuant to which the customers shall repay the accounts receivables with bills guaranteed by bank with a term of 180 days before due dates in 90 days since issuance of the invoices. As at 30 April 2019, the accounts receivables amounting to RMB4,206,804.24 aged from 0 to 90 days, while the accounts receivables amounting to RMB10,755,641.62 aged from 91 to 180 days. The Company has not made provision for bad debts of the Subject Assets I pursuant to the China Accounting Standards for Business Enterprises.

Pursuant to the Accounts Receivable Assignment Agreement I, on the Payment Date, the Company shall transfer to CEC the following assets or interests commencing from the Benchmark Date (inclusive):

(i) all titles and related interests (present and future, existing and contingent) of the Subject Assets I held by the Company;

(ii) all the repayments, due or to become due, attributable to the Subject Assets I;

(iii) the proceeds from recovery, sale or otherwise disposal of the Subject Assets I;

(iv) the rights to request, sue, recover and receive all the payments in relation to the Subject Assets I (no matter whether such payments are payable by the payment obligors under the sales agreements); and

(v) the interests arising from commitments in relation to the Subject Assets I and enforcement rights of all the rights and legal remedies arising from the Subject Assets I.

Consideration: Pursuant to the Accounts Receivable Assignment Agreement I, the consideration for transfer of the Subject Assets I to CEC is RMB14,238,601.45.

The consideration was determined based on arm's length negotiations between the Company and CEC with reference to the carrying value of the Subject Assets I in the accounts (i.e. RMB14,962,445.86).

Payment: CEC shall pay the consideration to the designated account of the Company in one lump-sum on the effective date of the Accounts Receivable Assignment Agreement I.

Delivery: On the Payment Date, the Company shall enter into the delivery confirmation letter with CEC. The entering into of the delivery confirmation letter shall be deemed as the confirmation of the delivery of the Subject Assets I by both parties, which shall become effective immediately upon duly signed or executed by the legal representatives or the authorized representatives of both parties and sealed with their respective chops, and shall be legally binding on both parties.

Conditions Precedent: The Accounts Receivable Assignment Agreement I shall become effective upon fulfilment of the following conditions and none of these conditions can be waived:

(i) the Accounts Receivable Assignment Agreement I being duly signed or executed by the legal representatives or the authorized representatives of both parties; and

(ii) the Company having obtained the Independent Shareholders' approval of the Accounts Receivable Assignment Agreements and the transactions thereunder at the EGM.

As at the Latest Practicable Date, the Accounts Receivable Assignment Agreement I has been duly signed and executed by the legal representatives of both parties. Thus, if the resolution regarding the Accounts Receivable Assignment Agreements and the transactions thereunder could be approved by the Independent Shareholders at the EGM to be held on 16 July 2019, all the conditions precedent described above are expected to be fulfilled on the same day.

2. The Accounts Receivable Assignment Agreement II

The main contents of the Accounts Receivable Assignment Agreement II are set out as follows:

Date: 24 May 2019

Parties:

(1) Hefei Photovoltaic as the assignor, and

(2) CEC as the assignee

Subject Assets: Pursuant to the Accounts Receivable Assignment Agreement II, the Subject Assets II represent the accounts receivable and their ancillary security interests (if any) of Hefei Photovoltaic against the relevant payment obligors under the sales agreements and the Accounts Receivable Assignment Agreement II. The Subject Assets II comprise of the accounts receivables owned to the Hefei Photovoltaic by its customers in an aggregate amount of RMB38,068,468.00 under the sales agreements for photovoltaic glass entered between them, pursuant to which the customers shall repay the accounts receivables with bills guaranteed by bank with a term of 180 days before due dates in 90 days since issuance of the invoices. As at 30 April 2019, the accounts receivables amounting to RMB26,806,307.69 aged from 0 to 90 days, while the accounts receivables amounting to RMB11,262,160.31 aged from 91 to 180 days. The Company has not made provision for bad debts of the Subject Assets II pursuant to the China Accounting Standards for Business Enterprises.

Pursuant to the Accounts Receivable Assignment Agreement II, on the Payment Date, Hefei Photovoltaic shall transfer to CEC the following assets or interests commencing from the Benchmark Date (inclusive):

(i) all titles and related interests (present and future, existing and contingent) of the Subject Assets II held by Hefei Photovoltaic;

(ii) all the repayments, due or to become due, attributable to the Subject Assets II;

(iii) the proceeds from recovery, sale or otherwise disposal of the Subject Assets II;

(iv) the rights to request, sue, recover and receive all the payments in relation to the Subject Assets II (no matter whether such payments are payable by the payment obligors under the sales agreements); and

(v) the interests arising from commitments in relation to the Subject Assets II and enforcement rights of all the rights and legal remedies arising from the Subject Assets II.

Consideration: Pursuant to the Accounts Receivable Assignment Agreement II, the consideration for transfer of the Subject Assets II to CEC is RMB36,238,527.33.

The consideration was determined based on arm's length negotiations between Hefei Photovoltaic and CEC with reference to the carrying value of the Subject Assets II in the accounts (i.e. RMB38,068,468.00).

Payment: CEC shall pay the consideration to the designated account of Hefei Photovoltaic in one lump-sum on the effective date of the Accounts Receivable Assignment Agreement II.

Delivery: On the Payment Date, Hefei Photovoltaic shall enter into the delivery confirmation letter with CEC. The entering into of the delivery confirmation letter shall be deemed as the confirmation of the delivery of the Subject Assets II by both parties, which shall become effective immediately upon duly signed or executed by the legal representatives or the authorized representatives of both parties and sealed with their respective chops, and shall be legally binding on both parties.

Conditions Precedent: The Accounts Receivable Assignment Agreement II shall become effective upon fulfilment of the following conditions and none of these conditions can be waived:

(i) the Accounts Receivable Assignment Agreement II being duly signed or executed by the legal representatives or the authorized representatives of both parties; and

(ii) the Company having obtained the Independent Shareholders' approval of the Accounts Receivable Assignment Agreements and the transactions thereunder at the EGM.

