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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or transferred** all your shares in **Xinyi Energy Holdings Limited**, you should at once hand this circular with the accompanying form of proxy to the purchaser(s) or the transferee(s), or to the licensed securities dealer or other registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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### XINYI ENERGY HOLDINGS LIMITED

信義能源控股有限公司

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock code: 03868)**

### CONNECTED AND DISCLOSEABLE TRANSACTION

### EXERCISE OF THE CALL OPTION (GROUP 2) PURSUANT TO THE SOLAR FARM AGREEMENT AND THE SOLAR FARM (GROUP 2) AGREEMENTS

AND

### NOTICE OF EGM

*Independent Financial Adviser*



中國通海企業融資  
CHINA TONGHAI CAPITAL

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

A letter from the Board is set forth on pages 11 to 27 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set forth on pages 28 to 29 of this circular. A letter from China Tonghai Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set forth on pages 30 to 57 of this circular.

The EGM is to be held at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 11 February 2021 at 9:30 a.m. and the Notice of EGM is set forth on pages 64 to 66 of this circular. Shareholders are advised to read the Notice of EGM and if you are not able to attend the EGM or its adjournment (as the case may be) in person but wish to exercise your right as a Shareholder, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

#### PRECAUTIONARY MEASURES FOR THE EGM

Please see pages 1 to 2 of this circular for measures being taken to try to prevent and control the spread of the coronavirus disease 2019 (COVID-19) at the EGM, including:

- compulsory temperature check;
- compulsory health declaration;
- compulsory wearing of surgical face masks; and
- no refreshments will be served, and there will be no corporate gifts.

**Any person who does not comply with the precautionary measures may not be allowed to enter into the EGM venue. Xinyi Energy Holdings Limited reminds all Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.**

27 January 2021

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## PRECAUTIONARY MEASURES FOR THE EGM

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In view of the ongoing novel coronavirus (COVID-19) epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they are not subject to quarantine and they, or to their best of knowledge, any person whom they have/had close contact with, have not entered Hong Kong from Mainland China or any overseas countries/areas (as per guidelines issued by the Hong Kong government at [www.chp.gov.hk/en/features/102742.html](http://www.chp.gov.hk/en/features/102742.html) from time to time) at any time in the preceding 14 days. Any person who does not comply with this requirement may be denied entry into the EGM venue or be required to leave the EGM venue;
- (iii) Attendees must wear surgical face masks inside the EGM venue at all times, and maintain a safe distance between seats. Any person who does not comply with this requirement may be denied entry into the EGM venue or be required to leave the EGM venue;
- (iv) The Company will maintain a safe distance between seats; and
- (v) No gifts, food or beverages will be provided at the EGM.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instruction inserted, Shareholders may appoint the Chairman of the EGM or some other person as their proxy to vote on the relevant resolution(s) at the EGM instead of attending the EGM in person.

The proxy form is attached to this Circular. Alternatively, the proxy form can be downloaded from websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) or the Company ([www.xinyienergy.com](http://www.xinyienergy.com)). If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

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## PRECAUTIONARY MEASURES FOR THE EGM

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If Shareholders choosing not to attend the EGM in person have any questions about the relevant resolution(s), or about the Company or any matters for communication with the Board, they are welcome to contact the Company via our investor relations department as follows:

**Investor Relations Department**

21/F, Rykadan Capital Tower  
No. 135 Hoi Bun Road, Kwun Tong  
Kowloon, Hong Kong  
Tel: (852) 3919 2888  
Fax: (852) 3919 2813  
Email: [ir@xinyienergy.com.hk](mailto:ir@xinyienergy.com.hk)

If Shareholders have any questions relating to the EGM, please contact Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong as follows:

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong  
Enquiries: [www.computershare.com/hk/en/online\\_feedback](http://www.computershare.com/hk/en/online_feedback)  
Tel: 852 2862 8555  
Fax: 852 2865 0990

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## DEFINITIONS

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

“Acquisition Committee”	means the acquisition committee of the Board established for the purpose of considering and if appropriate, approving any acquisition of Call Right Assets;
“Adjustment Payment”	means the difference between the Call Right Price (Group 2) determined by reference to the Provisional Closing Accounts and the Call Right Price (Group 2) determined by reference to the Closing Accounts, further information on which is set forth in the principal terms of the “Solar Farm (Group 2A) Agreement” and the “Solar Farm (Group 2B) Agreement” in the letter from the Board of this circular;
“Agreed Purchase Price”	the final purchase price for the acquisition of the Call Right Assets, the determination of which is based on a formula set forth in the section headed “Agreed Purchase Price under the Solar Farm Agreement” in the letter from the Board of this circular;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	means the board of directors of the Company;
“BVI”	means the British Virgin Islands;
“Call Notices (Group 2)”, “Call Notice (Group 2A)” and “Call Notice (Group 2B)”	means the two notices dated 6 January 2021 delivered by the Company to Xinyi Solar pursuant to the Solar Farm Agreement for the purpose of exercising the Call Option (Group 2A) and the Call Option (Group 2B), respectively;
“Call Option”	means the call option granted by Xinyi Solar to the Company pursuant to the Solar Farm Agreement, which allows the Company to acquire the Call Right Assets from Xinyi Solar;
“Call Option (Group 1)”	means the call option exercised by the Company to acquire the Call Right Assets (Group 1) from Xinyi Solar, further information on which is set forth in the Solar Farm (Group 1) Joint Announcement and the XYE Solar Farm (Group 1) Circular;
“Call Option (Group 2)”, “Call Option (Group 2A)” and “Call Option (Group 2B)”	means the call option exercised by the Company to acquire the Call Right Assets (Group 2A) and Call Right Assets (Group 2B) pursuant to the Call Notice (Group 2A) and the Call Notice (Group 2B), respectively;

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## DEFINITIONS

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“Call Right Assets”	means the substantially completed construction and grid-connected utility-scale ground-mounted solar farm projects developed or constructed by the XYX Group which include, as of the Latest Practicable Date, Call Right Assets (Group 1), Call Right Assets (Group 2A) and Call Right Assets (Group 2B);
“Call Right Assets (Group 1)”	means the relevant Call Right Assets acquired by the Company from the Vendor, further information on which is set forth in the Solar Farm (Group 1) Joint Announcement and the XYE Solar Farm (Group 1) Circular;
“Call Right Assets (Group 2)”, “Call Right Assets (Group 2A)” and “Call Right Assets (Group 2B)”	means Call Right Assets (Group 2A) (which include Huainan Solar Farm (Phase 2), Huaibei Solar Farm and Hebei Zaoqiang Solar Farm) and Call Right Assets (Group 2B) (which include Laohekou Solar Farm (Phase 2), Qingyang Solar Farm and Jiangmen Solar Farm (Phases 1 and 2));
“Call Right Price”	means the exercise price in relation to the exercise of Call Option;
“Call Right Price (Group 2)”, “Call Right Price (Group 2A)” and “Call Right Price (Group 2B)”	means the exercise price in relation to the exercise of the Call Option (Group 2A) and the Call Option (Group 2B) for the acquisition of the Call Right Assets (Group 2A) and the Call Right Assets (Group 2B), respectively;
“Company”	means Xinyi Energy Holdings Limited (信義能源控股有限公司), a company incorporated under the laws of BVI with limited liability, the shares of which are listed on the Stock Exchange (stock code: 03868);
“Completion Date”, “Completion Date (Group 2A)” and “Completion Date (Group 2B)”	means the respective dates on which completion of the acquisition of the Call Right Assets (Group 2A) and the Call Right Assets (Group 2B) takes place;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the case of the Company, refers to Xinyi Solar, Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai <i>P.S.M., D.M.S.M., J.P.</i> , Mr. LI Man Yin, Mr. NG Ngan Ho, Mr. LI Ching Leung, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. SZE Nang Sze and their respective controlled corporations;
“Directors”	means the directors of the Company;

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## DEFINITIONS

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“East Shine”	means East Shine Investments Limited, a direct wholly-owned subsidiary of the Vendor as of the Latest Practicable Date which will become a direct wholly-owned subsidiary of the Target Company (Group 2A) following completion of the reorganisation, is a company incorporated under the laws of Hong Kong;
“EGM”	means the extraordinary general meeting of the Company to be held at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 11 February 2021 at 9:30 a.m. or any adjournment thereof;
“Feed-in-Tariff”	means the feed-in-tariff regime currently implemented by the PRC Government for the provision of subsidy, i.e. the tariff adjustment, to the solar farm operators in the PRC by way of tariff adjustment;
“Great Power”	means Great Power Investments Limited, a direct wholly-owned subsidiary of the Vendor as of the Latest Practicable Date which will become a direct wholly-owned subsidiary of the Target Company (Group 2A) following completion of the reorganisation, is a company incorporated under the laws of Hong Kong;
“Hebei Zaoqiang Solar Farm”	means Hebei Zaoqiang Solar Farm 河北棗強光伏電站, the utility-scale ground-mounted solar farm project located in Hengshui City, Hebei Province, the PRC with an approved capacity of 100 MW, which is operated by and wholly-owned by Zaoqiang Renewable Energy directly;
“Heshan Renewable Energy”	means Heshan City Hongde Renewable Energy Limited* 鶴山宏得新能源有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC;
“Hong Kong”	means The Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$” or “Hong Kong Dollars”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Huaibei Solar Farm”	means Huaibei Solar Farm 淮北光伏電站, the utility-scale ground-mounted solar farm project located in Huaibei City, Anhui Province, the PRC with an approved capacity of 100 MW, which is operated by and wholly-owned by Huaibei Xinyi directly;

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## DEFINITIONS

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“Huaibei Xinyi”	means Xinyi Renewable Energy (Huaibei) Limited* 信義新能源(淮北)有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC;
“Huainan Solar Farm (Phase 2)”	means Huainan Solar Farm (Phase 2) 淮南光伏電站(第2期), the utility-scale ground-mounted solar farm project located in Huainan City, Anhui Province, the PRC with an approved capacity of 50 MW, which is operated by and wholly-owned by Huainan Xinyi directly;
“Huainan Xinyi”	means Huainan Xinyi Renewable Energy Limited* 淮南信義新能源有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC;
“Independent Board Committee”	means the independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, <i>G.B.M., G.B.S., J.P.</i> and Ms. LYU Fang, established to advise the Independent Shareholders in relation to the entering into of the Solar Farm (Group 2) Agreements and the exercise of Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements;
“Independent Financial Adviser”	means China Tonghai Capital Limited, a licensed corporation permitted to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Solar Farm (Group 2) Agreements and the exercise of Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements;
“Independent Shareholder(s)”	means Shareholders other than the Controlling Shareholders and their associates;
“Independent Third Party(ies)”	means an individual(s) or a company(ies) who or which is independent of and not connected (within the meaning of the Listing Rules) with the Company as far as the Directors are aware after having made all reasonable enquiries;
“Jiangmen Solar Farm (Phases 1 and 2)”	means Jiangmen Solar Farm (Phases 1 and 2) 江門光伏電站(第1及2期), the utility-scale ground-mounted solar farm project located in Jiangmen City, Guangdong Province, the PRC with an approved capacity of 100 MW, which is operated by and wholly-owned by Heshan Renewable Energy directly;

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## DEFINITIONS

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“Laohekou Solar Farm (Phase 2)”	means Laohekou Solar Farm (Phase 2) 老河口光伏电站(第2期), the utility-scale ground-mounted solar farm project located in Laohekou City, Hubei Province, the PRC with an approved capacity of 100 MW, which is operated by and wholly-owned by Xiangyang Xinyi directly;
“Latest Practicable Date”	means 25 January 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long-stop Date (Group 2A)”	means 31 December 2021;
“Long-stop Date (Group 2B)”	means 28 February 2022;
“MW”	means unit of energy (power), megawatt;
“Notice of EGM”	means the notice convening the EGM as set forth on pages 64 to 66 of this circular;
“PRC”	means The People’s Republic of China, excluding Hong Kong, The Macau Special Administrative Region of the People’s Republic of China, and Taiwan for the purpose of this circular;
“Qingyang Renewable Energy”	means Qingyang County Hewu Renewable Energy Technology Limited* 青陽縣禾五新能源科技有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC;
“Qingyang Solar Farm”	means Qingyang Solar Farm 池州青陽光伏电站, the utility-scale ground-mounted solar farm project located in Chizhou City, Anhui Province, the PRC with an approved capacity of 70 MW, which is operated by and wholly-owned by Qingyang Renewable Energy directly;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time);
“Share(s)”	means ordinary share(s) of the Company;
“Shareholder(s)”	means the holders of the Shares;
“Solar Farm Agreement”	means the solar farm agreement dated 5 December 2018 entered by and between Xinyi Solar and the Company;

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## DEFINITIONS

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“Solar Farm (Group 1) Agreement”	means the sale and purchase agreement entered into between Xinyi Power (BVI) Limited as the vendor and the Company as the purchaser on 16 March 2020 regarding the purchase of the entire issued share capital of the Xinyi Solar Farm (Group 3) Limited, further information on which is set forth in the Solar Farm (Group 1) Joint Announcement and the XYE Solar Farm (Group 1) Circular;
“Solar Farm (Group 1) Joint Announcement”	means the joint announcement issued by the Company and Xinyi Solar dated 16 March 2020;
“Solar Farm (Group 1) Transaction”	means the exercise of the Call Option (Group 1) for the acquisition of the Call Right Assets (Group 1);
“Solar Farm (Group 2) Agreements”	means the Solar Farm (Group 2A) Agreement and the Solar Farm (Group 2B) Agreement;
“Solar Farm (Group 2A) Agreement”	means the sale and purchase agreement entered into between Xinyi Power (BVI) Limited as the vendor and the Company as the purchaser on 6 January 2021 of the equity interest in the Target Company (Group 2A);
“Solar Farm (Group 2B) Agreement”	means the sale and purchase agreement entered into between Xinyi Power (BVI) Limited as the vendor and the Company as the purchaser on 6 January 2021 of the equity interest in the Target Company (Group 2B);
“Solar Farm (Group 2) Joint Announcement”	means the joint announcement issued by the Company and Xinyi Solar on 6 January 2021 in relation to, among others, the exercise of the Call Option (Group 2) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements;
“Solar Farm ROFR”	means the right of first refusal granted by Xinyi Solar to the Company pursuant to the Solar Farm Agreement on the acquisition of the Call Right Assets that would otherwise be sold by Xinyi Solar to Independent Third Party upon the same terms and conditions;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Target Company (Group 2A)”	means Xinyi Solar Farm (Group 6) Limited, a company incorporated under the laws of the BVI and a direct wholly-owned subsidiary of the Vendor;

