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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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.

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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)

- (1) **PROPOSED SHARE CONSOLIDATION AND CAPITAL REDUCTION AND PROPOSED CHANGE IN BOARD LOT SIZE;**
- (2) **MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSALS OF THE TARGET COMPANIES;**
- (3) **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PURCHASE AGREEMENT;**
- (4) **NOTICE OF EXTRAORDINARY GENERAL MEETING;**
- (5) **NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES; AND**
- (6) **NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES**

Financial Adviser to the Company



國泰君安國際  
GUOTAI JUNAN INTERNATIONAL

**Guotai Junan Capital Limited**

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



金融有限公司  
OCTAL Capital Limited

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A letter from the Board is set out on pages 1 to 28 of this circular. A letter from the Independent Board Committee is set out on pages 29 to 30 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 31 to 88 of this circular.

The EGM, the class meeting of the holders of H Shares and the class meeting of the holders of Domestic Shares 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., 10:00 a.m. and 10:30 a.m., respectively, on Monday, 28 December 2020. The notice of the EGM is set out on pages 96 to 98 of this circular, the notice of the class meeting of the holders of H Shares is set out on pages 99 to 101 of this circular and the notice of the class meeting of the holders of Domestic Shares is set out on pages 102 to 104 of this circular.

8 December 2020

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## DEFINITIONS

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

|                                |  |
|--------------------------------|--|
| “Articles of Association”      | the articles of association of the Company   |
| “associate(s)”                 | has the meaning ascribed to it under the Listing Rules   |
| “Board”                        | the board of Directors of the Company  |
| “CCASS”                        | the Central Clearing and Settlement System established and operated by HKSCC   |
| “CCASS Operational Procedures” | the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time   |
| “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 72.73% of the issued share capital of the Company through its subsidiaries, namely IRICO Group, Zhongdian IRICO and Rui Bou Electronics (HK) Limited, as at the Latest Practicable Date |
| “Class Meeting(s)”             | the respective class meetings of the holders of H Shares and holders of Domestic Shares to be convened and held to consider and, if appropriate, to approve the Proposed Share Consolidation and Capital Reduction   |
| “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   |
| “Domestic Share(s)”            | the ordinary domestic Share(s) of par value of RMB1 each in the share capital of the Company, which are subscribed for in RMB  |
| “EGM”                          | the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve (i) the Proposed Share Consolidation and Capital Reduction; (ii) the Proposed Disposals; and (iii) the Proposed Purchase   |

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## DEFINITIONS

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| “Equity Transfer Agreements”             | the Green Energy Equity Transfer Agreement, the IRICO New Material Equity Transfer Agreement, the Jiangsu Yongneng Equity Transfer Agreement and the Zhuhai Caizhu Equity Transfer Agreement   |
| “Existing H Share(s)”                    | the H Share(s) of par value of RMB1 each prior to the Proposed Share Consolidation and Capital Reduction becoming effective  |
| “Existing Share(s)”                      | the share(s) of par value of RMB1 each in the share capital of the Company of RMB3,526,441,400 prior to the Proposed Share Consolidation and Capital Reduction becoming effective, comprising 1,601,468,000 Domestic Shares and 1,924,973,400 H Shares |
| “General Rules of CCASS”                 | the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures   |
| “Green Energy”                           | Xianyang IRICO Green Energy Co., Ltd.,* (咸陽彩虹綠色能源有限公司), a limited liability company incorporated in the PRC, which is a wholly-owned subsidiary of the Company as at the Latest Practicable Date   |
| “Green Energy Equity Transfer Agreement” | the equity transfer agreement dated 30 October 2020 entered into between the Company and IRICO Group in relation to the proposed disposal of 100% equity interests in Green Energy   |
| “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   |
| “H Share(s)”                             | the overseas listed foreign invested Share(s) of par value of RMB1 each in the share capital of the Company, which are subscribed for and traded in HK\$   |
| “HK\$”                                   | Hong Kong dollars, the lawful currency of Hong Kong  |
| “HKSCC”                                  | the Hong Kong Securities Clearing Company Limited  |

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## DEFINITIONS

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| “Hong Kong”                                    | The Hong Kong Special Administrative Region of the People’s Republic of China   |
| “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 Disposals and the Proposed Purchase                |
| “Independent Shareholders”                     | the Shareholders, other than CEC and its associates (including IRICO Group, Zhongdian IRICO and Rui Bou Electronics (HK) Limited) who will abstain from voting on the relevant resolutions in relation to the Proposed Disposals and the Proposed Purchase 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 47.52% 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 limited liability company incorporated in the PRC, which is a subsidiary owned as to 76.32% by the Company as at the Latest Practicable Date   |
| “IRICO New Material Equity Transfer Agreement” | the equity transfer agreement dated 30 October 2020 entered into between the Company and IRICO Group in relation to the proposed disposal of 76.32% equity interests in IRICO New Material  |
| “Jiangsu Yongneng”                             | Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司), a limited liability company incorporated in the PRC, which is a subsidiary owned as to 51% by the Company as at the Latest Practicable Date   |
| “Jiangsu Yongneng Equity Transfer Agreement”   | the equity transfer agreement dated 30 October 2020 entered into between the Company and IRICO Group in relation to the proposed disposal of 51% equity interests in Jiangsu Yongneng   |
| “Latest Practicable Date”                      | 2 December 2020, being the latest practicable date for ascertaining certain information included herein before the printing of this circular  |

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## DEFINITIONS

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|---|--|
| “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 as to the Proposed Disposals and the Proposed Purchase |
| “PRC”                                     | the People’s Republic of China, for the purpose of this circular, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan  |
| “Proposed Change in Board Lot Size”       | the proposed change in board lot size of the H Shares for trading on the Stock Exchange from 2,000 Existing H Shares to 200 Reduced H Shares   |
| “Proposed Disposals”                      | the Proposed Disposal of Green Energy, the Proposed Disposal of IRICO New Material, the Proposed Disposal of Jiangsu Yongneng and the Proposed Disposal of Zhuhai Caizhu   |
| “Proposed Disposal of Green Energy”       | the proposed disposal of 100% equity interests in Green Energy by the Company to IRICO Group pursuant to the Green Energy Equity Transfer Agreement  |
| “Proposed Disposal of IRICO New Material” | the proposed disposal of 76.32% equity interests in IRICO New Material by the Company to IRICO Group pursuant to the IRICO New Material Equity Transfer Agreement  |
| “Proposed Disposal of Jiangsu Yongneng”   | the proposed disposal of 51% equity interests in Jiangsu Yongneng by the Company to IRICO Group pursuant to the Jiangsu Yongneng Equity Transfer Agreement   |
| “Proposed Disposal of Zhuhai Caizhu”      | the proposed disposal of 49% equity interests in Zhuhai Caizhu by the Company to Zhongdian IRICO pursuant to the Zhuhai Caizhu Equity Transfer Agreement   |

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## DEFINITIONS

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| “Proposed Purchase”                                  | the proposed purchase of the system equipment and related services for the Industrialisation of Ultra-thin and High-transmissivity Photoelectric Glass and Research and Development of Technical Equipment Project* (合肥光伏超薄高透光電玻璃產業化及工藝裝備研發項目) by Hefei Photovoltaic from IRICO Group pursuant to the Purchase Agreement |
| “Proposed Share Consolidation and Capital Reduction” | the proposed share consolidation and capital reduction on the basis that (i) every twenty (20) Existing Shares with a par value of RMB1 each be reduced to one (1) Reduced Share with a par value of RMB1 each and (ii) the total issued share capital of the Company be reduced from RMB3,526,441,400 to RMB176,322,070 |
| “Purchase Agreement”                                 | the purchase agreement dated 30 October 2020 entered into between Hefei Photovoltaic and IRICO Group   |
| “Reduced H Share(s)”                                 | the H Share(s) of par value of RMB1 each immediately after the Proposed Share Consolidation and Capital Reduction becoming effective   |
| “Reduced Share(s)”                                   | the share(s) of par value of RMB1 each in the share capital of the Company of RMB176,322,070 immediately after the Proposed Share Consolidation and Capital Reduction becoming effective, comprising 80,073,400 Domestic Shares and 96,248,670 H Shares  |
| “RMB”  | Renminbi, the lawful currency of the PRC   |
| “SFO”  | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| “Share(s)”   | the Existing Share(s) or the Reduced Share(s), as the case may be  |
| “Shareholder(s)”                                     | the shareholder(s) of the Company  |
| “Stock Exchange”                                     | The Stock Exchange of Hong Kong Limited  |
| “Target Companies”                                   | Green Energy, IRICO New Material, Jiangsu Yongneng and Zhuhai Caizhu   |

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## DEFINITIONS

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|   |  |
|---|--|
| “Zhongdian IRICO”                         | Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), a wholly-owned subsidiary of CEC (the ultimate controlling Shareholder of the Company as at the Latest Practicable Date)                                   |
| “Zhuhai Caizhu”                           | Zhuhai Caizhu Industrial Co., Ltd.* (珠海彩珠實業有限公司), a limited liability company incorporated in the PRC, which is owned as to 49% by the Company and 51% by Zhongdian IRICO, respectively, as at the Latest Practicable Date |
| “Zhuhai Caizhu Equity Transfer Agreement” | the equity transfer agreement dated 30 October 2020 entered into between the Company and Zhongdian IRICO in relation to the proposed disposal of 49% equity interests in Zhuhai Caizhu                                     |
| “%”                                       | per cent   |

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



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## EXPECTED TIMETABLE

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Set out below is the expected timetable for the implementation of the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size.

| Event  | Time and date   |
|--|---|
| Latest date and time for lodging<br>transfer instruments and share<br>certificates in order to qualify<br>for attending and voting at the<br>EGM and Class Meetings                                  | 4:30 p.m. on Monday,<br>21 December 2020  |
| Closure of register of members for<br>determining the entitlement to attend<br>and vote at the EGM and Class Meetings,<br>during this period, no transfer of Existing<br>H Shares will be registered | Tuesday, 22 December 2020<br>to Monday, 28 December 2020<br>(both days inclusive) |
| Latest date and time for lodging<br>proxy forms for the EGM and Class Meetings   | 9:00 a.m., 10:00 a.m. and 10:30 a.m.<br>on Sunday, 27 December 2020*              |
| Date and time of the EGM   | 9:00 a.m.<br>on Monday, 28 December 2020  |
| Date and time of the Class Meetings  | 10:00 a.m. and 10:30 a.m.<br>on Monday, 28 December 2020                          |
| Announcement of poll results of<br>the EGM and Class Meetings  | Monday, 28 December 2020  |

- \* Please note that 27 December 2020 is not a working day in Hong Kong and Computershare Hong Kong Investor Services Limited's offices will not be open on that day for physical delivery of the proxy forms. To be effective, all proxy appointments must be lodged with Computershare Hong Kong Investor Services Limited before the deadline.

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## EXPECTED TIMETABLE

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***The following events are conditional upon the fulfilment of the conditions for the implementation of the Proposed Share Consolidation and Capital Reduction as set out in the section headed “Conditions of the Proposed Share Consolidation and Capital Reduction”.***

|  |                                     |
|--|-------------------------------------|
| Effective date of the Proposed Share Consolidation and Capital Reduction   | Tuesday, 30 March 2021              |
| First day of free exchange of existing share certificates for new share certificates for the Reduced H Shares  | Tuesday, 30 March 2021              |
| Commencement of dealings in the Reduced H Shares   | 9:00 a.m. on Tuesday, 30 March 2021 |
| Original counter for trading in the Existing H Shares in board lots of 2,000 Existing H Shares (in the form of existing share certificates) temporarily closes | 9:00 a.m. on Tuesday, 30 March 2021 |
| Temporary counter for trading in the Reduced H Shares in board lots of 100 Reduced H Shares (in the form of existing share certificates) opens                 | 9:00 a.m. on Tuesday, 30 March 2021 |
| Original counter for trading in the Reduced H Shares in new board lots of 200 Reduced H Shares (in the form of new share certificates) re-opens                | 9:00 a.m. on Friday, 16 April 2021  |
| Parallel trading in the Reduced H Shares (in form of new share certificates and existing share certificates) commences   | 9:00 a.m. on Friday, 16 April 2021  |
| Designated broker starts to stand in the market to provide matching services for odd lots of the Reduced H Shares  | 9:00 a.m. on Friday, 16 April 2021  |

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## EXPECTED TIMETABLE

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|  |                                      |
|--|--------------------------------------|
| Temporary counter for trading in<br>the Reduced H Shares in board lots<br>of 100 Reduced H Shares<br>(in the form of existing share certificates) closes | 4:10 p.m. on Thursday,<br>6 May 2021 |
| Parallel trading in the Reduced<br>H Shares (in form of new share<br>certificates and existing share certificates) ends                                  | 4:10 p.m. on Thursday,<br>6 May 2021 |
| Designated broker ceases to stand<br>in the market to provide matching<br>services for odd lots of the Reduced H Shares                                  | 4:10 p.m. on Thursday,<br>6 May 2021 |
| Latest date and time for free exchange<br>of existing share certificates for new<br>share certificates for the Reduced H Shares                          | 4:30 p.m. on Monday,<br>10 May 2021  |

All times and dates in this circular refer to Hong Kong local times and dates. The expected timetable set out above is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

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LETTER FROM THE BOARD

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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)

***Directors:***

***Executive Directors***

Si Yuncong (*Chairman*)

Tong Xiaofei

***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

***Non-executive Directors***

Fan Laiying

Ni Huadong

***Principal place of business in Hong Kong:***

Units 1607–8, 16/F, Citicorp Centre

18 Whitfield Road, Causeway Bay

Hong Kong

***Independent non-executive Directors***

Feng Bing

Wang Jialu

Wang Zhicheng

***Hong Kong share registrar and transfer office:***

Computershare Hong Kong Investor Services Limited

17M/F, Hopewell Centre

183 Queen's Road East

Hong Kong

8 December 2020

*To the Shareholders,*

Dear Sir or Madam,

- (1) PROPOSED SHARE CONSOLIDATION AND CAPITAL REDUCTION AND  
PROPOSED CHANGE IN BOARD LOT SIZE;**
- (2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSALS  
OF THE TARGET COMPANIES;**
- (3) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO  
THE PURCHASE AGREEMENT;**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING;**
- (5) NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES; AND**
- (6) NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC**

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## LETTER FROM THE BOARD

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### I. INTRODUCTION

Reference is made to (i) the announcement of the Company dated 30 October 2020 in relation to the Proposed Disposals and the Proposed Purchase; (ii) the announcement of the Company dated 11 November 2020 in relation to, among others, the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size; and (iii) the supplemental announcement of the Company dated 3 December 2020 in relation to, among others, the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size.

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

- (i) details of the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size;
- (ii) details of the Proposed Disposals under the Equity Transfer Agreements;
- (iii) details of the Proposed Purchase under the Purchase Agreement;
- (iv) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders in relation to the Proposed Disposals and the Proposed Purchase;
- (v) a letter from Octal Capital containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Disposals and the Proposed Purchase;
- (vi) other information required to be disclosed under the Listing Rules;
- (vii) a notice of the EGM at which the resolutions will be proposed to consider and, if thought fit, to approve (i) the Proposed Share Consolidation and Capital Reduction; (ii) the Proposed Disposals; and (iii) the Proposed Purchase;
- (viii) a notice of class meeting of the holders of H Shares at which the resolution will be proposed to consider and, if thought fit, to approve to the Proposed Share Consolidation and Capital Reduction; and
- (ix) a notice of class meeting of the holders of Domestic Shares at which the resolution will be proposed to consider and, if thought fit, to approve to the Proposed Share Consolidation and Capital Reduction.

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## LETTER FROM THE BOARD

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### **II. PROPOSED SHARE CONSOLIDATION AND CAPITAL REDUCTION AND PROPOSED CHANGE IN BOARD LOT SIZE**

The Company proposed to implement the Proposed Share Consolidation and Capital Reduction on the basis that (i) every twenty (20) Existing Shares with a par value of RMB1 each be reduced to one (1) Reduced Share with a par value of RMB1 each, and (ii) the total issued share capital of the Company be reduced from RMB3,526,441,400 to RMB176,322,070.

#### **1. Conditions of the Proposed Share Consolidation and Capital Reduction**

The Proposed Share Consolidation and Capital Reduction is subject to satisfaction of the following conditions:

- (i) the Proposed Share Consolidation and Capital Reduction having been approved by way of special resolution at the EGM and the Class Meetings; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Reduced Shares upon the Proposed Share Consolidation and Capital Reduction becoming effective.

As at the Latest Practicable Date, none of the conditions above has been fulfilled. In addition to the satisfaction of all the above conditions, based on article 29 of the Articles of Association, the Company shall notify its creditors within 10 days from the date of the passing of the resolution for the Proposed Share Consolidation and Capital Reduction and shall publish the notice at least three times in a newspaper within 30 days thereof. The creditors who have received the said notice shall have the right within 30 days from the date of receiving the said notice and the creditors who have not received the said notice shall have the right within 90 days of the said notice being first published to demand the Company to settle its debt or to provide corresponding security in respect of the debt. After considering the above requirement, it is expected that the Proposed Share Consolidation and Capital Reduction will become effective on Tuesday, 30 March 2021.

#### **2. Effects of the Proposed Share Consolidation and Capital Reduction**

Set out below is the share capital structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after the Proposed Share Consolidation and Capital Reduction becoming effective and assuming there is no change in the issued share capital of the Company prior thereto.

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## LETTER FROM THE BOARD

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|   | <b>As at the Latest<br/>Practicable Date</b> | <b>Immediately<br/>after the Proposed<br/>Share Consolidation<br/>and Capital<br/>Reduction<br/>becoming effective</b> |
|---|--|--|
| <b>Par value</b>                            | <i>RMB1</i>                                  | <i>RMB1</i>  |
| Number of issued Shares                     | 3,526,441,400                                | 176,322,070  |
| Domestic Shares                             | 1,601,468,000                                | 80,073,400   |
| H Shares                                    | 1,924,973,400                                | 96,248,670   |
| <br>Total issued share capital <sup>1</sup> | <br>RMB3,526,441,400                         | <br>RMB176,322,070   |

*Note 1:* Total issued share capital is calculated by multiplying the par value by the number of issued shares, which together with, amongst others, capital reserve, form part of shareholders' equity.

The reduction in the total issued share capital arising from the Proposed Share Consolidation and Capital Reduction will be utilised to recover the accumulated loss of the Company, with the remaining amount to be credited to the capital reserve account of the Company.

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Existing Shares.

Upon the Proposed Share Consolidation and Capital Reduction becoming effective, the Reduced Shares shall rank pari passu in all aspects with one another in accordance with the Articles of Association.

Other than the relevant expenses incurred in relation to the Proposed Share Consolidation and Capital Reduction and on the basis that no creditor would demand the Company to settle the debt or to provide corresponding security in respect of the debt, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, except that any fractional Reduced Shares, if any, will not be allocated to the Shareholders who may otherwise be entitled to them. As set out in the section headed "EGM and Class Meetings" below, under the Articles of Association, the Proposed Share Consolidation and Capital Reduction will be considered as a variation of rights of the Shareholders.

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## LETTER FROM THE BOARD

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### **3. Listing and Dealings of the Reduced H Shares**

An application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Reduced H Shares arising from the Proposed Share Consolidation and Capital Reduction.

Subject to the granting of listing of, and permission to deal in, the Reduced H Shares on the Stock Exchange upon the Proposed Share Consolidation and Capital Reduction becoming effective, the Reduced H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Reduced H Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made by the Company for the Reduced H Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares is listed or dealt in on any other stock exchange other than the Stock Exchange. At the time the Proposed Share Consolidation and Capital Reduction becoming effective, the Reduced Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange and no such listing or permission to deal is being sought.

### **4. Fractional Shares and Odd Lots Matching Arrangement**

Fractional Reduced Shares, if any, will not be issued by the Company to the Shareholders. Any fractional entitlements of the Reduced Shares will be aggregated and sold (for Reduced H Shares only) for the benefit of the Company. Fractional Reduced Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

In order to facilitate the trading of odd lots (if any) of the Reduced H Shares arising from the Proposed Share Consolidation and Capital Reduction, the Company has appointed Guotai Junan Securities (Hong Kong) Limited to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Reduced H Shares to make up a full board lot or to dispose of their holding of odd lots of the Reduced H Shares. Shareholders who wish to take advantage of this facility should contact Guotai Junan Securities (Hong Kong) Limited at 27/F Low Block Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong or at telephone number (852) 2250 0855 from 9:00 a.m. on 16 April 2021 to 4:10 p.m. on 6 May 2021.



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## LETTER FROM THE BOARD

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Holders of odd lots of the Reduced H Shares should note that the matching of the sale and purchase of odd lots of the Reduced H Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

**Shareholders or potential investors should note that (i) odd lots may be created after the Proposed Share Consolidation and Capital Reduction, (ii) the odd lots matching arrangement does not guarantee successful matching of all odd lots at the relevant market price and (iii) odd lots may be sold below market price.**

### **5. Exchange of Share Certificate**

Subject to the Proposed Share Consolidation and Capital Reduction becoming effective, which is expected to be on Tuesday, 30 March 2021, holders of H Shares may, during a period between Tuesday, 30 March 2021 and Monday, 10 May 2021 (both days inclusive), submit their existing share certificates in yellow colour for the Existing H Shares to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong to exchange for new share certificates in blue colour for the Reduced H Shares at the expense of the Company. Thereafter, existing share certificates for the Existing H Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Reduced H Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each existing share certificate cancelled or each new share certificate issued for Reduced H Shares (whichever is higher) but will not be acceptable for trading, settlement and registration.

### **6. The Proposed Change in Board Lot Size**

As at the Latest Practicable Date, the Existing H Shares are traded on the Stock Exchange in the board lot size of 2,000 Existing H Shares. The Board proposed to change the board lot size for trading on the Stock Exchange from 2,000 Existing H Shares to 200 Reduced H Shares conditional upon the Proposed Share Consolidation and Capital Reduction becoming effective.

Based on the closing price of HK\$0.96 per Existing H Share as quoted on the Stock Exchange on the Latest Practicable Date, (i) the market value per board lot of 2,000 Existing H Shares is HK\$1,920 and (ii) the theoretical market value per board lot of 200 Reduced H Shares will be HK\$3,840 assuming the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size becoming effective.

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## LETTER FROM THE BOARD

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The Proposed Change in Board Lot Size will not result in any change in the interests or rights of the Shareholders.

The Proposed Change in Board Lot Size is conditional upon the Proposed Share Consolidation and Capital Reduction becoming effective.

**7. Reasons for the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size**

The Proposed Share Consolidation and Capital Reduction will reduce the total number of Existing Shares and therefore bring about a corresponding upward adjustment in the trading price of H Shares. As at the Latest Practicable Date, the closing price of the Existing H Shares is HK\$0.96 per Existing H Share; while for the 180 consecutive trading days prior to the Latest Practicable Date, the average closing price of the Existing H Shares is approximately HK\$0.87 per Existing H Share. The Company expects that after the Proposed Share Consolidation and Capital Reduction becoming effective, the Company will be able to attract more professional and institutional investors and optimise the shareholder base of the Company.

The Proposed Share Consolidation and Capital Reduction will also provide the Company with greater flexibility to issue new Shares in the future, including the proposed A share offering as announced on 19 October 2020. As required by the applicable PRC laws and regulations, the issue price of the new Shares shall not be lower than the par value of RMB1 per Share. Moreover, the credit arising from the Proposed Share Consolidation and Capital Reduction will be utilised to recover the accumulated loss of the Company, with the remaining amount to be credited to the capital reserve account of the Company, which will be utilised by the Company in such manner as and when the Board deems fit and appropriate. It is important for the Shareholders to note that, at this stage, there is no assurance that the Company will issue new Shares, even if the Proposed Share Consolidation and Capital Reduction takes effect.

It is expected that the Proposed Share Consolidation and Capital Reduction will reduce the number of board lots and substantially increase the value of each board lot if the board lot size remains unchanged at 2,000 Existing H Shares. To improve the liquidity of the Reduced H Shares, the Board proposed to change the board lot size from 2,000 Existing H Shares to 200 Reduced H Shares upon the Proposed Share Consolidation and Capital Reduction becoming effective in order to produce (i) a larger number of board lots and (ii) a relatively lower market value of each board lot.

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## LETTER FROM THE BOARD

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The Company believes that the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size will attract a broader range of institutional and professional investors and other members of the investing public. As such, the Board is of the view that the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole.