As at the Latest Practicable Date, the Accounts Receivable Assignment Agreement II has been duly signed and executed by the legal representatives of both parties. Thus, if the resolution regarding the Accounts Receivable Assignment Agreements and the transactions thereunder could be approved by the Independent Shareholders at the EGM to be held on 16 July 2019, all the conditions precedent described above are expected to be fulfilled on the same day.

3. The Accounts Receivable Assignment Agreement III

The main contents of the Accounts Receivable Assignment Agreement III are set out as follows:

Date: 24 May 2019

Parties:
(1) IRICO New Material as the assignor, and
(2) CEC as the assignee

Subject Assets: Pursuant to the Accounts Receivable Assignment Agreement III, the Subject Assets III represent the accounts receivable and their ancillary security interests (if any) of IRICO New Material against the relevant payment obligors under the sales agreements and the Accounts Receivable Assignment Agreement III. The Subject Assets III comprise of the accounts receivables owned to the IRICO New Material by its customers in an aggregate amount of RMB29,412,080.23 under the sales agreements for new materials entered between them, pursuant to which the customers shall repay the accounts receivables with bills guaranteed by bank with a term of 180 days before due dates in 90 days since issuance of the invoices. As at 30 April 2019, the accounts receivables amounting to RMB26,759,080.23 aged from 0 to 90 days, the accounts receivables amounting to RMB1,395,000.00 aged from 91 to 180 days, while the accounts receivables amounting to RMB1,258,000.00 aged over 180 days. In consideration of the possibility of realising the accounts receivables from one of the customers, the Company has made provision for bad debts of an aggregate of RMB1,395,000.00 using ageing analysis method pursuant to the China Accounting Standards for Business Enterprises. Save for the disclosed above, the Company has not made provision for bad debts of the Subject Assets III.

Pursuant to the Accounts Receivable Assignment Agreement III, on the Payment Date, IRICO New Material shall transfer to CEC the following assets or interests commencing from the Benchmark Date (inclusive):

(i) all titles and related interests (present and future, existing and contingent) of the Subject Assets III held by IRICO New Material;

(ii) all the repayments, due or to become due, attributable to the Subject Assets III;

(iii) the proceeds from recovery, sale or otherwise disposal of the Subject Assets III;

(iv) the rights to request, sue, recover and receive all the payments in relation to the Subject Assets III (no matter whether such payments are payable by the payment obligors under the sales agreements); and

(v) the interests arising from commitments in relation to the Subject Assets III and enforcement rights of all the rights and legal remedies arising from the Subject Assets III.

Consideration: Pursuant to the Accounts Receivable Assignment Agreement III, the consideration for transfer of the Subject Assets III to CEC is RMB27,900,768.28.

The consideration was determined based on arm's length negotiations between IRICO New Material and CEC with reference to the carrying value of the Subject Assets III in the accounts (i.e. RMB29,412,080.23).

Payment: CEC shall pay the consideration to the designated account of IRICO New Material in one lump-sum on the effective date of the Accounts Receivable Assignment Agreement III.

Delivery: On the Payment Date, IRICO New Material shall enter into the delivery confirmation letter with CEC. The entering into of the delivery confirmation letter shall be deemed as the confirmation of the delivery of the Subject Assets III by both parties, which shall become effective immediately upon duly signed or executed by the legal representatives or the authorized representatives of both parties and sealed with their respective chops, and shall be legally binding on both parties.

Conditions Precedent: The Accounts Receivable Assignment Agreement III shall become effective upon fulfilment of the following conditions and none of these conditions can be waived:

(i) the Accounts Receivable Assignment Agreement III being duly signed or executed by the legal representatives or the authorized representatives of both parties; and

(ii) the Company having obtained the Independent Shareholders' approval of the Accounts Receivable Assignment Agreements and the transactions thereunder at the EGM.

As at the Latest Practicable Date, the Accounts Receivable Assignment Agreement III has been duly signed and executed by the legal representatives of both parties. Thus, if the resolution regarding the Accounts Receivable Assignment Agreements and the transactions thereunder could be approved by the Independent Shareholders at the EGM to be held on 16 July 2019, all the conditions precedent described above are expected to be fulfilled on the same day.

III. REASONS FOR AND BENEFITS OF ENTERING INTO THE ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENTS

The Board believes that the transfer and securitization of the Subject Assets is a new financing channel for the Company, which will help reduce its reliance on borrowings from the banks, lower the scale of the "two reserves" (i.e. the accounts receivable and the inventory) and enhance its cash inflow, thus revitalizing such assets and optimizing the Company's asset-liability structure.

Although the Company did not encounter problem in collecting the accounts receivables from its customers, the credit period granted to the customers is generally 90 days since issuance of the invoices and the customers would normally settle the payments by bills guaranteed by bank with a term of 180 days before due dates. Given that the Payment Date of the considerations is earlier than the expected date of the Subject Assets being readily convertible into cash from the bills, the transfer of the Subject Assets can shorten the settlement period and provide immediate cash inflow to the Company upon completion of the transactions under the Accounts Receivable Assignment Agreements to enhance its short term liquidity.

The Company expects to recognize financing costs for the transactions contemplated under the Accounts Receivable Assignment Agreements of RMB4,065,097.03 (subject to audit), which is calculated based on the considerations for the transfer of the Subject Assets less the carrying value of the Subject Assets in the accounts.

The proceeds raised from the transfer of the Subject Assets will be used to settle the outstanding balance of the construction cost amounting to RMB340 million for the Company's solar photovoltaic glass projects, which are currently in smooth operation being financed by its own funds and the borrowings.

The Company sought to carry out placing of shares, bank financing, financing lease, asset-backed securitization and other financing channels to acquire the funds required, and communicated with financial institutions. However, due to the high financing costs and cumbersome approval procedures, such methods cannot effectively improve the Company's asset-liability structure. Therefore, the Company did not adopt such methods for financing.

The Company also obtained the non-recourse factoring quotations from certain independent commercial banks in the PRC, which have stable business relationships with the Company. Taking into account that the factoring discount rates provided by the banks are higher than the discounts under the Accounts Receivable Assignment Agreements, the Board is of the view that the terms of the Accounts Receivable Assignment Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

In the event that the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder is not approved by the Independent Shareholders at the EGM, the Company will fund the solar photovoltaic glass projects using the bank borrowings.