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## DEFINITIONS

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“Target Company (Group 2B)”	means Xinyi Solar Farm (Group 7) Limited, a company incorporated under the laws of the BVI and a direct wholly-owned subsidiary of the Vendor;
“Target Members (Group 2)”	means the Target Members (Group 2A) and Target Members (Group 2B);
“Target Members (Group 2A)”	means the Target Company (Group 2A), the Target Subsidiaries (Group 2A) and the Target PRC Subsidiaries (Group 2A);
“Target Members (Group 2B)”	means the Target Company (Group 2B), the Target Subsidiary (Group 2B) and the Target PRC Subsidiaries (Group 2B);
“Target PRC Subsidiaries (Group 2A)”	means Huainan Xinyi, Huaibei Xinyi and Zhaoqiang Renewable Energy;
“Target PRC Subsidiaries (Group 2B)”	means Xiangyang Xinyi, Qingyang Renewable Energy, Heshan Renewable Energy and Xinjie Renewable Energy;
“Target Shares (Group 2A)”	means the 200 ordinary shares in the Target Company (Group 2A), representing all its shares in issue;
“Target Shares (Group 2B)”	means the 200 ordinary shares in the Target Company (Group 2B), representing all its shares in issue;
“Target Subsidiaries (Group 2A)”	means East Shine and Great Power;
“Target Subsidiary (Group 2B)”	means Wealthy Treasure Investment Limited, a direct wholly-owned subsidiary of the Vendor as of the Latest Practicable Date, which will become a direct wholly-owned subsidiary of the Target Company (Group 2B) following completion of the reorganisation, is a limited liability company incorporated under the laws of Hong Kong;
“Vendor”	means Xinyi Power (BVI) Limited, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of Xinyi Solar;
“Xiangyang Xinyi”	means Xinyi Solar (Xiangyang) Limited* 信義光能(襄陽)有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC;
“Xinjie Renewable Energy”	means Xinjie Renewable Energy (Wuhu) Limited* 信節新能源(蕪湖)有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC;

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## DEFINITIONS

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“Xinyi Solar”	means Xinyi Solar Holdings Limited (信義光能控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 00968);
“XYE Group” or the “Group”	means the Company and its subsidiaries;
“XYE Prospectus”	means the prospectus issued by the Company dated 15 May 2019;
“XYE Solar Farm (Group 1) Circular”	means the circular issued by the Company dated 16 March 2020;
“XYS Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the case of Xinyi Solar, refers to Xinyi Glass Holdings Limited (stock code: 00868) and its subsidiaries, Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai <i>P.S.M., D.M.S.M., J.P.</i> , Mr. LI Man Yin, Mr. NG Ngan Ho, Mr. LI Ching Leung, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. SZE Nang Sze, and their respective controlled corporations;
“XYS Directors”	means the directors of Xinyi Solar;
“XYS Group”	means Xinyi Solar and its subsidiaries (other than members of the XYE Group);
“XYS Solar Farm Announcement”	means the announcement dated 2 November 2018 issued by Xinyi Solar;
“XYS Solar Farm Circular”	means the shareholders’ circular dated 2 November 2018 issued by Xinyi Solar;
“Zaoqiang Renewable Energy”	means Zaoqiang County Huisheng Renewable Energy Limited* 棗強縣輝盛新能源有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC; and
“%”	denotes as per cent.

\* *for identification purpose only*

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LETTER FROM THE BOARD

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**XINYI ENERGY HOLDINGS LIMITED**  
**信義能源控股有限公司**

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock code: 03868)**

*Executive Directors:*

Mr. LEE Shing Put, B.B.S. (*Chairman*)  
Tan Sri Datuk TUNG Ching Sai  
*P.S.M., D.M.S.M., J.P. (Vice Chairman)*  
Mr. TUNG Fong Ngai (*Chief Executive Officer*)  
Mr. LEE Yau Ching  
Ms. CHENG Shu E

*Independent non-executive Directors:*

Mr. LEUNG Ting Yuk  
The Hon. IP Kwok Him, *G.B.M., G.B.S., J.P.*  
Ms. LYU Fang

*Registered office:*

Jayla Place  
Wickhams Cay I  
Road Town  
Tortola, VG1110  
British Virgin Islands

*Principal place of business in China:*

No. 102, Meidiya Road  
E Qiao Town  
Sanshan District  
Wuhu Country  
Anhui Province  
China

*Principal place of business  
in Hong Kong:*

Unit 2118-2120, 21/F  
Rykadan Capital Tower  
No. 135 Hoi Bun Road  
Kwun Tong, Kowloon  
Hong Kong

27 January 2021

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION**

**EXERCISE OF THE CALL OPTION (GROUP 2)  
PURSUANT TO THE SOLAR FARM AGREEMENT  
AND THE SOLAR FARM (GROUP 2) AGREEMENTS**

**INTRODUCTION**

The Board refers to the Solar Farm (Group 2) Joint Announcement. On 6 January 2021, the Company delivered to Xinyi Solar the Call Notices (Group 2) to exercise the Call Option (Group 2)

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## LETTER FROM THE BOARD

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to acquire the Call Right Assets (Group 2) pursuant to the terms and conditions of the Solar Farm Agreement. On 6 January 2021, the Solar Farm (Group 2) Agreements were entered into in relation to the acquisition of the Target Shares (Group 2) for the Call Right Price (Group 2).

The purpose of this circular is to provide you with (i) further information on the exercise of the Call Option (Group 2) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements; (ii) a letter of recommendations from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) the Notice of the EGM.

### BACKGROUND INFORMATION

The Board refers to the Solar Farm Agreement, pursuant to which Xinyi Solar has granted the Call Option to the Company. In March 2020, the Company had exercised the Call Option (Group 1) and the Solar Farm (Group 1) Transaction was completed in September 2020.

On 6 January 2021, the Company delivered to Xinyi Solar the Call Notices (Group 2) to exercise the Call Option (Group 2) to acquire the Call Right Assets (Group 2) pursuant to the terms and conditions of the Solar Farm Agreement. On 6 January 2021, the Solar Farm (Group 2) Agreements were entered into in relation to the acquisition of the Target Shares (Group 2) for the Call Right Price (Group 2).

### AGREED PURCHASE PRICE UNDER THE SOLAR FARM AGREEMENT

As disclosed in the XYS Solar Farm Announcement, XYS Solar Farm Circular and the XYE Prospectus, the formula for the Agreed Purchase Price is set forth below:

Agreed Purchase Price = Call Right Price - Debt<sup>1</sup> - Estimated amount due to suppliers<sup>2</sup> and other payables + Cash and receivable balances<sup>3</sup>

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<sup>1</sup> “**Debt**” means the actual amount of indebtedness of the Target Members (Group 2A) or the Target Members (Group 2B) (as the case may be) as of the Provisional Closing Account Date as shown on the Provisional Closing Accounts, or the Completion Date as shown on the Closing Accounts.

<sup>2</sup> “**Estimated amount due to suppliers and other payables**” means the estimated amount of payments due to third-party suppliers and others by the Target Members (Group 2A) or the Target Members (Group 2B) (as the case may be) in connection with the construction of the Call Right Assets (Group 2A) and the Call Right Assets (Group 2B) respectively as of the Provisional Closing Accounts Date as shown on the Provisional Closing Accounts, or the Completion Date as shown on the Closing Accounts (as the case may be).

<sup>3</sup> “**Cash and receivable balances**” means the cash and receivable balances of the Target Members (Group 2A) or the Target Members (Group 2B) (as the case may be) as of the Provisional Closing Accounts Date as shown on the Provisional Closing Accounts, or the Completion Date as shown on the Closing Accounts (as the case may be).

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## LETTER FROM THE BOARD

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The formula for the Call Right Price under the Solar Farm Agreement is set forth below:

The Call Right Price is equal to the greater of:

- (a) (Adjusted EBITDA<sup>4</sup> during Designated 12-month of Operation<sup>5</sup> + Sales revenue value-added tax) x 7.2 (the Implied Multiple) (the “**First Limb**”); and
- (b) such amount representing one hundred and ten percent (110%) of the actual reasonable and documented construction costs of such Call Right Asset (the “**Second Limb**”).

If the proposed acquisition of the Call Right Assets is to be conducted by way of acquisition of equity interest in a holding company of the Call Right Assets, the Call Right Price will be deducted by such amount representing the net liabilities, i.e. the amount of debt plus the estimated amount due to suppliers and other payables and plus balance of cash and receivables, of the holding company of the Call Right Assets as of the completion date.

The final amount of the Agreed Purchase Price of the Call Right Assets (Group 2) cannot be determined as of the Latest Practicable Date as none of the Target Members (Group 2A) and the Target Members (Group 2B) has prepared the Provisional Closing Accounts and the Closing Accounts which will be updated to their respective Provisional Closing Accounts Dates and Completion Dates. The Directors confirm that the aggregate amount of the Agreed Purchase Price for the Call Right Assets (Group 2) will be lower than the Call Right Price (Group 2) based on the formula set forth above and hence, there will be no additional implications under the Listing Rules. The Company (and with the confirmation from Xinyi Solar) will publish an announcement on the respective Completion Dates.

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<sup>4</sup> “**Adjusted EBITDA**” is defined as the consolidated EBITDA after eliminating the effect of the Adjustments, if applicable, for that year. The “Adjustments” refer to adjustments of certain items which are charged or credited to the consolidated income statements for the relevant year, being:

- other gain/(loss), net;
- other income;
- unrealised revaluation gains, including impairment provisions or reversal of impairment provisions;
- impairment of goodwill/recognition of negative goodwill; and
- material non-cash gains/losses.

<sup>5</sup> “**Designated 12-month of Operation**” shall commence from the first calendar day of the calendar month immediately after the targeted date of completion of the acquisition of the Call Right Assets.

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## LETTER FROM THE BOARD

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### PRINCIPAL TERMS OF THE SOLAR FARM (GROUP 2) AGREEMENTS

Following the exercise of the Call Option (Group 2), the primary purpose of the entering into of the Solar Farm (Group 2) Agreements is to set forth the details of the solar farm projects to be acquired by the Company in 2021 and the conditions thereof. Such transactions contemplated under the Solar Farm (Group 2) Agreements will require the approval of the Independent Shareholders pursuant to the Listing Rules. The Solar Farm (Group 2) Agreements were entered into pursuant to the Solar Farm Agreement and the material terms of which are not inconsistent with the Solar Farm Agreement (which has been approved at an extraordinary general meeting of Xinyi Solar held on 21 November 2018). The following sets forth the principal terms of the Solar Farm (Group 2A) Agreement and the Solar Farm (Group 2B) Agreement, respectively. The Solar Farm (Group 2A) Agreement and the Solar Farm (Group 2B) Agreement are not inter-conditional.

#### Solar Farm (Group 2A) Agreement

On 6 January 2021, the Company delivered to Xinyi Solar the Call Notice (Group 2A). On 6 January 2021, the Solar Farm (Group 2A) Agreement was entered into in relation to the acquisition of the Target Shares (Group 2A) for the Call Right Price (Group 2A).

The principal terms of the Solar Farm (Group 2A) Agreement are set forth below:

**Date** ..... 6 January 2021

**Parties** ..... (a) The Company, as the purchaser; and  
(b) the Vendor, as the vendor.

The Company, as the purchaser has conditionally agreed to purchase, and the Vendor has agreed to sell, the Target Shares (Group 2A), representing the entire issued share capital of the Target Company (Group 2A).

**Subject matter of the acquisition** ..... The Target Company (Group 2A), which is an investment holding company and upon completion, will be the ultimate owner of the Call Right Assets (Group 2A).

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## LETTER FROM THE BOARD

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Based on the unaudited combined financial information of the Target Members (Group 2A) for the year ended 31 December 2019, the unaudited combined total asset value and net asset value of the Target Members (Group 2A) as of 31 December 2019 were HK\$897.5 million and HK\$85.8 million, respectively. As of 30 November 2020, the unaudited combined total asset value and net asset value of the Target Members (Group 2A) were HK\$1,413.2 million and HK\$199.2 million, respectively. The unaudited combined financial information of the Target Members (Group 2A) for the two years ended 31 December 2019 and the eleven months ended 30 November 2020 is as follows:

	<b>Year ended 31 December</b>		<b>Eleven months ended 30 November</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net profit before tax	14,084	77,137	94,016
Net profit after tax	14,084	77,248	94,184
Net profit after tax attributable to equity owners	14,084	77,248	94,184

Upon completion, the Target Company (Group 2A) will become a direct wholly-owned subsidiary of the Company. As the Company is a non-wholly owned subsidiary of Xinyi Solar, each of the Target Members (Group 2A) will become an indirect non-wholly owned subsidiary of Xinyi Solar following completion.

## LETTER FROM THE BOARD

**Call Right Assets (Group 2A) ...** The Call Right Assets (Group 2A) include the following:

Name of the Call Right Assets	Name of the immediate holding companies in the PRC	Name of the offshore holding companies	Approved capacity	Approved Feed-in-Tariff rate	Estimated Call Right Price as of the Latest Practicable Date	Time of completion of construction	Time of commencement of operation
			<i>(MW)</i>	<i>(RMB)</i>	<i>(RMB'000)</i>		
Huainan Solar Farm (Phase 2), which is currently owned by Huainan Xinyi, a wholly-owned subsidiary of East Shine	Huainan Xinyi	East Shine	50	0.780	293,702	Third quarter of 2020	First quarter of 2019
Huaibei Solar Farm, which is currently owned by Huaibai Xinyi, a wholly-owned subsidiary of Great Power	Huaibei Xinyi	Great Power	100	0.780	637,063	Third quarter of 2019	Second quarter of 2018
Hebei Zaoqiang Solar Farm, which is currently owned by Zaoqiang Renewable Energy, a company that will become a wholly-owned subsidiary of Huaibei Xinyi following completion of the reorganisation	Zaoqiang Renewable Energy	Great Power	100	0.378	335,034	First quarter of 2021	Fourth quarter of 2020
<b>Total</b>			<u>250</u>		<u>1,265,799</u>		

**Call Right Price (Group 2A) . . .** The Call Right Price (Group 2A) is determined in strict compliance with the terms of the Solar Farm Agreement and the Solar Farm (Group 2A) Agreement.