**Shareholders and potential investors should be aware that the Proposed Share Consolidation and Capital Reduction is subject to the conditions as set out in the section headed “Conditions of the Proposed Share Consolidation and Capital Reduction” above. The Proposed Change in Board Lot Size is conditional upon the Proposed Share Consolidation and Capital Reduction becoming effective. Accordingly, the Proposed Share Consolidation and Capital Reduction and the Proposed Change in Board Lot Size may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and if they are in any doubt about their position, they should consult their professional advisers.**

### III. PROPOSED DISPOSALS

On 30 October 2020, leveraging on the continued improvement in the prosperity of the photovoltaic industry and for purpose of optimising the business mode of the Company by focusing on its principal business of photovoltaic glass, the Company entered into (i) the Green Energy Equity Transfer Agreement with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 100% equity interests in Green Energy at a cash consideration of RMB104,100,000; (ii) the IRICO New Material Equity Transfer Agreement with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 76.32% equity interests in IRICO New Material at a cash consideration of RMB287,115,800; (iii) the Jiangsu Yongneng Equity Transfer Agreement with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 51% equity interests in Jiangsu Yongneng at a cash consideration of RMB61,455,000; and (iv) the Zhuhai Caizhu Equity Transfer Agreement with Zhongdian IRICO, pursuant to which the Company agreed to sell, and Zhongdian IRICO agreed to acquire 49% equity interests in Zhuhai Caizhu at a cash consideration of RMB129,418,900.

Upon completion of the Proposed Disposals, the Company will no longer hold any equity interest in Green Energy, IRICO New Material, Jiangsu Yongneng and Zhuhai Caizhu. Each of Green Energy, IRICO New Material and Jiangsu Yongneng will cease to be a subsidiary of the Company and their financial results will not be consolidated into the financial statements of the Company.

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## LETTER FROM THE BOARD

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### 1. Green Energy Equity Transfer Agreement

The principal terms of the Green Energy Equity Transfer Agreement are set out as follows:

**Date:** 30 October 2020

**Parties:** (i) the Company, as the vendor; and  
(ii) IRICO Group, as the purchaser

**Assets to be disposed of:** Subject to the terms and conditions of the Green Energy Equity Transfer Agreement, the Company agreed to sell and IRICO Group agreed to acquire 100% equity interests in Green Energy.

**Consideration:** Pursuant to the Green Energy Equity Transfer Agreement, the consideration for the Proposed Disposal of Green Energy is RMB104,100,000.

The consideration was determined based on arm's length negotiations between the Company and IRICO Group with reference to the appraised net assets value of Green Energy as at 31 July 2020 (i.e. the valuation benchmark date) of RMB104,100,000 as set out in the assets valuation report prepared by an independent and duly qualified PRC valuer. The consideration is calculated by multiplying such appraised net assets value by 100%.

The appraised net assets value of Green Energy of RMB104,100,000 was concluded by the valuer using the market approach, which considered prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of Green Energy relative to the market comparables. Three comparables were selected based on the following criteria: (i) the company is principally operated in the industry of electricity and heat production and supply, which is similar to Green Energy; and (ii) the company is listed on a stock exchange in the PRC for over two years.

**Payment:** Pursuant to the Green Energy Equity Transfer Agreement, the consideration shall be paid by IRICO Group to the Company in three instalments:

(i) 50% of the consideration (i.e. RMB52,050,000) will be paid within five business days from the effective date of the Green Energy Equity Transfer Agreement;

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## LETTER FROM THE BOARD

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- (ii) 20% of the consideration (i.e. RMB20,820,000) will be paid before 30 June 2021; and
- (iii) the remaining 30% of the consideration (i.e. RMB31,230,000), will be paid before 31 December 2021.

The payment terms above were determined based on arm's length negotiations between the parties taking into account (i) the consideration will all be settled in cash; (ii) the cash resources readily available by IRICO Group for the Proposed Disposal of Green Energy; (iii) the expected capital requirement of the Company for its existing operations and upcoming business development; and (iv) IRICO Group has sufficient financial resources to fulfill the payment obligations and the possibility of default in payment during the year ending 31 December 2021 is low. In view of the above, the Directors are of the opinion that the payment terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company and IRICO Group shall jointly complete the registration of change in equity interests in Green Energy within 15 business days after the Green Energy Equity Transfer Agreement becomes effective.

**Conditions precedent:**

The Green Energy Equity Transfer Agreement shall be concluded upon being duly signed and executed by both parties and shall become effective upon obtaining the Independent Shareholders' approval at the EGM on 28 December 2020.

**Completion:**

The completion shall take place on the date when IRICO Group makes the full payment of 50% of the consideration (i.e. RMB52,050,000).

**Profits and losses during the transition period:**

The profits and losses attributable to the equity interests to be disposed of during the period commencing from 31 July 2020 (i.e. the valuation benchmark date) to the completion date shall be enjoyed or borne by IRICO Group.

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## LETTER FROM THE BOARD

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### 2. IRICO New Material Equity Transfer Agreement

The principal terms of the IRICO New Material Equity Transfer Agreement are set out as follows:

**Date:** 30 October 2020

**Parties:** (i) the Company, as the vendor; and  
(ii) IRICO Group, as the purchaser

**Assets to be disposed of:** Subject to the terms and conditions of the IRICO New Material Equity Transfer Agreement, the Company agreed to sell and IRICO Group agreed to acquire 76.32% equity interests in IRICO New Material.

**Consideration:** Pursuant to the IRICO New Material Equity Transfer Agreement, the consideration for the Proposed Disposal of IRICO New Material is RMB287,115,800.

The consideration was determined based on arm's length negotiations between the Company and IRICO Group with reference to the appraised net assets value of IRICO New Material as at 31 July 2020 (i.e. the valuation benchmark date) of RMB376,200,000 as set out in the assets valuation report prepared by an independent and duly qualified PRC valuer. The consideration is calculated by multiplying such appraised net assets value by 76.32%.

The appraised net assets value of IRICO New Material of RMB376,200,000 was concluded by the valuer using the market approach, which considered prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of IRICO New Material relative to the market comparables. Three comparables were selected based on the following criteria: (i) the company is principally operated in the industry of chemical raw materials and chemical products manufacturing, which is similar to IRICO New Material; and (ii) the company is listed on a stock exchange in the PRC for over two years.

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## LETTER FROM THE BOARD

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**Payment:**

Pursuant to the IRICO New Material Equity Transfer Agreement, the consideration shall be paid by IRICO Group to the Company in three instalments:

- (i) 50% of the consideration (i.e. RMB143,557,900) will be paid within five business days from the effective date of the IRICO New Material Equity Transfer Agreement;
- (ii) 20% of the consideration (i.e. RMB57,423,200) will be paid before 30 June 2021; and
- (iii) the remaining 30% of the consideration (i.e. RMB86,134,700) will be paid before 31 December 2021.

The payment terms above were determined based on arm's length negotiations between the parties taking into account (i) the consideration will all be settled in cash; (ii) the cash resources readily available by IRICO Group for the Proposed Disposal of IRICO New Material; (iii) the expected capital requirement of the Company for its existing operations and upcoming business development; and (iv) IRICO Group has sufficient financial resources to fulfill the payment obligations and the possibility of default in payment during the year ending 31 December 2021 is low. In view of the above, the Directors are of the opinion that the payment terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company and IRICO Group shall jointly complete the registration of change in equity interests in IRICO New Material within 15 business days after the IRICO New Material Equity Transfer Agreement becomes effective.

**Conditions precedent:**

The IRICO New Material Equity Transfer Agreement shall be concluded upon being duly signed and executed by both parties and shall become effective upon obtaining the Independent Shareholders' approval at the EGM on 28 December 2020.

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## LETTER FROM THE BOARD

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**Completion:** The completion shall take place on the date when IRICO Group makes the full payment of 50% of the consideration (i.e. RMB143,557,900).

**Profits and losses during the transition period:** The profits and losses attributable to the equity interests to be disposed of during the period commencing from 31 July 2020 (i.e. the valuation benchmark date) to the completion date shall be enjoyed or borne by IRICO Group.

### 3. Jiangsu Yongneng Equity Transfer Agreement

The principal terms of the Jiangsu Yongneng Equity Transfer Agreement are set out as follows:

**Date:** 30 October 2020

**Parties:** (i) the Company, as the vendor; and  
(ii) IRICO Group, as the purchaser

**Assets to be disposed of:** Subject to the terms and conditions of the Jiangsu Yongneng Equity Transfer Agreement, the Company agreed to sell and IRICO Group agreed to acquire 51% equity interests in Jiangsu Yongneng.

**Consideration:** Pursuant to the Jiangsu Yongneng Equity Transfer Agreement, the consideration for the Proposed Disposal of Jiangsu Yongneng is RMB61,455,000.

The consideration was determined based on arm's length negotiations between the Company and IRICO Group with reference to the appraised net assets value of Jiangsu Yongneng as at 31 July 2020 (i.e. the valuation benchmark date) of RMB120,500,000 as set out in the assets valuation report prepared by an independent and duly qualified PRC valuer. The consideration is calculated by multiplying such appraised net assets value by 51%.

The appraised net assets value of Jiangsu Yongneng of RMB120,500,000 was concluded by the valuer using the market approach, which considered prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of Jiangsu Yongneng relative to the market comparables. Three comparables were selected based on the following criteria: (i) the company is principally operated in the industry of solar photovoltaic cells and modules, which is similar to Jiangsu Yongneng; and (ii) the company is listed on a stock exchange in the PRC for over two years.



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## LETTER FROM THE BOARD

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**Payment:**

Pursuant to the Jiangsu Yongneng Equity Transfer Agreement, the consideration shall be paid by IRICO Group to the Company in three instalments:

- (i) 50% of the consideration (i.e. RMB30,727,500) will be paid within five business days from the effective date of the Jiangsu Yongneng Equity Transfer Agreement;
- (ii) 20% of the consideration (i.e. RMB12,291,000) will be paid before 30 June 2021; and
- (iii) the remaining 30% of the consideration (i.e. RMB18,436,500) will be paid before 31 December 2021.

The payment terms above were determined based on arm's length negotiations between the parties taking into account (i) the consideration will all be settled in cash; (ii) the cash resources readily available by IRICO Group for the Proposed Disposal of Jiangsu Yongneng; (iii) the expected capital requirement of the Company for its existing operations and upcoming business development; and (iv) IRICO Group has sufficient financial resources to fulfill the payment obligations and the possibility of default in payment during the year ending 31 December 2021 is low. In view of the above, the Directors are of the opinion that the payment terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company and IRICO Group shall jointly complete the registration of change in equity interests in Jiangsu Yongneng within 15 business days after the Jiangsu Yongneng Equity Transfer Agreement becomes effective.

**Conditions precedent:**

The Jiangsu Yongneng Equity Transfer Agreement shall be concluded upon being duly signed and executed by both parties and shall become effective upon obtaining the Independent Shareholders' approval at the EGM on 28 December 2020.

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## LETTER FROM THE BOARD

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**Completion:** The completion shall take place on the date when IRICO Group makes the full payment of 50% of the consideration (i.e. RMB30,727,500).

**Profits and losses during the transition period:** The profits and losses attributable to the equity interests to be disposed of during the period commencing from 31 July 2020 (i.e. the valuation benchmark date) to the completion date shall be enjoyed or borne by IRICO Group.

#### 4. Zhuhai Caizhu Equity Transfer Agreement

The principal terms of the Zhuhai Caizhu Equity Transfer Agreement are set out as follows:

**Date:** 30 October 2020

**Parties:**

- (i) the Company, as the vendor; and
- (ii) Zhongdian IRICO, as the purchaser

**Assets to be disposed of:** Subject to the terms and conditions of the Zhuhai Caizhu Equity Transfer Agreement, the Company agreed to sell and Zhongdian IRICO agreed to acquire 49% equity interests in Zhuhai Caizhu.

**Consideration:** Pursuant to the Zhuhai Caizhu Equity Transfer Agreement, the consideration for the Proposed Disposal of Zhuhai Caizhu is RMB129,418,900.

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 Zhuhai Caizhu as at 31 July 2020 (i.e. the valuation benchmark date) of RMB264,120,200 as set out in the assets valuation report prepared by an independent and duly qualified PRC valuer. The consideration is calculated by multiplying such appraised net assets value by 49%.

The appraised net assets value of Zhuhai Caizhu of RMB264,120,200 was concluded by the valuer using the asset-based approach, which values each item of the assets and liabilities of Zhuhai Caizhu and calculates the net assets value by the total assets less the total liabilities of Zhuhai Caizhu.

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## LETTER FROM THE BOARD

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**Payment:**

Pursuant to the Zhuhai Caizhu Equity Transfer Agreement, the consideration shall be paid by Zhongdian IRICO to the Company in three instalments:

- (i) 50% of the consideration (i.e. RMB64,709,500) will be paid within five business days from the effective date of the Zhuhai Caizhu Equity Transfer Agreement;
- (ii) 20% of the consideration (i.e. RMB25,883,800) will be paid before 30 June 2021; and
- (iii) the remaining 30% of the consideration (i.e. RMB38,825,600) will be paid before 31 December 2021.

The payment terms above were determined based on arm's length negotiations between the parties taking into account (i) the consideration will all be settled in cash; (ii) the cash resources readily available by Zhongdian IRICO for the Proposed Disposal of Zhuhai Caizhu; (iii) the expected capital requirement of the Company for its existing operations and upcoming business development; and (iv) Zhongdian IRICO has sufficient financial resources to fulfill the payment obligations and the possibility of default in payment during the year ending 31 December 2021 is low. In view of the above, the Directors are of the opinion that the payment terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company and Zhongdian IRICO shall jointly complete the registration of change in equity interests in Zhuhai Caizhu within 15 business days after the Zhuhai Caizhu Equity Transfer Agreement becomes effective.

**Conditions precedent:**

The Zhuhai Caizhu Equity Transfer Agreement shall be concluded upon being duly signed and executed by both parties and shall become effective upon obtaining the Independent Shareholders' approval at the EGM on 28 December 2020.

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## LETTER FROM THE BOARD

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| <b>Completion:</b>                                      | The completion shall take place on the date when Zhongdian IRICO makes the full payment of 50% of the consideration (i.e. RMB64,709,500).   |
| <b>Profits and losses during the transition period:</b> | The profits and losses attributable to the equity interests to be disposed of during the period commencing from 31 July 2020 (i.e. the valuation benchmark date) to the completion date shall be enjoyed or borne by Zhongdian IRICO. |

### 5. Reasons for and Benefits of the Proposed Disposals

In recent years, benefiting from the growth of the demand for photovoltaic glass, the principal business of solar photovoltaic glass of the Company is developing rapidly. The revenue generated by the solar photovoltaic glass business was approximately RMB919.39 million, RMB844.78 million, RMB1,300.35 million and RMB592.80 million and accounting for approximately 37.20%, 36.23%, 57.92% and 59.08% of the total revenue of the Company for the last three years ended 31 December 2019 and the six months ended 30 June 2020, respectively. Taking into account that (i) the photovoltaic glass industry is developing vigorously and the demand for photovoltaic glass continues growing, (ii) the photovoltaic glass industry will become further concentrated and its scale effect will be further amplified, and (iii) the strategic development plan of the Company in the photovoltaic glass industry, the Company, which is principally engaged in the production and sales of solar photovoltaic glass with leading production capacity, stable customers base and advanced production technologies, intends to put more efforts in the scale development of the solar photovoltaic glass business so as to strengthen its position in the photovoltaic glass industry.

In order to focus on its principal business, the Company intends to transfer its equity interests in the Target Companies, namely Green Energy, IRICO New Material, Jiangsu Yongneng and Zhuhai Caizhu, which are engaged in non-solar photovoltaic glass related businesses. In particular, Jiangsu Yongneng is principally engaged in the businesses of solar cells, solar modules and solar photovoltaic systems, it records operating losses in the last two years ended 31 December 2019 and is unable to obtain competitive edge in the market due to the small business scale and failure in expansion of the projects. The Proposed Disposals will, reduce unnecessary operating losses, accelerate the adjustment and optimisation of assets structure and corporate structure, and increase the operation efficiency of assets, so as to improve the Company's asset and liability structure and market competitive advantages, and enhance its profitability and image in the capital markets, which will in turn reward the Shareholders.

### 6. General Information on the Parties

#### (i) *The Company*

The Company is principally engaged in the research and 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 display; the construction and operation of solar power plants; and the processing of quartz sands, an upstream material for photovoltaic glass.

#### (ii) *IRICO Group*

IRICO Group, in addition to operating businesses through the Company, is principally engaged in the research and development, production and trading in businesses relating to colour picture tubes, display panels and their components, colour television sets and electronic products.

#### (iii) *Zhongdian IRICO*

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

#### (iv) *CEC*

CEC is principally engaged in the research and 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.

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## LETTER FROM THE BOARD

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### 7. General Information on the Target Companies

#### (i) *Green Energy*

Green Energy is principally engaged in the research and development, manufacturing, procurement, storage and transportation and sales of related products of new energy photovoltaic power station industry chain; design, construction, operation and services of new energy photovoltaic power station system, and production and sales of electricity; import and export business of related products and systems of new energy photovoltaic power station industry chain; technology promotion services and consultation of new energy photovoltaic power station; and recovery of renewable resource.

The unaudited net assets value of Green Energy as at 30 June 2020 was RMB100,905,487.35. The audited net losses of Green Energy before and after taxation for the year ended 31 December 2019 were RMB6,436,553.73 and RMB6,436,553.73, respectively. The audited net profits of Green Energy before and after taxation for the year ended 31 December 2018 were RMB4,211,909.37 and RMB4,211,909.37, respectively.

#### (ii) *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.

The unaudited net assets value of IRICO New Material as at 30 June 2020 was RMB297,225,040.55. The audited net profits of IRICO New Material before and after taxation for the year ended 31 December 2019 were RMB31,438,439.81 and RMB28,336,298.94, respectively. The audited net profits of IRICO New Material before and after taxation for the year ended 31 December 2018 were RMB26,571,080.38 and RMB26,183,610.31, respectively.

#### (iii) *Jiangsu Yongneng*

Jiangsu Yongneng is principally engaged in research and development and manufacturing of solar cells and solar modules, research and development, design, installation, debugging and maintenance of solar photovoltaic systems and building-integrated photovoltaics, and sales of self-made products.

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## LETTER FROM THE BOARD

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The unaudited net assets value of Jiangsu Yongneng as at 30 June 2020 was RMB46,404,483.30. The audited net losses of Jiangsu Yongneng before and after taxation for the year ended 31 December 2019 were RMB45,414,126.78 and RMB44,381,976.31, respectively. The audited net profits of Jiangsu Yongneng before and after taxation for the year ended 31 December 2018 were RMB4,948,212.29 and RMB4,776,718.33, respectively.

**(iv) Zhuhai Caizhu**

Zhuhai Caizhu is principally engaged in production, processing and sales of glass and glass products; manufacturing of household electric appliances and electronic components; and sales, property management and domestic trade, etc.

The unaudited net assets value of Zhuhai Caizhu as at 30 June 2020 was RMB116,182,865.28. The audited net profits of Zhuhai Caizhu before and after taxation for the year ended 31 December 2019 were RMB1,934,253.18 and RMB1,934,253.18, respectively. The audited net losses of Zhuhai Caizhu before and after taxation for the year ended 31 December 2018 were RMB2,695,194.66 and RMB2,695,194.66, respectively.

The financial data in relation to the Target Companies as disclosed in this circular was prepared in accordance with China Accounting Standards for Business Enterprises.

### **8. Financial Effects to the Group Arising from the Proposed Disposals**

Upon completion of the Proposed Disposals, the Company will no longer hold any equity interest in Green Energy, IRICO New Material, Jiangsu Yongneng and Zhuhai Caizhu. Each of Green Energy, IRICO New Material and Jiangsu Yongneng will cease to be a subsidiary of the Company and their financial results will not be consolidated into the financial statements of the Company.

The total gains from the Proposed Disposals (before taxation payable in relation to the Proposed Disposals and other expenses) is expected to be RMB69,772,970.17. Wherein:

- (i) the gain from the Proposed Disposal of Green Energy is expected to be RMB2,691,825.12, which is the difference between the calculated consideration for the transaction (i.e. RMB104,100,000.00) and the net assets value of the equity interests to be disposed of as at 31 July 2020 (i.e. RMB101,408,174.88);

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## LETTER FROM THE BOARD

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- (ii) the gain from the Proposed Disposal of IRICO New Material is expected to be RMB60,986,521.72, which is the difference between the calculated consideration for the transaction (i.e. RMB287,115,840.00) and the net assets value of the equity interests to be disposed of as at 31 July 2020 (i.e. RMB226,129,318.28);
- (iii) the gain from the Proposed Disposal of Jiangsu Yongneng is expected to be RMB2,396,598.59, which is equal to the calculated consideration for the transaction (i.e. RMB61,455,000.00) less (a) the net assets value of the equity interests to be disposed of as at 31 July 2020 (i.e. RMB22,505,190.04) and (b) the value of the goodwill (i.e. RMB36,553,211.37). The consideration for the Proposed Disposal of Jiangsu Yongneng exceeds the net assets value of the equity interests to be disposed of as at 31 July 2020 by an amount of RMB38,949,809.96; and
- (iv) the gain from the Proposed Disposal of Zhuhai Caizhu is expected to be RMB3,698,024.74, which is equal to the calculated consideration for the transaction (i.e. RMB129,418,898.00) less (a) the book value of the long-term equity investment of the equity interests to be disposed of as at 31 July 2020 (i.e. RMB55,085,463.57) and (b) the value of the equity interests to be disposed of at fair value (i.e. RMB70,635,409.69) as at 30 June 2018 (the date when Zhuhai Caizhu ceased to be the subsidiary of the Company). The consideration for the Proposed Disposal of Zhuhai Caizhu exceeds the book value of the long-term equity investment of the equity interests to be disposed of as at 31 July 2020 by an amount of RMB74,333,434.43.

The actual gain from the Proposed Disposals to be recorded by the Group is subject to the final audit to be performed by the auditors of the Company.

The proceeds arising from the Proposed Disposals are intended to be used for the following purposes: (i) approximately 80% is expected to be used for construction of the Industrialisation of Ultra-thin and High-transmissivity Photoelectric Glass and Research and Development of Technical Equipment Project\* (合肥光伏超薄高透光電玻璃產業化及工藝裝備研發項目) based on the actual progress of the project. The project is expected to commence construction in early 2021 with a 12-month construction period and the total investment amount of this project is approximately RMB707 million; and (ii) approximately 10% is expected to be used for procurement of raw materials for business operation; and (iii) the remaining approximately 10% is expected to be used to settle the existing debt liabilities of the Group.



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## LETTER FROM THE BOARD

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### 9. Implications under the Listing Rules

As at the Latest Practicable Date, IRICO Group is the controlling Shareholder of the Company which directly and indirectly holds approximately 47.52% of the issued share capital of the Company. Zhongdian IRICO, which is directly owned as to 72.08% by CEC (the ultimate controlling Shareholder), is an associate of CEC. Therefore, IRICO Group and Zhongdian IRICO are connected persons of the Company under Chapter 14A of the Listing Rules. As such, each of the Proposed Disposals constitutes a connected transaction of the Company.

The Proposed Disposals shall be aggregated under Rule 14.22 and Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Disposals when aggregated exceeds 25% but is less than 75%, the Proposed Disposals constitutes a major and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, certain Directors, namely, Mr. Si Yuncong and Mr. Fan Laiying, by virtue of their respective senior positions in IRICO Group or Zhongdian IRICO, may be deemed as having a material interest in the Proposed Disposals, and have abstained from voting on the Board resolutions approving the Proposed Disposals. Save for the abovementioned Directors, none of the other Directors has or is deemed to have a material interest in the Proposed Disposals and thus no other Director has abstained from voting on such Board resolutions.

## IV. PROPOSED PURCHASE

On 30 October 2020, Hefei Photovoltaic entered into the Purchase Agreement with IRICO Group, pursuant to which IRICO Group agreed to sell and Hefei Photovoltaic agreed to purchase the system equipment and related services for the Industrialisation of Ultra-thin and High-transmissivity Photoelectric Glass and Research and Development of Technical Equipment Project\* (合肥光伏超薄高透光電玻璃產業化及工藝裝備研發項目) at a consideration of approximately RMB290 million.