IV. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, CEC, the ultimate controlling Shareholder of the Company indirectly holding approximately 73.15% of the issued share capital of the Company through IRICO Group and its subsidiary, Rui Bou Electronics (HK) Limited, is a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the Accounts Receivable Assignment Agreements constitute connected transactions of the Company under the Listing Rules. Meanwhile, the transactions contemplated under the Accounts Receivable Assignment Agreements shall be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

Reference is made to the circular of the Company dated 1 June 2018 in relation to the transfer of 51% equity interest in Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司) by the Company to Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) (the "**Previous Transaction**"). As the highest applicable percentage ratio in respect of the transactions contemplated under the Accounts Receivable Assignment Agreements, when aggregated with the Previous Transaction, exceeds 5% but is less than 25%, such transactions constitute discloseable and connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Certain Directors, namely, Mr. Si Yuncong and Mr. Fan Laiying, may be considered as having a material interest in the transactions contemplated under the Accounts Receivable Assignment Agreements by virtue of their senior positions in IRICO Group as at the Latest Practicable Date. As such, they have abstained from voting on the Board resolution approving the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder. Save as mentioned above, none of the other Directors has a material interest in the transactions contemplated under the Accounts Receivable Assignment Agreements and thus no other Director has abstained from voting on such Board resolution.

CEC and its associates will be required to abstain from voting on the resolution approving the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder at the EGM. Save as mentioned above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the transactions contemplated under the Accounts Receivable Assignment Agreements and therefore no other Shareholder will be required to abstain from voting to approve the resolution regarding such transactions at the EGM. The resolution on approving the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder will be passed by way of an ordinary resolution and voting will be conducted by way of poll in accordance with the requirements of the Listing Rules.

V. 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 batteries and materials relevant to flat panel displays; and the processing of quartz sands, an upstream material for photovoltaic glass.

(ii) Hefei Photovoltaic

Hefei Photovoltaic is principally engaged in the investment and development of new energy industries and solar power projects; and the construction, operation and management as well as contracting of solar photovoltaic power plant projects.

(iii) IRICO New Material

IRICO New Material is principally engaged in production of various luminous materials for display devices and lighting devices; electronic paste; various battery materials for 3C products and electrical vehicles; target materials for TFT-LED, photoresists and other functional chemicals; various coating fluids for photovoltaic glass; sales of self-produced products; wholesale of coal; wholesale of chemical materials; and self-operated and commissioned import and export of goods.

(iv) CEC

CEC is principally engaged in the research, development, service and transfer of electronic information technology; investment in information industry, real estate industry, commerce and trade business with self-owned capital and assets (non-monetary assets) operation and management services; property management; import and export; purchase and sales of LCD glass substrate, glass products and raw materials, photovoltaic products, components and raw materials, electronic products and raw materials, metal materials, common parts, chemical products (excluding hazardous chemicals), rubber, plastic products, electromechanical equipment (excluding special equipment), paper products, timber, steel, construction materials, coal, mineral products (excluding commodities under special government control), electric wires and cables; storage and logistic services.

VI. RECOMMENDATION

Based on the relevant information disclosed herein, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Accounts Receivable Assignment Agreements are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution at the EGM.

VII. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16, the letter from Octal Capital set out on pages 17 to 36 and the other information set out in the appendix to this circular.

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

* *For identification purpose only*

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)

Legal address and the head office in the PRC:
No.1 Caihong Road
Xianyang, Shaanxi Province
The People's Republic of China
Postal code: 712021

Principal place of Business in Hong Kong:
Units 1607–8, 16/F
Citicorp Centre, 18 Whitfield Road
Causeway Bay, Hong Kong

Hong Kong share registrar and transfer office:
Computershare Hong Kong
Investor Services Limited
17M/F
Hopewell Centre
183 Queen's Road East
Hong Kong

28 June 2019

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO
ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENTS**

We refer to the circular of the Company dated 28 June 2019 (the "**Circular**"), of which this letter forms a part. Terms defined therein shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether in our opinion, the terms of the Accounts Receivable Assignment Agreements are fair and reasonable so far as the Independent Shareholders are concerned, the transactions contemplated thereunder are on normal commercial terms and 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.

Octal Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Accounts Receivable Assignment Agreements. Details of the advice from Octal Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 17 to 36 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 1 to 14 of the Circular. Having considered the information contained in the letter from the Board, the interests of the Independent Shareholders and the advice and recommendations given by Octal Capital, we consider that the terms of the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder are on normal commercial terms and in the ordinary or usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution regarding the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
IRICO Group New Energy Company Limited*
Feng Bing **Wang Jialu** **Wang Zhicheng**
Independent Board Committee

* *For identification purpose only*

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Accounts Receivable Assignment Agreements prepared for the purpose of inclusion in this circular.

八方金融有限公司
OCTAL Capital Limited

801–805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

28 June 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENTS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Accounts Receivable Assignment Agreements and terms thereof, particulars of which are set out in the letter from the Board (the "**Letter from the Board**") of the circular to the Shareholders dated 28 June 2019 (the "**Circular**") and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, on 24 May 2019, the Company, Hefei Photovoltaic and IRICO New Material entered into the Accounts Receivable Assignment Agreement I, the Accounts Receivable Assignment Agreement II and the Accounts Receivable Assignment Agreement III with CEC, respectively, pursuant to which the Company, Hefei Photovoltaic and IRICO New Material have agreed to transfer the Subject Assets (the "**Transfers**") to CEC at considerations of RMB14,238,601.45, RMB36,238,527.33 and RMB27,900,768.28, respectively (the "**Considerations**").