The Directors have reviewed the formula in determining the Call Right Price and confirm that the Call Right Price for Huainan Solar Farm (Phase 2) and Huaibei Solar Farm would be determined according to the First Limb and that the Call Right Price for the Hebei Zaoqiang Solar Farm would be determined according to the Second Limb.

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## LETTER FROM THE BOARD

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As of the Latest Practicable Date, the Call Right Price (Group 2A) has been estimated by Xinyi Solar and the Company to be RMB1,265.8 million (equivalent to HK\$1,502.8 million). Based on the unaudited combined financial information of the Target Members (Group 2A) for the eleven months ended 30 November 2020 and the Call Right Price (Group 2A), the Agreed Purchase Price for the Call Right Assets (Group 2A) as of 30 November 2020 is estimated to be RMB362.4 million (equivalent to HK\$430.2 million). This amount is for illustration purpose only and the Agreed Purchase Price for the Call Right Assets (Group 2A) will be determined with reference to the unaudited combined accounts of the Target Members (Group 2A) as of the Completion Date (Group 2A).

**Payment terms . . . . .**

The Company shall pay:

- (a) 90% of the Call Right Price (Group 2A) (as determined on the basis of the Provisional Closing Accounts (as defined below)) on the Completion Date (Group 2A);
- (b) the Adjustment Payment (if any) within fifteen (15) business days after the Completion Date (Group 2A); and
- (c) the remaining 10% of the Call Right Price (Group 2A) (on the basis of the Closing Accounts (as defined below)) within twelve (12) months after the Completion Date (Group 2A).

The payment of the Call Right Price (Group 2A) will be made by the XYE Group with its internal resources and/or available banking facilities. The Directors confirm that the payment of the Call Right Price (Group 2A) will not have any impact on the use of the net proceeds from the global offering as set forth in the XYE Prospectus.

**Conditions precedent . . . . .**

Completion under the Solar Farm (Group 2A) Agreement is subject to the following conditions:

- (a) the Vendor being the sole and beneficial owner of the Target Shares (Group 2A) free from all encumbrances and having the capacity and power to sell the Target Shares (Group 2A) free from all encumbrances;
- (b) the reorganisation having been completed;

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## LETTER FROM THE BOARD

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- (c) the Company having received a legal opinion issued by a law firm qualified to practice the laws of the PRC dated the Completion Date (Group 2A) on the each of the Target PRC Subsidiaries (Group 2A) confirming, inter alia, its corporate existence, shareholding structure and the validity of its interests in and certain operational aspects and licensing matters of the Call Right Assets (Group 2A), in the form and substance satisfactory to the Company; and
- (d) the passing by the Independent Shareholders at the EGM of the resolution approving the Solar Farm (Group 2A) Agreement and the exercise of the Call Option (Group 2A) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2A) Agreement in accordance with the provisions of the Listing Rules.

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 2A) Agreement at or before 1:00 p.m. on or before the Completion Date (Group 2A), then unless the Vendor and the Company agree otherwise in writing, the Completion Date (Group 2A) shall be postponed to the Long-stop Date (Group 2A).

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 2A) Agreement at or before 1:00 p.m. on or before the Long-stop Date (Group 2A), then unless the Vendor and the Company agree otherwise in writing, the Solar Farm (Group 2A) Agreement shall be terminated, and neither parties to the Solar Farm (Group 2A) Agreement shall have any claim or cause of action against the other, save for any antecedent breach and the return of the Call Right Price (Group 2A) (to the extent paid by the Company) by the Vendor to the Company without interest within five (5) business days after determination of the Solar Farm (Group 2A) Agreement.

As of the Latest Practicable Date, none of the above conditions has been satisfied.

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## LETTER FROM THE BOARD

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- Preparation for completion . . . .** For the purpose of calculating the Call Right Price (Group 2A), Xinyi Solar shall provide to the Company:
- (a) the unaudited combined accounts of the Target Members (Group 2A) (the “**Provisional Closing Accounts**”) as of the close of business on the last day of the previous month prior to the Completion Date (Group 2A) (the “**Provisional Closing Accounts Date**”) on or before the Completion Date (Group 2A); and
  - (b) the unaudited combined accounts of the Target Members (Group 2A) (the “**Closing Accounts**”) as of the close of business on the Completion Date (Group 2A) within ten (10) business days after the Completion Date (Group 2A).

The Provisional Closing Accounts and the Closing Accounts shall be prepared by the Target Members (Group 2A) to the Company’s satisfaction.

- Completion Date (Group 2A) . . .** Expected to be on a business day (a) on or before 30 June 2021 or (b) such other date as the parties to the Solar Farm (Group 2A) Agreement may agree in writing, on which completion takes place, but in any event shall not be later than the first anniversary of the date of the Call Notice (Group 2A).

### **Solar Farm (Group 2B) Agreement**

On 6 January 2021, the Company delivered to Xinyi Solar the Call Notice (Group 2B). On 6 January 2021, the Solar Farm (Group 2B) Agreement was entered into in relation to the acquisition of the Target Shares (Group 2B) for the Call Right Price (Group 2B).

**Date . . . . .** 6 January 2021

- Parties . . . . .**
- (a) The Company, as the purchaser; and
  - (b) the Vendor, as the vendor.

The Company, as the purchaser has conditionally agreed to purchase, and the Vendor has agreed to sell, the Target Shares (Group 2B), representing the entire issued share capital of the Target Company (Group 2B).

**Subject matter of the acquisition . . . . .** The Target Company (Group 2B), which is an investment holding company and upon completion, will be the ultimate owner of the Call Right Assets (Group 2B).

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## LETTER FROM THE BOARD

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Based on the unaudited combined financial information of the Target Members (Group 2B) for the year ended 31 December 2019, the unaudited combined total asset value and net asset value of the Target Members (Group 2B) as of 31 December 2019 were approximately HK\$12.4 million and HK\$6,000, respectively. As of 30 November 2020, the unaudited combined total asset value and net liability value of the Target Members (Group 2B) were approximately HK\$264.1 million and HK\$0.2 million, respectively. The unaudited combined financial information of the Target Members (Group 2B) for the year ended 31 December 2019 and the eleven months ended 30 November 2020 is as follows:

	<b>Year ended 31 December</b>		<b>Eleven months ended 30 November</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net loss before tax	—	(4)	(122)
Net loss after tax	—	(4)	(68)
Net loss after tax attributable to equity owners	—	(4)	(68)

The net loss of the Target Members (Group 2B) for the two years ended 31 December 2019 and the eleven months ended 30 November 2020 was attributable to the fact that the Call Right Assets (Group 2B) were still in construction stage during the relevant years and period and had no revenue generated from operation. As of the Latest Practicable Date, the Call Right Assets (Group 2B) were still under construction and have not yet commenced operations. The construction works of the Call Right Assets (Group 2B) are expected to be substantially completed in the fourth quarter of 2021 and in any event, by the Completion Date (Group 2B).

Upon completion, the Target Company (Group 2B) will become a direct wholly-owned subsidiary of the Company. As the Company is a non-wholly owned subsidiary of Xinyi Solar, each of the Target Members (Group 2B) will become an indirect non-wholly owned subsidiary of Xinyi Solar following completion.

## LETTER FROM THE BOARD

**Call Right Assets (Group 2B)** . . . The Call Right Assets (Group 2B) include the following:

Name of the Call Right Assets	Name of the immediate holding company in the PRC	Name of the offshore holding company	Approved capacity	Approved Feed-in-Tariff rate	Estimated Call Right Price as of the Latest Practicable Date	Expected time of completion of construction
			<i>(MW)</i>	<i>(RMB)</i>	<i>(RMB'000)</i>	
Laohekou Solar Farm (Phase 2), which is currently owned by Xiangyang Xinyi, a company that will become a wholly-owned subsidiary of Xinjie Renewable Energy following completion of the reorganisation	Xinjie Renewable Energy following completion of the reorganisation	Wealthy Treasure Investment Limited	100	0.4161	275,660	Fourth quarter of 2021
Qingyang Solar Farm, which is currently owned by Qingyang Renewable Energy, a wholly-owned subsidiary of Xinjie Renewable Energy	Xinjie Renewable Energy	Wealthy Treasure Investment Limited	70	0.3844	371,606	Fourth quarter of 2021
Jiangmen Solar Farm (Phases 1 and 2), which is currently owned by Heshan Renewable Energy, a wholly-owned subsidiary of Xinjie Renewable Energy	Xinjie Renewable Energy	Wealthy Treasure Investment Limited	100	0.453	356,316	Fourth quarter of 2021
<b>Total</b>			<u>270</u>		<u>1,003,582</u>	

**Call Right Price (Group 2B)** . . . The Call Right Price (Group 2B) is determined in strict compliance with the terms of the Solar Farm Agreement and the Solar Farm (Group 2B) Agreement.

The Directors have reviewed the formula in determining the Call Right Price and confirm that the Call Right Price for Laohekou Solar Farm (Phase 2), Qingyang Solar Farm and Jiangmen Solar Farm (Phases 1 and 2) would be determined according to the Second Limb.

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## LETTER FROM THE BOARD

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As of the Latest Practicable Date, the Call Right Price (Group 2B) has been estimated by Xinyi Solar and the Company to be RMB1,003.6 million (equivalent to HK\$1,191.5 million). Based on the unaudited combined financial information of the Target Members (Group 2B) for the eleven months ended 30 November 2020 and the Call Right Price (Group 2B), the Agreed Purchase Price for the Call Right Assets (Group 2B) as of 30 November 2020 is estimated to be RMB149.8 million (equivalent to HK\$177.9 million). This amount is for illustration purpose only and the Agreed Purchase Price for the Call Right Assets (Group 2B) will be determined with reference to the unaudited combined accounts of the Target Members (Group 2B) as of the Completion Date (Group 2B).

**Payment terms . . . . .**

The Company shall pay:

- (a) 90% of the Call Right Price (Group 2B) (as determined on the basis of the Provisional Closing Accounts) on the Completion Date (Group 2B);
- (b) the Adjustment Payment (if any) within fifteen (15) business days after the Completion Date (Group 2B); and
- (c) the remaining 10% of the Call Right Price (Group 2B) (as determined on the basis of the Closing Accounts) within twelve (12) months after the Completion Date (Group 2B).

The payment of the Call Right Price (Group 2B) will be made by the XYE Group with its internal resources and/or available banking facilities. The Directors confirm that the payment of the Call Right Price (Group 2B) will not have any impact on the use of the net proceeds from the global offering as set forth in the XYE Prospectus.

**Conditions precedent . . . . .**

Completion under the Solar Farm (Group 2B) Agreement is subject to the following conditions:

- (a) the Vendor being the sole and beneficial owner of the Target Shares (Group 2B) free from all encumbrances and having the capacity and power to sell the Target Shares (Group 2B) free from all encumbrances;
- (b) the reorganisation having been completed;

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## LETTER FROM THE BOARD

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- (c) the Company having received a legal opinion issued by a law firm qualified to practice the laws of the PRC dated the Completion Date (Group 2B) in respect of (i) Xinjie Renewable Energy confirming, inter alia, its corporate existence and shareholding structure; and (ii) each of Xiangyang Xinyi, Qingyang Renewable Energy and Heshan Renewable Energy confirming, inter alia, its corporate existence, shareholding structure and the validity of its interests in and certain operational aspects and licensing matters of the Call Right Assets (Group 2B), in the form and substance satisfactory to the Company; and
- (d) the passing by the Independent Shareholders at the EGM of the resolution approving the Solar Farm (Group 2B) Agreement and the exercise of the Call Option (Group 2B) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2B) Agreement in accordance with the provisions of the Listing Rules.

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 2B) Agreement at or before 1:00 p.m. on or before the Completion Date (Group 2B), then unless the Vendor and the Company agree otherwise in writing, the Completion Date (Group 2B) shall be postponed to the Long-stop Date (Group 2B).

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 2B) Agreement at or before 1:00 p.m. on or before the Long-stop Date (Group 2B), then unless the Vendor and the Company agree otherwise in writing, the Solar Farm (Group 2B) Agreement shall be terminated, and neither parties to the Solar Farm (Group 2B) Agreement shall have any claim or cause of action against the other, save for any antecedent breach and the return of the Call Right Price (Group 2B) (to the extent paid by the Company) by the Vendor to the Company without interest within five (5) business days after determination of the Solar Farm (Group 2B) Agreement.

As of the Latest Practicable Date, none of the above conditions has been satisfied.

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## LETTER FROM THE BOARD

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**Preparation for completion . . . .** For the purpose of calculating the Call Right Price (Group 2B), Xinyi Solar shall provide to the Company:

- (a) the unaudited combined accounts of the Target Members (Group 2B) (the “**Provisional Closing Accounts**”) as of the close of business on the last day of the previous month prior to the Completion Date (Group 2B) (the “**Provisional Closing Accounts Date**”) on or before the Completion Date (Group 2B); and
- (b) the unaudited combined accounts of the Target Members (Group 2B) (the “**Closing Accounts**”) as of the close of business on the Completion Date (Group 2B) within ten (10) business days after the Completion Date (Group 2B).

The Provisional Closing Accounts and the Closing Accounts shall be prepared by the Target Members (Group 2B) to the Company’s satisfaction.

**Completion Date (Group 2B) . .** Expected to be on a business day (a) on or before 31 December 2021 or (b) such other date as the parties to the Solar Farm (Group 2B) Agreement may agree in writing, on which completion takes place, but in any event shall not be later than the first anniversary of the date of the Call Notice (Group 2B).

### **REASONS FOR AND BENEFITS OF THE EXERCISE OF CALL OPTION (GROUP 2) AND THE ENTERING INTO OF THE SOLAR FARM (GROUP 2) AGREEMENTS**

The Solar Farm Agreement is an integral part of the spin-off of the Company from Xinyi Solar for the purpose of establishing a clear business delineation. The Solar Farm (Group 2) Agreements have been entered into for the purpose of acquiring the Call Right Assets (Group 2) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements.