### 1. Purchase Agreement

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

**Date:** 30 October 2020

**Parties:** (i) Hefei Photovoltaic, as the purchaser; and  
(ii) IRICO Group, as the vendor

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## LETTER FROM THE BOARD

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**Proposed Purchase:** IRICO Group agreed to sell and Hefei Photovoltaic agreed to purchase the system equipment and related services (i.e. the services of supply, on-site installation, testing and acceptance, construction, and warranty) for the Industrialisation of Ultra-thin and High-transmissivity Photoelectric Glass and Research and Development of Technical Equipment Project\* (合肥光伏超薄高透光電玻璃產業化及工藝裝備研發項目). The system equipment under the Purchase Agreement includes batching and kilning system, prototype system, deep processing system, product packaging system, etc.

Pursuant to the Purchase Agreement, IRICO Group is obliged to deliver the system equipment and related services in accordance with the agreed technical requirements and schedules and Hefei Photovoltaic is obliged to conduct acceptance and pay the consideration in due course.

**Consideration:** The consideration for the provision of the system equipment and related services by IRICO Group to Hefei Photovoltaic is approximately RMB290 million.

The consideration was determined by Hefei Photovoltaic and IRICO Group after arm's length negotiations taking into account (i) the prevailing market prices of each of the system equipment and related services currently available in the market (details of which are set out in the price list prepared by Hefei Photovoltaic), which were determined by the quotations obtained by Hefei Photovoltaic from the independent third parties via emails, fax, phone or tenders by publishing tender notice via various media resources (for instance, the local newspapers and the purchase platforms); and (ii) other factors such as transaction subject, equipment technical and quality standards, services standards and expected costs.

**Payment:** The consideration will be paid in instalments by way of bank acceptance, letter of credit, or commercial acceptance, etc:

- (i) 40% of the consideration will be paid by Hefei Photovoltaic to IRICO Group (i.e. approximately RMB116 million) after the Purchase Agreement becomes effective;

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## LETTER FROM THE BOARD

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- (ii) 30% of the consideration for each system equipment and related services under the Purchase Agreement (i.e. a total amount of approximately RMB87 million) will be paid upon completion of processing and acceptance on appearance, quantity and mode by Hefei Photovoltaic;
- (iii) 20% of the consideration for each of the system equipment and related services (i.e. a total amount of approximately RMB58 million) will be paid upon acceptance by Hefei Photovoltaic after it is installed, tested and confirmed in normal operation in accordance with the requirements of the technical documentation; and
- (iv) the remaining 10% of the consideration for each of the system equipment and related services (i.e. a total amount of approximately RMB29 million) will be paid upon expiry of the one-year warranty period.

**Conditions precedent:** The Purchase Agreement shall be concluded upon being duly signed and executed by both parties and shall become effective upon obtaining the Independent Shareholders' approval at the EGM.

### 2. Reasons For and Benefits of the Proposed Purchase

Hefei Photovoltaic has demands for the system equipment and related services under the Industrialisation of Ultra-thin and High-transmissivity Photoelectric Glass and Research and Development of Technical Equipment Project\* (合肥光伏超薄高透光電玻璃產業化及工藝裝備研發項目). As the Group and IRICO Group have established a long-term cooperative relationship, IRICO Group understands the Group's business operation planning, quality control and certain specific requirements. Due to their proximity, the Group's purchase of the system equipment from IRICO Group also helps the Group to reduce the management and operating costs, and the bulk trading of products contributes to improving the economic efficiency of the Group and IRICO Group.

IRICO Group has professional teams and advanced technologies in the related services including intelligent equipment design, information system integration, and equipment operation and maintenance. As compared to the similar purchase from the third parties which only provide the system equipment, Hefei Photovoltaic will be provided with more value-added services by IRICO Group leveraging its extensive experience and expertise in such areas and better understanding of the business needs of Hefei Photovoltaic, which will comprehensively improve the intelligence and informationisation of the production lines for the abovementioned project.

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## LETTER FROM THE BOARD

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To ensure that the price of the system equipment and related services under the Purchase Agreement is fair and reasonable, the investment operating department of Hefei Photovoltaic also obtained quotations for a comparable volume of same or similar category of products from at least three independent third parties through market inquiry, inquiry on purchase platforms, public bidding, etc. in accordance with the internal control rules of the Group. The price of the system equipment and related services provided by IRICO Group is in line with the market price level and not higher than the relevant market prices ascertained by Hefei Photovoltaic.

### 3. General Information on the Parties

#### (i) *The Company*

The Company is principally engaged in the research and 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 display; the construction and operation of solar power plants; 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 Group*

IRICO Group, in addition to operating businesses through the Company, is principally engaged in the research and development, production and trading in businesses relating to colour picture tubes, display panels and their components, colour television sets and electronic products.

#### (iv) *CEC*

CEC is principally engaged in the research and 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

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## LETTER FROM THE BOARD

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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.

#### **4. Implications under the Listing Rules**

As at the Latest Practicable Date, IRICO Group is the controlling Shareholder of the Company which directly and indirectly holds approximately 47.52% of the issued share capital of the Company. Therefore, IRICO Group is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Proposed Purchase constitutes a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the Proposed Purchase exceeds 5% but is less than 25%, the Proposed Purchase constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, certain Directors, namely, Mr. Si Yuncong and Mr. Fan Laiying, by virtue of their respective senior positions in IRICO Group, may be deemed as having a material interest in the Proposed Purchase, and have abstained from voting on the Board resolutions approving the Proposed Purchase. Save for the abovementioned Directors, none of the other Directors has or is deemed to have a material interest in the Proposed Purchase and thus no other Director has abstained from voting on such Board resolutions.

#### **V. EGM AND CLASS MEETINGS**

The EGM, the class meeting of the holders of H Shares and the class meeting of the holders of Domestic Shares 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., 10:00 a.m. and 10:30 a.m., respectively, on Monday, 28 December 2020. The notice of the EGM is set out on pages 96 to 98 of this circular, the notice of the class meeting of the holders of H Shares is set out on pages 99 to 101 of this circular and the notice of the class meeting of the holders of Domestic Shares is set out on pages 102 to 104 of this circular.

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## LETTER FROM THE BOARD

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The Proposed Share Consolidation and Capital Reduction will be considered as a variation of rights of the holders of Domestic Shares and H Shares under the Articles of Association. As such, pursuant to the Articles of Association, the resolution in relation to the Proposed Share Consolidation and Capital Reduction is required to be approved by way of special resolution at a general meeting and separate class meetings of the holders of Domestic Shares and the holders of H Shares. Such resolution will be put forward at the EGM, the class meeting of the holders of H Shares and the class meeting of the holders of Domestic Shares, respectively, for the consideration and approval of the Shareholders, the holders of H Shares and the holders of Domestic Shares (as the case may be). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders will be required to abstain from voting on the resolution in relation to the Proposed Share Consolidation and Capital Reduction at the EGM, the class meeting of the holders of H Shares or the class meeting of the holders of Domestic Shares.

The resolutions in relation to the Proposed Disposals and the Proposed Purchase will be put forward by way of ordinary resolutions at the EGM for the consideration and approval of the Shareholders. CEC and its associates (including IRICO Group, Zhongdian IRICO and Rui Bou Electronics (HK) Limited (瑞博電子(香港)有限公司)), holding an aggregate of approximately 72.73% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting on the resolutions approving the Proposed Disposals and the Proposed Purchase 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 Proposed Disposals and the Proposed Purchase and therefore will be required to abstain from voting on such resolutions at the EGM.

### VI. RECOMMENDATIONS

Based on the relevant information disclosed herein, the Directors, including the independent non-executive Directors, believe that (i) the Proposed Share Consolidation and Capital Reduction is in the interests of the Company and the Shareholders as a whole; (ii) the terms and conditions of the Equity Transfer Agreements are on normal commercial terms and fair and reasonable, and that the Proposed Disposals although not conducted in the ordinary or usual course of business of the Company due to the nature of such transactions, are in the interests of the Company and the Shareholders as a whole; and (iii) the terms and conditions of the Purchase Agreement are on normal commercial terms and fair and reasonable, and that the Proposed Purchase is conducted in the ordinary or usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favor of the resolutions at the EGM and the Class Meetings.

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## LETTER FROM THE BOARD

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### VII. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 29 to 30, the letter from Octal Capital set out on pages 31 to 88 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*



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)

***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

8 December 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSALS  
OF THE TARGET COMPANIES; AND  
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO  
THE PURCHASE AGREEMENT**

We refer to the circular of the Company dated 8 December 2020 (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.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 Equity Transfer Agreements and the Purchase Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned 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 Equity Transfer Agreements and the Purchase Agreement and the transactions contemplated thereunder. 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 31 to 88 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 1 to 28 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 and conditions of the Equity Transfer Agreements and the Purchase Agreement are on normal commercial terms and fair and reasonable, and that (i) the Proposed Disposals although not conducted in the ordinary or usual course of business of the Company due to the nature of such transactions, are in the interests of the Company and the Shareholders as a whole; and (ii) the Proposed Purchase is conducted in the ordinary or usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolutions regarding the Equity Transfer Agreements and the Purchase Agreement 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*

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## LETTER FROM OCTAL CAPITAL

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*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 Proposed Disposals and the Proposed Purchase prepared for the purpose of inclusion in this circular.*



Octal Capital Limited  
801–805, 8th Floor, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

8 December 2020

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**(1) MAJOR AND CONNECTED TRANSACTION:  
DISPOSAL OF THE TARGET COMPANIES; AND  
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO  
THE PURCHASE AGREEMENT**

### INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Disposals and the Proposed Purchase 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 8 December 2020 (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.

On 30 October 2020, the Company entered into (i) the Green Energy Equity Transfer Agreement with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 100% equity interests in Green Energy at a cash consideration of RMB104,100,000; (ii) the IRICO New Material Equity Transfer Agreement with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 76.32% equity interests in IRICO New Material at a cash consideration of RMB287,115,800; (iii) the Jiangsu Yongneng Equity Transfer Agreement with IRICO Group, pursuant to which the Company agreed to sell, and IRICO Group agreed to acquire 51% equity interests in Jiangsu Yongneng at a cash consideration of RMB61,455,000; and (iv) the Zhuhai Caizhu Equity Transfer Agreement with Zhongdian IRICO, pursuant to which the Company agreed to sell, and Zhongdian IRICO agreed to acquire 49% equity interests in Zhuhai Caizhu at a cash consideration of RMB129,418,900.

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## LETTER FROM OCTAL CAPITAL

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Upon completion of the Proposed Disposals, the Company will no longer hold any equity interest in Green Energy, IRICO New Material, Jiangsu Yongneng and Zhuhai Caizhu. Each of Green Energy, IRICO New Material and Jiangsu Yongneng will cease to be a subsidiary of the Company and their financial results will not be consolidated into the financial statements of the Company.

On 30 October 2020, Hefei Photovoltaic entered into the Purchase Agreement with IRICO Group, pursuant to which IRICO Group agreed to sell and Hefei Photovoltaic agreed to purchase the system equipment and related services for the Industrialisation of Ultra-thin and High-transmissivity Photoelectric Glass and Research and Development of Technical Equipment Project\* (合肥光伏超薄高透光電玻璃產業化及工藝裝備研發項目) at a consideration of approximately RMB290 million. (the “**Hefei Photoelectric Glass Project**”).

As at the Latest Practicable Date, IRICO Group is the controlling Shareholder of the Company which directly and indirectly holds approximately 47.52% of the issued share capital of the Company. Zhongdian IRICO, which is directly owned as to 72.08% by CEC (the ultimate controlling Shareholder of the Company), is an associate of CEC. Therefore, IRICO Group and Zhongdian IRICO are connected persons of the Company under Chapter 14A of the Listing Rules. As such, each of the Proposed Disposals and the Proposed Purchase constitutes a connected transaction of the Company.

The Proposed Disposals shall be aggregated under Rule 14.22 and Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Disposals when aggregated exceeds 25% but is less than 75%, the Proposed Disposals constitutes a major and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Purchase exceeds 5% but is less than 25%, the Proposed Purchase constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, certain Directors, namely, Mr. Si Yuncong and Mr. Fan Laiying, by virtue of their respective senior positions in IRICO Group, may be deemed as having a material interest in the Proposed Disposals and the Proposed Purchase, and have abstained from voting on the Board resolutions approving the Proposed Disposals and the Proposed Purchase. Save for the abovementioned Directors, none of the other Directors has or is deemed to have a material interest in the Proposed Disposals and the Proposed Purchase and thus no other Director has abstained from voting on such Board resolutions.

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## LETTER FROM OCTAL CAPITAL

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CEC and its associates (including IRICO Group, Zhongdian IRICO and Rui Bou Electronics (HK) Limited (瑞博電子(香港)有限公司)), holding an aggregate of approximately 72.73% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting on the resolutions approving the Proposed Disposals and the Proposed Purchase 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 Proposed Disposals and the Proposed Purchase and therefore will be required to abstain from voting on such resolutions at the EGM.

An independent board committee comprising the independent non-executive Directors, namely Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng, has been established to advise the Independent Shareholders as to whether the terms of the Equity Transfer Agreements and the Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned, conducted on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the Proposed Disposals and the Proposed Purchase are in the interests of the Company and the Independent Shareholders as a whole; and to give a recommendation to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the EGM.

We, Octal Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Equity Transfer Agreements and the Purchase Agreement and the transactions contemplated thereunder in this regard. We are not connected with the directors, chief executive and substantial shareholders of the Group or Zhongdian IRICO or IRICO Group or CEC or any of their respective subsidiaries or associates and do 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 as at the Latest Practicable Date and therefore is 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) continuing connected transactions in relation to the purchase of materials and services from IRICO Group, Nanjing Electronics Information Industrial Corporation (“**NEIIC**”, a subsidiary of CEC) and Zhongdian IRICO by the Company and the sales of utility and products by the Company to NEIIC, details of which were stated in the circular of the Company dated 3 December 2018; (ii) the subscription of H Shares by Zhongdian IRICO and other independent third parties, details of which were stated in the circular of the Company dated 31 December 2018; (iii) discloseable and connected transactions in relation to the transfer of account receivables by the Group to CEC, details of which were stated in the circular of the Company dated 28 June 2019; and (iv) the further subscription of H Shares by Zhongdian IRICO and other independent third parties, details of which were stated in the circular of the Company dated 31 December 2019. Under the Previous Engagements, we were required to express our opinion on and give recommendation to the Independent Board Committee and/or the Independent Shareholders in respect of the relevant transactions. Apart from normal professional

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## LETTER FROM OCTAL CAPITAL

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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 Group or Zhongdian IRICO or IRICO Group or CEC 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 date of the EGM. We have also relied on our discussion with the management of the Company (the “**Management**”) regarding the Proposed Disposals and the Proposed Purchase, 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, Zhongdian IRICO, IRICO Group, CEC and their respective subsidiaries or associates, nor have we carried out any independent verification of the information supplied to us.

### **A. PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE PROPOSED DISPOSALS**

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

#### **I. Background of and reasons for the Proposed Disposals**

##### ***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 Group is principally engaged in the research and 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; the construction and operation of solar power plants; and the processing of quartz sands, an upstream material for photovoltaic glass.

## LETTER FROM OCTAL CAPITAL

The summary of the audited consolidated financial information of the Company for the years ended 31 December 2018 (“FY2018”) and 2019 (“FY2019”) and unaudited consolidated financial information for the six months ended 30 June 2019 (“1H2019”) and 30 June 2020 (“1H2020”) as extracted from the Company’s annual report for FY2019 (the “2019 Annual Report”) and the interim report of the Company for 1H2020 (the “2020 Interim Report”) respectively are set out as follows:

|  | For the year ended<br>31 December |                    | For the six months<br>ended 30 June  |  |
|--|-----------------------------------|--------------------|--|--|
|  | 2018                              | 2019               | 2019   | 2020   |
|  | (audited)                         | (audited)          | (unaudited)  | (unaudited)  |
|  | <i>RMB'million</i>                | <i>RMB'million</i> | <i>RMB'million</i>   | <i>RMB'million</i>   |
| <b>Operating revenue</b>   | 2,331.9                           | 2,245.1            | 1,087.1  | 1,003.4  |
| – Photovoltaic glass   | 844.8                             | 1,300.3            | 630.4  | 592.8  |
| – New materials  | 452.1                             | 603.4              | 201.5  | 289.4  |
| – Solar cells and components   | 870.8                             | 265.9              | 202.5  | 89.5   |
| – Power generation   | 14.2                              | 27.2               | 11.3   | 13.3   |
| – Others   | 150.0                             | 48.3               | 41.4   | 18.4   |
| <br>Gross profit   | <br>242.9                         | <br>278.7          | <br>99.7   | <br>190.6  |
| <b>Profit for the year attributable<br/>to the owners of the Company</b> | <br>81.3                          | <br>93.1           | <br>45.1   | <br>41.6   |
|  |                                   |                    | <b>As at<br/>31 December<br/>2019<br/>(audited)<br/><i>RMB million</i></b> | <b>As at<br/>30 June<br/>2020<br/>(unaudited)<br/><i>RMB million</i></b> |
| Property, plant and equipment  |                                   | 1,622.1            |  | 1,565.0  |
| Total assets   |                                   | 4,912.1            |  | 5,171.2  |
| Total liabilities  |                                   | 4,623.0            |  | 4,836.1  |
| <b>Equity attributable to owners of the Company</b>                      |                                   | 188.0              |  | 241.1  |

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## LETTER FROM OCTAL CAPITAL

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*For the year ended 31 December 2019*

For FY2019, the operating revenue of the Group decreased from approximately RMB2,331.9 million for FY2018 to RMB2,245.1 million for FY2019, representing a decrease of approximately RMB86.8 million or 3.9%. The decrease of operating revenue was mainly attributable to decrease in sales from solar cell and components due to technological transformation in the China photovoltaic module market following the introduction of the “531” new policy promulgated by the PRC government which expedited the decline of subsidies provided for photovoltaic power generation, which was partially offset by the increase in sales from photovoltaic glass. The photovoltaic glass products segment was the main revenue contributor of the Group during FY2019, which accounted for approximately 57.9% of the Group’s operating revenue for FY2019, with the remaining operating revenue segments under new material business, solar cells and components business, power generation business and others of approximately 26.9%, 11.8%, 1.2% and 2.2% respectively.

The Group recorded a net profit attributable to the owners of the Company of approximately RMB93.1 million for FY2019, representing an increase of approximately RMB11.8 million or 14.6% as compared with FY2018, primarily due to the decrease in operating cost and increase in other income due to the compensation received for the suspension of production of Xianyang Photovoltaic as agreed between the Group and Zhongdian IRICO and increase in government subsidies received for undertaking various research and development projects and government projects during the year.

*For the six months ended 30 June 2020*

During 1H2020, the Group recorded a decrease in operating revenue from approximately RMB1,087.1 million during the same period in the preceding year to approximately RMB1,003.4 million, representing a decrease of approximately RMB83.7 million or 7.7%. The decrease was primarily due to the decrease in sales from solar cell and components due to the gradual downsize of such business segment by the Group while consolidating resources to the operation of the main businesses of solar photovoltaic glass and electronic functional materials during the period. The Group recorded a slight decrease in net profit attributable to the owners of the Company from approximately RMB45.1 million during 1H2019 to approximately RMB41.6 million during 1H2020, primarily due to the decrease in compensation received from Zhongdian IRICO for the suspension of production of Xianyang photovoltaic during the period.

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## LETTER FROM OCTAL CAPITAL

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In regard of the financial position of the Group, the net assets attributable to the owners of the Company increased from approximately RMB188.0 million as at 31 December 2019 to RMB241.1 million as at 30 June 2020. Such increase was mainly attributable to increase in cash at bank and on hand as a result of cash inflow from investing activities including disposal of fixed assets, intangible assets and other long-term assets.

### **2. *Principal activities and business of IRICO Group, Zhongdian IRICO and the Target Companies***

#### *Purchasers of the Proposed Disposals*

##### IRICO Group

IRICO Group, in addition to operating business through the Company, is principally engaged in the research and development, production and trading of businesses relating to colour picture tubes, display panels and their components, colour television sets and electronic products. As at the Latest Practicable Date, IRICO Group is a wholly state-owned enterprise and the controlling Shareholder of the Company directly and indirectly holding approximately 72.73% of the issued share capital of the Company.

##### Zhongdian IRICO

Zhongdian IRICO is principally engaged in the research, development, service and transfer of electronic information technology, industrial investment and assets operation management services, property investment and property operation management services. As at the Latest Practicable Date, Zhongdian IRICO is directly held as to 72.08% by CEC and 27.92% by IRICO Group and is a connected person of the Company.

#### *Target Companies of the Proposed Disposals*

##### Green Energy

Green Energy is a company incorporated in the PRC in 2016 with limited liability and is a wholly-owned subsidiary of the Company. As at the Latest Practicable Date, Green Energy is principally engaged in the research and development, manufacturing, procurement, storage and transportation and sales of related products of new energy photovoltaic power station industry chain; design, construction, operation and



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services of new energy photovoltaic power station system, and production and sales of electricity; import and export business of related products and systems of new energy photovoltaic power station industry chain; technology promotion services and consultation of new energy photovoltaic power station; and recovery of renewable resource.

The table below sets out the summary of the key financial information of Green Energy based on the audited financial information prepared in accordance with the China Accounting Standards for Business Enterprises for FY2018 and FY2019 and the unaudited financial information of Green Energy as at 31 July 2020:

|                             | <b>For the year ended 31 December</b> |                |
|-----------------------------|---------------------------------------|----------------|
|                             | <b>2018</b>                           | <b>2019</b>    |
|                             | (audited)                             | (audited)      |
|                             | <i>RMB'000</i>                        | <i>RMB'000</i> |
| Revenue                     | 29,357                                | 17,884         |
| Gross profit/(loss)         | 4,082                                 | 1,801          |
| Net profit before tax       | 4,212                                 | (6,437)        |
| Net profit/(loss) after tax | 4,212                                 | (6,437)        |
|                             | <b>As at</b>                          | <b>As at</b>   |
|                             | <b>31 December</b>                    | <b>31 July</b> |
|                             | <b>2019</b>                           | <b>2020</b>    |
|                             | (audited)                             | (unaudited)    |
|                             | <i>RMB'000</i>                        | <i>RMB'000</i> |
| Total assets                | 206,982                               | 208,876        |
| Total liabilities           | 108,380                               | 107,468        |
| Net assets                  | 98,602                                | 101,408        |

The revenue of Green Energy decreased from approximately RMB29.4 million for FY2018 to RMB17.9 million for FY2019, representing a decrease of approximately 39.1%. The decrease of the revenue was mainly attributable to the absence of revenue contributed by the trading business in FY2019 as compared to that of approximately RMB20.4 million in FY2018 following its disposal during FY2019, partially offset by the increase of revenue from sales of electricity for FY2019 of approximately RMB8.9 million compared to FY2018. Green Energy recorded a net loss of approximately

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RMB6.4 million for FY2019, a turnaround from the profit-making position of approximately RMB4.2 million for FY2018. Based on the financial information of Green Energy for FY2019, the decrease of net profit was mainly due to the repayment of interests for its long-term borrowings of approximately RMB3.1 million and the incurrence of non-operating expenses of RMB7.8 million respectively during the year.

The total assets of Green Energy amounted to approximately RMB208.9 million as at 31 July 2020. As at 31 July 2020, the majority of assets of Green Energy consisted of long term equity investment and fixed assets, which together accounted for approximately 75.6% of the total assets of Green Energy. The total liabilities of Green Energy amounted to approximately RMB107.5 million as at 31 July 2020. As at 31 July 2020, the majority of liabilities of Green Energy consisted of contract liabilities, other receivables and long-term borrowings, which together accounted for approximately 80.6% of the total liabilities of Green Energy. According to the asset valuation report of Green Energy prepared by Yinxin Assets Appraisal Co., Ltd., an independent and duly qualified PRC valuer (the “**Valuer**”), the appraised net assets value of Green Energy as at 31 July 2020 was RMB104.1 million, representing a premium of approximately 2.7% to its net asset value as at 31 July 2020.

### IRICO New Material

IRICO New Material is a company incorporated in the PRC in 1995 with limited liability and is a non-wholly-owned subsidiary of the Company owned as to 76.32% of the equity interest. As at the Latest Practicable Date, IRICO New Material is principally engaged in production and sales 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. Based on the information provided by the Management, for FY2018 and FY2019, IRICO New Material was the major contributor of the Group’s new material segment, which mainly involves the production and sale of positive photoresists, electronic paste and cathode materials for lithium batteries.