As set out in the Letter from the Board, CEC, the ultimate controlling Shareholder of the Company indirectly holding approximately 73.15% of the issued share capital of the Company through IRICO Group and its subsidiary, Rui Bou Electronics (HK) Limited, is a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the Accounts Receivable Assignment Agreements constitute connected transactions of the Company under the Listing Rules. Meanwhile, the transactions contemplated under the Accounts Receivable Assignment Agreements shall be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

Reference is made to the circular of the Company dated 1 June 2018 in relation to the transfer of 51% equity interest in Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司) by the Company to Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) (the "**Previous Transaction**"). As the highest applicable percentage ratio in respect of the transactions contemplated under the Accounts Receivable Assignment Agreements, when aggregated with the Previous Transaction, exceeds 5% but is less than 25%, such transactions constitute discloseable and connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Certain Directors, namely Mr. Si Yuncong and Mr. Fan Laiying, may be considered as having a material interest in the transactions contemplated under the Accounts Receivable Assignment Agreements by virtue of their senior positions in IRICO Group as at the Latest Practicable Date. As such, they have abstained from voting on the Board resolution approving the Accounts Receivable Assignment Agreements and the transactions contemplated thereunder. Save as mentioned above, none of the other Directors has a material interest in the transactions contemplated under the Accounts Receivable Assignment Agreements and thus no other Director has abstained from voting on such Board resolution.

We are not connected with the Directors, chief executive and substantial shareholders of the Company, Hefei Photovoltaic, IRICO New Material and CEC or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged as an independent financial adviser to the Company (the "**Previous Engagements**") in respect of (i) the connected and discloseable disposal of 51% equity interest in Zhuhai Caizhu; (ii) the continuing connected transactions; and (iii) the connected transaction in relation to the proposed subscription of new H shares by a connected person (for details please refer to the circulars of the Company dated 1 June 2018, 3 December 2018 and 31 December respectively). Under the Previous Engagements, we were required to express our opinion on and give recommendation to the Independent Board Committee and Independent Shareholders in respect of the relevant transactions. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Company and its subsidiaries, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Company, Hefei Photovoltaic, IRICO New Material, CEC and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

PRINCIPLE FACTORS AND REASONS CONSIDERED IN RELATION TO THE ACCOUNTS RECEIVABLE ASSIGNMENT AGREEMENTS

In arriving at our opinion regarding the terms of the Accounts Receivable Assignment Agreements, we have considered the following principal factors and reasons:

I. Background of and reasons for the Accounts Receivable Assignment Agreements

1. Principal activities and business of the Group

The Company is a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange. 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 displays; and the processing of quartz sand, an upstream material for photovoltaic glass.

Hefei Photovoltaic, a wholly-owned subsidiary of the Company, is principally engaged in the investment and development of new energy industries and solar power projects; and the construction, operation and management as well as contracting of solar photovoltaic power plant projects.

IRICO New Material, a wholly-owned subsidiary of the Company, is principally engaged in production of various luminous materials for display devices and lighting devices; electronic paste; various battery materials for 3C products and electrical vehicles; target materials for TFT-LED, photoresists and other functional chemicals; various coating fluids for photovoltaic glass; sales of self-produced products; wholesale of coal; wholesale of chemical materials; and self-operated and commissioned import and export of goods.

Set out below is a summary of the audited consolidated financial information of the Group for the year ended 31 December 2017 and 2018 as extracted from the Company's annual report for the year ended 31 December 2018 (the "**2018 Annual Report**"):

	For the year ended 31 December	
	2017	**2018**
	(audited)	**(audited)**
	RMB'000	*RMB'000*
Operating revenue	2,471,466	2,331,919
– Solar photovoltaic business	1,682,440	1,729,785
– New materials business	319,014	452,088
– Trading business	361,948	107,363
– Others	108,064	42,683
Operating profit	99,310	85,156
Net profit for the year attributable to the shareholders of the Company	90,008	81,298

	As at 31 December	
	2017	**2018**
	(audited)	**(audited)**
	RMB'000	*RMB'000*
Cash at bank and on hand	491,508	260,547
Net current liabilities	1,891,028	2,135,636
Total assets	4,596,607	4,870,777
Total liabilities	4,355,018	4,656,994
Equity attributable to shareholders of the Company	126,537	93,243

The operating revenue of the Group decreased from approximately RMB2,471.5 million for the year ended 31 December 2017 to RMB2,331.9 million for the year ended 31 December 2018, representing a decrease of approximately 5.6%. The decrease of operating revenue was mainly attributable to the substantial decrease of the trading business. Revenue derived from solar photovoltaic business has increased from approximately RMB1,682.4 million for the year ended 31 December 2017 to RMB1,729.8 million for the year ended 31 December 2018, representing an increase of approximately RMB47.3 million or 2.8%, such increase was mainly attributable to the increase in production volume of the Group's solar photovoltaic glass production lines. Revenue derived from new materials business has increased from approximately RMB319.0 million for the year ended 31 December 2017 to RMB452.1 million for the year ended 31 December 2018, representing an increase of approximately RMB133.1 million or 41.7%, such increase was mainly attributable to the increase in production volume of the Group's new materials production lines. Revenue derived from trading business has decreased sharply from approximately RMB361.9 million for the year ended 31 December 2017 to approximately RMB107.4 million for the year ended 31 December 2018, representing a decrease of approximately RMB254.6 million or 70.3%. The Group recorded a net profit attributable to the owners of the Company of approximately RMB81.3 million for the year ended 31 December 2018, representing a decrease of approximately RMB8.7 million or 9.7% as compared with the same period in 2017. The decrease of net profit was mainly due to a decrease of prices of photovoltaic glass during the year following the introduction of the "531" new policy published by the National Development and Reform Commission, the Ministry of Finance, and the National Energy Administration of the PRC in May 2018, which slashed the quota for the amount of PV that could receive feed-in tariff subsidies.

As regards the financial position of the Group, the Group's cash and bank balances amounted to approximately RMB260.5 million, representing a year-on-year decrease of approximately RMB231.0 million or 47.0%. Net current liabilities amounted to approximately RMB2,135.6 million, representing a year-on-year increase of approximately RMB244.6 million or 12.9%, mainly attributable to the substantial decrease in cash at bank and on hand and substantial increase in non-current liabilities due within one year. Equity attributable to shareholders of the Company decreased from approximately RMB126.5 million as at 31 December 2017 to approximately RMB93.2 million as at 31 December 2018. Such decrease was mainly attributable to the increase in long-term borrowings in the year of 2018.