The Directors (including the members of the Acquisition Committee and the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) consider that it will be in the Company’s interests and the interest of the Shareholders to continue to source construction completed and grid-connected utility-scale ground-mounted solar farm projects from the XYS Group. Given the Company’s established relationship with Xinyi Solar, its experience, market position, and the fact that Xinyi Solar is the Company’s holding company, the Directors (including the members of the Acquisition Committee and the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) further consider that the terms of the Solar Farm (Group 2) Agreements (including the amount of Call Right Price (Group 2)) are fair and reasonable and it would be in the Company’s interests and the interests of the Shareholders to exercise the Call Option (Group 2) and to enter into the Solar Farm (Group 2) Agreements.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE COMPANY, XINYI SOLAR, AND THE VENDOR

#### The Company

The Group is a leading non-State owned solar farm owner and operator in the PRC in terms of the approved capacity of the utility-scale ground-mounted solar farm projects in operation owned by the Group and under its management. Established and spun-off from Xinyi Solar, the Group owns and operates utility-scale ground-mounted solar farm projects initially developed and constructed by Xinyi Solar. The Company and its subsidiaries are indirect non-wholly owned subsidiaries of Xinyi Solar.

#### Xinyi Solar and the Vendor

The XYS Group is principally engaged in the production and sale of solar glass products, which are carried out internationally, through its production complexes in the PRC and Malaysia. In addition, the XYS Group is also engaged in the development of solar farms and the engineering, procurement and construction services. The Vendor is a direct wholly-owned subsidiary of Xinyi Solar and is an investment holding company. As of the Latest Practicable Date, Xinyi Solar is owned as to 48.8% by the XYS Controlling Shareholders and their respective associates and 51.2% by members of the public.

### IMPLICATIONS UNDER THE LISTING RULES IN RELATION TO THE EXERCISE OF THE CALL OPTION (GROUP 2)

As all of the Solar Farm (Group 1) Agreement and the Solar Farm (Group 2) Agreements were entered into by the Company (as the purchaser) and a subsidiary of Xinyi Solar (as the vendor) and that the Solar Farm (Group 1) Agreement was completed within the previous 12-month period, the Solar Farm (Group 1) Transaction and the transactions contemplated under the exercise of Call Option (Group 2) should be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules for the purpose of determining the implications under the Listing Rules. The highest applicable percentage ratio (as defined under the Listing Rules) in relation to the exercise of the Call Option (Group 2) is (a) if aggregated with the exercise of the Call Option (Group 1) for the Listing Rules purposes, more than 5% but less than 25% and (b) more than 5% but less than 25% on a stand-alone basis. As such, the exercise of the Call Option (Group 2) would be subject to the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*, and Mr. LEE Yau Ching are currently XYS Directors, they are considered to be materially interested in the relevant board resolutions to approve the entering into of the Solar Farm (Group 2) Agreements and the exercise of the Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements. Accordingly, Dr. Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*, and Mr. LEE Yau Ching have abstained from voting on the said board resolutions at the meeting of the Board. No other Directors have abstained from voting on the relevant board resolutions of the Company.

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## LETTER FROM THE BOARD

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### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10 February 2021 to Thursday, 11 February 2021, both days inclusive, during which period no transfer of Shares will be effected in order to determine the entitlement to attend and vote at the EGM. All share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 9 February 2021 for such purpose.

### EGM

The EGM will be held at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 11 February 2021 at 9:30 a.m., for the purpose of considering and, if thought fit, approving the entering into of the Solar Farm (Group 2) Agreements and the exercise of the Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements.

The Notice of EGM is set forth on pages 64 to 66 of this circular.

Shareholders are advised to read the Notice of EGM and if you are not able to attend the EGM or its adjournment (as the case may be) in person but wish to exercise your right as a Shareholder, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

As of the Latest Practicable Date, the Controlling Shareholders and their respective associates were interested in 70.7% of the issued share capital of the Company. The Controlling Shareholders and their respective associates (including Xinyi Glass but excluding Xinyi Solar) were also interested in 48.8% of the issued share capital of Xinyi Solar as of the Latest Practicable Date. The Controlling Shareholders and their respective associates have indicated that they would abstain from voting at the EGM.

Save as disclosed above, to the best of knowledge, information and belief having made all reasonable enquiries by the Directors, no other Shareholders or any of their associates has a material interest in the entering into of the Solar Farm (Group 2) Agreements and the exercise of the Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements and hence, no other Shareholders would be required to abstain from voting on the relevant resolution(s) to be proposed at the EGM.

### VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which

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## LETTER FROM THE BOARD

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relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the meeting will therefore demand a poll for the ordinary resolution(s) put to the vote at the EGM pursuant to Article 66 of the Memorandum and Articles of Association of the Company and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, *G.B.M., G.B.S., J.P.*, and Ms. LYU Fang, has been established to advise the Independent Shareholders in respect of the entering into of the Solar Farm (Group 2) Agreements and the exercise of Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements. China Tonghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders set forth on pages 28 to 29 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which is set forth on pages 30 to 57 of this circular containing their advice and recommendation to the Independent Board Committee and the Independent Shareholders regarding the entering into of the Solar Farm (Group 2) Agreements and the exercise of the Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements as well as the principal factors and reasons taken into consideration in arriving at their advice.

### RECOMMENDATION OF THE BOARD

Having taken into account the factors as disclosed in the section headed “Reasons for and benefits of the exercise of Call Option (Group 2) and the entering into of the Solar Farm (Group 2) Agreements” above, the Directors (including members of the Acquisition Committee and the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) consider that the exercise of the Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements and the terms of the Solar Farm (Group 2) Agreements (including the amount of Call Right Price (Group 2)) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the entering into of the Solar Farm (Group 2) Agreements and the exercise of the Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements.

### ADDITIONAL INFORMATION

Your attention is drawn to the general information as set forth in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Xinyi Energy Holdings Limited**  
**TUNG Fong Ngai**  
*Executive Director and*  
*Chief Executive Officer*



**XINYI ENERGY HOLDINGS LIMITED**

**信義能源控股有限公司**

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock code: 03868)**

27 January 2021

*To the Independent Shareholders,*

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION**

**EXERCISE OF THE CALL OPTION (GROUP 2)  
PURSUANT TO THE SOLAR FARM AGREEMENT  
AND THE SOLAR FARM (GROUP 2) AGREEMENTS**

We refer to the circular of the Company dated 27 January 2021 (the “**Circular**”) despatched to the Shareholders of which this letter forms part. Unless the context requires otherwise, terms and expressions defined or adopted in the Circular shall have the same respective meanings in this letter.

We have been appointed by the Board to advise the Independent Shareholders in respect of the entering into of the Solar Farm (Group 2) Agreements and the exercise of the Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements, details of which are set forth in the letter from the Board contained in the Circular. China Tonghai Capital Limited has been appointed as the Independent Financial Adviser.

We wish to draw your attention to the “Letter from the Board” as set forth on pages 11 to 27 of the Circular and the “Letter from the Independent Financial Adviser” as set forth on pages 30 to 57 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the terms of the Solar Farm (Group 2) Agreements, the principal factors and reasons considered by the Independent Financial Adviser, its conclusion and advice, we consider that the terms of the Solar Farm (Group 2) Agreements (including the amount of Call Right Price (Group 2)) and the exercise of the Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions (the text of each of which is contained in the Notice of EGM) to be proposed at the EGM to approve the entering into of the Solar Farm (Group 2) Agreements and the exercise of the Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements.

Yours faithfully,  
Independent Board Committee  
**Xinyi Energy Holdings Limited**

**Mr. LEUNG Ting Yuk**

**The Hon. IP Kwok Him,**  
*G.B.M., G.B.S., J.P.*

**Ms. LYU Fang**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from China Tonghai Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in respect of the exercise of the Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements, which has been prepared for the purpose of incorporation in this circular.*



27 January 2021

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

### CONNECTED AND DISCLOSEABLE TRANSACTION

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of entering into of the Solar Farm (Group 2) Agreements and the exercise of the Call Option (Group 2) for the acquisition of the Call Right Assets (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements (the “**Proposed Target Acquisition**”), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 27 January 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 6 January 2021, the Company served the Call Right Notices (Group 2) to Xinyi Solar to exercise the Call Option (Group 2) for the acquisition of the Call Right Assets (Group 2) pursuant to the terms and conditions of the Solar Farm Agreement and the Solar Farm (Group 2) Agreements. On 6 January 2021, the Company and the Vendor, a direct wholly-owned subsidiary of Xinyi Solar, entered into the Solar Farm (Group 2) Agreements, pursuant to which the Company has agreed to purchase, and the Vendor has agreed to sell, the Target Shares (Group 2) under the terms and conditions of the Solar Farm Agreement and the Solar Farm (Group 2) Agreements for the Call Right Price (Group 2) with adjustment (“the **Consideration**”).

As disclosed in the Letter from the Board, as all of the Solar Farm (Group 1) Agreement and the Solar Farm (Group 2) Agreements were entered into by the Company and a subsidiary of Xinyi Solar and that the Solar Farm (Group 1) Agreement was completed within the previous 12-month period, the Solar Farm (Group 1) Transaction and the transactions contemplated under the exercise of Call Option (Group 2) should be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules for the purpose of determining the implications under the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the exercise of the Call Option (Group 2) is

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) if aggregated with the exercise of the Call Option (Group 1) for the Listing Rules purposes, more than 5% but less than 25% and (ii) more than 5% but less than 25% on a stand-alone basis, the Proposed Target Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

The Vendor is a connected person of the Company by virtue of the fact that (i) the Controlling Shareholders and their respective associates were interested in 70.7% of the issued share capital of the Company as at the Latest Practicable Date; (ii) the Controlling Shareholders and their respective associates (including Xinyi Glass but excluding Xinyi Solar) were also interested in 48.8% of the issued share capital of Xinyi Solar as at the Latest Practicable Date; and (iii) the Vendor is a direct wholly-owned subsidiary of Xinyi Solar. Accordingly, the Proposed Target Acquisition also constitutes a connected transaction for the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held for the purpose to consider and, if thought fit, to approve the Proposed Target Acquisition.

The Controlling Shareholders have indicated that they would abstain from voting at the EGM. Save as disclosed above, to the best of knowledge, information and belief having made all reasonable enquiries by the Directors, no other Shareholders or any of its associates has a material interest in the Proposed Target Acquisition and hence, no other Shareholders would be required to abstain from voting on the relevant resolution to be proposed at the EGM.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, *G.B.M., G.B.S., J.P.* and Ms. LYU Fang has been established to advise the Independent Shareholders in respect of the Proposed Target Acquisition. We have been appointed as an independent financial adviser to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, China Tonghai Capital Limited did not have any relationships with or interests in the Company, the Vendor or the Target Members (Group 2) or any of their respective ultimate beneficial owners which could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the Company with regard to the entering into of the Solar Farm (Group 1) Agreement and the exercise of the Call Option (Group 1) for the acquisition of the Call Right Assets (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement, details of which are set out in the circular of the Company dated 23 April 2020. Save for aforesaid engagement, we have not acted as independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the aforesaid companies. Accordingly, we are qualified to give independent advice in respect of the Proposed Target Acquisition.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on, among other things, (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Company; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information.

We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position, financial forecast or future prospects of the Group or the Target Members (Group 2).

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation, we have considered the following principal factors and reasons:

#### **1. Background information of the Group**

The Company has been listed on the main board of the Stock Exchange since 28 May 2019. As stated in the Letter from the Board, the Group is a leading non-State owned solar farm owner and operator in the PRC in terms of the approved capacity of the utility-scale ground-mounted solar farm projects in operation owned by the Group and under its management. Established and spun-off from Xinyi Solar, the Group owns and operates utility-scale ground-mounted solar farm projects initially developed and constructed by Xinyi Solar. The Company and its subsidiaries are indirect non-wholly owned subsidiaries of Xinyi Solar.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1.1 Business of the Group

The Group is principally engaged in the solar farm operation business in the PRC. The business model is to acquire, own, and manage a portfolio of solar farm projects and sell the electricity to local subsidiaries of the State Grid, i.e. The State Grid Corporation and the China Southern Power Grid, for generating a stable inflow of revenue and cash which will be used for the distribution of dividend.

### 1.2 Current solar farm projects

At the time of the listing, the aggregate approved capacity of the nine utility-scale ground-mounted solar farm projects (the “**Initial Portfolio**”) owned and operated by the Group was 954 MW. On 3 June 2019, the Company completed the acquisition from Xinyi Solar of the six utility-scale ground-mounted solar farm projects (the “**2019 Portfolio**”) owned by various wholly-owned subsidiaries of Xinyi Solar, with an approved capacity of 540 MW. On 30 September 2020, the Company completed the acquisition from Xinyi Solar of the Call Right Assets (Group 1) owned by various wholly-owned subsidiaries of Xinyi Solar, with an approved capacity of 230 MW. The Company also completed the acquisition of Wuwei Rihao solar farm project and Anlu Jingshun solar farm project with an approved capacity of 20 MW and 90 MW respectively in April 2020 and December 2020 (the “**2020 Portfolio**”), making the approved capacity of solar farms projects held by the Group to reach 1,834 MW in aggregate. Currently, the solar farm projects are located in Anhui Province, Guangdong Province, Hubei Province, Henan Province, Fujian Province and Tianjin Municipality. The table below sets out the details of the current solar farm projects owned and operated by the Group.