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The table below sets out the summary of the key financial information of IRICO New Material based on the audited financial information prepared in accordance with the China Accounting Standards for Business Enterprises for FY2018 and FY2019 and the unaudited financial information of IRICO New Material as at 31 July 2020:

|                             | <b>For the year ended 31 December</b> |                |
|-----------------------------|---------------------------------------|----------------|
|                             | 2018                                  | 2019           |
|                             | (audited)                             | (audited)      |
|                             | <i>RMB'000</i>                        | <i>RMB'000</i> |
| Revenue                     | 512,853                               | 606,939        |
| Gross profit/(loss)         | 22,440                                | 27,947         |
| Net profit before tax       | 26,571                                | 31,438         |
| Net profit/(loss) after tax | 26,184                                | 28,336         |
|                             | <b>As at</b>                          | <b>As at</b>   |
|                             | <b>31 December</b>                    | <b>31 July</b> |
|                             | <b>2019</b>                           | <b>2020</b>    |
|                             | (audited)                             | (unaudited)    |
|                             | <i>RMB'000</i>                        | <i>RMB'000</i> |
| Total assets                | 438,353                               | 496,527        |
| Total liabilities           | 152,398                               | 198,883        |
| Net assets                  | 285,955                               | 297,644        |

The revenue of IRICO New Material increased from approximately RMB512.9 million for FY2018 to RMB606.9 million for FY2019, representing an increase of approximately 18.3%. As disclosed in the 2019 Annual Report, the increase of the revenue was mainly attributable to revenue growth from sale of electronic functional materials, including photoresist, cathode materials and electronic silver pastes. IRICO New Material recorded a net profit of approximately RMB28.3 million for FY2019, representing an increase of approximately RMB2.1 million or 8.0% as compared with that for FY2018. The increase of net profit was mainly due to the aforesaid mention increase in revenue during FY2019, and partially offset by increase of operating cost in FY2019 of approximately RMB88.6 million as compared to the previous financial year.

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The total assets of IRICO New Material amounted to approximately RMB496.5 million as at 31 July 2020. As at 31 July 2020, the majority of assets of IRICO New Material consisted of account receivables and other receivables, which together accounted for approximately 62.7% of the total assets of IRICO New Material. The total liabilities of IRICO New Material amounted to approximately RMB198.9 million as at 31 July 2020. As at 31 July 2020, the majority of liabilities of IRICO New Material consisted of short term loans and account payables, which together accounted for approximately 71.6% of the total liabilities of IRICO New Material. According to the asset valuation report of IRICO New Material prepared by the Valuer, the appraised net assets value of IRICO New Material as at 31 July 2020 was RMB376,200,000, representing a premium of approximately 26.4% to its net asset value as at 31 July 2020.

### Jiangsu Yongneng

Jiangsu Yongneng is a company incorporated in the PRC in 2009 with limited liability and is a 51% non wholly-owned subsidiary of the Company. As at the Latest Practicable Date, Jiangsu Yongneng was principally engaged in research and development and manufacturing of solar photovoltaic cells and modules, research and development, design, installation, debugging and maintenance of solar photovoltaic systems and building-integrated photovoltaics, and sales of self-made products. Based on the information provided by the Management, for FY2018 and FY2019, Jiangsu Yongneng was the core operating entity of the Group's production and sales of solar photovoltaic cells and modules, which contributed the entire revenue of the solar photovoltaic cells and components sub-segment of the Group.

The table below sets out the summary of the key financial information of Jiangsu Yongneng based on the audited financial information prepared in accordance with the China Accounting Standards for Business Enterprises for FY2018 and FY2019 and the unaudited financial information of Jiangsu Yongneng as at 31 July 2020:

|                             | <b>For the year ended 31 December</b> |                |
|-----------------------------|---------------------------------------|----------------|
|                             | <b>2018</b>                           | <b>2019</b>    |
|                             | (audited)                             | (audited)      |
|                             | <i>RMB'000</i>                        | <i>RMB'000</i> |
| Revenue                     | 882,463                               | 289,365        |
| Gross profit/(loss)         | (19,210)                              | (45,471)       |
| Net profit before tax       | 4,244                                 | (45,224)       |
| Net profit/(loss) after tax | 4,178                                 | (44,220)       |

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|                   | <b>As at<br/>31 December<br/>2019<br/>(audited)<br/>RMB'000</b> | <b>As at<br/>31 July<br/>2020<br/>(unaudited)<br/>RMB'000</b> |
|-------------------|---|---|
| Total assets      | 347,462   | 348,519   |
| Total liabilities | 283,017   | 307,954   |
| Net assets        | 64,445  | 40,565  |

Although Jiangsu Yongneng has been able to secure mass sales orders of solar photovoltaic modules from its customers, it has incurred high operating and production costs which led to thin gross margins during the past few years. The revenue of Jiangsu Yongneng decreased from approximately RMB882.5 million for FY2018 to RMB289.4 million for FY2019 representing a decrease of approximately 67.2%. As stated in the 2019 Annual Report, such decrease of the revenue was mainly due to the decrease in the production capacity of solar photovoltaic modules for installation of solar photovoltaic capacity systems in the PRC during the year. Jiangsu Yongneng recorded a net loss of approximately RMB44.2 million for FY2019, a turnaround from profit after tax of approximately RMB4.2 million for FY2018. The decrease of net profit was mainly due to the aforementioned decrease in revenue.

The total assets of Jiangsu Yongneng amounted to approximately RMB348.5 million as at 31 July 2020. As at 31 July 2020, the majority of assets of Jiangsu Yongneng consisted of cash and cash equivalents, account receivables, fixed asset and intangible assets, which together accounted for approximately 80.4% of the total assets of Jiangsu Yongneng. The total liabilities of Jiangsu Yongneng amounted to approximately RMB308.0 million as at 31 July 2020. As at 31 July 2020, the majority of liabilities of Jiangsu Yongneng consisted of bills payable, account payables and other payables, which together accounted for approximately 80.9% of the total liabilities of Jiangsu Yongneng. According to the asset valuation report of Jiangsu Yongneng prepared by the Valuer, the appraised value of Jiangsu Yongneng as at 31 July 2020 was RMB120,500,000, representing a premium of approximately 197.1% to the net asset value of Jiangsu Yongneng as at 31 July 2020.

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### Zhuhai Caizhu

Zhuhai Caizhu is a company incorporated in the PRC on in 1988 with limited liability and is an associate of the Company owned as to 49% of the equity interest. As advised by the Management, prior to 2016, Zhuhai Caizhu was principally engaged in the manufacturing and trading of household electric appliances and electronic components (the “**Electric Appliance Business**”). In 2016, as a result of the worsening business performance of such electronic appliance sector, Zhuhai Caizhu terminated such business and focused on trading business of building materials, solar polycrystalline components and mixed coal (the “**Trading Business**”) and property management. In 2018, Zhuhai Caizhu terminated the Trading Business due to its low profit margins and the deterioration in the business performance. As at the Latest Practicable Date, Zhuhai Caizhu generated income solely from the management of its investment properties in the PRC.

The table below sets out the summary of the key financial information of Zhuhai Caizhu based on the audited financial information prepared in accordance with the China Accounting Standards for Business Enterprises for FY2018 and FY2019 and the unaudited financial information of Zhuhai Caizhu as at 31 July 2020:

|                             | <b>For the year ended 31 December</b> |                |
|-----------------------------|---------------------------------------|----------------|
|                             | <b>2018</b>                           | <b>2019</b>    |
|                             | (audited)                             | (audited)      |
|                             | <i>RMB'000</i>                        | <i>RMB'000</i> |
| Revenue                     | 39,404                                | 5,506          |
| Gross profit/(loss)         | (822)                                 | 3,610          |
| Net profit before tax       | 661                                   | 9,136          |
| Net profit/(loss) after tax | (178)                                 | 7,343          |
|                             | <b>As at</b>                          | <b>As at</b>   |
|                             | <b>31 December</b>                    | <b>31 July</b> |
|                             | <b>2019</b>                           | <b>2020</b>    |
|                             | (audited)                             | (unaudited)    |
|                             | <i>RMB'000</i>                        | <i>RMB'000</i> |
| Total assets                | 280,207                               | 409,962        |
| Total liabilities           | 122,831                               | 159,063        |
| Net assets                  | 157,375                               | 250,899        |

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The revenue of Zhuhai Caizhu decreased from approximately RMB39.4 million for FY2018 to RMB5.5 million for FY2019, representing a decrease of approximately 86.0%. The decrease of the revenue was mainly attributable to the termination of the Trading Business during the year. Zhuhai Caizhu recorded a net profit of approximately RMB7.3 million for FY2019, a turnaround from net loss of approximately RMB0.2 million for FY2018. The increase of net profit was mainly due to the fair value gains from its investment properties.

The total assets of Zhuhai Caizhu amounted to approximately RMB410.0 million as at 31 July 2020. As at 31 July 2020, the majority of assets of Zhuhai Caizhu consisted of other receivables and investment properties, which together accounted for approximately 93.1% of the total assets of Zhuhai Caizhu. The total liabilities of Zhuhai Caizhu amounted to approximately RMB159.1 million as at 31 July 2020. As at 31 July 2020, the majority of liabilities of Zhuhai Caizhu consisted of bills payable and other payables, which together accounted for approximately 61.7% of the total liabilities of Zhuhai Caizhu. According to the asset valuation report of Zhuhai Caizhu prepared by the Valuer, the appraised value of Zhuhai Caizhu as at 31 July 2020 was approximately RMB264,120,200, representing a premium of approximately 5.3% to its net asset value as at 31 July 2020.

### **3. *Reasons for and benefits of the Proposed Disposals***

#### *The development of photovoltaic glass business of the Group*

The Group 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.

As set out in the Letter from the Board, it is the intention of the Company to transfer its equity interests in the Target Companies to concentrate on the principal business, reduce unnecessary operating losses, accelerate the adjustment and optimisation of assets structure and corporate structure, increase the operation efficiency of assets, improve the Company's asset and liability structure and market competitive advantages, and further enhance its profitability and image in the capital markets, so as to better reward the Shareholders. In particular, approximately 80% of the net proceeds from the Proposed Disposals will be directed to the investment of the Hefei Photoelectric Glass Project (as defined in the section headed "*Background of and reasons for entering into the Purchase Agreement*" below). Meanwhile, 10% of the net proceeds from the Proposed Disposals will be reserved for working capital for the procurement of raw materials and the remaining 10% of the net proceeds from the Proposed Disposals will be used to settle existing debt liabilities of the Group.

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In view of the aforementioned intention of the Company, we noted in the 2019 Annual Report that it has been the business strategy of the Company to promote the development in the photovoltaic glass industry by increasing the Company's market share and production capacity. The production and sales of photovoltaic glass has gradually become the principal business of the Group in the past few years, which its contribution to the overall turnover of the Group has increased from approximately 36.2% for FY2018 to 57.9% for FY2019, and further increased to 59.1% for 1H2020. It is supplemented in the announcement of the Company dated 22 July 2020 that in the first half of 2020, the cumulative production of thin photovoltaic glass products of the Company increased by 264% year-on-year and the cumulative sales of thin photovoltaic glass products of the Company increased by 333% year-on-year; thin products have accounted for about 20% of the Company's photovoltaic glass shipments.

As further mentioned in the 2019 Annual Report, the Group will launch a three-year industry development plan in photovoltaic glass business starting from 2020 in maintaining its leading industry position in terms of photovoltaic glass production capacity with the focus on promoting the production capacity of ultra-thin, high-transmittance photovoltaic glass. We have further enquired with the Management in relation to the development plan and we understand that the Company plans to expand its photovoltaic glass production capacity by ways of (i) optimising the utilisation rates of its existing photovoltaic glass production bases located in Hefei and Yan'an (which the entering into of the Purchase Agreement forms part, details of which are set out in the later section headed "*Background of and reasons for entering into the Purchase Agreement*" in this letter); and (ii) constructing new production facilities in Xianyang (where the principle office of the Group is resided). The ultimate target of the development plan is to promote the existing overall production capacity of photovoltaic glass of 2,400 tonnes per day by three times by the end of 2024.

Apart from the expansion in production capacity, the Group has also focused on the development and upgrade of its production technologies and processes to cater for the development trend of the thinness, large size and high transmissivity technologies of the photovoltaic glass industry. In order to achieve mass production of thin photovoltaic glass, the Group has implemented numerous projects in relation to thin photovoltaic glass upgrading and achieved certification from top ten domestic users to a mainstream photovoltaic module manufacturer. Amongst the various photovoltaic modules where photovoltaic glasses are installed, the Group has focused on the provision of photovoltaic glass for bi-facial photovoltaic modules. The bi-facial module refers to a photovoltaic module comprised of photovoltaic glasses and bi-facial batteries on both sides of the module, which generate electricity by absorbing



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direct light on the front side, and absorbing scattered light and reflected light on the back side. In comparison to conventional mono-facial solar module which generate electricity on the front side, bi-facial photovoltaic modules have better conversion efficiency, thereby increasing the power generation capacity and reducing the overall power generation cost of the solar power station.

As further stated in the announcement of the Company dated 22 July 2020, on its recent development of thin photovoltaic glass products it is the strategy of the Company to continue implement new projects regarding solar photovoltaic glass production lines and fully implement thinning technology upgrading for the original production lines. Following the letter of intent in cooperation on the construction of IRICO Xianyang ultra-thin and high-transmissivity photoelectric glass project construction entered into between the Company and People's Government of Qindu District, Xianyang City on 12 October 2020, it adheres to the Company's business strategy to cater for the market demand for photovoltaic glass used for bi-facial photovoltaic modules, large-size photovoltaic modules and differentiated photovoltaic modules, which is experiencing continuous growth in demand from technological advancement and evolving applications of photovoltaic glass products. Based on the above, we note that the Group has been making consistent progress in developing photovoltaic glass products into its core business.

In the context of the overall development of solar photovoltaic industry in the PRC, the idea of gradual transforming the grid parity between the solar power and conventional electricity sources from subsidy-driven to become market-oriented was highlighted in various national development schemes in recent years. According to the "Notice on the Preparation of the "14th Five-Year Plan" for Renewable Energy Development" (《關於做好可再生能源發展“十四五”規劃編製工作有關事項的通知》) issued by the National Energy Administration of the PRC on 15 April 2020, the photovoltaic industry was illustrated as an important focus in energy reform in the PRC with the objective of marketisation, low cost, and prioritised development of renewable energy during the "14th Five-Year Plan" period. Such initiatives were further reinforced with reference to "2020 Wind Power and Photovoltaic Power Parity Grid Notice" (《關於公佈2020年風電、光伏發電平價上網專案的通知》) jointly issued by the National Development and Reform Commission and the National Energy Administration of the PRC in 31 July 2020.

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According to the statistics from the China PV Industry Association (“CPIA”), in 2019, the cumulative PV grid-connected installed capacity in China reached 204.3 gigawatt (“GW”), representing a year-on-year increase of 17.3%; photovoltaic power generation in the PRC reached 224.3 billion kilowatt-hours during the same year, representing a year-on-year increase of 26.3%. Based on the estimation of CPIA, the domestic market share of bi-facial photovoltaic modules is expected to reach 20% by the end of 2020 from that of 10% in 2018 and is estimated to exceed 50% by 2025. In the future, with the steady development of the photovoltaic industry in the PRC and the continuous increase in the penetration rate of the bi-facial photovoltaic modules, the derived market demand for photovoltaic glass products are expected to increase.

Moreover, due to the different regional environment where the photovoltaic modules are installed, the photovoltaic modules used will be customised according to their geographic environment, with the examples of anti-glare photovoltaic modules used in airports to prevent light reflection caused to aircrafts; colorless photovoltaic modules on roofs of residential/commercial buildings; moisture-proof photovoltaic modules used in coastal area or on water surface due to its water-resistance and wind-sand-resistant photovoltaic modules in desert areas to resist damages caused by sandstorms, etc. Complemented by the gradual optimisation of various installation methods, the scale of application of bi-facial photovoltaic modules are expected to continuously expand. Such customisation requirements of photovoltaic modules bring about various demands for photovoltaic glass products.

### *Static/diminishing business operations by the Target Companies*

With a view of the aforementioned resource concentration on its core businesses, the Group has been making strategic adjustment for its investments in non-core businesses gradually.

For instance, the revenue contributed from sale of electricity to external customers from the operation of solar power stations of Green Energy for FY2018 and FY2019 and for the seven months ended 31 July 2020 represents minority shares of approximately 1.3%, 0.8% and 0.9% of the Group’s total revenue for the corresponding years and period. In addition, the turnaround loss position of Green Energy for FY2019 did not conform to the overall profit-making position of the Group during the same year, suggesting that the operations and performance of the Green Energy were not in line with that of the Group in general. As discussed with the Management, we understand that it is the intention of the Group to reduce its investments in non-core business in sale of electricity to external customers and focus its resources on its core business area in development of photovoltaic glass business, hence the Proposed Disposal of Green Energy provides an opportunity for the Company realise its investment in a loss-making operation at premium, whilst to dispense with potential capital requirements for the continuous development of Green Energy.

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On the other hand, the new materials business contributed approximately 26.9% of the total revenue of the Group for FY2019 and the operation of IRICO New Material contributed majority of the Company's revenue in the new materials business. With reference to the 2019 Annual Report and as advised by the Management, we note that amongst the major products of IRICO New Material, in particular the positive photoresists and cathode materials, that (i) there has been a large technological gap between domestic and international positive photoresists manufacturers and the global market share has been predominated by American, Japanese and Korean enterprises, such competitive advantages from foreign enterprises hinder the growth potential of the existing photoresists business of IRICO New Material; and (ii) the price of cathode materials has shown a downward trend due to the excess manufacturing capacity in the market in the PRC and there has been constant shift of production cost from battery manufacturers to their upstream suppliers, which led to the continuous decrease in price of cathode materials. Based on the above, the lack of the latest industry technologies and the downward pricing trend of the major products of IRICO New Material it is expected to bring continuous pressure to its business operation, which leads to a relatively stagnant development potential of the business.

Meanwhile, the solar photovoltaic cell and modules business contributed approximately 11.8% of the total revenue of the Group for FY2019, Jiangsu Yongneng, being the core operating entity of the Group's production and sales of solar photovoltaic cells and modules, has contributed all of the revenue of the solar photovoltaic cell and modules business of the Group for FY2019, and has maintained a thin gross margin for its operation for the past few years due to its high production and operation costs, its business performance has also lagged behind other businesses of the Group. As discussed with the Management, we understand that although the Company remained optimistic in relation to the overall development of solar photovoltaic industry in the PRC, major corporate resources will be allocated to the development of photovoltaic glass business by the Group, therefore the development potential of the photovoltaic module business of Jiangsu Yongneng is considered limited.

In addition, the scale of operation of Zhuhai Caizhu has shrunk after (i) the disposal of the Electric Appliance Business and the Material Business; and (ii) the completion of disposal of 51% equity interests in Zhuhai Caizhu in FY2018, the revenue of Zhuhai Caizhu in FY2019 was primarily derived from the rental income and the fair value gains from its investment properties, which did not match the principal businesses of photovoltaic business of the Company and recorded merely approximately 0.3% of the revenue of the Group in corresponding financial year. As such, the disposal of Zhuhai Caizhu represents an opportunity for the Company to (i) realise the fair value of the 49% equity interest in Zhuhai Caizhu; and (ii) offload such non-core business which had relatively insignificant revenue contribution to the Group during FY2019 and with passive growth prospects in the future.

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In view of the above, the Proposed Disposals represent good opportunities for the Company to realise the intrinsic values of the Target Companies and off-load the deteriorating and non-core businesses so as to shift its business focus and corporate resources into the development of its photovoltaic glass business, which the Group has been making solid progress and deriving its competitive industry advantages through constant breakthroughs in its research and development, and shows better growth prospects and market potentials under the context of encouraging government policies promulgated by the PRC government. As such, we are of the view that the Proposed Disposals are in the interests of the Company and the Independent Shareholders as a whole.

### II. Terms of the Proposed Disposals

#### 1. *Principal terms of the Equity Transfer Agreements of the Target Companies*

The principal terms of the Equity Transfer Agreements of the Target Companies are set out as follows:

|                                  |   |   |   |   |
|----------------------------------|---|---|---|---|
| <b>Date:</b>                     | 30 October 2020   |   |   |   |
| <b>Target Companies:</b>         | Green Energy  | IRICO New Material  | Jiangsu Yongneng  | Zhuhai Caizhu   |
| <b>Parties:</b>                  | (i) the Company, as the vendor; and<br><br>(ii) IRICO Group, as the purchaser   | (i) the Company, as the vendor; and<br><br>(ii) IRICO Group, as the purchaser | (i) the Company, as the vendor; and<br><br>(ii) IRICO Group, as the purchaser | (i) the Company, as the vendor; and<br><br>(ii) Zhongdian IRICO, as the purchaser |
| <b>Assets to be disposed of:</b> | 100% equity interests in Green Energy   | 76.32% equity interests in IRICO New Material                                 | 51% equity interests in Jiangsu Yongneng                                      | 49% equity interests in Zhuhai Caizhu   |
| <b>Consideration:</b>            | RMB104,100,000  | RMB287,115,800  | RMB61,455,000   | RMB129,418,900  |
| <b>Payment:</b>                  | (i) 50% of the consideration will be paid within five business days from the effective date of each of the Equity Transfer Agreements;<br><br>(ii) 20% of the consideration will be paid before 30 June 2021; and<br><br>(iii) the remaining 30% of the consideration will be paid before 31 December 2021. |   |   |   |
| <b>Conditions Precedent:</b>     | Concluded upon being duly signed and executed by both parties and shall become effective upon obtaining the Independent Shareholders' approval at the EGM on 28 December 2020.  |   |   |   |
| <b>Completion:</b>               | Upon full payment of 50% of the consideration (i.e. RMB52,050,000).   |   |   |   |

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| <b>Profits and losses during the transition period</b> | The profits and losses attributable to the equity interests to be disposed of during the period commencing from the Valuation Benchmark Date (as defined below) to the completion date shall be enjoyed or borne by IRICO Group. | The profits and losses attributable to the equity interests to be disposed of during the period commencing from Valuation Benchmark Date (as defined below) to the completion date shall be enjoyed or borne by Zhongdian IRICO. |
|--|--|--|

The considerations of the Target Companies were determined based on arm's length negotiations between the Company and IRICO Group and Zhongdian IRICO (as the case may be) with reference to the appraised net assets value of the Target Companies as at 31 July 2020 (i.e. the "**Valuation Benchmark Date**") as set out in the assets valuation reports prepared by the Valuer, adjusted for the percentages of equity interests held by the Company for each of the Target Companies as at the Valuation Benchmark Date. The registration of change in equity interests in the Target Companies shall be completed within 15 business days after the Equity Transfer Agreements become effective.

### *Mode of settlement*

The consideration under each of the Equity Transfer Agreements shall be satisfied by IRICO Group and Zhongdian IRICO in cash and payable in the following manner:

- (i) 50% of the consideration will be paid within five business days from the effective date of each of the Equity Transfer Agreements;
- (ii) 20% of the consideration will be paid before 30 June 2021; and
- (iii) the remaining 30% of the consideration will be paid before 31 December 2021.

As advised by the Management, the payment terms of the Equity Transfer Agreements were determined after arm's length negotiations between the Group, IRICO Group and Zhongdian IRICO, having considered (i) the financial resources readily available by IRICO Group and Zhongdian IRICO for the Proposed Disposals; (ii) the consideration under each of the Equity Transfer Agreement shall be satisfied in cash payments; and (iii) the expected capital commitment and requirement of the Group for its existing operations and upcoming business development. Meanwhile, we noted that upon the Equity Transfer Agreements become effective and 50% of the total considerations be paid by IRICO Group and Zhongdian IRICO, the Group would receive an aggregated

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amount of approximately RMB291.1 million, which will be sufficient to replenish the investment capital of the Group for the construction of Hefei Photoelectric Glass Project under the Purchase Agreement of RMB290 million. Although the Group shall only be able to receive the remaining 50% of the total consideration under each of the Equity Transfer Agreements before 31 December 2021, as advised by the Management, upon considering (i) IRICO Group is the controlling Shareholder of the Company which is a state-owned enterprise with 61 operating subsidiaries (including the Group) and recorded over RMB4 billion operating revenue and net profit of approximately RMB67.7 million for FY2019. IRICO Group also recorded realisable current assets in the amount of approximately RMB5.0 billion and investment properties in the amount of approximately RMB8.5 billion which could be converted into cash as at 31 December 2019; and (ii) while Zhongdian IRICO is a state-owned enterprise held by the Company's controlling shareholder (CEC) and recorded over RMB500 million operating revenue and net profit of approximately RMB130 million for FY2019 and held investment properties in the amount of approximately RMB4.5 billion which could be converted into cash as at 31 December 2019, which indicated IRICO Group and Zhongdian IRICO had sufficient financial resources to fulfill their payment obligations under the Equity Transfer Agreements, therefore the possibility of default in payment by IRICO Group and Zhongdian IRICO are relatively low.