2. *Reasons and benefits for entering into the Accounts Receivable Assignment Agreements*

The Company, Hefei Photovoltaic and IRICO New Material entered into the Accounts Receivable Assignment Agreement I, the Accounts Receivable Assignment Agreement II and the Accounts Receivable Assignment Agreement III with CEC, respectively, pursuant to which the Company, Hefei Photovoltaic and IRICO New Material have agreed to transfer the Subject Assets to CEC at considerations of RMB14,238,601.45, RMB36,238,527.33 and RMB27,900,768.28, respectively. The carrying value of the Subject Assets I, the Subject Assets II and the Subject Assets III in the accounts are RMB14,962,445.86, RMB38,068,468.00 and RMB29,412,080.23, respectively.

As set out in the Letter from the Board, the Transfers will help reduce the Group's reliance on bank borrowings, lower the scale of the "two reserves" (i.e. the accounts receivable and the inventory) and enhance its cash inflow, thus revitalizing such assets and optimizing the Company's asset-liability structure. The Transfers can also shorten the settlement period and provide immediate cash inflow to the Company to enhance short term liquidity. As at 31 December 2018, the Group had total outstanding borrowings of approximately RMB1,029.7 million and the gearing ratio, which was calculated by dividing total liabilities by total assets, increased to approximately 95.6%, and the Group's net current liabilities increased to RMB2,135.6 million. The deteriorating financial position indicated that the Group would be under heavy debt repayment pressure in the short term and would encounter difficulties in obtaining additional debt financing, which could constrain the Group's operational flexibility and hinder its future expansion plan. We are of the view that the Transfers would provide the Group with immediate cash to mitigate its liquidity pressure and improve the Group's financial position. Besides, the Transfers would alleviate the Group's inherent risk of non-recoverability associated with such amounts and enable the Group to save time and resources that will otherwise be incurred for recovering and collecting the accounts receivable.

According to the 2018 Annual Report, it is the Group's strategy to seize the opportunities to speed up the development of new projects for photovoltaic glass, and strive to become one of the world's top three players in terms of photovoltaic glass production capacity by 2020. As set out in the Letter from the Board, the proceeds raised from the Transfers will be used to settle the outstanding balance of the construction cost amounting to RMB340 million of the Company's solar photovoltaic glass projects, which are currently in smooth operation being financed by its own funds and the borrowings. As advised by the management of the Company, the Group's solar photovoltaic glass projects include (i) Yan'an Photovoltaic Glass Project and Hefei Photovoltaic Glass Project (Phase II) as disclosed in the circular of the Company dated 31 December 2018; and (ii) the battery material project of Shaanxi IRICO New Materials Company Limited as disclosed in the circular of the Company dated 3 December 2018. We consider that the Transfers will provide immediate liquidity to meet its short-term obligations of the aforementioned projects and support its future development.

We have researched into the global solar glass business and photovoltaic market outlook. According to "2018 Snapshot of Global Photovoltaic Markets"《2018年全球光伏市場調查》, published by the International Energy Agency in April 2018, an intergovernmental organisation established within the framework of the Organisation for Economic Co-operation and Development which provides information and statistics on the international energy market, the global photovoltaic market has grown significantly from 76 gigawatt ("**GW**") of new photovoltaic systems installed and connected to the grid in 2016 to 98GW in 2017, which represents a 29% growth year-on-year. It is noteworthy that among the global PV installation capacity of 98GW in 2017, China accounts for 54% of such capacity, and Asia is the leader of the global PV market in terms of both photovoltaic systems installed and growth. Hence it is expected that there will be strong demand across the globe, in particular, in Asia, on the photovoltaic products as photovoltaic is becoming a major contributor in clean energy as the report indicated.

In view of (i) the expected improvement on the Group's liquidity position taking into account the immediate cash proceeds to be received from the Transfers; and (ii) the commitment of the Group's core competitiveness in photovoltaic glass and new solar photovoltaic glass projects, we are of the view that the Transfers are in the interests of the Company and the Shareholders as a whole.

3. Principal Terms of the Accounts Receivable Assignment Agreements

1. The Accounts Receivable Assignment Agreement I

The main contents of the Accounts Receivable Assignment Agreement I are set out as follows:

Date: 24 May 2019

Parties:

(1) the Company as the assignor, and

(2) CEC as the assignee

Subject Assets: Pursuant to the Accounts Receivable Assignment Agreement I, the Subject Assets I represent the accounts receivable and their ancillary security interests (if any) of the Company against the relevant payment obligors under the sales agreements and the Accounts Receivable Assignment Agreement I. The Subject Assets I comprise of the accounts receivables owned to the Company by its customers in an aggregate amount of RMB14,962,445.86 under the sales agreements for photovoltaic glass entered between them, pursuant to which the customers shall repay the accounts receivables with bills guaranteed by bank with a term of 180 days before due dates in 90 days since issuance of the invoices. As at 30 April 2019, the accounts receivables amounting to RMB4,206,804.24 aged from 0 to 90 days, while the accounts receivables amounting to RMB10,755,641.62 aged from 91 to 180 days. The Company has not made provision for bad debts of the Subject Assets I pursuant to the China Accounting Standards for Business Enterprises.

Pursuant to the Accounts Receivable Assignment Agreement I, on the Payment Date, the Company shall transfer to CEC the following assets or interests commencing from the Benchmark Date (inclusive):

(i) all titles and related interests (present and future, existing and contingent) of the Subject Assets I held by the Company;

(ii) all the repayments, due or to become due, attributable to the Subject Assets I;

(iii) the proceeds from recovery, sale or otherwise disposal of the Subject Assets I;

(iv) the rights to request, sue, recover and receive all the payments in relation to the Subject Assets I (no matter whether such payments are payable by the payment obligors under the sales agreements); and

(v) the interests arising from commitments in relation to the Subject Assets I and enforcement rights of all the rights and legal remedies arising from the Subject Assets I.