<u>Name of the solar farm projects</u>	<u>Location in the PRC</u>	<u>Approved capacity</u> (MW)
<b>The Initial Portfolio</b>		
Jinzhai Solar Farm	Anhui Province	150
Sanshan Solar Farm	Anhui Province	100
Nanping Solar Farm	Fujian Province	30
Lixin Solar Farm	Anhui Province	140
Wuwei Solar Farm One	Anhui Province	100
Hong’an Solar Farm	Hubei Province	100
Fanchang Solar Farm	Anhui Province	60
Shouxian Solar Farm One	Anhui Province	100
Binhai Solar Farm	Tianjin Municipality	174
Sub-total		<u>954</u>

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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<u>Name of the solar farm projects</u>	<u>Location in the PRC</u>	<u>Approved capacity</u> (MW)
<b>The 2019 Portfolio</b>		
Huainan Solar Farm One	Anhui Province	20
Xiaochang Solar Farm One	Hubei Province	130
Xiaochang Solar Farm Two	Hubei Province	30
Suiping Solar Farm	Henan Province	110
Shouxian Solar Farm Two	Anhui Province	200
Wuwei Solar Farm Two	Anhui Province	50
Sub-total		540
<b>Call Right Assets (Group 1)</b>		
Zhanjiang Solar Farm One	Guangdong Province	30
Zhanjiang Solar Farm Two	Guangdong Province	70
Wuwei Solar Farm Three	Anhui Province	30
Laohekou Solar Farm One	Hubei Province	100
Sub-total		230
<b>The 2020 Portfolio</b>		
Wuwei Rihao Solar Farm	Anhui Province	20
Anlu Jingshun Solar Farm	Hubei Province	90
Sub-total		110
<b>Total</b>		<u><u>1,834</u></u>

### **1.3 High dividend payout policy**

As disclosed in the XYE Prospectus and the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), its primary business objective is to provide the Shareholders with stable dividend distributions with sustainable long-term growth of the portfolio of the solar farm projects in terms of size and approved capacity. The Company has adopted a high dividend payout policy and a substantial portion of the cash inflows generated by selling the electricity will be used for the dividend distributions. As disclosed in the six months ended 30 June 2020 of the Company (the “**2020 Interim Report**”), the Board intended to maintain the dividend policy and follow its commitment at the time of listing, which is to distribute 100% of the distributable income for the year ended 31 December 2020. The dividend of approximately HK\$405.1 million for the six months ended 30 June 2020, which represented 100% of the distributable income during the six-month period, was distributed and paid to the Shareholders in September 2020.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 1.4 Financial information of the Group

The table below is certain financial information of the Group for the year ended 31 December 2018 and the year ended 31 December 2019 as extracted from the 2019 Annual Report and the six months ended 30 June 2019 and the six months ended 30 June 2020 as extracted from the 2020 Interim Report.

	For the year ended 31 December		For the six months ended 30 June	
	2018	2019	2019	2020
	<i>(audited)</i> <i>(HK\$'000)</i>	<i>(audited)</i> <i>(HK\$'000)</i>	<i>(unaudited)</i> <i>(HK\$'000)</i>	<i>(unaudited)</i> <i>(HK\$'000)</i>
Sale of electricity	457,068	621,449	244,247	334,919
Tariff adjustment	743,488	966,730	391,340	514,120
Solar farm operation and management services	—	4,907	813	4,109
Revenue	1,200,556	1,593,086	636,400	853,148
Profit for the year/ period attributable to equity holders of the Company	740,813	890,986	356,113	437,580
Dividends	315,949	911,585	337,624	405,149
	As at 31 December		As at 30 June	
	2018	2019	2019	2020
	<i>(audited)</i> <i>(HK\$'000)</i>	<i>(audited)</i> <i>(HK\$'000)</i>	<i>(unaudited)</i> <i>(HK\$'000)</i>	<i>(unaudited)</i> <i>(HK\$'000)</i>
Total assets	8,656,386	14,966,420	15,814,711	14,836,177
Total liabilities	2,274,676	4,772,681	5,582,743	5,012,764
Net assets	6,381,710	10,193,739	10,231,968	9,823,413

#### (a) Financial performance

*For the year ended 31 December 2018 and 31 December 2019*

The audited revenue of the Group for the year ended 31 December 2018 and 2019 amounted to approximately HK\$1,200.6 million and HK\$1,593.1 million respectively, representing an increase of approximately 32.7%. The increase in the units of electricity sold by the utility-scale ground-mounted solar farm projects for the year ended 31 December 2019 was primarily due to the completion of the acquisition of the 2019 Portfolio which accounted for 24.7% of the revenue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The profit attributable to equity holders of the Company for the year ended 31 December 2018 and 2019 were approximately HK\$740.8 million and HK\$891.0 million respectively, representing an increase of approximately 20.3%. Despite the aforesaid increase for the year ended 31 December 2019, the slightly decrease in the net profit margin from 61.7% for the year ended 31 December 2018 to 55.9% for the year ended 31 December 2019 was mainly due to commencement of payment of income tax for members of the companies operating the Initial Portfolio and certain solar farm projects under the 2019 Portfolio.

A final dividend in respect of the financial year ended 31 December 2018 of HK\$58.27 per Share based on 5,422,560 Shares in issue as at 21 January 2019, amounted to a total dividend of approximately HK\$315.9 million was distributed in January 2019. The Board has distributed a final dividend in respect of the financial year ended 31 December 2019 of HK\$0.085 per Share based on 6,752,478,471 Shares in issue as at 31 January 2020 amounting to a total dividend of approximately HK\$574.0 million.

*For the six months ended 30 June 2019 and 30 June 2020*

The unaudited revenue of the Group for the six months ended 30 June 2019 and 2020 amounted to approximately HK\$636.4 million and HK\$853.1 million respectively, representing an increase of approximately 34.1%. The increase in the units of electricity sold by the utility-scale ground-mounted solar farm projects for the six months ended 30 June 2020 was primarily due to the full performance and contribution of the 2019 Portfolio, which accounted for 34.1% of the revenue and operational efficiency for the six months ended 30 June 2020.

The profit attributable to equity holders of the Company for the six months ended 30 June 2019 and 2020 were approximately HK\$356.1 million and HK\$437.6 million respectively, representing an increase of approximately 22.9%. Despite the aforesaid increase for the six months ended 30 June 2020, the slightly decrease in the net profit margin from 56.0% for the six months ended 30 June 2019 to 51.3% for the six months ended 30 June 2020 was mainly due to increases in (i) repair and maintenance expenses; and (ii) depreciation charge of the solar farms projects.

A proposed interim dividend in respect of the six months ended 30 June 2019 of HK\$0.05 per Share based on 6,752,478,471 Shares in issue as at 30 June 2019, amounted to a total dividend of approximately HK\$337.6 million, was distributed in September 2019. The Board has recommended a proposed interim dividend in respect of the six months ended 30 June 2020 of HK\$0.06 per Share based on 6,752,478,471 Shares in issue as at 30 June 2020 amounting to a total dividend of approximately HK\$405.1 million, was distributed in September 2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(b) Financial position*

*As at 31 December 2018 and 31 December 2019*

The total assets of the Group were approximately HK\$8,656.4 million and HK\$14,966.4 million as at 31 December 2018 and 31 December 2019 respectively. The Group's total assets mainly consisted of property, plant and equipment, trade and other receivables and prepayments and cash and cash equivalents which accounted for approximately 70.1%, 21.3% and 4.9% of the Group's total assets respectively as at 31 December 2018. The Group's total assets mainly consisted of property, plant and equipment, trade and other receivables and prepayments and cash and cash equivalents which accounted for approximately 63.4%, 20.4% and 10.9% of the Group's total assets respectively as at 31 December 2019.

The total liabilities of the Group were approximately HK\$2,274.7 million and HK\$4,772.7 million as at 31 December 2018 and 31 December 2019 respectively. The Group's total liabilities mainly consisted of long-term bank borrowings, short-term bank borrowings and long-term lease liabilities which accounted for approximately 45.5%, 28.7% and 12.5% respectively as at 31 December 2018. The Group's total liabilities mainly consisted of the amount due to the immediate holding company, long term bank borrowings and short term bank borrowings which accounted for approximately 36.0%, 25.7% and 15.2 % respectively as at 31 December 2019.

The increase in net assets of the Group as at 31 December 2019 as compared to 31 December 2018 was mainly due to increases in cash and cash equivalents, property, plant and equipment and trade and other receivables and prepayments.

*As at 30 June 2019 and 30 June 2020*

The total assets of the Group were approximately HK\$15,814.7 million and HK\$14,836.2 million as at 30 June 2019 and 30 June 2020 respectively. The Group's total assets mainly consisted of property, plant and equipment, trade and other receivables and prepayments and cash and cash equivalents which accounted for approximately 62.4%, 20.4% and 12.1% of the Group's total assets respectively as at 30 June 2019. The Group's total assets mainly consisted of property, plant and equipment, trade and other receivables and prepayments and cash and cash equivalents which accounted for approximately 62.1%, 23.6% and 9.1% of the Group's total assets respectively as at 30 June 2020.

The total liabilities of the Group were approximately HK\$5,582.7 million and HK\$5,012.8 million as at 30 June 2019 and 30 June 2020 respectively. The Group's total liabilities mainly consisted of the amount due to the immediate holding company, long-term bank borrowings and short-term bank borrowings which accounted for approximately 29.7%, 29.0% and 18.9% respectively as at 30 June 2019. The Group's total liabilities mainly consisted of the amount due to the immediate holding company, long term bank borrowings and short term bank borrowings which accounted for approximately 35.4%, 22.5% and 19.6% respectively as at 30 June 2020.

The decrease in net assets as at 30 June 2020 was mainly due to the decreases in (i) property, plant and equipment; (ii) bank borrowings; and (iii) cash and cash equivalents as well as property, partially offset by the increase in (i) trade and other receivables and prepayments and (ii) the amount due to the immediate holding company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Background information of the Target Members (Group 2)

#### 2.1 *The Target Members (Group 2)*

Each of the Target Company (Group 2A) and the Target Company (Group 2B) is an investment holding company and upon the completion of acquisition of Call Right Assets (Group 2A) “the **“Completion (Group 2A)”** and the completion of acquisition of Call Right Assets (Group 2B) (the **“Completion (Group 2B)”** together, (the **“Completion”**), will be the ultimate owner of the Call Right Assets (Group 2A) and Call Right Assets (Group 2B) respectively.

Upon Completion, Target Company (Group 2A) and Target Company (Group 2B) will become a direct wholly-owned subsidiaries of the Company. As the Company is a non-wholly owned subsidiary of Xinyi Solar, each of the Target Company (Group 2A), Target Subsidiaries (Group 2A), Target PRC Subsidiaries (Group 2A), Target Company (Group 2B), Target Subsidiary (Group 2B) and Target PRC Subsidiaries (Group 2B) will continue to be an indirect non-wholly owned subsidiary of Xinyi Solar following completion.

All of the Target Subsidiaries (Group 2A) and all of the Target PRC Subsidiaries (Group 2A) are investment holding companies. Their principal assets are the Call Right Assets (Group 2A) upon reorganisation having been completed. Among the Target Subsidiaries (Group 2A), (i) East Shine directly owns Huainan Xinyi which in turn owns and operates Huainan Solar Farm (Phase 2); (ii) Great Power directly owns Huaibei Xinyi which in turn owns and operates Huaibei Solar Farm. Among the Target PRC Subsidiaries (Group 2A), Zaoqiang Renewable Energy, a company which will become a wholly-owned subsidiary of Huaibei Xinyi following completion of reorganisation, will directly own and operate Hebei Zaoqiang Solar Farm.

The Target Subsidiary (Group 2B) and all of the Target PRC Subsidiaries (Group 2B) are investment holding companies. Their principal assets are the Call Right Assets (Group 2B) upon reorganisation having been completed. Xinjie Renewable Energy, which is a directly wholly-owned subsidiary of the Target Subsidiary (Group 2B), (i) directly owns Qingyang Renewable Energy which in turn directly owns and operates Qingyang Solar Farm; (ii) directly owns Heshan Renewable Energy which in turn directly owns and operates Jiangmen Solar Farm (Phases 1 and 2); and (iii) will directly wholly-own Xiangyang Xinyi, following completion of the reorganisation, which in turns directly owns and operates Laohekou Solar Farm (Phase 2).

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**2.2 The Call Right Assets (Group 2)**

The Call Right Assets (Group 2A) comprises of the solar farm projects, namely Huainan Solar Farm (Phase 2), Huaibei Solar Farm, Hebei Zaoqiang Solar Farm and the Call Right Assets (Group 2B) comprises of the solar farm projects namely Laohekou Solar Farm (Phase 2), Qingyang Solar Farm and Jiangmen Solar Farm (Phases 1 and 2), all of which are developed or constructed by the XYS Group under the national quota system. Upon exercise of the Call Option (Group 2) given the reorganisation having been completed, the Call Right Assets (Group 2) will be acquired by the Company through the transfer of the entire issued share capital of the Target Members (Group 2). Set out below are details of the Call Right Assets (Group 2):

<u>Call Right Assets (Group 2)</u>	<u>Location in the PRC</u>	<u>Approved capacity</u> <i>(MW)</i>	<u>Approved Feed-in- Tariff rate</u> <i>(RMB)</i>	<u>Equity interest</u>
Call Right Assets (Group 2A)				
- Huainan Solar Farm (Phase 2)	Anhui Province	50	0.780	100% owned indirectly by East Shine
- Huaibei Solar Farm	Anhui Province	100	0.780	100% owned indirectly by Great Power
- Hebei Zaoqiang Solar Farm	Hebei Province	100	0.378	100% owned indirectly by Great Power
Call Right Assets (Group 2B)				
- Laohekou Solar Farm (Phase 2)	Hubei Province	100	0.4161	100% owned indirectly by Wealthy Treasure
- Qingyang Solar Farm	Anhui Province	70	0.3844	100% owned indirectly by Wealthy Treasure
- Jiangmen Solar Farm (Phases 1 and 2)	Guangdong Province	100	0.453	100% owned indirectly by Wealthy Treasure
<b>Total</b>		<b><u>520</u></b>		

Per discussion with the Management, the construction of the Call Right Assets (Group 2) is expected to be completed or substantially completed by the Completion Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2.3 Financial information of the Target Members

#### (a) Financial information of the Target Members (Group 2A)

The table below sets out certain unaudited combined financial information of the Target Members (Group 2A) for the two years ended 31 December 2019 and the eleven months ended 30 November 2020 prepared in accordance with the general accepted accounting principles of Hong Kong:

	<b>Year ended 31 December</b>		<b>Eleven months ended 30 November</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net profit before tax	14,084	77,137	94,016
Net profit after tax	14,084	77,248	94,184
Net profit after tax attributable to equity owners	14,084	77,248	94,184
			<b>As at 30 November 2020</b>
			<i>(unaudited)</i>
			<i>(HK\$'000)</i>
Total assets			1,413,200
Total liabilities			1,214,000
Net assets			199,200

Upon Completion (Group2A), the Company will become the holding company of the Target Members (Group 2A) through acquisition of the Target Shares (Group 2A) and the financial results of the Target Members (Group 2A) will be consolidated into the Group's financial statements.

For the year ended 31 December 2019, the combined profit attributable to equity holders of the Target Members (Group 2A) was approximately HK\$77.2 million, increased by approximately 448.0% from approximately HK\$14.1 million for the year ended 31 December 2018, such increase was mainly due to the commencement of sales of electricity from two out of three solar farm projects, namely Huainan Solar Farm (Phase 2) and Huaibei Solar Farm, during 2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the eleven months ended 30 November 2020, the combined profit attributable to equity holders of the Target Members (Group 2A) was approximately HK\$94.2 million, mainly contributed by the sales of electricity from all three solar farm projects owned by the Target Members (Group 2A) including Hebei Zaoqiang Solar Farm following its commencement of sales of electricity during 2020.