As further advised by the Management, we understand that the entering into of the Equity Transfer Agreements and the Purchase Agreements are not inter-conditional. However, the payment terms under the Equity Transfer Agreements shall match with the expected capital requirement of the Group for the Hefei Photoelectric Glass Project within the coming 12-months construction period upon the Purchase Agreement become effective. Throughout the construction period of the Hefei Photoelectric Glass Project, the construction and installation stages of the system equipment and infrastructural facilities shall account for majority of the capital requirement, while the design, testing and checking stages of such equipment and facilities prior to and after the construction and installation stages shall account for the remaining capital requirement. Based on our discussion on the estimated construction schedule of the Hefei Photoelectric Glass Project with the Management, we understand that the construction and installation of the system equipment for the Hefei Photoelectric Glass Project under the Purchase Agreement are expected to be completed in stages during the second and third quarter of 2021, which will be satisfied by the 50% of the total consideration of the Proposed Disposal upon becoming effective. Meanwhile, the construction and installation of the infrastructural facilities for the Hefei Photoelectric Glass Project, which will be partially financed by the remaining 50% of the total consideration of the Proposed Disposal and internal resources of the Group, shall

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commence in the fourth quarter of 2021 and will be settled in stages based on the construction progress. As such, we concur with the view of the Company that the payment schedule under the Equity Transfer Agreements will be able to match with the expected capital requirement of the Group for the Hefei Photoelectric Glass Project.

Based on the above, having considered (i) the opportunity of realising the Company's corporate assets and avoid potential loss in the Target Companies; (ii) an interested buyer for the Target Companies may not be readily available in the market; (iii) IRICO Group and Zhongdian IRICO had sufficient financial resources to fulfill their payment obligations under the Equity Transfer Agreements and the possibility of default in payments during the year ending 31 December 2021 are low; and (iv) the payment schedule under the Equity Transfer Agreements will be able to match with the expected capital requirement of the Group for the Hefei Photoelectric Glass Project, we are of the view that the payment terms of the Equity Transfer Agreements, in an overall perspective, are reasonable and in the interests of the Company and Independent Shareholders as a whole.

### *Evaluation of the consideration of the Target Companies*

In order to determine the fairness and reasonableness of the consideration to the Proposed Disposals, we have obtained and reviewed the valuation report on Green Energy (the "**Green Energy Valuation Report**"), IRICO New Material (the "**IRICO New Material Valuation Report**"), Jiangsu Yongneng (the "**Jiangsu Yongneng Valuation Report**") and Zhuhai Caizhu (the "**Zhuhai Caizhu Valuation Report**", together the "**Valuation Reports**") and its underlying calculations prepared by the Valuer. We have also reviewed and inquired the Valuer on the key basis and assumptions and the steps and due diligence measures taken by the Valuer for conducting the valuations.

### *Qualification of the Valuer*

In compliance with the requirements of Rule 13.80 of the Listing Rules, we have reviewed and enquired the qualification and experience of the Valuer in charge of the valuations. In particular, we have checked the website of the Valuer and noted that the Valuer is a registered valuation companies under China Appraisal Society and Ministry of Finance of the People's Republic of China (Beijing). Meanwhile, we understand from our enquiry with the Valuer that it is a third party independent of the Company, Zhongdian IRICO and the IRICO Group. Further, based on our review on

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the credentials of the Valuer, we understand that the Valuer has performed multiple valuations of PRC companies in various sectors including energy, infrastructure and property investment over the past few years. We have also reviewed the scope of services provided under the engagement of the Valuer by the Company and we note that the Valuer was engaged to assess and provide the valuations of (i) 100% equity interests in Green Energy; (ii) 76.32% equity interests in IRICO New Material; (iii) 51% equity interests in Jiangsu Yongneng; and (iv) 49% equity interests in Zhuhai Caizhu as at the Valuation Benchmark Date, the scope of work adhere to the underlying target assets to be disposed by the Group under the Equity Transfer Agreements and is therefore appropriate to the opinion given and there were no limitations on the scope of work. Thus, we consider that the Valuer is qualified and possesses sufficient relevant experience in performing the valuation of the Target Companies.

### *General Valuation Methodologies*

We have reviewed and discussed with the Valuer the methodology adopted in performing the valuation. Based on our understanding from the Valuer, the Valuation Reports have been prepared in accordance with the PRC valuation standards. We note that the Valuer has considered three widely-used approaches, namely the asset-based approach, income approach and market approach for the valuations of the Target Companies.

The asset-based approach established value based on the cost of reproducing or replacing the assets less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. Assets for which without a known used market or separately identifiable cash flows attributable to assets may be appraised by this approach. The asset-based approach values each item of the business entity's asset and liability with the end product being the appraised net asset value of such business entity.

The market approach refers to a method that gets the value of the valuation subject by comparing to comparable listed companies or comparable transactions to determine the value of the appraised entity. Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.



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The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk. The application of income approach requires that the assets to be appraised should have sustainable future operation, and the future earnings from the assets could be reliably predictable, and the risks and rewards related to the assets could be reliably estimated and measured.

### *Major Assumptions*

According to the Valuation Reports, the valuation was performed based on the following assumptions, which include (i) the assets to be appraised are assumed to be in the process of the transaction, and their values can be estimated according to the transaction conditions in a simulated market; (ii) the assets are publicly tradable in the market with developed and comprehensive market condition where the market is competitive with willing buyers and sellers who have access to adequate market information; (iii) that each of the Target Companies can continue to carry on its business in the foreseeable future under the existing assets resources conditions with no material adverse changes to its operating conditions; and (iv) the assets will continue to be used for the current purpose and mode of usage without considering asset use conversion or optimal utilisation conditions.

Moreover, we understand from the Valuer that the following general assumptions have also been adopted in performing the valuation, including (i) there will be no unforeseen significant adverse changes in the external social or economic environment, including the relevant prevailing laws, macroeconomic, financial and industrial policies, and there will be no significant force majeure and unforeseen factors; (ii) no significant changes in the bank credit interest rates, exchange rates or tax rates; (iii) the appraisal did not consider the impact of any collateral or guarantee that each of the Target Companies and its assets may assume in the future; (iv) the development trend of the industry of the appraised entity was stable, and the existing laws, regulations and economic policies related to the production and operation of the appraised entity remained stable.

We have inquired the Valuer on the applicability of the abovementioned assumptions and we understand that such assumptions are generally and consistently adopted in other business valuation exercises and are in line with the market practices. We are therefore of the view that the assumptions adopted in the valuation are fair and reasonable so far as the Independent Shareholders are concerned.

### 2. *Green Energy Equity Transfer Agreement*

#### *Valuation on Green Energy*

##### (a) Valuation methodology

As discussed with the Valuer, we understand both asset-based approach and market approach are considered suitable approaches for the valuation of Green Energy. In particular, the asset-based approach is considered suitable due to Green Energy had complete financial materials and asset management materials available, and data and information of acquisition costs of assets were able to be obtained from a broad range of sources. Meanwhile, the market approach is considered suitable due to a considerable amount of A-share listed companies engaged in the same industry as Green Energy as of the Valuation Benchmark Date, thus sufficient and reliable operational and financial data were available from those comparable companies. On the other hand, due to the substantial amount of initial investment in the construction of solar power stations by Green Energy, it has a long capital recovery cycle. The adoption of income approach, which is heavily reliant on the projection of discounted future revenue and/or cash inflows, may subject to higher uncertainties due to longer projection periods and therefore is considered not appropriate.

Upon our further enquiry with the Valuer, we understand that while the asset-based approach is representative in assessing the asset and liabilities of the enterprise, the approach cannot fully represent the comprehensive profitability of the appraised asset and its growth potential, and cannot reveal the value of intangible assets, such as management capabilities of the directors, research and development capabilities, goodwill, etc. Meanwhile, the market approach reflect prevailing market price of the appraised asset to reflect its condition and performance relative to the market comparables. Therefore, the Valuer considers that the adoption of market approach is more suitable than asset-based approach for the valuation of Green Energy.

Based on our review of the Green Energy Valuation Report and the discussion with the Valuer, we consider the use of market approach by the Valuer for the valuation of Green Energy is reasonable and the basis and assumptions adopted by the Valuer are fair and reasonable.

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(b) Review of the Green Energy Valuation Report

According to the Green Energy Valuation Report, the appraised value of Green Energy under the market approach by adopting the listed companies comparison method was approximately RMB104,100,000, representing a premium of approximately 2.7% to the net asset value of Green Energy as at the Valuation Benchmark Date. The Valuer has selected three comparables based on the criteria: (i) the company is principally operated in the industry of electricity and heat production and supply; and (ii) the company is listed on a stock exchange in the PRC (including the Shenzhen Stock Exchange or the Shanghai Stock Exchange) for over two years which helped eliminate companies with high fluctuations in stock price in the early period after listing on the stock exchange and ensured the actual operational performance is reflected in the financial results after listing.

Further, rate multipliers are commonly used in the market approach as comparison indicators to reflect the conditions of the appraised assets relative to the market comparables, which can generally be divided into three categories, namely, income rate multipliers, asset rate multipliers and other special rate multipliers. Due to the loss-making position of Green Energy for the seven months ended 31 July 2020 as illustrated above, the Valuer considers the income rate multiplier, which is usually applicable to industries or businesses with relatively stable profit or revenue and low volatility, is not suitable to be the benchmark valuation multiple to be used under the market approach. Meanwhile, due to the asset intensive nature of the principal business of Green Energy, the Valuer considers the use of asset rate multiplier, the adjusted price-to-book ratio (the “**Adjusted P/B Ratio**”), as a more suitable benchmark valuation multiple to be used under the market approach. Such Adjusted P/B Ratio was derived from (i) the average P/B ratios (as defined below) for each of the selected market comparables for the past three financial years adjusted for the performances of various financial ratios of the market comparables based on its latest financial period as compared to those of the Target Companies as at the Valuation Benchmark Date, including but not limited to revenue growth rate, net profit ratio, account receivable turnover rate and current ratio, etc (the “**Market Comparables P/B Ratios**”); multiplied by (ii) the weighted average percentages assigned for the Market Comparable P/B Ratios based on the level of compatibility of the aforementioned financial ratios of the market comparables to those of Target Companies, which the closer such ratios of the market comparables were when compared to those of Target Companies, the higher its weighted average percentages applied (the “**Market Comparable Weighted Average Percentages**”).

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For the valuation of Green Energy, the Market Comparable P/B Ratios ranged from approximately 1.03 to 1.34 and the Market Comparable Weighted Average Percentages ranged from approximately 25.7% to 45.7% amongst the market comparables, the Adjusted P/B Ratio applied as the asset rate multiplier in the valuation of Green Energy was approximately 0.97.

Besides, we understand from the Valuer that a discount for lack of marketability (“**DLOM**”) has been applied in the valuation of Green Energy after taking into account the limited liquidity of the equity of Green Energy which was not listed on a stock exchange and not actively traded in an open market. The Valuer determined the size of adjustment of DLOM with reference to the “2020 DLOM Calculation Table on Comparison of Price-to-Earnings Ratios between Non-listed Company Transactions and Listed Companies”《非上市公司併購市盈率與上市公司市盈率比較計算非流動性折扣率計算表(2020)》(the “**DLOM Calculation Table**”) issued by China Alliance Appraisal Company Limited covering information of approximately 739 non-listed company transactions and 3,126 listed companies across different industries. The Valuer has adopted the adjusting rate for electricity, heat production and supply industry from the DLOM Calculation Table in assessing the value of Green Energy. As advised by the Valuer, the DLOM Calculation Table is considered a popular reference for business valuation field in the PRC as the statistics cover a large number of companies and transactions. The Valuer considers such adjustment rate applies an appropriate marketability discount to the valuation of Green Energy with reference to its principal business sector. For the valuation of Green Energy, the DLOM applied in the valuation of Green Energy was approximately 22.72%.

After taking into account (i) the reasons for adopting the market approach; (ii) the selection basis of the market comparables; and (iii) the adjusting components including the asset rate multiplier and the DLOM for the valuation of Green Energy by the Valuer, we are of the view that the valuation methodology and the market comparables and corresponding adjusting components used in such valuation approach are fair and reasonable. In conjunction with the fact that the appraised value of the entire equity interest of Green Energy as set out in the Green Energy Valuation Report was at a slight premium of approximately 2.7% to the net asset value of Green Energy as at the Valuation Benchmark Date, we consider that the appraised value of Green Energy of RMB104,100,000 is fair and reasonable.

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(c) Independent evaluation of the entire equity interest of Green Energy

In order to independently assess the value of the entire equity interest of Green Energy, we have considered valuation approaches such as the market approach by making reference to benchmarks of price-to-earnings ratio (“**P/E Ratio**”) and price-to-book ratio (“**P/B Ratio**”) of Green Energy. However, given that Green Energy was loss-making during FY2019, it is not practicable to estimate the value of the entire equity interest of Green Energy by using P/E Ratio.

Such independent P/B Ratio evaluation shall serve as a supplemental analysis to assess the fairness and reasonableness of the appraised value of Green Energy set out in the Green Energy Valuation Report, which was derived using market comparable companies listed in the stock exchanges in the PRC, with the P/B Ratios of comparable companies we identified on the Stock Exchange. Having considered that Green Energy is principally engaged in the operation of solar power stations, we have independently performed research on the Stock Exchange to look for comparable companies which are (i) listed on the Main Board of the Stock Exchange (companies which trading of whose shares were suspended are excluded); and (ii) principally engaged in the same industry of Green Energy, that is, more than 50% of their revenue contributed from operation of power station and/or supply of power systems in the latest financial year, as that of Green Energy. To the best of our knowledge, we have identified six companies (the “**Power Station Comparable Companies**”) which set forth in the table below an exhaust list under the above criteria. Independent Shareholders should note that the below comparisons are only for general reference purpose as some aspects including scale of operation, trading prospect, financial performance and capital structure of the Power Station Comparable Companies may not be exactly the same with those of Green Energy.

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| Company Name                                   | Stock Code | Principal business  | Market Capitalisation as at the date of the Equity Transfer Agreements | Net asset value in the latest annual/interim period prior to the date of the Equity Transfer Agreements | P/B Ratio<br><i>(Note 1)</i> |
|--|------------|---|--|---|------------------------------|
|  |            |   | <i>(Approximately HK\$ million)</i>                                    | <i>(Approximately HK\$ million)</i>   |                              |
| Kong Sun Holdings Limited                      | 295        | (i) Operation of solar power plants; (ii) trading of liquefied natural gas; and (iii) provision of financial services in the PRC      | 628.51   | 6,058.05  | 0.10                         |
| GCL New Energy Holdings Limited                | 451        | (i) The operation of solar power plants; and (ii) the manufacture and sales of printed circuit board in the PRC                       | 2,174.40   | 11,556.77   | 0.19                         |
| Beijing Energy International Holding Co., Ltd. | 686        | Operation of (i) solar power plants; and (ii) other renewable energy projects including photovoltaic, wind power and hydropower, etc  | 4,956.58   | 5,982.95  | 0.83                         |
| Shunfeng International Clean Energy Limited    | 1165       | (i) Operation of solar power plants; and (ii) manufacturing and sales of LED products in the PRC                                      | 528.13   | 132.22  | 3.99                         |
| LongiTech Smart Energy Holding Limited         | 1281       | (i) The provision of smart energy solutions; and (ii) the operation of solar power plants under the Baoding Donghu project in the PRC | 296.92   | 1,359.59  | 0.22                         |

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| Company Name                        | Stock Code | Principal business                  | Market Capitalisation as at the date of the Equity Transfer Agreements | Net asset value in the latest annual/interim period prior to the date of the Equity Transfer Agreements | P/B Ratio           |
|-------------------------------------|------------|-------------------------------------|--|---|---------------------|
|                                     |            |                                     | (Approximately HK\$ million)   | (Approximately HK\$ million)  | (Approximate times) |
| Xinyi Energy Holdings Limited       | 3868       | Operation of solar farms in the PRC | 28,368.89  | 9,823.41  | 2.89                |
|                                     |            |                                     |  | <b>Maximum</b>  | 3.99                |
|                                     |            |                                     |  | <b>Minimum</b>  | 0.10                |
|                                     |            |                                     |  | <b>Average</b>  | 1.37                |
|                                     |            |                                     |  | <b>Median</b>   | 0.52                |
| The appraised value of Green Energy |            |                                     | 118.30   | 115.24  | 1.03                |
|                                     |            |                                     |  |   | (Note 2)            |

*Notes:*

1. The P/B Ratio is derived from dividing the market capitalisation by the net asset value of the relevant Power Station Comparable Companies as extracted from their respective latest published annual reports or interim reports.
2. The implied P/B Ratio of Green Energy was calculated by dividing the implied consideration of 100% equity interest of Green Energy by the unaudited net asset value of Green Energy as at 31 July 2020.
3. For illustration purpose, exchange rate of HKD/RMB is 0.88.

Based on the above, we note that the P/B Ratios of the Power Station Comparable Companies ranged from approximately 0.10 to approximately 3.99 and have an average of approximately 1.37 and a median of approximately 0.52. The implied P/B Ratio of Green Energy, where the consideration of the Green Energy Equity Transfer Agreement was based on 100% of the equity interest of Green Energy, was approximately 1.03, which is below the average P/B Ratios of the Power Station Comparable Companies, but falls within the range and is above the median P/B Ratios the Power Station Comparable Companies. Therefore, the appraised value of Green Energy fell within the prevailing market price level of listed companies engaged in similar solar power station business on the Stock Exchange.

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Having considered (i) the qualification and experience of the Valuer; (ii) the Valuer being independent with the Company, Zhongdian IRICO and IRICO Group; (iii) the appropriate scope of work of the Green Energy Valuation Report; (iv) the appropriate methodology, assumptions and adjusting components being adopted in the Green Energy Valuation Report; (v) the appraised value of the entire equity interest of Green Energy was at a slight premium of approximately 2.7% to the net asset value of Green Energy as at the Valuation Benchmark Date; and (vi) under our supplemental assessment, the implied P/B Ratio of Green Energy despite being lower than the average P/B Ratio of the Power Station Comparable Companies, fell within the range and was above the median P/B Ratios of the Power Station Comparable Companies, representing the consideration of the Green Energy Equity Transfer Agreement is within the prevailing market price level as compared to the market price of the Power Station Comparable Companies, we are of the view that the consideration of the Green Energy Equity Transfer Agreement of RMB104,100,000, which was determined based on the Green Energy Valuation Report, is fair and reasonable.

### **3. *IRICO New Material Equity Transfer Agreement***

#### *Valuation on IRICO New Material*

##### **(a) Valuation methodology**

Similar to the background of Green Energy, we understand both asset-based approach and market approach are considered suitable approaches for the valuation of IRICO New Material due to (i) IRICO New Material had complete financial materials and asset management materials available, and data and information of acquisition costs of assets were able to be obtained from a broad range of sources; and (ii) a considerable amount of A-share listed companies were engaged in the same industry as Green Energy as of the Valuation Benchmark Date, thus sufficient and reliable operational and financial data were available from those comparable companies. On the other hand, we understand from the Valuer that due to the impact of the pandemic and economic changes in 2020, the price of its main products such as silver paste and luminescent materials experienced widely fluctuations, which has directly affected the income and profitability of electronic chemical industry companies, hence it is difficult to reasonably predict the future cash flow of IRICO New Material. As such, the income approach was considered not suitable by the Valuer for valuation of IRICO New Material. Moreover, in order to reflect



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the comprehensive profitability and growth potential of IRICO New Material taking into account the value of its intangible assets in the prevailing market conditions, the Valuer considers that the adoption of market approach is more suitable than asset-based approach for the valuation of IRICO New Material.

Based on our review of the IRICO New Material Valuation Report and the discussion with the Valuer, we consider the use of market approach by the Valuer for the valuation of IRICO New Material is reasonable and the basis and assumptions adopted by the Valuer are fair and reasonable.

(b) Review of the IRICO New Material Valuation Report

According to the IRICO New Material Valuation Report, the appraised value of IRICO New Material under the market approach by adopting the listed companies comparison method was approximately RMB376,200,000, representing a premium of approximately 27.0% to the net asset value of IRICO New Material as at the Valuation Benchmark Date. The Valuer has selected three comparables based on the criteria: (i) the company is principally operated in the industry of chemical raw materials and chemical products manufacturing, which is similar to IRICO New Material; and (ii) the company is listed on a stock exchange in the PRC for over two years.

With regards to the use of rate multipliers in the valuation of IRICO New Material, the Valuer has adopted the P/B Ratio as the benchmark valuation multiple under the market approach due to its asset intensive nature of the principal business of IRICO New Material. The Valuer has not considered income multiplier after taking into account the material fluctuation in the prices of the main products of IRICO Material such as silver paste and luminescent materials due to the global pandemic and economic changes in 2020.

With regards to the DLOM applied in the valuation of IRICO New Material, the Valuer has adopted the adjusting rate for chemical raw materials and chemical products manufacturing industry from the DLOM Calculation Table in assessing the value of IRICO New Material, which is considered to be an appropriate marketability discount to the valuation of IRICO New Material with reference to its principal business sector.

For the valuation of IRICO New Material, the Market Comparable P/B Ratios ranged from approximately 1.72 to 2.55 and the Market Comparable Weighted Average Percentages were approximately 33.3% amongst the market comparables, the Adjusted P/B Ratio applied as the asset rate multiplier in the valuation of IRICO New Material was approximately 1.69. Meanwhile, the DLOM applied in the valuation of IRICO New Material was approximately 23.04%.

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After taking into account (i) the reasons for adopting the market approach; (ii) the selection basis of the market comparables; and (iii) the adjusting components including the asset rate multiplier and the DLOM for the valuation of IRICO New Material by the Valuer, we are of the view that the valuation methodology and the market comparables and corresponding adjusting components used in such valuation approach are fair and reasonable. In conjunction with the fact that the appraised value of 76.32% equity interest of IRICO New Material was at a premium of approximately 27.0% to the net asset value of IRICO New Material as at the Valuation Benchmark Date, we consider that the appraised value of IRICO New Material of RMB287,115,800 is fair and reasonable.

(c) Independent evaluation of 76.32% equity interest for IRICO New Material

In order to independently assess the value of the 76.32% equity interest of IRICO New Material, we have considered valuation approaches such as the market approach by making reference to benchmarks of P/E Ratio and P/B Ratio of IRICO New Material.

Such independent P/E Ratio and P/B Ratio evaluation shall serve as a supplemental analysis to assess the fairness and reasonableness of the appraised value of IRICO New Material set out in the IRICO New Material Valuation Report, which was derived using market comparable companies listed in the stock exchanges in the PRC, with the P/E Ratios and P/B Ratios of comparable companies we identified on the Stock Exchange. Having considered that IRICO New Material is principally engaged in the manufacturing and sales of photoresists, luminescent material and cathode material for lithium ion batteries, we have independently performed research on the Stock Exchange to look for comparable companies which are (i) listed on the Main Board of the Stock Exchange (companies which trading of whose shares were suspended are excluded); and (ii) principally engaged in the same industry of IRICO New Material, that is, more than 50% of their revenue contributed from manufacturing and sales of photoresists, luminescent material and cathode material in the latest financial year. However, no company can be identified under such criteria. Therefore, we have enlarged our selection criteria to incorporate companies which are principally engaged in the manufacturing and sales of chemical materials contributing over 50% of their revenue in the latest financial year. To the best of our knowledge, we have identified thirteen companies (the “**New Material Comparable Companies**”) which set forth in the table below an exhaust list under the above criteria. Independent Shareholders should note that the below comparisons are only for general reference purpose as some aspects including scale of operation, trading prospect, financial performance and capital structure of the New Material Comparable Companies may not be exactly the same with those of IRICO New Material.