Consideration: Pursuant to the Accounts Receivable Assignment Agreement I, the consideration for transfer of the Subject Assets I to CEC is RMB14,238,601.45.

The consideration was determined based on arm's length negotiations between the Company and CEC with reference to the carrying value of the Subject Assets I in the accounts (i.e. RMB14,962,445.86).

Payment: CEC shall pay the consideration to the designated account of the Company in one lump-sum on the effective date of the Accounts Receivable Assignment Agreement I.

Delivery: On the Payment Date, the Company shall enter into the delivery confirmation letter with CEC. The entering into of the delivery confirmation letter shall be deemed as the confirmation of the delivery of the Subject Assets I by both parties, which shall become effective immediately upon duly signed or executed by the legal representatives or the authorized representatives of both parties and sealed with their respective chops, and shall be legally binding on both parties.

Conditions Precedent: The Accounts Receivable Assignment Agreement I shall become effective upon fulfilment of the following conditions and none of these conditions can be waived:

(i) the Accounts Receivable Assignment Agreement I being duly signed or executed by the legal representatives or the authorized representatives of both parties; and

(ii) the Company having obtained the Independent Shareholders' approval of the Accounts Receivable Assignment Agreements and the transactions thereunder at the EGM.

As at the Latest Practicable Date, the Accounts Receivable Assignment Agreement I has been duly signed and executed by the legal representatives of both parties. Thus, if the resolution regarding the Accounts Receivable Assignment Agreements and the transactions thereunder could be approved by the Independent Shareholders at the EGM to be held on 16 July 2019, all the conditions precedent described above are expected to be fulfilled on the same day.

2. *The Accounts Receivable Assignment Agreement II*

The main contents of the Accounts Receivable Assignment Agreement II are set out as follows:

Date: 24 May 2019

Parties:

(1) Hefei Photovoltaic as the assignor, and

(2) CEC as the assignee

Subject Assets: Pursuant to the Accounts Receivable Assignment Agreement II, the Subject Assets II represent the accounts receivable and their ancillary security interests (if any) of Hefei Photovoltaic against the relevant payment obligors under the sales agreements and the Accounts Receivable Assignment Agreement II. The Subject Assets II comprise of the accounts receivables owned to the Hefei Photovoltaic by its customers in an aggregate amount of RMB38,068,468.00 under the sales agreements for photovoltaic glass entered between them, pursuant to which the customers shall repay the accounts receivables with bills guaranteed by bank with a term of 180 days before due dates in 90 days since issuance of the invoices. As at 30 April 2019, the accounts receivables amounting to RMB26,806,307.69 aged from 0 to 90 days, while the accounts receivables amounting to RMB11,262,160.31 aged from 91 to 180 days. The Company has not made provision for bad debts of the Subject Assets II pursuant to the China Accounting Standards for Business Enterprises.

Pursuant to the Accounts Receivable Assignment Agreement II, on the Payment Date, Hefei Photovoltaic shall transfer to CEC the following assets or interests commencing from the Benchmark Date (inclusive):

(i) all titles and related interests (present and future, existing and contingent) of the Subject Assets II held by Hefei Photovoltaic;

(ii) all the repayments, due or to become due, attributable to the Subject Assets II;

(iii) the proceeds from recovery, sale or otherwise disposal of the Subject Assets II;

(iv) the rights to request, sue, recover and receive all the payments in relation to the Subject Assets II (no matter whether such payments are payable by the payment obligors under the sales agreements); and

(v) the interests arising from commitments in relation to the Subject Assets II and enforcement rights of all the rights and legal remedies arising from the Subject Assets II.

Consideration: Pursuant to the Accounts Receivable Assignment Agreement II, the consideration for transfer of the Subject Assets II to CEC is RMB36,238,527.33.

The consideration was determined based on arm's length negotiations between Hefei Photovoltaic and CEC with reference to the carrying value of the Subject Assets II in the accounts (i.e. RMB38,068,468.00).

Payment: CEC shall pay the consideration to the designated account of Hefei Photovoltaic in one lump-sum on the effective date of the Accounts Receivable Assignment Agreement II.

Delivery: On the Payment Date, Hefei Photovoltaic shall enter into the delivery confirmation letter with CEC. The entering into of the delivery confirmation letter shall be deemed as the confirmation of the delivery of the Subject Assets II by both parties, which shall become effective immediately upon duly signed or executed by the legal representatives or the authorized representatives of both parties and sealed with their respective chops, and shall be legally binding on both parties.

Conditions Precedent: The Accounts Receivable Assignment Agreement II shall become effective upon fulfilment of the following conditions and none of these conditions can be waived:

(i) the Accounts Receivable Assignment Agreement II being duly signed or executed by the legal representatives or the authorized representatives of both parties; and

(ii) the Company having obtained the Independent Shareholders' approval of the Accounts Receivable Assignment Agreements and the transactions thereunder at the EGM.

As at the Latest Practicable Date, the Accounts Receivable Assignment Agreement II has been duly signed and executed by the legal representatives of both parties. Thus, if the resolution regarding the Accounts Receivable Assignment Agreements and the transactions thereunder could be approved by the Independent Shareholders at the EGM to be held on 16 July 2019, all the conditions precedent described above are expected to be fulfilled on the same day.

3. *The Accounts Receivable Assignment Agreement III*

The main contents of the Accounts Receivable Assignment Agreement III are set out as follows:

Date: 24 May 2019

Parties:

(1) IRICO New Material as the assignor, and

(2) CEC as the assignee

Subject Assets: Pursuant to the Accounts Receivable Assignment Agreement III, the Subject Assets III represent the accounts receivable and their ancillary security interests (if any) of IRICO New Material against the relevant payment obligors under the sales agreements and the Accounts Receivable Assignment Agreement III. The Subject Assets III comprise of the accounts receivables owned to the IRICO New Material by its customers in an aggregate amount of RMB29,412,080.23 under the sales agreements for new materials entered between them, pursuant to which the customers shall repay the accounts receivables with bills guaranteed by bank with a term of 180 days before due dates in 90 days since issuance of the invoices. As at 30 April 2019, the accounts receivables amounting to RMB26,759,080.23 aged from 0 to 90 days, the accounts receivables amounting to RMB1,395,000.00 aged from 91 to 180 days, while the accounts receivables amounting to RMB1,258,000.00 aged over 180 days. In consideration of the possibility of realising the accounts receivables from one of the customers, the Company has made provision for bad debts of an aggregate of RMB1,395,000.00 using ageing analysis method pursuant to the China Accounting Standards for Business Enterprises. Save for the disclosed above, the Company has not made provision for bad debts of the Subject Assets III.