As at 30 November 2020, total assets of the Target Members (Group 2A) were approximately HK\$1,413.2 million. The total assets mainly consisted of property, plant and equipment, account receivables and tax receivables.

Total liabilities of the Target Members (Group 2A) were approximately HK\$1,214.0 million as at 30 November 2020, primarily consisted of the amount due to certain subsidiaries of Xinyi Solar and third-party suppliers to finance the construction costs of solar farms.

*(b) Financial information of the Target Members (Group 2B)*

The table below sets out certain unaudited combined financial information of the Target Members (Group 2B) for the two years ended 31 December 2019 and the eleven months ended 30 November 2020 prepared in accordance with the general accepted accounting principles of Hong Kong:

	<b>Year ended 31 December</b>		<b>Eleven months ended 30 November</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net loss before tax	—	(4)	(122)
Net loss after tax	—	(4)	(68)
Net loss after tax attributable to equity owners	—	(4)	(68)
			<b>As at 30 November 2020</b>
			<i>(unaudited)</i>
			<i>(HK\$'000)</i>
Total assets			264,147
Total liabilities			264,325
Net liabilities			178

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Upon Completion (Group 2B), the Company will become the holding company of the Target Members (Group 2B) through acquisition of the Target Shares (Group 2B) and the financial results of the Target Members (Group 2B) will be consolidated into the Group's financial statements.

For the year ended 31 December 2019, the combined loss attributable to equity holders of the Target Members (Group 2B) was approximately HK\$4,000. The three solar farms projects owned by the respective Target Members (Group 2B), namely Laohekou Solar Farm (Phase 2), Qingyang Solar Farm, Jiangmen Solar Farm (Phases 1 and 2), had not yet commenced sale of electricity during the year.

For the eleven months ended 30 November 2020, the combined loss attributable to equity holders of the Target Members (Group 2B) was approximately HK\$68,000. This was mainly attributable to the fact that the Call Right Assets (Group 2B) were still in construction stage during the period and had minimal revenue generated from the operations.

As at 30 November 2020, total assets of the Target Members (Group 2B) were approximately HK\$264.1 million, mainly consisted of property, plant and equipment.

Total liabilities of the Target Members (Group 2B) were approximately HK\$264.3 million as at 30 November 2020, primarily consisted of the amount due to certain subsidiaries of Xinyi Solar and third-party suppliers to finance the construction costs of solar farms.

### **3. Reasons for and benefits of the Proposed Target Acquisition**

Pursuant to the Solar Farm Agreement, the Company was granted the Call Option and the Solar Farm ROFR to acquire, on a preferential basis, the Call Right Assets i.e. the solar farm projects constructed or developed by Xinyi Solar which have substantially completed construction and are grid-connected to achieve further business delineation between the Group and YYS Group.

The Solar Farm (Group 2) Agreements have been entered into for the purpose of acquiring the Call Right Assets (Group 2) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements. Details of the Call Right Assets (Group 2) are set out in the section headed "2. Background information of the Target Members (Group 2)" above.

It is noted that in the XYE Prospectus, one of the Group's growth strategies is to acquire construction completed and grid-connected solar farm assets from Xinyi Solar subject to the Solar Farm ROFR and from Independent Third Parties with long-term power purchase contracts entered for the purpose of increasing its distributions. In particular, with a focus on acquiring long-term contracted solar farm projects with proven technologies, low operating risks and stable cash flows in geographically diverse locations with growing demand for electricity.

As disclosed in the 2020 Interim Report, all of the Group's solar farm projects are located in provinces or municipality with high electricity demand in the PRC, with no experiences in any curtailment issue in electricity generation from its sole customer, namely The State Grid Corporation. The acquisition of the Call Right Assets (Group 2) would help to further increase distributions in Anhui Province, Hebei Province and Hubei Province.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the 2020 Interim Report, due to reduced electricity demand during the periods of full lockdown in China as a result of lockdown measures, have lifted the share of renewables in electricity supply since their outputs are largely unaffected by the demand and that during the first quarter of 2020, national aggregated electricity generation from all sources reduced by 6.8% while photovoltaics electricity generation increased by 19.9%, as compared to the same period in 2019 according to the data and statistics published by the National Bureau of Statistics. In addition, global use of renewable energy in all sectors and renewable electricity generation increased by around 1.5% and 3.0% during the first quarter of 2020, respectively, as compared to the same period in 2019, according to the statistics of the International Energy Agency. As a result, under the COVID-19 outbreak, the Group's PV electricity generation business performed well with the improvement on the average utilization rate (electricity generation volume increased), which was consistent with the PRC and global statistics and the performance in the first half of 2020 has once again proved the stability of the solar power electricity generation business. As such, it is believed that the Company could capture the business opportunities being presented further strengthening the solar farm projects owned and managed by the Group.

Given that the Company's established relationship with Xinyi Solar, its experience, market position, and the fact that Xinyi Solar is the Company's holding company, it will be in the interest of the Company to continue to source construction completed and grid-connected utility-scale ground-mounted solar farm projects from the XYS Group. The Proposed Target Acquisition provides the Company the opportunity to expand its solar farm project portfolio and, thus, its revenue base, which aligns with the Company's growth strategy. As such, we consider that the Proposed Target Acquisition is in the interests of the Company and the Shareholders as a whole.

#### 4. The Solar Farm Agreement

On 5 December 2018, the Company entered into the Solar Farm Agreement with Xinyi Solar. Pursuant to the Solar Farm Agreement, the Company was granted the Call Option and the Solar Farm ROFR on the utility-scale ground-mounted solar farm projects which have substantially completed construction and are grid-connected developed or constructed by the XYS Group, details of which are set out in the XYS Solar Farm Circular. Set out below are the principal terms of the Call Option under the Solar Farm Agreement.

##### *(a) Call Right Price*

The Call Right Price shall be determined in accordance with the following formula:

Call Right Price = the greater of (a) and (b),

- (a) is equal to (Adjusted EBITDA during Designated 12-month of Operation + Sales revenue VAT) x Implied Multiple (the "**First Limb**");
- (b) is equal to such amount representing one hundred ten percent (110%) of the actual reasonable and documented construction costs of such Call Right Asset (the "**Second Limb**").

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Call Right Price will be deducted by such amount representing the net liabilities as of the date of completion of the transaction. If the proposed acquisition of the Call Right Assets is to be conducted by way of acquisition of equity interest in a holding company of the Call Right Assets, the Call Right Price will be deducted by such amount representing the net liabilities, i.e. the amount of debt plus the estimated amount due to suppliers and other payables and plus balance of cash and receivables, of the holding company of the Call Right Assets as of the Completion Date.

If the proposed acquisition of the Call Right Assets is to be conducted by way of acquisition of the shares of the holding company of the relevant Call Right Assets, the Call Right Price shall be deducted accordingly by such amount representing the net liabilities of the holding company of the Call Right Assets as of the date of completion of the acquisition of the relevant Call Right Assets.

“Adjusted EBITDA” is defined as the consolidated EBITDA after eliminating the effect of the Adjustments, if applicable, for that year.

“Adjustments” refer to adjustments of certain items which are charged or credited to the consolidated income statements for the relevant year, being other gain/(loss), net, other income, unrealised revaluation gains, including impairment provisions or reversal of impairment provisions, impairment of goodwill/recognition of negative goodwill and material non-cash gains/losses.

“Designated 12-month of Operation” shall commence from the first calendar day of the calendar month immediately after the targeted date of completion of the acquisition of the Call Right Assets. If there is any unexpected delay of more than one month to the targeted completion date, the parties to the Solar Farm Agreement shall discuss on the postponement of the commencement date of the Designated 12-month of Operation.

“Implied Multiple” = 7.2

*(b) Payment of the Call Right Price*

Subject to mutual agreement by the parties, the Call Right Price may be payable by instalments with reference to the payment of the tariff adjustment under the Feed-in-Tariff regime (if applicable) in relation to the solar farm projects to be acquired. The exchange rate to be used for the purpose of determining the consideration in Hong Kong dollars shall be the average exchange rate between RMB and Hong Kong dollars during a period of 10 days immediately preceding the date of the settlement of the agreed purchase price.

*(c) Completion*

Completion shall be taken place within 12 months from the date of the relevant Call Right Notice, provided that the Company may postpone the closing period up to 60 days if the Company is not in breach of the definitive agreement and is continuing to use its best efforts to work toward completion of the transaction.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. The Solar Farm (Group 2) Agreements

#### 5.1 *Principal terms of the Solar Farm (Group 2) Agreements*

Following the exercise of the Call Option (Group 2), the primary purpose of entering the Solar Farm (Group 2) Agreements is to set forth the details of the solar farm projects to be acquired by the Company in 2021 and the conditions thereof. The Solar Farm (Group 2) Agreements were entered into pursuant to the Solar Farm Agreement and the material terms of which are not inconsistent with the Solar Farm Agreement (which has been approved at an extraordinary general meeting of Xinyi Solar held on 21 November 2018). The following sets forth the principal terms of the Solar Farm (Group 2A) Agreement and the Solar Farm (Group 2B) Agreement, respectively. The Solar Farm (Group 2A) Agreement and the Solar Farm (Group 2B) Agreement are not inter-conditional.

#### 5.2 *The Solar Farm (Group 2A) Agreement*

On 6 January 2021, the Company delivered to Xinyi Solar the Call Notice (Group 2A). On 6 January 2021, the Solar Farm (Group 2A) Agreement was entered into in relation to the acquisition of the Target Shares (Group 2A) for the Call Right Price (Group 2A).

##### *(a) Parties*

The Company, as the purchaser; and

The Vendor, as the vendor.

##### *(b) Subject matter of the acquisition*

The Company, has conditionally agreed to purchase, and the Vendor has agreed to sell, the Target Shares (Group 2A), representing the entire issued share capital of the Target Company (Group 2A).

The Target Company (Group 2A), which is an investment holding company and upon Completion (Group 2A), will be the ultimate owner of the Call Right Assets (Group 2A).

The Target Subsidiaries (Group 2A), East Shine and Great Power, each of which is the beneficial owner of the respective interests in the Call Right Assets (Group 2A) upon completion of the reorganisation as set forth in the table in the sub-section headed “2.2 The Call Right Assets (Group 2)” above.

##### *(c) Call Right Price (Group 2A)*

The Call Right Price (Group 2A) is determined in strict compliance with the terms of the Solar Farm Agreement and the Solar Farm (Group 2A) Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As discussed with the Management, the Directors and the YYS Directors have reviewed the formula in determining the Call Right Price and confirmed that the Call Right Price for Huainan Solar Farm (Phase 2) and Huaibei Solar Farm would be determined according to the First Limb and that the Call Right Price for the Hebei Zaoqiang Solar Farm would be determined according to the Second Limb.

*(d) Payment terms*

The Company shall pay (i) 90% of the Call Right Price (Group 2A) on the Completion Date (Group 2A); (ii) the Adjustment Payment (if any) within fifteen (15) business days after the Completion Date (Group 2A); and (iii) the remaining 10% of the Call Right Price (Group 2A) on or before the first anniversary of the Completion Date (Group 2A).

*(e) Conditions precedent*

Completion of the Solar Farm (Group 2A) Agreement is subject to the following conditions:

- (i) the Vendor, being the sole legal and beneficial owner of the Target Shares (Group 2A), free from all encumbrances and having the capacity and power to sell the Target Shares (Group 2A) free from all encumbrances;
- (ii) the reorganisation having been completed;
- (iii) the Company having received a legal opinion issued by a law firm qualified to practice the laws of the PRC dated the Completion Date (Group 2A) on each of the Target PRC Subsidiaries (Group 2A) confirming, inter alia, its corporate existence, shareholding structure and the validity of its interests in and certain operational aspects and licensing matters of the Call Right Assets (Group 2A), in the form and substance satisfactory to the Company; and
- (iv) the passing by the Independent Shareholders at the EGM of the resolution approving the Solar Farm (Group 2A) Agreement and the exercise of the Call Option (Group 2A) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2A) Agreement in accordance with the provisions of the Listing Rules.

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 2A) Agreement at or before 1:00 p.m. on or before the Completion Date (Group 2A), then unless the Vendor and the Company agree otherwise in writing, the Completion Date (Group 2A) shall be postponed to the Long-stop Date (Group 2A).

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 2A) Agreement at or before 1:00 p.m. on or before the Long-stop Date (Group 2A), then unless the Vendor and the Company agree otherwise in writing, the Solar Farm (Group 2A) Agreement shall be terminated, and neither parties to the Solar Farm (Group 2A) Agreement shall have any claim or cause of action against the other, save for any antecedent breach and the return of the Call Right Price (Group 2A) (to the extent paid by the Company) by the Vendor to the Company without interest within five (5) business days after termination of the Solar Farm (Group 2A) Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(f) Preparation for completion*

For the purpose of calculating the Call Right Price (Group 2A), Xinyi Solar shall provide to the Company (i) the unaudited combined accounts of the Target Members (Group 2A) (the “**Provisional Closing Accounts**”) as of the close of business on the last day of the previous month prior to the Completion Date (Group 2A) on or before the Completion Date (Group 2A); and (ii) the unaudited combined accounts of the Target Members (Group 2A) (the “**Closing Accounts (Group 2A)**”) as of the close of business on the Completion Date (Group 2A) within ten (10) business days after the Completion Date (Group 2A).

As of the Latest Practicable Date, none of the above conditions had been satisfied.

*(g) Completion Date (Group 2A)*

The Completion Date (Group 2A) is expected to be on a business day (i) on or before on or before 30 June 2021 or (ii) such other date as the parties to the Solar Farm (Group 2A) Agreement may agree in writing, on which completion takes place, but in any event shall not be later than the first anniversary of the date of the Call Notice (Group 2A).

### **5.3 The Solar Farm (Group 2B) Agreement**

On 6 January 2021, the Company delivered to Xinyi Solar the Call Notice (Group 2B). On 6 January 2021, the Solar Farm (Group 2B) Agreement was entered into in relation to the acquisition of the Target Shares (Group 2B) for the Call Right Price (Group 2B).

*(a) Parties*

The Company, as the purchaser; and

The Vendor, as the vendor.