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| Company Name                                      | Stock Code | Principal Business  | Market Capitalisation as at the date of the Equity Transfer | Net asset value attributable in the latest annual/interim period prior to the date of the Equity Transfer | Net profit after tax in the latest full financial year prior to the date of the Equity Transfer | P/E Ratio<br>(Note 1) | P/B Ratio<br>(Note 2) |
|---|------------|---|---|---|---|-----------------------|-----------------------|
|   |            |   | (Approximately HK\$ million)                                | (Approximately HK\$ million)  | (Approximately HK\$ million)  |                       |                       |
| Dongyue Group Limited                             | 189        | (i) Chemical engineering business for refrigerants, polymers, organic silicone and liquid alkali; and (ii) property development business in the PRC | 6,229.48  | 11,551.47   | 1,979.86  | 3.15                  | 0.54                  |
| SANVO Fine Chemicals Group Limited                | 301        | Fine chemical product business for aerosols, organic silican gel adhesives and synthetic adhesives products   | 401.85  | 201.45  | 27.20   | 14.77                 | 1.99                  |
| Yip's Chemical Holdings Limited                   | 408        | Chemical business for solvents, coating, inks and lubricants products   | 1,521.63  | 3,559.37  | 337.07  | 4.51                  | 0.43                  |
| Tiande Chemical Holdings Limited                  | 609        | Chemical products-related business for cyanide and its derivative products, alcohol products, and chloroacetic acid and its derivative products     | 511.17  | 1,527.07  | 13.24   | 38.62<br>(Note 3)     | 0.33                  |
| Infinity Development Holdings Company Limited     | 640        | Manufacturing and trading of adhesives products   | 343.64  | 380.25  | 66.04   | 5.20                  | 0.90                  |
| CNT Group Limited                                 | 701        | (i) Manufacture and sales of paint products; (ii) property investment; and (iii) iron and steel trading   | 694.85  | 1,662.00  | 227.90  | 3.05                  | 0.42                  |
| Lee & Man Chemical Company Limited                | 746        | Manufacture and sales of chemical products including polymers, basic chemicals, food and water additives, refrigerants and special coating          | 2,409.00  | 3,840.81  | 700.77  | 3.44                  | 0.63                  |
| Denox Environmental & Technology Holdings Limited | 1452       | (i) The plate-type DeNOx catalysts business; and (ii) provision of environmental protection consulting services in the PRC                          | 88.93   | 292.26  | (44.36)   | N/A<br>(Note 4)       | 0.30                  |

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| Company Name  | Stock Code | Principal Business  | Market Capitalisation as at the date of the Equity Transfer Agreements | Net asset value attributable in the latest annual/interim period prior to the date of the Equity Transfer Agreement | Net profit after tax in the latest full financial year prior to the date of the Equity Transfer Agreements | P/E Ratio | P/B Ratio |
|---|------------|---|--|---|--|-----------|-----------|
|   |            |   | (Approximately HK\$ million)   | (Approximately HK\$ million)  | (Approximately HK\$ million)   | (Note 1)  | (Note 2)  |
| Pan Asia Data Holdings Inc.   | 1561       | Manufacture and sales of liquid coatings, powder coatings and related subcontracting services   | 1,314.11   | 1,773.45  | 31.10  | 42.25     | 0.74      |
| Sunlight Technology Holdings Limited  | 1950       | Faux leather chemicals business   | 270.00   | 267.20  | 27.41  | 9.85      | 1.01      |
| Tsaker Chemical Group Limited   | 1986       | Manufacture and sale of intermediate products for dye, pigment and agricultural chemical, battery materials and the provision of environmental technology consultation services | 1,250.11   | 1,983.56  | 588.96   | 2.12      | 0.63      |
| China Sanjiang Fine Chemicals Company Limited                                 | 2198       | (i) Manufacture and supply of ethylene oxide and related products; (ii) provision of surfactants processing service; and (iii) construction and management of pipe network      | 2,534.70   | 4,752.52  | 656.25   | 3.86      | 0.53      |
| EcoGreen International Group Limited  | 2341       | Production and trading of fine chemicals from natural resources for aroma chemicals and pharmaceutical products   | 984.32   | 2,737.49  | 260.27   | 3.78      | 0.36      |
|   |            |   |  |   |  | Maximum   | 1.99      |
|   |            |   |  |   |  | Minimum   | 0.30      |
|   |            |   |  |   |  | Average   | 0.68      |
|   |            |   |  |   |  | Median    | 0.54      |
| The appraised value of IRICO New Material adjusted for 76.32% equity interest |            |   | 326.27   | 258.14  | 24.58  | 13.28     | 1.26      |
|   |            |   |  |   |  | (Note 5)  | (Note 6)  |

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*Notes:*

1. The P/E Ratio is derived from dividing the market capitalisation by the net profit after tax of the relevant New Material Comparable Companies as extracted from their respective latest published annual reports.
2. The P/B Ratio is derived from dividing the market capitalisation by the net asset value of the relevant New Material Comparable Companies as extracted from their respective latest published annual reports or interim reports.
3. Excluded as outlier.
4. The relevant New Material Comparable Companies have recorded net loss after tax according to their respective latest published annual financial results. As such, the P/E Ratio was not applicable for analysis purpose.
5. The implied P/E Ratio of IRICO New Material was calculated by dividing the implied consideration of 76.32% equity interest of IRICO New Material by the adjusted net profit for 76.32% equity interest of IRICO New Material as at 31 July 2020.
6. The implied P/B Ratio of IRICO New Material was calculated by dividing the implied consideration of 76.32% equity interest of IRICO New Material by the adjusted net asset value for 76.32% equity interest of IRICO New Material as at 31 July 2020.
7. For illustration purpose, exchange rate of HKD/RMB is 0.88.

Based on the above, we note that the P/B Ratios of the New Material Comparable Companies ranged from approximately 0.30 to approximately 1.99 and have an average of approximately 0.70 and a median of approximately 0.58. The implied P/B Ratio of IRICO New Material, where the consideration of the IRICO New Material Equity Transfer Agreement was based on 76.32% of the equity interest of IRICO New Material, was approximately 1.26, which was higher than the average and median P/B Ratios and fell within the range of P/B Ratios of the New Material Comparable Companies.

The P/E Ratios of Tiande Chemical Holdings Limited and Pan Asia Data Holdings Inc. are considered as outliers (the “**New Material Outliers**”), as their P/E Ratios were substantially higher than those of other New Material Comparable Companies. By excluding the P/E Ratios of the New Material Outliers, we also noted that the P/E Ratios of the New Material Comparable Companies ranged from approximately 2.12 to approximately 14.77 and have an average of approximately 5.37 and a median of approximately 3.82. The implied P/E Ratio of IRICO New Material was approximately 13.28, which was higher than the average and median P/E Ratios and fell within the range of P/E Ratios of the New Material Comparable Companies. Therefore, the appraised value of IRICO New Material fell within the prevailing market price level of listed companies within the similar chemical industry on the Stock Exchange.

Having considered (i) the qualification and experience of the Valuer; (ii) the Valuer being independent with the Company, Zhongdian IRICO and IRICO Group; (iii) the appropriate scope of work of the IRICO New Material Valuation Report; (iv) the appropriate methodology, assumptions and adjusting components being adopted in the IRICO New Material Valuation Report; (v) the appraised value of 76.32% equity interest of IRICO New Material was at a premium of approximately 26.4% to the net asset value of IRICO New Material as at the Valuation Benchmark Date; and (vi) under our supplemental assessment, the implied P/B and P/E Ratios of 76.32% equity interest of IRICO New Material was higher than the average and median P/B and P/E Ratios of the New Material Comparable Companies, representing the consideration of the IRICO New Material Equity Transfer Agreement is at a premium over the average market price of the New Material Comparable Companies, we are of the view that the consideration of the IRICO New Material Equity Transfer Agreement of RMB287,115,800, which was determined based on the IRICO New Material Valuation Report, is fair and reasonable.

#### **4. *Jiangsu Yongneng Equity Transfer Agreement***

##### *Valuation on Jiangsu Yongneng*

###### **(a) Valuation methodology**

Similar to the background of Green Energy and IRICO New Material, we understand both asset-based approach and market approach are considered suitable approaches for the valuation of Jiangsu Yongneng due to (i) Jiangsu Yongneng had complete financial materials and asset management materials available, and data and information of acquisition costs of assets were able to be obtained from a broad range of sources and (ii) a considerable amount of A-share listed companies were engaged in the same industry as Jiangsu Yongneng as of the Valuation Benchmark Date, thus sufficient and reliable operational and financial data were available from those comparable companies. On the other hand, we understand from the Valuer that due to the impact of the pandemic and economic changes in 2020, the price of its solar photovoltaic module products experienced widely fluctuations, and Jiangsu Yongneng has recorded net loss in the latest financial year, hence it is difficult to reasonably predict the future cash flow of Jiangsu Yongneng. As such, the income approach was considered not suitable by the Valuer for valuation of Jiangsu Yongneng. Moreover, in order to reflect the comprehensive profitability and growth potential of Jiangsu Yongneng taking into account the value of its intangible assets in the prevailing market conditions, the Valuer considers that the adoption of market approach is more suitable than asset-based approach for the valuation of Jiangsu Yongneng.

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Based on our review of the Jiangsu Yongneng Valuation Report and the discussion with the Valuer, we consider the use of market approach by the Valuer for the valuation of Jiangsu Yongneng is reasonable and the basis and assumptions adopted by the Valuer are fair and reasonable.

(b) Review on the Jiangsu Yongneng Valuation Report

According to the Jiangsu Yongneng Valuation Report, the appraised value of Jiangsu Yongneng under the market approach by adopting the listed companies comparison method was approximately RMB120,500,000, representing a premium of approximately 197.1% to the net asset value of Jiangsu Yongneng as at the Valuation Benchmark Date. The Valuer has selected three comparables based on the criteria (i) the company is principally operated in the industry of solar photovoltaic cells and modules, which is similar to Jiangsu Yongneng; and (ii) the company is listed on a stock exchange in the PRC for over two years.

With regards to the use of rate multipliers in the valuation of Jiangsu Yongneng, the Valuer has adopted the P/B Ratio as the benchmark valuation multiple under the market approach due to its asset intensive nature of the principal business of Jiangsu Yongneng. The Valuer has not considered income multiplier after taking into account the loss-making position of Jiangsu Yongneng for the latest financial year.

With regards to the DLOM applied in the valuation of Jiangsu Yongneng, the Valuer has adopted the adjusting rate for solar cell modules and solar photovoltaic system product supply industry from the DLOM Calculation Table in assessing the value of Jiangsu Yongneng, which is considered to be an appropriate marketability discount to the valuation of Jiangsu Yongneng with reference to its principal business sector.

For the valuation of Jiangsu Yongneng, the Market Comparable P/B Ratios ranged from approximately 2.30 to 3.17 and the Market Comparable Weighted Average Percentages ranged from approximately 26.67% to approximately 40.00% amongst the market comparables, the Adjusted P/B Ratio applied as the asset rate multiplier in the valuation of Jiangsu Yongneng was approximately 2.74. Meanwhile, the DLOM applied in the valuation of Jiangsu Yongneng was approximately 24.93%.

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After taking into account (i) the reasons for adopting the market approach; (ii) the selection basis of the market comparables; and (iii) the adjusting components including the asset rate multiplier and the DLOM for the valuation of Jiangsu Yongneng by the Valuer, we are of the view that the valuation methodology and the market comparables and corresponding adjusting components used in such valuation approach are fair and reasonable. In conjunction with the fact that the appraised value of the entire equity interest of Jiangsu Yongneng was at a premium of approximately 197.1% to the net asset value of Jiangsu Yongneng as at the Valuation Benchmark Date, we consider that the appraised value of Jiangsu Yongneng of RMB120,500,000 is fair and reasonable.

(c) Independent evaluation of 51% equity interest for Jiangsu Yongneng

In order to independently assess the value of the 51% equity interest of Jiangsu Yongneng, we have considered valuation approaches such as the market approach by making reference to benchmarks of P/E Ratio and P/B Ratio of Jiangsu Yongneng. However, given that Jiangsu Yongneng was loss-making during FY2019, it is not practicable to estimate the value of 51% equity interest of Jiangsu Yongneng by using P/E Ratio.

Such independent P/B Ratio evaluation shall serve as a supplemental analysis to assess the fairness and reasonableness of the appraised value of Jiangsu Yongneng set out in the Jiangsu Yongneng Valuation Report, which was derived using market comparable companies listed in the stock exchanges in the PRC, with the P/B Ratios of comparable companies we identified on the Stock Exchange. Having considered that Jiangsu Yongneng is principally engaged in the manufacturing and sales of solar modules, we have independently performed research on the Stock Exchange to look for comparable companies which are (i) listed on the Main Board of the Stock Exchange (companies which trading of whose shares were suspended are excluded) and (ii) principally engaged in the same industry of Jiangsu Yongneng, that is, more than 50% of their revenue contributed from manufacturing and sales of solar modules in the latest financial year but did not yield a representative result. Therefore, we have enlarged our selection criteria to incorporate companies which are principally engaged in the manufacturing and sales of photovoltaic related products contributing over 50% of their revenue in the latest financial year. To the best of our knowledge, we have identified four companies (the “**PV Comparable Companies**”) which set forth in the table below, which represents, an exhaust



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list under the above criteria. Independent Shareholders should note that the below comparisons are only for general reference purpose as some aspects including scale of operation, trading prospect, financial performance and capital structure of the PV Comparable Companies may not be exactly the same with those of Jiangsu Yongneng.

| Company Name                      | Stock Code | Principal Business  | Market Capitalisation as at the date of the Equity Transfer Agreements | Net asset value the latest annual/ interim period prior to the date of the Equity Transfer Agreements | P/B Ratio                       |
|-----------------------------------|------------|---|--|---|---------------------------------|
|                                   |            |   | (Approximately HK\$ million)   | (Approximately HK\$ million)  | (Note 1)<br>(Approximate times) |
| Solargiga Energy Holdings Limited | 757        | manufacture and trading of solar energy-related products and operation of photovoltaic power plants   | 562.74   | 516.01  | 1.09                            |
| Xinyi Solar Holdings Limited      | 968        | (i) manufacturing and sale of solar glass; (ii) operation of solar farms; and (iii) provision of engineering, procurement and construction ("EPC") services for solar farms | 119,976.31   | 14,937.74   | 8.03                            |
| GCL-Poly Energy Holdings Limited  | 3800       | (i) the operation of solar power plants and (ii) the manufacture and sales of printed circuit board in the PRC  | 7,505.07   | 28,477.37   | 0.26                            |

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| Company Name   | Stock Code | Principal Business  | Market Capitalisation as at the date of the Equity Transfer Agreements | Net asset value the latest annual/ interim period prior to the date of the Equity Transfer Agreements | P/B Ratio                       |
|--|------------|---|--|---|---------------------------------|
|  |            |   | (Approximately HK\$ million)   | (Approximately HK\$ million)  | (Note 1)<br>(Approximate times) |
| Flat Glass Group Co.,Ltd.  | 6865       | (i) the glass product business for photovoltaic glass, float glass, engineering glass and home glass;<br>(ii) EPC photovoltaic power plant construction business; and (iii) mining and sales of glass quartz mine | 45,053.53  | 4,115.16  | 10.95                           |
|  |            |   |  | Maximum   | 10.95                           |
|  |            |   |  | Minimum   | 0.26                            |
|  |            |   |  | Average   | 5.08                            |
|  |            |   |  | Median  | 4.56                            |
| The appraised value of Jiangsu Yongneng adjusted for 51% equity interest |            |   | 69.84  | 23.51   | 2.97<br>(Note 3)                |

**Notes:**

1. The P/B Ratio is derived from dividing the market capitalisation by the consolidated equity attributable to the owners of the relevant PV Comparable Companies as extracted from their respective latest published annual reports or interim report.
2. The implied P/B Ratio of Jiangsu Yongneng was calculated by dividing the implied consideration of 51% equity interest of Jiangsu Yongneng by the adjusted unaudited net asset value for 51% equity interest of Jiangsu Yongneng as at 31 July 2020.
3. For illustration purpose, exchange rate of HKD/RMB is 0.88.

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Based on the above, we note that the P/B Ratios of the PV Comparable Companies ranged from approximately 0.26 to approximately 10.95 and have an average of approximately 5.08 and a median of approximately 4.56. The implied P/B Ratio of Jiangsu Yongneng, where the consideration of the Jiangsu Yongneng Equity Transfer Agreement was based on 51% of the equity interest of Jiangsu Yongneng, was approximately 2.97, which was lower than the average and median P/B Ratios but fell within range of the P/B Ratio of the PV Comparable Companies. Therefore, the appraised value of Jiangsu Yongneng fell within the prevailing market price level of listed companies within the similar photovoltaic industry on the Stock Exchange.

Having considered (i) the qualification and experience of the Valuer; (ii) the Valuer being independent with the Company, Zhongdian IRICO and IRICO Group; (iii) the appropriate scope of work of the Jiangsu Yongneng Valuation Report; (iv) the appropriate methodology, assumptions and adjusting components being adopted in the Jiangsu Yongneng Valuation Report; (v) the appraised value of the entire equity interest of Jiangsu Yongneng was at premium of approximately 197.1% to the net asset value of Jiangsu Yongneng as at the Valuation Benchmark Date and (vi) under our supplemental assessment, the implied P/B Ratio of Jiangsu Yongneng despite being lower than the average and median P/B Ratio of the PV Comparable Companies, fell within the range of P/B Ratios of the PV Comparable Companies, representing the consideration of the Jiangsu Yongneng Equity Transfer Agreement is within the prevailing market price level as compared to the market price of the PV Comparable Companies, we are of the view that the consideration of the Jiangsu Yongneng Equity Transfer Agreement of RMB120,500,000, which was determined based on the Jiangsu Yongneng Valuation Report, is fair and reasonable.

### **5. *Zhuhai Caizhu Equity Transfer Agreement***

#### *Valuation on Zhuhai Caizhu*

##### **(a) Valuation methodology**

We have reviewed the Zhuhai Caizhu Valuation Report prepared by the Valuer and we have also discussed with the Valuer regarding the methodology and principal basis and assumptions adopted for the valuation of Zhuhai Caizhu. We understand that the assumptions adopted by the Valuer are (i) that purchase, acquisition or development of the valuation subject and its assets involved were all in compliance with the requirements of relevant national laws and regulations; (ii) no defects of right, liabilities or restrictions were attached to the

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valuation subject and its assets involved, which might affect the values thereof, and that considerations, taxes and amounts payable relating to the target of the appraisal and its assets involved had been fully settled; and (iii) the valuation subject and its underlying property, land, equipment and other tangible assets had no material technical failures which might affect the continuous usage thereof, such assets had no hazardous substances which might have adverse impact on the values thereof, and the places where such assets were located had no hazardous substances or other harmful environmental conditions which might have adverse impact on the values thereof. Based on our discussion with the Valuer and our review on relevant documents related to the valuation subject, we are of the view that the assumptions are fair and reasonable.

Moreover, we understand that the common valuation approaches are market approach, income approach and asset-based approach. We further understand from the Valuer that the adoption of market approach may not be appropriate because Zhuhai Caizhu is not a publicly listed company and the transactions of companies with comparable characteristics are limited. On the other hand, we understand from the Valuer that the adoption of income approach, which is heavily reliant on projection on expected discounted future revenue and/or cash inflows, may not be appropriate because Zhuhai Caizhu has already terminated its core business since in 2018. In view of the asset-based approach being able to reflect the fair market value of the assets of Zhuhai Caizhu from an asset replacement perspective, the Valuer adopted asset-based approach for the valuation of Zhuhai Caizhu.

As for the current assets, current liabilities and non-current liabilities, the cost approach has been applied based on the Zhuhai Caizhu Valuation Report. As for fixed assets, market approach has been applied based on the Zhuhai Caizhu Valuation Report as there are a number of comparable cases (within the same supply and demand circle, having the same use and locating in adjacent areas) of rent and sale similar with valuation subject in the area where the valuation subject is located. As for the investment properties, the income approach has been applied to compare their respective market value based on the comparable cases (within the same supply and demand circle, having the same use and locating in adjacent areas) of rent and sale similar with valuation subject in the area where the valuation subject is located based on the Zhuhai Caizhu Valuation Report. Based on our review of the Zhuhai Caizhu Valuation Report and the discussion with the Valuer, we consider that the valuation approaches adopted are common valuation methodologies in appraising such company and the basis and assumptions adopted by the Valuer are fair and reasonable.

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(b) Review of the Zhuhai Caizhu Valuation Report

As set out in the Zhuhai Caizhu Valuation Report prepared by the Valuer, the breakdown of the appraised value of the Zhuhai Caizhu was set out below:

|                         | <b>As at 31<br/>July 2020<br/>(unaudited)<br/>RMB'000</b> | <b>As at 31<br/>July 2020<br/>(appraised)<br/>RMB'000</b> |
|-------------------------|---|---|
| Current assets          | 220,635   | 220,635   |
| Non-current assets      | 189,327   | 202,548   |
| - <i>Fixed assets</i>   | <u>1,915</u>  | <u>15,136</u>   |
| <br>Total assets        | <br><u>409,962</u>  | <br><u>423,183</u>  |
| <br>Current liabilities | <br>115,272   | <br>115,272   |
| Non-current liabilities | <u>43,791</u>   | <u>43,791</u>   |
| <br>Total liabilities   | <br><u>159,063</u>  | <br><u>159,063</u>  |
| <br>Net assets          | <br><u><u>250,899</u></u>                                 | <br><u><u>264,120</u></u>                                 |

Compared to the unaudited booked value of Zhuhai Caizhu's net assets as at 31 July 2020, we noted that the appraised value of Zhuhai Caizhu's net assets as at 31 July 2020 has appreciated by approximately RMB13.2 million. Such appreciation is mainly attributable to the appreciation on the fixed assets in relation to property, plant and equipment of approximately RMB13.2 million. As such, the Group expects to recognise a gain from the Proposed Disposal of Zhuhai Caizhu of approximately RMB6.5 million, which is arrived at using the formula that the consideration for the disposal of 49% equity interest deducts the corresponding value of the net assets as at 31 July 2020 (i.e.  $(\text{RMB}264,120,000 - \text{RMB}250,898,451.36) \times 49\% = \text{RMB}6,478,558.83$ ), representing a premium of approximately 5.3% to the net asset value of Zhuhai Caizhu as at the Valuation Benchmark Date. As advised by the Valuer, the difference in the appraised value and the unaudited value of fixed assets of Zhuhai Caizhu as at the Valuation Benchmark Date was attributable to the higher residual value of such fixed assets determined by the Valuer based on the number of actual years of usage as compared to the number of authorised years

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of usage under the title ownerships of the fixed assets. Meanwhile, the lower unaudited residual value of the fixed assets was determined based on shorter periods of depreciation with reference to the accounting policies of Zhuhai Caizhu. Based on the above, we consider that the appraised value of Zhuhai Caizhu of RMB129,418,900 is fair and reasonable.

(c) Independent evaluation of 49% equity interest for Zhuhai Caizhu

In order to independently assess the value of the entire equity interest of Zhuhai Caizhu, we have considered valuation approaches such as the market approach by making reference to benchmarks of P/E Ratio and P/B Ratio of Zhuhai Caizhu.

Such independent P/E Ratio and P/B Ratio evaluation shall serve as a supplemental analysis to assess the fairness and reasonableness of the appraised value of Zhuhai Caizhu set out in the Zhuhai Caizhu Valuation Report with the P/E Ratios and P/B Ratios of comparable companies we identified on the Stock Exchange. Having considered that Zhuhai Caizhu is no longer engaged in the trading business and is principally engaged in property investment business, we have independently performed research on the Stock Exchange to look for comparable companies which are (i) listed on the Main Board of the Stock Exchange (companies which trading of whose shares were suspended are excluded); (ii) principally engaged in the same industry of Zhuhai Caizhu, that is, more than 50% of their revenue contributed from property investment business in the PRC in the latest financial year; and (iii) with market capitalisation between HK\$100 million to HK\$500 million, which we consider to be a reasonable range that yields a representative sample size after taking into account the appraised value of Zhuhai Caizhu of approximately RMB264.1 million (equivalent to approximately HK\$300.1 million). To the best of our knowledge, we have identified five companies (the “**Zhuhai Caizhu Comparable Companies**”) which set forth in the table below an exhaust list under the above criteria. Independent Shareholders should note that the below comparisons are only for general reference purpose as some aspects including scale of operation, trading prospect, financial performance and capital structure of the Zhuhai Caizhu Comparable Companies may not be exactly the same with those of Zhuhai Caizhu.