Pursuant to the Accounts Receivable Assignment Agreement III, on the Payment Date, IRICO New Material shall transfer to CEC the following assets or interests commencing from the Benchmark Date (inclusive):

(i) all titles and related interests (present and future, existing and contingent) of the Subject Assets III held by IRICO New Material;

(ii) all the repayments, due or to become due, attributable to the Subject Assets III;

(iii) the proceeds from recovery, sale or otherwise disposal of the Subject Assets III;

(iv) the rights to request, sue, recover and receive all the payments in relation to the Subject Assets III (no matter whether such payments are payable by the payment obligors under the sales agreements); and

(v) the interests arising from commitments in relation to the Subject Assets III and enforcement rights of all the rights and legal remedies arising from the Subject Assets III.

Consideration: Pursuant to the Accounts Receivable Assignment Agreement III, the consideration for transfer of the Subject Assets III to CEC is RMB27,900,768.28.

The consideration was determined based on arm's length negotiations between IRICO New Material and CEC with reference to the carrying value of the Subject Assets III in the accounts (i.e. RMB29,412,080.23).

Payment: CEC shall pay the consideration to the designated account of IRICO New Material in one lump-sum on the effective date of the Accounts Receivable Assignment Agreement III.

Delivery: On the Payment Date, IRICO New Material shall enter into the delivery confirmation letter with CEC. The entering into of the delivery confirmation letter shall be deemed as the confirmation of the delivery of the Subject Assets III by both parties, which shall become effective immediately upon duly signed or executed by the legal representatives or the authorized representatives of both parties and sealed with their respective chops, and shall be legally binding on both parties.

Conditions Precedent: The Accounts Receivable Assignment Agreement III shall become effective upon fulfilment of the following conditions and none of these conditions can be waived:

(i) the Accounts Receivable Assignment Agreement III being duly signed or executed by the legal representatives or the authorized representatives of both parties; and

(ii) the Company having obtained the Independent Shareholders' approval of the Accounts Receivable Assignment Agreements and the transactions thereunder at the EGM.

As at the Latest Practicable Date, the Accounts Receivable Assignment Agreement III has been duly signed and executed by the legal representatives of both parties. Thus, if the resolution regarding the Accounts Receivable Assignment Agreements and the transactions thereunder could be approved by the Independent Shareholders at the EGM to be held on 16 July 2019, all the conditions precedent described above are expected to be fulfilled on the same day.

a. Consideration

Pursuant to the Accounts Receivable Assignment Agreements, the Considerations were determined based on arm's length negotiations between the Company, Hefei Photovoltaic, IRICO New Material and CEC, with reference to the carrying value of Subject Assets in the accounts.

By comparing the aggregate unaudited book value of the Subject Assets I, Subject Assets II and Subject Assets III as at 30 April 2019, to the respective considerations of Accounts Receivable Assignment Agreement I, Accounts Receivable Assignment Agreement II and Accounts Receivable Assignment Agreement III, we noted that there are discounts to the book value of the Subject Assets of approximately 4.8%, 4.8% and 5.1% (the "**Discounts**") respectively. We have discussed with the management of the Company and understood that the Discounts were mainly determined after taking into account the non-recourse factoring quotations (the "**Factoring Quotations**") from five independent commercial banks in the PRC which have a stable business relationship with the Group. According to the Accounts Receivable Assignment Agreements, the risks of ownership associated with the Subject Assets shall be substantially transferred to CEC upon completion of the Transfers and the Company, Hefei Photovoltaic and IRICO New Material shall not provide any guarantee about the performance of the Subject Assets. Therefore, CEC can be considered to be a transferee providing non-recourse factoring service to the Group. Based on our review of the Factoring Quotations, we noted that the principal terms of the Factoring Quotations, including the principal amount, non-recourse nature and discount rates, were generally comparable to those offered by CEC to the Group under the Accounts Receivable Assignment Agreements. As such, we are of the view that the Factoring Quotations are generally fair and representative samples for assessing the fairness and reasonableness of the Discounts. By comparison, we noted that (i) the factoring discount rates from the Factoring Quotations ranging from 5.4% to 5.6% in which all of them are higher than the Discounts. Furthermore, we understood that the Group has also obtained from three independent commercial banks new borrowing quotations (the "**Borrowing Quotations**") to justify the Discounts. We have obtained the Borrowing Quotations and noted that the principal amount is close to the aggregate amount offered by CEC to the Group under the Accounts Receivable Assignment Agreements. As the interest rate of the Borrowing Quotations can be considered as the Group's cost of financing, we considered that the Borrowing Quotations are also generally fair and representative samples for assessing the fairness and reasonableness of the Discounts. By comparison, we noted that the annualized interest rate ranged from 5.7% to 6.2%, in which all of them are higher than the Discounts.

Having considered the above factors including the Discounts being lower than all of the discount rates of the Factoring Quotations and the Borrowing Quotations, we are of the view that the Considerations are no less favourable than those offered to the Group by an independent third party for the same or similar type of services in the PRC.

b. Settlement of the consideration

As set out in the Letter from the Board, the Considerations shall be paid at the time and in the manner otherwise agreed upon by the Company, Hefei Photovoltaic, IRICO New Material and CEC on the Payment Date.