*(b) Subject matter of the acquisition*

The Company, has conditionally agreed to purchase, and the Vendor has agreed to sell, the Target Shares (Group 2B), representing the entire issued share capital of the Target Company (Group 2B).

The Target Company (Group 2B), which is an investment holding company and upon completion, will be the ultimate owner of the Call Right Assets (Group 2B).

The Target Subsidiary (Group 2B) is Wealthy Treasure Investment Limited, which is the beneficial owner of the respective interests in the Call Right Assets (Group 2B) upon completion of the reorganisation as set forth in the table in the sub-section headed “2.2 The Call Right Assets (Group 2)” above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(c) Call Right Price (Group 2B)*

The Call Right Price (Group 2B) is determined in strict compliance with the terms of the Solar Farm Agreement and the Solar Farm (Group 2B) Agreement.

As discussed with the Management, The Directors and the XYS Directors have reviewed the formula in determining the Call Right Price and confirm that the Call Right Price for Laohekou Solar Farm (Phase 2), Qingyang Solar Farm and Jiangmen Solar Farm (Phases 1 and 2) would be determined according to the Second Limb.

*(d) Payment terms*

The Company shall pay (i) 90% of the Call Right Price (Group 2B) on the Completion Date (Group 2B); (ii) the Adjustment Payment (if any) within fifteen (15) business days after the Completion Date (Group 2B); and (iii) the remaining 10% of the Call Right Price (Group 2B) on or before the first anniversary of the Completion Date (Group 2B).

*(e) Conditions precedent*

Completion of the Solar Farm (Group 2B) Agreement is subject to the following conditions:

- (i) the Vendor, being the sole legal and beneficial owner of the Target Shares (Group 2B), free from all encumbrances and having the capacity and power to sell the Target Shares (Group 2B) free from all encumbrances;
- (ii) the reorganisation having been completed;
- (iii) the Company having received a legal opinion issued by a law firm qualified to practice the laws of the PRC dated the Completion Date (Group 2B) on (i) Xinjie Renewable Energy, confirming, inter alia, its corporate existence and shareholding structure; and (ii) each of the Target PRC Subsidiaries (Group 2B) (excluding Xinjie Renewable Energy), their corporate existence, shareholding structure and the validity of their interests in and certain operational aspects and licensing matters of the Call Right Assets (Group 2B), in the form and substance satisfactory to the Company; and
- (iv) the passing by Independent Shareholders at the EGM of the resolution approving the Solar Farm (Group 2B) Agreement and the exercise of the Call Option (Group 2B) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2B) Agreement in accordance with the provisions of the Listing Rules.

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 2B) Agreement at or before 1:00 p.m. on or before the Completion Date (Group 2B), then unless the Vendor and the Company agree otherwise in writing, the Completion Date (Group 2B) shall be postponed to the Long-stop Date (Group 2B).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 2B) Agreement at or before 1:00 p.m. on or before the Long-stop Date (Group 2B), then unless the Vendor and the Company agree otherwise in writing, the Solar Farm (Group 2B) Agreement shall be terminated, and neither parties to the Solar Farm (Group 2B) Agreement shall have any claim or cause of action against the other, save for any antecedent breach and the return of the Call Right Price (Group 2B) (to the extent paid by the Company) by the Vendor to the Company without interest within five (5) business days after determination of the Solar Farm (Group 2B) Agreement.

*(f) Preparation for completion*

For the purpose of calculating the Call Right Price (Group 2B), Xinyi Solar shall provide to the Company (i) the unaudited combined accounts of the Target Members (Group 2B) (the “**Provisional Closing Accounts**”) as of the close of business on the last day of the previous month prior to the Completion Date (Group 2B) on or before the Completion Date (Group 2B); and (ii) the unaudited combined accounts of the Target Members (Group 2B) (the “**Closing Accounts (Group 2B)**”) as of the close of business on the Completion Date (Group 2B) within ten (10) business days after the Completion Date (Group 2B).

As of the Latest Practicable Date, none of the above conditions had been satisfied.

*(g) Completion Date (Group 2B)*

The Completion Date (Group 2B) is expected to be on a business day (i) on or before on or before 31 December 2021 or (ii) such other date as the parties to the Solar Farm (Group 2B) Agreement may agree in writing, on which completion takes place, but in any event shall not be later than the first anniversary of the date of the Call Notice (Group 2B).

## **6. Evaluation of the Consideration**

### **6.1 Determination of the Consideration**

The Consideration will be determined based on the following formula:

$$\text{Consideration} = \text{Call Right Price (Group 2)} - \text{Debt} - \text{Estimated amounts due to suppliers and other payables} + \text{Cash and receivable balance}$$

For further details, please refer to the section headed “5. Solar Farm (Group 2) Agreements”.

As disclosed in the Letter from the Board, the Call Right Price will be determined in strict compliance with the terms of the Solar Farm Agreement and the Solar Farm (Group 2) Agreements.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As of the Latest Practicable Date, the Call Right Price (Group 2A) had been estimated by Xinyi Solar and the Company to be approximately RMB1,265.8 million (equivalent to approximately HK\$1,502.8 million). The Call Right Price for Huainan Solar Farm (Phase 2) and Huaibei Solar Farm would be determined according to the First Limb and the Call Right Price for the Hebei Zaoqiang Solar Farm would be determined according to the Second Limb, which is based on the higher amount as determined in accordance with the predetermined formula set forth in the section headed “4. The Solar Farm Agreement”.

As of the Latest Practicable Date, the Call Right Price (Group 2B) had been estimated by Xinyi Solar and the Company to be approximately RMB1,003.6 million (equivalent to approximately HK\$1,191.5million), the Call Right Price for Laohekou Solar Farm (Phase 2), Qingyang Solar Farm and Jiangmen Solar Farm (Phases 1 and 2) would be determined according to the Second Limb, which is based on the higher amount as determined in accordance with the predetermined formula set forth in the section headed “4. The Solar Farm Agreement”.

We have obtained and reviewed the detailed calculation of the estimation of the Call Right Price (Group 2). We have discussed with the Management in respect of the basis of the calculation. We have also reviewed the latest management accounts of the Target Company (Group 2A) and Target Company (Group 2B) as at 30 November 2020 and other information such as tariff rates approved by price bureaus or submitted by the Company to the price bureaus and published VAT rate. Based on our review, we consider that the estimated Call Right Price (Group 2A) of approximately RMB1,265.8 million (equivalent to approximately HK\$1,502.8million) and the estimated Call Right Price (Group 2B) of approximately RMB1,003.6 million (equivalent to approximately HK\$1,191.5million), have been determined in accordance with the formula set out in the Solar Farm (Group 2) Agreements.

### ***6.2 Evaluation of the Consideration***

We have conducted independent research in assessing the fairness and reasonableness of the Call Right Price (Group 2) of the Target Company (Group 2A) and the Target Company (Group 2B). In particular, we have considered the price of electricity of comparable transactions in respect of sale and purchase of solar farms.

In assessing the fairness and reasonableness of the Call Right Price (Group 2), we have made reference to recent comparable transactions in respect of sale and purchase of solar farms which are (i) located in the PRC; (ii) with approved capacity up to 1,000 MW in aggregate; (iii) acquired or disposed by companies listed in Hong Kong; (iv) related to the acquisition or disposal of solar farm(s) or the majority equity interest of the entity owning the solar farm(s) at a fixed consideration; and (v) were publicly announced during the period from 1 January 2019 and up to the Latest Practicable Date, which in our view represents a reasonable period to reflect recent market conditions for entering into such transactions.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To the best of our knowledge and on a best-effort basis, we have identified a list of 20 comparable transactions (the “**Comparable Transactions**”) which fit the aforesaid criteria. Taking into account (i) the respective considerations for the underlying solar farm projects were referenced to, among others, the approved capacities thereof being a key component of the revenue generated from the sale of electricity of such solar farms; and (ii) the comparison of unit prices of electricity, which were computed based on the respective considerations of completed solar farm projects divided by the approved capacities thereof, we are of the view that the analysis of the unit prices of electricity of the Comparable Transactions against that of the Target Company (Group 2A) and Target Company (Group 2B) as derived from the estimated Call Right Price (Group 2A) of RMB1,265.8 million and estimated Call Right Price (Group 2B) of RMB1,003.6 million and the aggregated approved capacity of 250 MW and 270 MW respectively are appropriate for comparison purpose. Set out in the table below is a summary of the Comparable Transactions.

<u>Company name</u>	<u>Stock code</u>	<u>Date of announcement</u>	<u>Total capacity of solar farm(s)</u>	<u>Consideration<sup>(Note 1)</sup></u>	<u>Unit price<sup>(Note 2)</sup></u>	<u>Portion of consideration to be settled prior to and including the date of completion<sup>(Note 3)</sup></u>
			<i>(MW)</i>	<i>(approximate RMB million)</i>	<i>(approximate RMB million/MW)</i>	<i>(approximate %)</i>
Beijing Energy International Holding Co., Ltd.	686	31 December 2020	20	50.0	2.5	N/A <sup>(Note 6)</sup>
GCL New Energy Holdings Limited	451	10 December 2020	185	291.3	1.6	60.00 <sup>(Note 7)</sup>
Beijing Energy International Holding Co., Ltd.	686	04 December 2020	300	1,177.8	3.9	N/A <sup>(Note 6)</sup>
GCL New Energy Holdings Limited	451	04 December 2020	50	211.1	4.2	100.0 <sup>(Note 7)</sup>
GCL New Energy Holdings Limited	451	22 November 2020	217	312.7	1.4	98.5 <sup>(Note 7)</sup>
GCL New Energy Holdings Limited	451	16 November 2020	174	276.4	1.6	97.4 <sup>(Note 7)</sup>
Kong Sun Holdings Limited	295	22 October 2020	90	100.2	1.1	60.0 <sup>(Note 7)</sup>
GCL New Energy Holdings Limited	451	29 September 2020	403	576.0	1.4	0.0 <sup>(Note 8)</sup>
Kong Sun Holdings Limited	295	21 September 2020	50	82.0	1.6	83.7 <sup>(Note 7)</sup>
Beijing Energy International Holding Co., Ltd.	686	20 September 2020	23.8	50.3	2.1	N/A <sup>(Note 6)</sup>
GCL New Energy Holdings Limited	451	29 June 2020	100	136.6	1.4	91.2 <sup>(Note 7)</sup>
Shunfeng International Clean Energy Limited	1165	18 March 2020	140	181.1	1.3	100.0 <sup>(Note 7)</sup>
Xinyi Solar	968	16 March 2020	230	959.7	4.2	100.0 <sup>(Note 7)</sup>
GCL New Energy Holdings Limited	451	21 January 2020	294	850.5	2.9	100.0 <sup>(Note 7)</sup>
Kong Sun Holdings Limited	295	05 December 2019	100	446.4	4.5	91.0
Shunfeng International Clean Energy Limited	1165	26 November 2019	540	641.4	1.2	97.7 <sup>(Note 7)</sup>
GCL New Energy Holdings Limited	451	22 May 2019	977	1,740.6	1.8	90.0 <sup>(Note 7)</sup>

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name	Stock code	Date of announcement	Total capacity of solar farm(s) (MW)	Consideration <sup>(Note 1)</sup> <i>(approximate RMB million)</i>	Unit price <sup>(Note 2)</sup> <i>(approximate RMB million/MW)</i>	Portion of consideration to be settled prior to and including the date of completion <sup>(Note 3)</sup> <i>(approximate %)</i>
Kong Sun Holdings Limited	295	28 March 2019	30	109.7	3.7	N/A <sup>(Note 6)</sup>
Kong Sun Holdings Limited	295	21 March 2019	30	148.6	5.0	91.2 <sup>(Note 7)</sup>
GCL New Energy Holdings Limited	451	01 February 2019	80	420.0	5.3	100.0 <sup>(Note 7)</sup>
				Maximum	5.3	100.0
				Minimum	1.1	0.0
				Average	2.6	81.7
				Median	1.9	91.2
Call Right Price (Group 2)						
Target Company (Group 2A)			250	1,265.8 <sup>(Note 4)</sup>	5.1	90.0
Target Company (Group 2B)			270	1,003.6 <sup>(Note 5)</sup>	3.7	90.0
Illustrative Consideration						
Target Company (Group 2A)			250	362.4 <sup>(Note 9)</sup>	1.5	90.0
Target Company (Group 2B)			270	149.8 <sup>(Note 10)</sup>	0.6	90.0

*Notes:*

- The consideration comprised (i) the consideration for the sale shares of the target companies owning the solar farm projects; (ii) any shareholder's loan provided to the target companies; and (iii) any liabilities due by/outstanding capital contribution to the target companies assumed by the purchasers in connection with the transactions, as disclosed in the relevant announcements of the Comparable Transactions.
- The implied unit price of electricity of the Comparable Transactions were computed by dividing the aggregate consideration by the approved capacity of the underlying solar farm(s).
- The payment arrangement of the consideration included the settlement of consideration for the sale shares and shareholder's loan (if any) and the settlement of the liabilities/outstanding capital contribution assumed.
- Represented the estimated Call Right Price (Group 2A).
- Represented the estimated Call Right Price (Group 2B).
- The settlement time of the liabilities assumed is not explicitly disclosed in the relevant announcement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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7. The payment arrangement is divided into certain stages upon the satisfaction of certain conditions, which primarily include the completion of registration procedures of the transfer of the equity shares and/or delivery of such related documents and completion of ratification, but not on an actual time basis i.e. certain years following the date of the completion, for our analysis purpose, the portion as stated above represented the deemed percentage upon the completion date.
8. The payment arrangement of the consideration will be settled after the date of completion.
9. Represented the Illustrative Consideration calculated based on the formula of the Consideration as set out in the sub-section headed “6.1 Determination of the Consideration” above and the eleven months ended 30 November 2020 unaudited management account of Target Company (Group 2A).
10. Represented the Illustrative Consideration calculated based on the formula of the Consideration as set out in the sub-section headed “6.1 Determination of the Consideration” above and the eleven months ended 30 November 2020 unaudited management account Target Company (Group 2B).

As shown in the table above, the unit price of electricity of the Comparable Transactions ranged from approximately RMB1.1 million per MW to approximately RMB5.3 million per MW with an average of approximately RMB2.6 million per MW and a median of RMB1.9 million per MW. The implied unit price of electricity of the Target Company (Group 2A) of approximately RMB5.1 million per MW and the Target Company (Group 2B) of approximately RMB3.7 million per MW falls within the range of the Comparable Transactions.