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| Company Name                             | Stock Code | Principal Business  | Market Capitalisation                 | Net asset value  | Net profit   | P/E Ratio           | P/B Ratio           |
|--|------------|---|---------------------------------------|--|--|---------------------|---------------------|
|  |            |   | as at the date of the Equity Transfer | in the latest annual/interim period prior to the date of the Equity Transfer | after tax in the latest full financial year prior to the date of the Equity Transfer |                     |                     |
|  |            |   | Agreements                            | Agreements   | Agreements   | (Note 1)            | (Note 2)            |
|  |            |   | (Approximately HK\$ million)          | (Approximately HK\$ million)   | (Approximately HK\$ million)   | (Approximate times) | (Approximate times) |
| Sky Chinafortune Holdings Group Limited  | 141        | property investment in the PRC  | 138.15                                | 578.27   | 4.54   | 30.45               | 0.24                |
| Qingdao Holdings International Limited   | 499        | (i) property leasing and investment; (ii) car park management; and (iii) loan financing       | 207.20                                | 293.27   | 12.79  | 16.20               | 0.71                |
| Eminence Enterprise Limited              | 616        | (i) property investment and development; (ii) securities investment; and (iii) loan financing | 284.09                                | 2,941.87   | (206.19)   | N/A (Note 3)        | 0.10                |
| Zhong Hua International Holdings Limited | 1064       | property investment and development in the PRC  | 98.48                                 | 2,914.87   | (62.10)  | N/A (Note 3)        | 0.03                |
| Everbright Grand China Assets Limited    | 3699       | property leasing and management in the PRC  | 205.25                                | 1,060.78   | 42.36  | 4.84                | 0.19                |
|  |            |   |                                       |  | <b>Maximum</b>   | 30.45               | 0.71                |
|  |            |   |                                       |  | <b>Minimum</b>   | 4.84                | 0.03                |
|  |            |   |                                       |  | <b>Average</b>   | 17.17               | 0.25                |
|  |            |   |                                       |  | <b>Median</b>  | 16.20               | 0.19                |

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| Company Name  | Stock Code | Principal Business | Market Capitalisation                 | Net asset value  | Net profit   | P/E Ratio           | P/B Ratio           |
|---|------------|--------------------|---------------------------------------|--|--|---------------------|---------------------|
|   |            |                    | as at the date of the Equity Transfer | in the latest annual/interim period prior to the date of the Equity Transfer | after tax in the latest full financial year prior to the date of the Equity Transfer |                     |                     |
|   |            |                    | Agreements                            | Agreements   | Agreements   | (Note 1)            | (Note 2)            |
|   |            |                    | (Approximately HK\$ million)          | (Approximately HK\$ million)   | (Approximately HK\$ million)   | (Approximate times) | (Approximate times) |
| The appraised value of Zhuhai Caizhu adjusted for 49% equity interest |            |                    | 147.07                                | 4.09   | 139.70   | 35.97 (Note 4)      | 1.05 (Note 5)       |

### Notes:

1. The P/E Ratio is derived from dividing the market capitalisation by the net profit after tax of the relevant Zhuhai Caizhu Comparable Companies as extracted from their respective latest published annual reports.
2. The P/B Ratio is derived from dividing the market capitalisation by the net asset value of the relevant Zhuhai Caizhu Comparable Companies as extracted from their respective latest published annual reports or interim results announcements.
3. The relevant Zhuhai Caizhu Comparable Companies have recorded net loss after tax according to their respective latest published annual financial results. As such, the P/E Ratio was not applicable for analysis purpose.
4. The implied P/E Ratio of Zhuhai Caizhu was calculated by dividing the implied consideration of 49% equity interest of Zhuhai Caizhu by the adjusted net profit for 49% equity interest of Zhuhai Caizhu as at 31 July 2020.
5. The implied P/B Ratio of Zhuhai Caizhu was calculated by dividing the implied consideration of 49% equity interest of Zhuhai Caizhu by the adjusted unaudited net asset value for 49% equity interest of Zhuhai Caizhu as at 31 July 2020.
6. For illustration purpose, exchange rate of HKD/RMB is 0.88.

Based on the above, we note that the P/B Ratios of the Zhuhai Caizhu Comparable Companies ranged from approximately 0.03 to approximately 0.71 and have an average of approximately 0.25 and a median of approximately 0.19. The implied P/B Ratio of Zhuhai Caizhu, where the consideration of the Zhuhai Caizhu Equity Transfer Agreement was based on 49% of the equity interest of Zhuhai Caizhu, was approximately 1.05 times, which was higher than the average and median P/B Ratios of the Zhuhai Caizhu Comparable Companies.



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Meanwhile, we also noted that the P/E Ratios of the Zhuhai Caizhu Comparable Companies ranged from approximately 4.84 to approximately 30.45 and have an average of approximately 17.17 and a median of approximately 16.20. The implied P/E Ratio of Zhuhai Caizhu was approximately 35.97, which was higher than the maximum P/E Ratios of the Zhuhai Caizhu Comparable Companies. Therefore, the appraised value of Zhuhai Caizhu was higher than the prevailing market price level of listed companies engaged in similar property investment business on the Stock Exchange.

Having considered (i) the qualification and experience of the Valuer; (ii) the Valuer being independent with the Company, Zhongdian IRICO and IRICO Group; (iii) the appropriate scope of work of the Zhuhai Caizhu Valuation Report; (iv) the appropriate methodology, assumptions and adjusting components being adopted in the Zhuhai Caizhu Valuation Report; (v) the appraised value of 49% equity interest of Zhuhai Caizhu was at a premium of approximately 5.3% to the net asset value of Zhuhai Caizhu as at the Valuation Benchmark Date; and (vi) under our supplemental assessment, the implied P/B and P/E Ratios of 49% equity interest of Zhuhai Caizhu was higher than the average and median P/B and P/E Ratios of the Zhuhai Caizhu Comparable Companies, representing the consideration of the Zhuhai Caizhu Equity Transfer Agreement is at a premium over the average market price of the Zhuhai Caizhu Comparable Companies, we are of the view that the consideration of the Zhuhai Caizhu Equity Transfer Agreement of RMB129,418,900, which was determined based on the Zhuhai Caizhu Valuation Report, is fair and reasonable.

### **III. Financial effects of the Proposed Disposal**

Upon completion of the Proposed Disposals, the Company will no longer hold any equity interest in Green Energy, IRICO New Material, Jiangsu Yongneng and Zhuhai Caizhu. Each of Green Energy, IRICO New Material and Jiangsu Yongneng will cease to be a subsidiary of the Company and their financial results will not be consolidated into the financial statements of the Company. Meanwhile, Zhuhai Caizhu will cease to be an associate of the Group and no share of profit or loss from Zhuhai Caizhu will be recognised in the financial statements of the Company. The financial effects of the Proposed Disposal on the Group are as follow:

#### **1. Earnings**

Based on (i) the consideration of the Proposed Disposals of approximately RMB582.1 million; and (ii) the unaudited net asset value of the equity interests of the Target Companies to be disposed of held by the Company of approximately RMB512.3

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million as at 31 July 2020, the Group is expected to record a gain before tax of approximately RMB69.8 million from completion of the Proposed Disposals. The actual gain from the Proposed Disposals to be recorded by the Group is subject to the final audit to be performed by the auditors of the Company.

The Company intends to use approximately 10% of the net proceeds from the Proposed Disposals for working capital purpose. Shareholders are reminded that the actual gain to be recognised following the Completion shall be determined with reference to various factors such as the net assets of the Target Companies attributable to the Group and the accumulated translation reserve following the Completion, which may be different from the abovementioned amounts.

### **2. *Net asset value***

According to the 2019 Annual Report, as at 31 December 2019, the net assets value of the Group was approximately RMB241.1 million. Upon completion of the Proposed Disposals, it is expected that the net assets of the Group will increase after taking into account the gain before tax as mentioned above. We consider that completion of the Proposed Disposals will have an overall improvement on the Group's net assets position.

### **3. *Cashflow***

According to the 2019 Annual Report as at 31 December 2019, the total cash and bank balance of the Group was approximately RMB405.4 million. Upon completion of the Proposed Disposals, the Group would have received the net proceeds of approximately RMB582.1 million and the total cash and cash equivalents would have increased from RMB696.5 million and would have further increase to RMB1,278.6 million by 31 December 2021. As set out in the Board Letter, the Company intends to use approximately 10% of the net proceeds from the Proposed Disposals for general working capital purpose. As a result of the aforesaid, the Proposed Disposals would have an overall improvement to the liquidity position of the Group.

### **4. *Gearing ratio***

As at 30 June 2020, the Group had a gearing ratio of 93.52%, which is calculated as total liabilities divided by the total assets of the Group. Upon completion of the Proposed Disposals, it is expected that the total assets of the Group will increase after taking into account the expected gain on the Proposed Disposals. As such, assuming the total liabilities of the Group will remain at same level, it is expected that the gearing ratio will decrease slightly.

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### RECOMMENDATION

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

- (i) the Proposed Disposals would enable the Company to focus on its principal businesses on its photovoltaic glass segment and to offload its non-core businesses;
- (ii) the terms of the Proposed Disposals are fair to the Company and the Shareholders as a whole as the consideration of the Proposed Disposals has been appraised by the Valuer with relevant qualifications and will be sold at prices reasonably and fairly determined; and
- (iii) the Proposed Disposals would have improvement on the earnings, net asset value, cashflow position and gearing ratio of the Group,

we consider that the Proposed Disposals was entered into on normal commercial terms and the terms of the Proposed Disposals contemplated thereunder, while not in the ordinary or usual course of business of the Company due to the nature of such transaction, 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. 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 Proposed Disposals contemplated thereunder.

#### 4. PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE PURCHASE AGREEMENT

##### 1. Background of and reasons for entering into the Purchase Agreement

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, it is also the principal operating subsidiary of the Group in the solar photovoltaic glass business. As at the Latest Practicable Date, it operated a photovoltaic glass production base located in Hefei with the production capacity of 1,550 tons/day of photovoltaic glass products.

On 30 October 2020, Hefei Photovoltaic entered into the Purchase Agreement with IRICO Group, pursuant to which IRICO Group agreed to provide Hefei Photovoltaic with system equipment and related services under the project of Hefei Photovoltaic regarding industrialization of ultra-thin and high-transmissivity photoelectric glass and research and development for technical equipment (the “**Hefei Photoelectric Glass Project**”), and the

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total consideration payable by Hefei Photovoltaic to IRICO Group is approximately RMB290 million. As stated in the Letter from the Board, the Purchase Agreement was concluded based on the demands of Hefei Photovoltaic under the Hefei Photoelectric Glass Project. The Hefei Photoelectric Glass Project is expected to be completed within 12-months upon the Purchase Agreement become effective.

As advised by the Management, the photovoltaic glass production base currently operated by Hefei Photovoltaic comprised of three phases of production facilities, of which the first and the second phases production facilities are currently under operation for the production of photovoltaic glass products. The purpose of the Hefei Photoelectric Glass Project was to make use of the currently available third phase of the production facilities to incorporate four new photovoltaic glass production and deep processing lines and erect an research and development (“R&D”) centre to carry out R&D projects for manufacture equipment and processes. The total investment amount of the Hefei Photoelectric Glass Project is estimated to be approximately RMB707 million. The Purchase Agreement should cover the material and core system equipment (such as the raw material processing system, the photoelectric glass furnaces, the product processing systems and automatic processing lines, etc.) and relevant services including on-site installation, testing and acceptance, construction, warranty and quality checking, etc. The remaining investment amount of approximately RMB417 million will be used for the construction and installation of (i) the power and utility infrastructure; and (ii) other auxiliary civil engineering upgrades in the third phase production premise and its surrounding facilities such as the chimney, water towers and premise runways, etc. The remaining investment of the Hefei Photoelectric Project will be partly financed by the net proceeds of the Proposed Disposals and the internal resources of the Group.

The new photovoltaic glass production and deep processing lines, upon commencement in production, shall have an aggregated annual production capacity of approximately 38.66 million square meters of photovoltaic glass products. Meanwhile, the research and development centre will be focused on the research and development of domestically manufacture techniques and the corresponding manufacturing equipment along the production process of photovoltaic glass including the ultra-thin and high-transmissivity photoelectric glass material compositions, glass combustion system, glass calendaring mills, photovoltaic glass tempering technologies, etc. With reference to the overall development of the solar photovoltaic industry in the PRC as highlighted in the section headed “The development of photovoltaic glass business by the Group” above, the gradual shift of the solar photovoltaic industry from subsidy-driven to market-oriented has discouraged the blind expansion of the industry, eliminated market participants with obsolete production technology and promoted the market competitiveness of the solar energy as compared to conventional electricity sources. The Hefei Photoelectric Glass Project shall make use of the mature technologies

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and operation experiences of the first and second phases of the Hefei photovoltaic glass production base to optimize the utilization rate of the Hefei photovoltaic glass production base and facilitate the reduction of production costs through economies of scale and continuous technology development, which in turn improve the product competitiveness of the Group.

Meanwhile, although as disclosed in the section headed “Principal activities and businesses of the Group” above, the prices of photovoltaic glass decreased by approximately 30% in FY2018 following the introduction of the “531” new policy promulgated by the PRC government which expedited the decline of subsidies provided for photovoltaic power generation, we noted from the 2019 Annual Report that under the background of the continuous increase of global installed photovoltaic capacities, the prices of photovoltaic glass in 2019 has steadily increased by 22.5% as compared to the preceding year. As further set out in the 2020 Interim Report, the prices of photovoltaic glass continued to increase during the period. By enhancing the Group’s production capacity in photovoltaic glass and improving its manufacture processes through the Hefei Photoelectric Glass Project, the profit margins of the photovoltaic glass products of the Group can be enhanced.

Based on our further discussion with the Company, we understand that Hefei Photovoltaic targets the existing customers which are photovoltaic module manufacturers and nearby photovoltaic module manufacturers in Hefei for the increased supply of photovoltaic glass from the new production and deep processing lines. Based on the internal assessment conducted by the Company on the upcoming production capacities of the existing customers and recent production expansion projects launched by photovoltaic module manufacturers in Anhui province and nearby provinces (the “**Potential Customers**”), we noted that amongst the existing customers, two major customers (by their production capacities) whose shares are listed on the Shenzhen Stock Exchange and the New York Stock Exchange (the “**Existing Customers**”) are expanding their photovoltaic module production capacities in the PRC. In particular, based on our review on the latest financial reports of the aforesaid Existing Customers, we noted that the construction of 20GW photovoltaic cell and module production facilities by one of the Existing Customers in Yiwu city, located in the neighbouring Zhejiang province is currently underway and amongst which the first phase of 10GW production facilities is expected to commence production by the end of 2021. Meanwhile, the other Existing Customer is expanding phase two of its 8GW photovoltaic module production facilities which is also located in Yiwu city, which the second phase of 8GW production facilities is expected to commence production during mid-2022. Furthermore, amongst the list of the Potential Customers, we noted that the construction of 10GW photovoltaic module production facilities is currently under development in Nanjing city located in the neighbouring Jiangsu province by one of the Potential Customers, which is a subsidiary of a Hong Kong listed company. Based on the public information of such Potential Customers,

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phase one of 5GW production facilities are expected to commence production by the end of 2020. As advised by the Management, currently 1GW of photovoltaic module requires approximately 6 million square meters of photovoltaic glass. Therefore, the upcoming annual demand from the aforementioned Existing Customers and the Potential Customer which aggregate to be 23GW (which may derive up to approximately 138 million square meters of demand for photovoltaic glass) shall completely consume the annual production capacity of new photovoltaic glass production and deep processing lines of approximately 38.66 million square meters proposed to be constructed under the Purchase Agreement.

As further set out in the Letter from the Board, as the Group and IRICO Group have established a long-term cooperative relation, IRICO Group understands the Group's business operation planning, quality control and certain specific requirements. Due to their proximity, the Group's purchase of products from IRICO Group also helps the Group reduce management, transportation and operating costs, and the bulk trading of products contributes to improving the economic efficiency of the Group and IRICO Group. In addition, the price of the system equipment and related services under the Purchase Agreement, which was determined through market enquiry, inquiry on purchase platforms and public bidding, is in line with the market price level.

As further discussed with the Company, we understand that the Hefei Photoelectric Glass Project, once materialised upon the Purchase Agreement become effective, will be carried out by the "Intelligent Manufacturing Division" (智能製造事業部) ("IMD") of IRICO Group. As advised by the Management, the IMD is an engineering division which is specialised in the R&D of intelligent manufacturing equipment and the system integration of production lines and is principally engaged in the design and construction of intelligent manufacturing equipment, information system integration for industrial production lines and the provision of corresponding operation and maintenance services. The IMD currently owns over 120 national patents across various areas such as intelligent management systems, information integration systems, photovoltaic glass manufacturing techniques and processes, etc., amongst which IMD is the contriver of 47 patents. The IMD has also undertaken various EPC projects for the assembly of electronic glass production lines, photovoltaic glass production lines and automated manufacturing equipment systems in the PRC, which included the automated manufacturing system of phase II of the Hefei photovoltaic glass base. Therefore, the Company considers that the experience and expertise of IRICO Group will provide good project management and quality assurance on the construction of the Hefei Photoelectric Glass Project. Meanwhile, the pricing mechanisms for the procurement of the system equipment and related services under the Purchase Agreement will secure terms for Hefei Photovoltaic to be no less favourable than those provided under the prevailing market conditions.

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Based on the above, we are of the view that it is reasonable and commercially justified in building new photovoltaic glass production and deep processing lines and the R&D centre for carrying out R&D projects for manufacture equipment and processes under the Hefei Photoelectric Glass Project. We concur with the view of the Company that such project will optimize the utilization of the Group's corporate assets and further enhance the overall competitiveness of the photovoltaic glass business of the Group, at the same time maintain the Group's market position under the fast-paced industry development of the photovoltaic market in the PRC.

### **2. Principal terms of the Purchase Agreement**

#### ***Scope of services and period until completion***

Pursuant to the Purchase Agreement, IRICO Group will act as the principal contractor to supply and install system equipment and provide related services for the construction of the Hefei Photoelectric Glass Project. Under the Purchase Agreement, the works engaged by IRICO Group includes (i) sourcing and supply of system equipment for the Hefei Photoelectric Glass Project; and (ii) the relevant on-site installation, testing and acceptance, construction, warranty and quality checking of the system equipment of the Hefei Photoelectric Glass Project. The system equipment under the Purchase Agreement includes batching and kilning system, prototype system, deep processing system, product packaging system, etc.

The installation work is expected to commence upon the Purchase Agreement becoming effective after the Group obtains the approval of the Independent Shareholders at the EGM and complete in approximately 12 months period.

#### ***Consideration and payment term***

The consideration for the provision of the system equipment and related services under the Purchase Agreement is approximately RMB290 million.

The consideration was arrived after arm's length negotiations between Hefei Photovoltaic and IRICO Group having considered, among other things: (i) the interest budget estimated by Hefei Photovoltaic on the cost for the acquisition of the system equipment by IRICO Group; (ii) market prices of similar system equipment and related services currently available in the market; (iii) the technical requirements of the procured system equipment for the Hefei Photoelectric Glass Project; and (iv) the servicing standards in relation to the project management.



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Hefei Photovoltaic will make instalment payments to IRICO Group based on the progress of the works completed by way of bank acceptance, letter of credit, or commercial acceptance, etc, in accordance with the terms of the Purchase Agreement at the following portions and stages: (i) 40% of the total consideration (approximately RMB116 million) upon the Purchase Agreement become effective; (ii) 30% of the consideration for each system equipment and related services under the Purchase Agreement (i.e. a total amount of approximately RMB87 million) upon completion of processing and acceptance on appearance, quantity and model by Hefei Photovoltaic; (iii) 20% of the consideration for each of the system equipment and related services (i.e. a total amount of approximately RMB58 million) upon acceptance by Hefei Photovoltaic after such equipment is installed, tested and confirmed in normal operation in accordance with the requirements of the technical documentation; and (iv) the remaining 10% of the consideration for each of the system equipment and related services (i.e. a total amount of approximately RMB29 million) upon expiry of the one-year warranty period. As advised by the Management, the payment terms of the Purchase Agreement was arrived after arm's length negotiation between Hefei Photovoltaic and IRICO Group taking into account: (i) the expected capital requirement of IRICO Group in the manufacture of the self-developed system equipment and the development of automated manufacturing systems in accordance with the technical requirements of Hefei Photovoltaic and (ii) the costs associated with conducting market enquiries and joint tenders in respect of various manufacturing equipment and corresponding services (including installation, testing and quality checking) for the construction of the Hefei Photoelectric Glass Project which can only be entrusted to third party suppliers due to technical requirements. As at the Latest Practicable Date, the first instalment payment under the Purchase Agreement was not paid by Hefei Photovoltaic which will be settled upon the Purchase Agreement become effective.

The final total amount payable to IRICO Group by Hefei Photovoltaic under the Purchase Agreement depends on the actual procurement, engineering and servicing costs to be incurred by IRICO Group. If the final total amount payable exceeds RMB290 million, Hefei Photovoltaic shall pay to IRICO Group RMB290 million as stated under the Purchase Agreement. Individual purchase contracts will be entered into between Hefei Photovoltaic and IRICO Group for each individual purchase of the system equipment and related services.

Pursuant to the Purchase Agreement, IRICO Group agrees to carry out procurement of the system equipment and related services for the Hefei Photoelectric Glass Project through market enquiry, inquiry on purchase platforms and public tender. In particular:

- (i) For equipment/services which can be self-developed by IRICO Group, consideration of each individual purchase agreement for such equipment/service will be quoted by IRICO Group and determined based on the market prices of similar equipment/service obtained by Hefei Photovoltaic and IRICO Group through market enquiry, inquiry on purchase platforms and public bidding;



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- (ii) For equipment/services which cannot be self-developed by IRICO Group and require the supply from professional third party manufacturer, the prices for each purchase of the system equipment/service shall be determined at an actual cost basis with reference to the final purchase prices provided from the winning tenders under the open tenders or negotiated tenders as organised by IRICO Group from time to time based on the progress of the Hefei Photoelectric Glass Project.

We have discussed with the Company and we understand that the above pricing mechanism is commonly used by contractors in the equipment manufacturing and production line assembly industry whereby the final consideration is determined on a project by project basis based on arm's length negotiation between the contractor and the customer as well as the production budget of each project. As further enquired with the Company, we understand that IRICO Group will derive profit primarily from the sales of their self-developed system equipment and automated manufacturing systems and the provision of related services including the installation, testing and quality checking, etc, from the Purchase Agreement, which shall be in line with the prevailing market prices level for similar equipment and services available in the market. Since the final consideration for each individual purchase agreement for the system equipment and related services, in any case, should not be higher than the prevailing market price level and/or the final purchase prices provided from the winning tenders under the tendering process, the aggregated consideration payable by Hefei Photovoltaic to IRICO Group under the Purchase Agreement should be no less favourable than the market prices for works of similar nature from other independent contractors, and is therefore fair and reasonable.

### **3. Internal control procedures of the Group**

As discussed with the Company, we understand that all types of connected transactions including the selection process of contractor are usually governed by the internal control policies of the Group. Under such context, we have (i) obtained and reviewed the relevant internal control policies and the relevant assessment conducted by the Group; and (ii) discussed with the Company regarding the contractor selection procedures employed by the Group for the transaction under the Purchase Agreement.

We understand from the Company that Hefei Photovoltaic did not select the contractor for the construction of the Hefei Photoelectric Glass Project by way of an open tender but was conducted through a direct negotiation with IRICO Group. Such approach was determined after considering: (i) the Hefei Photoelectric Glass Project can only be entrusted to specific contractor(s) due to technical needs; (ii) the project requires contractor(s) with specialized experience, equipment and technology; and (iii) the Company prefers to engage contractor(s) and/or manufacturer(s) of sufficient technical experience with satisfactory track records in conducting projects in similar nature with the Group; and (iv) IRICO Group was entrusted to develop and supply the automated manufacturing system and equipment of phase II of the

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Hefei photovoltaic glass production base, which was proven to be successful in fulfilling the technological and production capacity requirements of Hefei Photovoltaic. Accordingly, we consider IRICO Group has recent and direct experiences in undertaking construction projects similar to that under the Purchase Agreement, and can therefore replicate its previous successful experiences and provide higher quality assurance to the construction of the Hefei Photoelectric Glass Project.