In assessing the fairness and reasonableness of the payment terms of the Accounts Receivable Assignment Agreements, we have obtained and reviewed the ageing analysis of the Subject Assets based on the invoice date as at 30 April 2019. Based on the ageing analysis, we noted that approximately 64%, 33% and 3% of the Subject Assets aged from 0 to 90 days, 91 to 180 days and over 180 days respectively. Based on our discussion with the Company and review on the documents provided by the Company, including major invoices related to the Subject Assets, summary of historical payment records of the customers and samples of bills for settlement by the customers during the past twelve months, we understand that, the credit period granted to the customers is generally 90 days since issuance of the invoices and the customers would normally settle the payments by bills guaranteed by bank with a term of 180 days before due dates. In view of above, the management of the Company expects the Subject Assets being readily convertible into cash from the bills, would be normally not earlier than end of 2019. As the management of the Company expected that the Payment Date would be around mid of July which is earlier than the expected date of the Subject Assets being readily convertible into cash from the bills, we are of the view that the Transfers can shorten the settlement period and provide immediate cashflow to the Company upon completion of the Transfers to enhance its short term liquidity.

Furthermore, according to the 2018 Annual Report, the trade receivable turnover day of the Company increased from 78 days for the year ended 31 December 2017 to 98 days for the year ended 31 December 2018. Hence, we are of the view that the Transfers, which will reduce the amount of accounts receivable, can improve the accounts receivable turnover days as well as the liquidity of the Group. We also consider that the settlement of the Considerations by way of cash is a common market practice which can provide an instant cash inflow to the Group upon completion of the Transfers thereby increasing the cash level and the working capital of the Group for its planned development.

Based on the above analysis, we consider that the payment terms of the Considerations and the settlement of the Considerations by way of cash are fair and reasonable so far as the Independent Shareholders are concerned.

II. Financial effects of the Transfers

The financial effects of the Transfers on the Group are as follow:

1. Earnings

The Group recorded consolidated audited net profit attributable to the Shareholders of approximately RMB81.3 million for the year ended 31 December 2018. Upon completion of the Accounts Receivable Assignment Agreements at the aggregate consideration of approximately RMB82.4 million, the Group is expected to incur financing costs of approximately RMB4.1 million. Accordingly, it is expected that the earnings of the Group will decrease.

2. Net asset value

As stated in the 2018 Annual Report, the Group had consolidated audited net assets of approximately RMB213.8 million as at 31 December 2018. Upon completion of the Transfers, it is expected that the net assets of the Group will decrease after taking into account the financing costs of approximately RMB4.1 million from the Transfers.

3. Cashflow

As stated in the 2018 Annual Report, the Group had consolidated bank balances and cash of approximately RMB260.5 million as at 31 December 2018. Upon completion of the Transfers, the Group's bank balances and cash will increase by the amount of the Considerations of approximately RMB82.4 million. It is expected that the Transfers can enhance the liquidity of the Group.

4. Gearing ratio

As stated in the 2018 Annual Report, the gearing ratio of the Group as at 31 December 2018 was approximately 95.6%. Upon completion of the Transfers, it is expected that the total capital of the Group will decrease after taking into account the finance costs of approximately RMB4.1 million from the Transfers. As such, assuming the total debt of the Group remains at same level, it is expected that the gearing ratio will increase slightly.

Despite the slight deterioration in earnings, net asset value and gearing position, the Transfers are expected to enhance the Group's liquidity, which optimize its financial position. Moreover, after taking into consideration the benefits as discussed in sub-section headed "Reasons and benefits for entering into the Accounts Receivable Assignment Agreements" above, we are of the view that the Transfers are in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above and in particular the following:

(i) the Transfers would enable the Company to maintain the Group's core competitiveness in photovoltaic glass and new solar photovoltaic glass projects;

(ii) the terms of the Accounts Receivable Assignment Agreements are no less favorable to the Factoring Quotations and the Borrowing Quotations; and

(iii) the Transfers would have significant improvement on liquidity of the Group,

we consider that the Accounts Receivable Assignment Agreements were entered into on normal commercial terms and the terms of the Accounts Receivable Assignment Agreements contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole, but is not in the ordinary or usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Accounts Receivable Assignment Agreements contemplated thereunder.

For and on behalf of
Octal Capital Limited

Alan Fung	**Louis Chan**
Managing Director	*Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 24 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 16 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

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

(a) Interests and Short Positions of Directors, Supervisors, Chief Executive and Senior Management

As at the Latest Practicable Date, none of the Directors, Supervisors, chief executives or senior management members of the Company and their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest and short position which any such Director, Supervisor, chief executive or member of senior management was taken or deemed to have under such provisions of the SFO); (b) required to be recorded in the register of interests required to be kept by the Company pursuant to section 352 of the SFO; or (c) otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules in force as at the Latest Practicable Date.

Mr. Si Yuncong, Mr. Fan Laiying and Mr. Chen Xiaoning act as the Directors of the Company. Mr. Si Yuncong concurrently acts as the chairman, the secretary of the Chinese Communist Party and the legal representative of IRICO Group, Mr. Fan Laiying concurrently acts as the chief accountant of IRICO Group and Mr. Chen Xiaoning concurrently acts as the deputy chief engineer of IRICO Group. Mr. Ding Wenhui acts as a Supervisor and the chairman of the supervisory committee of the Company, and he concurrently serves as the deputy secretary of the Chinese Communist Party, the deputy secretary of discipline inspection commission and the chairman of the employee union of IRICO Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates (as defined in the Listing Rules) was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling Shareholder).

4. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest in any assets which have been, since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

5. CONSENT AND QUALIFICATION OF EXPERTS

(a) The following is the qualification of the expert who has given an opinion or advice which is contained in this circular:

Name	Qualification
Octal Capital	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

(b) As at the Latest Practicable Date, the above expert did not have any shareholding directly or indirectly in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and it had no interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

(c) On the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and reference to its name and letter, where applicable, in the form and context in which it appears.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

7. MATERIAL ADVERSE CHANGE

As the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Units 1607–8, 16/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong for a period of 14 days (excluding Saturdays and public holidays) from the date of this circular:

(1) the letter from the Independent Board Committee, the text of which is set out in this circular;

(2) the letter from Octal capital, the text of which is set out in this circular;

(3) the Accounts Receivable Assignment Agreements;

(4) the written consent of Octal Capital; and

(5) the circular.