Furthermore, we understand from the Company that in compiling the project budget for the Hefei Photoelectric Glass Project of RMB290 million, Hefei Photovoltaic has conducted market enquiries and obtained at least three quotations from independent third party contractors for each major parts of the system equipment for the construction of the Hefei Photovoltaic Glass Project, we have obtained and reviewed a list of major parts of the system equipment for the construction of the Hefei Photovoltaic Glass Project and the quotations given by the independent third party contractors which included state-owned enterprises and subsidiaries of PRC listed companies. Upon the Purchase Agreement become effective, Hefei Photoelectric shall take reference to the market enquiry results in determining the reasonableness of the final consideration under the individual purchase contracts for the system equipment and related services. Based on the above, we consider that the internal control measures adopted by the Group and Hefei Photovoltaic in governing the procurement arrangement under the Purchase Agreement are fairly structured and reasonable.

In conjunction with the internal budgeting conducted by Hefei Photovoltaic in monitoring the overall costs of the Hefei Photoelectric Glass Project, we consider that there are sufficient and effective procedures and preparations to monitor and ensure that the pricing and terms of the transactions contemplated under the Purchase Agreement are on normal commercial terms and no less favourable than those terms for similar products and services offered to the Group by independent third parties.

Taking into account: (i) the contractor selection process was governed by the Group's internal control policy; (ii) terms under the Purchase Agreement are in line with the general market practice of the EPC industry and pricing mechanism under the Purchase Agreement secures the final consideration to be no less favourable to the prevailing market price level; (iii) the solid experience and expertise and the consistent track records of the IMD of the IRICO Group in undertaking similar construction projects for photovoltaic glass production; and (iv) the internal procedures and preparations conducted by Hefei Photovoltaic are effective measures in monitoring the overall costs of the Hefei Photoelectric Glass Project, we consider that the terms and conditions of the Purchase Agreement are fair and reasonable.

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### RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that the entering into of the Purchase Agreement is conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Independent Shareholders as a whole; and the terms and conditions of the Purchase Agreement are on normal commercial terms, fair and reasonable. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Purchase Agreement and the transactions contemplated thereunder at the upcoming EGM.

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 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of 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 18 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. FINANCIAL INFORMATION OF THE GROUP**

The unaudited consolidated financial statements of the Company for the six months ended 30 June 2020 and the audited consolidated financial statements of the Company for the three years ended 31 December 2019 together with the relevant notes to the financial statements of the Company can be found on pages 34 to 352 of the interim report of the Company for the six months ended 30 June 2020, pages 95 to 321 of the annual report of the Company for the year ended 31 December 2019, pages 91 to 245 of the annual report of the Company for the year ended 31 December 2018 and pages 70 to 181 of the annual report of the Company for the year ended 31 December 2017.

Please also see below the hyperlinks to the interim report for the six months ended 30 June 2020 and the annual reports for the three years ended 31 December 2019, respectively.

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0810/2020081000485.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042702094.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn201904181124.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0425/ltn201804251209.pdf>

**2. STATEMENT OF INDEBTEDNESS**

At the close of business on 31 October 2020, being the latest practicable date for the purpose of this indebtedness statement, the Group had total borrowings of RMB3,476,252,630, including (i) the bank borrowings of RMB1,002,900,800; (ii) the borrowings from non-bank financial institutions of RMB1,576,234,760; (iii) the borrowings from other institutions of RMB897,117,070. Of which, the secured and/or guaranteed borrowings of the Group amounted to RMB2,669,125,560 and an amount of RMB807,127,070 of the borrowings of the Group was unsecured and without guarantees. Among the secured and/or guaranteed borrowings, an amount of RMB129,000,000 was mortgaged by the fixed assets and land use rights, an amount of RMB1,883,390,800 was guaranteed by IRICO Group and Zhongdian IRICO or mutually-guaranteed by the Group members, an amount of RMB43,500,000 was pledged by the fixed deposit receipt, bank acceptance bills and equity interests held by the Group, an amount of RMB606,234,760 was secured by both mortgage and guarantee, and an amount of RMB7,000,000 was secured by pledge and mortgage together with guarantee.

At the close of business on 31 October 2020, being the latest practicable date for the purpose of this indebtedness statement, the lease liabilities of the Group amounted to RMB8,554,460.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees outstanding at the close of business on 31 October 2020.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 October 2020 and up to the Latest Practicable Date.

### **3. SUFFICIENCY OF WORKING CAPITAL**

After taking into account the Group's internal resources and the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

### **4. FINANCIAL AND TRADING PROSPECTS**

The Group will go all out to focus on the vision of "providing products and solutions of strategic advanced materials for the State". Based on the existing new energy and electronic functional materials industry and guided by value investment, the Group will adhere to the development path of technology leadership and cost leadership under the innovative business model to continuously improve the industrial layout, accelerate technological innovation, further expand the global top three production capacity scale of photovoltaic glass, and expand the leading edge of electronic functional materials. At the same time, the Group actively explore the reform of mixed ownership, introducing incentive mechanisms such as share options, improving core competitiveness, creating greater profit margins, and building an industry leader with brand advantages.

Starting from 2020, the Group has launched a new three-year industry development plan, taking the grid parity in 2020 as an opportunity to vigorously promote the global strategy of replacing traditional energy by sustainable new energy. Through continuous structural innovation and technological leadership, the Group will focus on promoting the production capacity layout of ultra-thin, high-transmittance photovoltaic glass, developing new energy high-end lithium battery cathode materials, electronic pastes and photoresists, and other advanced electronic functional materials to provide material support for the national strategic industry.

In the future, with the gradual improvement and advancement of the Group's strategy, the Group is expected to achieve better performance that matches the size of the Group. The central enterprise value of the Group, structural optimization, industrial effectiveness and market value enhancement will further emerge.

**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 and Mr. Fan Laiying act as Directors of the Company. Mr. Si Yuncong concurrently acts as the chairman, the secretary of the Communist Party Committee and the legal representative of IRICO Group, and the chairman and the legal representative of Zhongdian IRICO. Mr. Fan Laiying concurrently acts as the chief accountant of IRICO Group. Mr. Chen Xiaoning acts as the supervisor and the chairman of the supervisory committee of the Company, and concurrently acts as the deputy general manager and a member of the Communist Party Committee 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 2019 (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 experts who have 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 |
| BDO China Shu Lun<br>Pan Certified Public<br>Accountants LLP | Certified Public Accountants   |
| Yinxin Assets Appraisal<br>Co., Ltd.                         | An independent valuer qualified in the PRC   |

- (b) As at the Latest Practicable Date, the above experts 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 experts have 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 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

## **8. MATERIAL LITIGATION**

As at the Latest Practicable Date, the Company is not engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened against any member of the Group.

## **9. MATERIAL CONTRACTS**

The following contracts have been entered into by members of the Group (not being contract entered into in the ordinary course of business) within two years immediately preceding the date of this circular which are or may be material:

- (i) the Equity Transfer Agreements;
- (ii) the Purchase Agreement;



- (iii) the placing agreement I dated 17 August 2020 entered into between the Company and China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司) (“**CSCI**”) and the placing agreement II dated 17 August 2020 entered into between the Company and Guotai Junan Securities (Hong Kong) Limited (國泰君安證券(香港)有限公司) (“**Guotai Junan**”). Pursuant to the placing agreement I, CSCI agreed to, on a best-effort basis, place a maximum of 1.4 billion new H shares of the Company at the placing price of HK\$1.12 per placing share. Pursuant to the placing agreement II, Guotai Junan agreed to, on a best-effort basis, place a maximum of 0.4 billion new H shares of the Company at the placing price of HK\$1.12 per placing share.
- (iv) the finance lease contract dated 8 January 2020 entered into among Hefei Photovoltaic, IRICO Group and CGNPC International Financial Leasing Co., Ltd.\* (中廣核國際融資租賃有限公司) (“**CGNPC Leasing**”), pursuant to which CGNPC Leasing has agreed to, among others (i) purchase the leased assets (being certain equipment in the plants of Hefei Photovoltaic and IRICO Group) from Hefei Photovoltaic and IRICO Group at the consideration of RMB150,000,000; and (ii) lease back the leased assets to Hefei Photovoltaic and IRICO Group for a term of 36 months at an estimated lease amount of approximately RMB163,853,120.52.
- (v) the finance lease contract I and the finance lease contract II dated 29 November 2019 entered into between Hefei Photovoltaic and Beijing Guozi Financial Leasing Company Limited\* (北京國資融資租賃股份有限公司) (“**Beijing Guozi Financial Leasing**”), pursuant to which (i) Beijing Guozi Financial Leasing has agreed to purchase the leased assets under the finance lease contract I and the finance lease contract II from Hefei Photovoltaic at an aggregate consideration of RMB50,000,000 and RMB25,000,000, respectively; and (ii) Beijing Guozi Financial Leasing has agreed to lease back the leased assets under the finance lease contract I and the finance lease contract II to Hefei Photovoltaic for a term of 36 months at an estimated lease amount of RMB53,555,612.50 and RMB26,777,806.25, respectively.

## 10. MISCELLANEOUS

- (i) The English language text of this circular shall prevail over the Chinese language text in case of any inconsistency.
- (ii) Mr. Chu Xiaohang (“**Mr. Chu**”) is the company secretary of the Company. He is responsible for the securities management, legal matters and investor relations of the Company. Mr. Chu joined the Group in July 1991. Mr. Chu graduated from Northwest University with a bachelor’s degree in computer science and is a senior engineer. He obtained a master’s degree in project management from the Graduate School of Chinese Academy of Sciences. He served as a senior project management engineer in the strategic planning department of IRICO Group and head of the office of the Board of the Company. He acted as our joint company secretary of the Company from November 2009 to November 2012. On 20 November 2012, he was appointed as the sole company secretary of the Company.

**11. 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:

- (i) the articles of association of the Company;
- (ii) the Equity Transfer Agreements;
- (iii) the Purchase Agreement;
- (iv) the material contracts as referred to in the paragraph headed "9. Material Contracts" in this appendix;
- (v) the annual reports of the Company for each of the three financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 and the interim report of the Company for the six months ended 30 June 2020;
- (vi) the "Letter from the Board", the text of which is set out on pages 1 to 28 of this circular;
- (vii) the "Letter from the Independent Board Committee", the text of which is set out on pages 29 to 30 of this circular;
- (viii) the "Letter from Octal Capital", the text of which is set out on pages 31 to 88 of this circular;
- (ix) the written consents as referred to in the paragraph headed "5. Consent and Qualification of Experts" in this appendix; and
- (x) this circular.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of IRICO Group New Energy Company Limited\* (the “Company”) will be held at 9:00 a.m. on Monday, 28 December 2020 at the conference room of the Company at No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC for the purpose of considering and, if thought fit, passing the following resolutions. Unless otherwise indicated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 8 December 2020 (the “Circular”):

#### SPECIAL RESOLUTION

1. To consider and approve the Proposed Share Consolidation and Capital Reduction, details of which are set out in the Circular:

“**THAT** subject to and conditional upon the fulfilment of the conditions for the implementation of the Proposed Share Consolidation and Capital Reduction as set out in the section headed “Conditions of the Proposed Share Consolidation and Capital Reduction” in the Circular:

- (i) every twenty (20) Existing Shares with a par value of RMB1 each be reduced to one (1) Reduced Share with a par value of RMB1 each and the total issued share capital of the Company be reduced from RMB3,526,441,400 to RMB176,322,070;
- (ii) the Reduced Shares shall rank pari passu in all aspects with one another and have the same rights and privileges and be subject to the same restrictions contained in the Articles of Association;
- (iii) the fractional Reduced Shares, if any, will not be issued by the Company to the Shareholders, and any fractional entitlements of the Reduced Shares will be aggregated and sold (for Reduced H Shares only) for the benefit of the Company; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (iv) the Board be and is hereby authorised to take charge of all matters related to the Proposed Share Consolidation and Capital Reduction and to approve the Board to delegate all such authorisation to any of the Directors or relevant authorised person, including but not limited to signing all necessary documents, performing the information disclosure obligation, handling the application to the Stock Exchange for the listing and trading of the Reduced H Shares, the fractional Reduced Shares and odd lots matching arrangement, and arranging the necessary amendments to the Articles of Association and the industrial and commercial registration procedures.

### ORDINARY RESOLUTIONS

2. To consider and approve the major and connected transaction in relation to disposals of the Target Companies, details of which are set out in the Circular:

“**THAT** the Equity Transfer Agreements dated 30 October 2020 be and is hereby authorised, approved and ratified; the Proposed Disposals be and is hereby authorised and approved; and any director of the Company or his proxy(ies) be and are hereby authorised to proceed with and complete the Proposed Disposals, and to exercise all the powers of the Company and to do all things and acts and execute and deliver all agreements and documents, as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions in connection with the Proposed Disposals and, where necessary, affix the common seal of the Company on such documents.”

3. To consider and approve the discloseable and connected transaction in relation to the Purchase Agreement, details of which are set out in the Circular:

“**THAT** the Purchase Agreement dated 30 October 2020 be and is hereby authorised, approved and ratified; the Proposed Purchase be and is hereby authorised and approved; and any director of the Company or his proxy(ies) be and are hereby authorised to proceed with and complete the Proposed Purchase, and to exercise all the powers of the Company and to do all things and acts and execute and deliver all agreements and documents, as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions in connection with the Proposed Purchase and, where necessary, affix the common seal of the Company on such documents.”

By order of the Board

**IRICO Group New Energy Company Limited\***

**Si Yuncong**

*Chairman*

Shaanxi Province, the PRC

8 December 2020

*As at the date of this notice, the Board consists of Mr. Si Yuncong and Mr. Tong Xiaofei as executive Directors, Mr. Fan Laiying and Mr. Ni Huadong as non-executive Directors, and Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng as independent non-executive Directors.*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. In order to determine the list of the holders of H Shares who are entitled to attend the EGM, the register of the holders of H Shares will be closed from Tuesday, 22 December 2020 to Monday, 28 December 2020 (both days inclusive), during which no transfer of H Shares will be effected. Holders of H Shares intending to attend the EGM are required to lodge their respective instrument(s) of transfer and the relevant share certificate(s) to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited by 4:30 p.m. on Monday, 21 December 2020.
2. Holders of H Shares whose names appear on the Company's register of the holders of H Shares at the close of business on Monday, 21 December 2020 are eligible to attend the EGM after completing the registration procedures for attending the EGM, and are entitled to appoint one or more proxies, to attend and vote on his behalf at the EGM according to the Articles of Association. A proxy needs not be a Shareholder.
3. The appointment of the proxy by completing the enclosed "Proxy Form for the EGM to be held on 28 December 2020" (the "**Proxy Form**") must be in writing by hand of the appointer or his attorney duly authorized in writing. If the Proxy Form is signed by the attorney or any other person authorized by the appointer, the power of attorney or other authority must be notarized. If the appointer is a corporation, the Proxy Form shall be executed under seal or shall be executed by its director or a duly authorized person. In respect of the holders of H Shares, the notarized power of attorney or other authority together with the Proxy Form must be delivered to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no less than 24 hours before the time appointed for holding the EGM or any adjournment thereof (i.e. no later than 9:00 a.m. on Sunday, 27 December 2020). Please note that 27 December 2020 is not a working day in Hong Kong and Computershare Hong Kong Investor Services Limited's offices will not be open on that day for physical delivery of the proxy forms. To be effective, all proxy appointments must be lodged with Computershare Hong Kong Investor Services Limited before the deadline.
4. A Shareholder or proxy attending the EGM should produce his/her identity certificate.
5. Voting at the EGM will be taken by poll.
6. The EGM (together with the relevant Class Meetings) is expected to last for half a day. Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses.
7. CEC and its associates (including IRICO Group, Zhongdian IRICO and Rui Bou Electronics (HK) Limited (瑞博電子(香港)有限公司)) will abstain from voting in respect of resolutions 2 and 3.

\* *For identification purpose only*

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## NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

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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)

## NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

**NOTICE IS HEREBY GIVEN** that a class meeting of the holders of H Shares (the “**H Shareholders’ Class Meeting**”) of IRICO Group New Energy Company Limited\* (the “**Company**”) will be held at 10:00 a.m. on Monday, 28 December 2020 at the conference room of the Company at No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC for the purpose of considering and, if thought fit, passing the following resolution. Unless otherwise indicated, capitalised terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 8 December 2020 (the “**Circular**”):

### SPECIAL RESOLUTION

1. To consider and approve the Proposed Share Consolidation and Capital Reduction, details of which are set out in the Circular:

“**THAT** subject to and conditional upon the fulfilment of the conditions for the implementation of the Proposed Share Consolidation and Capital Reduction as set out in the section headed “Conditions of the Proposed Share Consolidation and Capital Reduction” in the Circular:

- (i) every twenty (20) Existing Shares with a par value of RMB1 each be reduced to one (1) Reduced Share with a par value of RMB1 each and the total issued share capital of the Company be reduced from RMB3,526,441,400 to RMB176,322,070;
- (ii) the Reduced Shares shall rank pari passu in all aspects with one another and have the same rights and privileges and be subject to the same restrictions contained in the Articles of Association;

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## NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

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- (iii) the fractional Reduced Shares, if any, will not be issued by the Company to the Shareholders, and any fractional entitlements of the Reduced Shares will be aggregated and sold (for Reduced H Shares only) for the benefit of the Company; and
- (iv) the Board be and is hereby authorised to take charge of all matters related to the Proposed Share Consolidation and Capital Reduction and to approve the Board to delegate all such authorisation to any of the Directors or relevant authorised person, including but not limited to signing all necessary documents, performing the information disclosure obligation, handling the application to the Stock Exchange for the listing and trading of the Reduced H Shares, the fractional Reduced Shares and odd lots matching arrangement, and arranging the necessary amendments to the Articles of Association and the industrial and commercial registration procedures.

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

Shaanxi Province, the PRC  
8 December 2020

*As at the date of this notice, the Board consists of Mr. Si Yuncong and Mr. Tong Xiaofei as executive Directors, Mr. Fan Laiying and Mr. Ni Huadong as non-executive Directors, and Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng as independent non-executive Directors.*

*Notes:*

1. The register of the holders of H Shares will be closed from Tuesday, 22 December 2020 to Monday, 28 December 2020 (both days inclusive), during which no transfer of H Shares will be effected. Holders of H Shares intending to attend the H Shareholders' Class Meeting are required to lodge their respective instrument(s) of transfer and the relevant share certificate(s) to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited by 4:30 p.m. on Monday, 21 December 2020.
2. Holders of H Shares whose names appear on the Company's register of the holders of H Shares at the close of business on Monday, 21 December 2020 are eligible to attend the H Shareholders' Class Meeting after completing the registration procedures for attending the H Shareholders' Class Meeting, and are entitled to appoint one or more proxies, to attend and vote on his behalf at the H Shareholders' Class Meeting according to the Articles of Association. A proxy needs not be a Shareholder.

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## NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

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3. The appointment of the proxy by completing the enclosed “Proxy Form for the Class Meeting of the Holders of H Shares to be held on 28 December 2020” (the “**Proxy Form**”) must be in writing by hand of the appointer or his attorney duly authorized in writing. If the Proxy Form is signed by the attorney or any other person authorized by the appointer, the power of attorney or other authority must be notarized. If the appointer is a corporation, the Proxy Form shall be executed under seal or shall be executed by its director or a duly authorized person. In order to be valid, the notarized power of attorney or other authority together with the Proxy Form must be delivered to the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no less than 24 hours before the time appointed for holding the H Shareholders’ Class Meeting or any adjournment thereof (i.e. no later than 10:00 a.m. on Sunday, 27 December 2020). Please note that 27 December 2020 is not a working day in Hong Kong and Computershare Hong Kong Investor Services Limited’s offices will not be open on that day for physical delivery of the proxy forms. To be effective, all proxy appointments must be lodged with Computershare Hong Kong Investor Services Limited before the deadline.
4. A Shareholder or proxy attending the H Shareholders’ Class Meeting should produce his/her identity certificate.
5. Voting at the H Shareholders’ Class Meeting will be taken by poll.
6. The H Shareholders’ Class Meeting (together with the relevant EGM and the Domestic Shareholders’ Class Meeting) is expected to last for half a day. Shareholders (in person or by proxy) attending the H Shareholders’ Class Meeting are responsible for their own transportation and accommodation expenses.

\* *For identification purpose only*



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# NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

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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)

### NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

**NOTICE IS HEREBY GIVEN** that a class meeting of the holders of Domestic Shares (the “**Domestic Shareholders’ Class Meeting**”) of IRICO Group New Energy Company Limited\* (the “**Company**”) will be held at 10:30 a.m. on Monday, 28 December 2020 at the conference room of the Company at No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC for the purpose of considering and, if thought fit, passing the following resolution. Unless otherwise indicated, capitalised terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 8 December 2020 (the “**Circular**”):

#### SPECIAL RESOLUTION

1. To consider and approve the Proposed Share Consolidation and Capital Reduction, details of which are set out in the Circular:

“**THAT** subject to and conditional upon the fulfilment of the conditions for the implementation of the Proposed Share Consolidation and Capital Reduction as set out in the section headed “Conditions of the Proposed Share Consolidation and Capital Reduction” in the Circular:

- (i) every twenty (20) Existing Shares with a par value of RMB1 each be reduced to one (1) Reduced Share with a par value of RMB1 each and the total issued share capital of the Company be reduced from RMB3,526,441,400 to RMB176,322,070;
- (ii) the Reduced Shares shall rank pari passu in all aspects with one another and have the same rights and privileges and be subject to the same restrictions contained in the Articles of Association;

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## NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

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- (iii) the fractional Reduced Shares, if any, will not be issued by the Company to the Shareholders, and any fractional entitlements of the Reduced Shares will be aggregated and sold (for Reduced H Shares only) for the benefit of the Company; and
- (iv) the Board be and is hereby authorised to take charge of all matters related to the Proposed Share Consolidation and Capital Reduction and to approve the Board to delegate all such authorisation to any of the Directors or relevant authorised person, including but not limited to signing all necessary documents, performing the information disclosure obligation, handling the application to the Stock Exchange for the listing and trading of the Reduced H Shares, the fractional Reduced Shares and odd lots matching arrangement, and arranging the necessary amendments to the Articles of Association and the industrial and commercial registration procedures.

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

Shaanxi Province, the PRC  
8 December 2020

*As at the date of this notice, the Board consists of Mr. Si Yuncong and Mr. Tong Xiaofei as executive Directors, Mr. Fan Laiying and Mr. Ni Huadong as non-executive Directors, and Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng as independent non-executive Directors.*

*Notes:*

1. The register of the holders of Domestic Shares will be closed from Tuesday, 22 December 2020 to Monday, 28 December 2020 (both days inclusive), during which no transfer of Domestic Shares will be effected. Holders of Domestic Shares intending to attend the Domestic Shareholders' Class Meeting are required to lodge their respective instrument(s) of transfer and the relevant share certificate(s) to the Company's registered office at No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC by 4:30 p.m. on Monday, 21 December 2020.
2. Holders of Domestic Shares whose names appear on the Company's register of the holders of Domestic Shares at the close of business on Monday, 21 December 2020 are eligible to attend the Domestic Shareholders' Class Meeting after completing the registration procedures for attending the Domestic Shareholders' Class Meeting, and are entitled to appoint one or more proxies, to attend and vote on his behalf at the Domestic Shareholders' Class Meeting according to the Articles of Association. A proxy needs not be a Shareholder.

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## NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

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3. The appointment of the proxy by completing the enclosed “Proxy Form for the Class Meeting of the Holders of Domestic Shares to be held on 28 December 2020” (the “**Proxy Form**”) must be in writing by hand of the appointer or his attorney duly authorized in writing. If the Proxy Form is signed by the attorney or any other person authorized by the appointer, the power of attorney or other authority must be notarized. If the appointer is a corporation, the Proxy Form shall be executed under seal or shall be executed by its director or a duly authorized person. In order to be valid, the notarized power of attorney or other authority together with the Proxy Form must be delivered to the Company’s registered office at No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC, no less than 24 hours before the time appointed for holding the Domestic Shareholders’ Class Meeting or any adjournment thereof (i.e. no later than 10:30 a.m. on Sunday, 27 December 2020).
4. A Shareholder or proxy attending the Domestic Shareholders’ Class Meeting should produce his/her identity certificate.
5. Voting at the Domestic Shareholders’ Class Meeting will be taken by poll.
6. The Domestic Shareholders’ Class Meeting (together with the relevant EGM and the H Shareholders’ Class Meeting) is expected to last for half a day. Shareholders (in person or by proxy) attending the Domestic Shareholders’ Class Meeting are responsible for their own transportation and accommodation expenses.

\* *For identification purpose only*