The Consideration to be derived from the Call Right Price (Group 2) is based on the formula of the Consideration as set out in the sub-section headed “6.1 Determination of the Consideration” above. We have reviewed the latest management accounts of the Target Company (Group 2) as at 30 November 2020, and noted that the consideration calculated based on the latest management accounts as at 30 November 2020 will be adjusted downward. For illustrative purpose, the consideration for the Target Company (Group 2A) and the Target Company (Group 2B) are calculated based on their respective management accounts for the eleven months ended 30 November 2020 (the “**Illustrative Consideration**”) and set out in the above table. As shown in the table above, the implied unit price of electricity of the Target Company (Group 2A) and Target Company (Group 2B) under the Illustrative Consideration are approximately RMB1.5 million per MW and RMB0.6 million per MW respectively, which are lower than the average of approximately RMB2.6 million per MW and the median of RMB1.9 million per MW of the Comparable Transactions.

Each of the Target Company (Group 2A) and the Target Company (Group 2B) will be acquired as a whole, hence the comparison as shown in the above table is based on the Target Company (Group 2A) and the Target Company (Group 2B) instead of individual projects.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have also considered the price-to-earnings ratio and the price-to-book ratio analysis for assessing the fairness and reasonableness of the estimated Call Right Price (Group 2). Based on our discussion with the Management and review of the management accounts for eleven months ended 30 November 2020, we noted that most of the solar farms have only achieved grid connection as at 30 November 2020 and still undergoing construction. Hence, such solar farms have neither generated any revenue nor profit prior to grid connection. In view of the earnings of the Target Company (Group 2A) and the Target Company (Group 2B) for the eleven months ended 30 November 2020 did not reflect the earning potential of all of the Call Right Assets (Group 2), the earnings of Target Company (Group 2) was not an appropriate measure to truly reflect the value of the Target Company (Group 2), and hence price-to-earnings ratio analysis is considered not to be appropriate.

Based on the historical financial information of the Target Company (Group 2A) and the Target Company (Group 2B), we noted that the construction costs of the solar farms under the Call Rights Assets (Group 2) were primarily financed by the amount due to certain subsidiaries of Xinyi Solar and third-party suppliers. The Call Right Price (Group 2) for certain solar farm projects, namely Huainan Solar Farm (Phase 2) and Huaibei Solar Farm under the Call Right Assets (Group 2A), which were substantially completed construction in 2019, has been estimated based on the Adjusted EBITDA during the Designated 12-month Operation, whereas the remaining solar farms namely Hebei Zaoqiang Solar Farm under the Call Right Assets (Group 2A), and all of the Call Right Assets (Group 2B), has been estimated based on the latest budgeted costs of the Call Right Asset (Group 2). We have obtained and reviewed the formula in determining the Call Right Price and confirmed that the Call Right Price for Huainan Solar Farm (Phase 2) and Huaibei Solar Farm would be determined according to the First Limb and the Call Right Price for the Hebei Zaoqiang Solar Farm would be determined according to the Second Limb. The final Call Right Price (Group 2A) and Call Right Price (Group 2B) will be adjusted by, among other things, the amount due to suppliers and other payables to derive the Consideration on their respective Completion Date (Group 2A) and Completion Date (Group 2B). Given that (i) construction costs of the solar farms under the Call Rights Assets (Group 2) were primarily financed by the amount due to certain subsidiaries of Xinyi Solar and third party suppliers; and (ii) the Hebei Zaoqiang Solar Farm under the Call Right Assets (Group 2A) and all of the Call Right Assets (Group 2B) are in net liability positions, the net assets value is not able to reflect the underlying value of the Target Company (Group 2) and hence the price-to-book ratio analysis as implied by the Call Right Price (Group 2) is considered not to be appropriate.

The Call Right Price (Group 2) represents the valuation of the Call Right Assets (Group 2), while the Consideration comprises the Call Right Price (Group 2), and adjustment with indebtedness and working capital of the Target Company (Group 2A) and Target Company (Group 2B) as at the Closing Date (Group 2A) and Closing Date (Group 2B) respectively. Per discussion with the Management, the calculation methodology covers all situations where any of the Call Right Assets (Group 2) is still under construction or any solar farm has started electricity generation as well as all the assets and liabilities of the Target Company (Group 2A) and Target Company (Group 2B) as at the Closing Accounts Date. All significant assets and liabilities of the Target Company (Group 2A) and Target Company (Group 2B) will be included and considered in the calculation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated above, the Illustrative Consideration was lower than the Call Right Price (Group 2) based on the management accounts for the eleven months ended 30 November 2020. Based on our discussion with the Management, the Management does not anticipate a net upward adjustment to both of the Call Right Price (Group 2A) and Call Right Price (Group 2B) as at the Closing Date (Group 2A) and the Closing Date (Group 2B) respectively as (i) the construction costs of the two completed solar farms under Call Right Assets (Group 2A) were fixed due to the completed construction; (ii) the two solar farms under Call Right Assets (Group 2A) were in the National Subsidy List, and had already received approximately 70.3% of the subsidies during 2020 which would have formed majority part of the account receivable balance of Target Members (Group 2A), should the subsidies had not been received by the two aforementioned solar farms. We have obtained and reviewed the receipt of such subsidies and confirmed that approximately 70.3% subsidies were received in 2020. Based on the aforesaid, we consider that it is appropriate to compare the estimated Call Option Price (Group 2) to considerations of the Comparable Transactions.

As stated in the Letter from the Board, the Directors confirm that the above formula has included all significant assets and liabilities of the Target Members (Group 2). Based on our review of the management accounts of the Target Company (Group 2A) and Target Company (Group 2B) as at 30 November 2020 as discussed in the sub-section headed “2.3 Financial information of the Target Company (Group 2)”, the solar farms assets, debts, amount due to suppliers and other payables and also cash and receivables were significant assets and liabilities of the Target Company (Group 2A) and Target Company (Group 2B) and no other material assets and liabilities were noted.

Based on the aforesaid, we consider that the Consideration (including the Call Right Price (Group 2) and the determination formula thereof) for the Proposed Target Acquisition is fair and reasonable.

### ***6.3 Payment of the Consideration***

Pursuant to the Solar Farm Agreement and Solar Farm (Group 2) Agreements, payment of 90% of the Consideration shall be settled on the Completion Date and the remaining 10% of the Consideration within twelve months after the Completion Date.

We have performed independent research on recent sale and purchase of solar farm projects conducted by listed companies in Hong Kong. Based on our review on the Comparable Transactions as shown in the table in the above sub-section headed “6.2 Evaluation of the Consideration”, we noted that the settlement amount prior to/upon completion of transactions ranged from 0.0% to 100.0%, with a mean and median amounted to 81.7% and 91.2% of total consideration, while the remaining balance would be settled by tranches subject to different respective conditions. The settlement of 90.0% of the Consideration upon Completion is within the range of the Comparable Transactions. It is also noted that the timing on which the tranches of payment to be made after the Completion Date depends upon (i) having satisfied certain condition precedents; or (ii) the anniversary date of the completion. According to the Solar Farm (Group 2) Agreements, the remaining 10% of the Consideration will be paid after 12 months following Completion. The time range of five relevant Comparable Transactions that have the same payment mechanism which falls from the first anniversary to fourth anniversary following completion or date of equity transfer. Based on the aforesaid, we consider that the payment arrangement under the Solar Farm (Group 2) Agreements is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on above, we consider that the Solar Farm (Group 2) Agreements are on normal commercial terms and fair and reasonable.

### **7. Financial effects of the Proposed Target Acquisition**

#### **7.1 Revenue**

Following Completion, the Target Members (Group 2) will become a direct wholly-owned subsidiary of the Company and the financial results of the Target Company (Group 2A) and Target Company (Group 2B) will be consolidated to the Group's account. Following Completion, the total approved capacity of solar farms owned by the Group will be increased and, thus, its revenue base will be strengthened.

#### **7.2 Working capital and gearing**

The Consideration will be satisfied by the Company with its internal resources and/or available banking facilities.

According to the 2020 Interim Report, the Group had cash and cash equivalents of approximately HK\$1,355.4 million as at 30 June 2020 and the Group's net gearing ratio (bank borrowings minus cash and cash equivalents divided by total equity) as at 30 June 2020 was 7.7%. As of the date of this Circular, the Group has unutilised banking facilities of HK\$1,000 million. The unaudited net cash inflow from operation of the Group for the year ended 31 December 2020 was approximately HK\$1,150 million. Taking into consideration of (i) the Group had cash and cash equivalents of approximately HK\$1,355.4 million as at 30 June 2020; (ii) the Group generated net cash inflow from operating activities of approximately HK\$204.3 million for the six months ended 30 June 2020; (iii) all of the solar farms under the Call Rights Assets (Group 2A) will be substantially completed construction on the Completion Date (Group 2A); (iv) all of the solar farms under the Call Rights Assets (Group 2B) will be substantially completed construction on the Completion Date (Group 2B); and (v) the expected stable operating performance of the Group for the first half of 2021; (vi) the expected new banking facilities of not less than HK\$1.8 billion which could be obtained by the Group; (vii) the expected receipt of the tariff adjustment under the Feed-in-Tariff regime for the existing solar farm projects of the Group; and (viii) the fact that completion of the Solar Farm (Group 2B) Agreement will only have taken place during the second half of 2021, the Management expect and we concur with the Management that the Group will have sufficient financial resources for the settlement of the amount of Consideration and the payment of the Consideration would not result in any material adverse impact on the working capital and gearing of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the entering into the Solar Farm (Group 2) Agreements is in the ordinary and usual course of business of the Group, the terms of the Solar Farm (Group 2) Agreements are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the Proposed Target Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise (i) the Independent Board Committee to recommend the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**China Tonghai Capital Limited**  
**Noelle Hung**  
*Managing Director*

*Noelle Hung is a licensed person and a responsible officer of China Tonghai Capital Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in corporate finance.*

## 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 Group. 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) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

#### (i) Long positions in shares of the Company

Name of Director	Capacity	Name of the controlled corporation	Number of shares held	Approximate percentage of the Company's issued share capital
Tan Sri Datuk TUNG Ching Sai <i>P.S.M., D.M.S.M., J.P.</i>	Interest in controlled corporation <sup>(1)</sup>	Copark (as defined below)	29,803,255	0.419%
	Interest in controlled corporation <sup>(1)</sup>	Sharp Elite (as defined below)	187,687,500	2.639%
	Family interest <sup>(1)</sup>		14,544,041	0.204%
	Interest in person acting in concert <sup>(2)</sup>		1,234,126,933	17.357%

Notes:

- (1) Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M., J.P.*, is the beneficial owner of the entire issued share capital of Copark Investment Limited ("Copark") and Sharp Elite Holdings Limited ("Sharp Elite") which in turn are the registered owner of 29,803,255 and 187,687,500 Shares, respectively. Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M., J.P.*, is also deemed to be interested in the 14,544,041 Shares directly held by his spouse, Puan Sri Datin SZE Tan Hung.

- (2) Pursuant to an agreement dated 22 November 2018 and entered into by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M., J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they would like to dispose of their Shares received at the time of listing of the Company.

(ii) *Share options of the Company*

As of the Latest Practicable Date, there were a total of 450,000 outstanding share options of the Company granted to Ms. CHENG Shu E, an executive Director of the Company under the Share Option Scheme of the Company. Details of which are summarised as follows:

Date of grant:	31 March 2020
Number of share options granted:	450,000
Number of share options outstanding as of the Latest Practicable Date:	450,000
Exercise period:	1 April 2023 to 31 March 2024
Exercise price per Share:	HK\$2.18
Capacity in which interest is held:	Beneficial owner
Approximate percentage of the Company's issued share capital at as of the Latest Practicable Date:	0.006%

(iii) *Long positions in shares of associated corporations*

<u>Name of Director</u>	<u>Capacity</u>	<u>Name of the associated corporation</u>	<u>Number of shares held</u>	<u>Approximate percentage in the total issued share capital of associated corporation</u>
Tan Sri Datuk TUNG Ching Sai <i>P.S.M., D.M.S.M., J.P.</i>	Interest in a controlled corporation <sup>(1)</sup>	Xinyi Solar	218,010,049	2.475%
	Family interest <sup>(1)</sup>		16,279,822	0.185%
	Interest in person acting in concert <sup>(2)</sup>		2,053,299,520	23.308%

*Notes:*

- (1) Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M., J.P.* is the beneficial owner of the entire issued share capital of Copark which is the registered owner of 218,010,049 shares in the issued share capital of Xinyi Solar Holdings Limited (the "XYS Shares"). Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M., J.P.* also has deemed to be interested in 16,279,822 XYS Shares directly held by his spouse, Puan Sri Datin SZE Tan Hung.

- (2) Pursuant to an agreement dated 31 May 2013 and entered into by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M., J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell the XYS Shares allotted to them under the conditional distribution in specie by way of special interim dividend declared on 19 November 2013 of such number of XYS Shares to them representing 67.6% of the XYS Shares as of that date.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO); or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which was required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

**(b) Directorship or employment in a company which has an interest or short position which is discloseable under divisions 2 and 3 of Part XV of the SFO**

So far as is known to the Directors and the chief executive, as of the Latest Practicable Date, the following Directors is a director or employee of the following entities which had, or was deemed to have, interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name of Director</b>	<b>Name of companies which had such discloseable interest or short position</b>	<b>Position within such company</b>
Tan Sri Datuk TUNG Ching Sai <i>P.S.M., D.M.S.M., J.P.</i>	Xinyi Group (Glass) Company Limited	Director
Tan Sri Datuk TUNG Ching Sai <i>P.S.M., D.M.S.M., J.P.</i>	Xinyi Automobile Glass (BVI) Company Limited	Director
Tan Sri Datuk TUNG Ching Sai <i>P.S.M., D.M.S.M., J.P.</i>	Xinyi Glass Holdings Limited	Director
Mr. LEE Yau Ching	Xinyi Power (BVI) Limited	Director
Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai <i>P.S.M., D.M.S.M., J.P.</i> , Mr. LEE Yau Ching	Xinyi Solar Holdings Limited	Director

<b>Name of Director</b>	<b>Name of companies which had such discloseable interest or short position</b>	<b>Position within such company</b>
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i>	Copark	Director
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i>	Sharp Elite	Director
Mr. LEE Yau Ching	Telerich Investment Limited	Director
Mr. LEE Yau Ching	Precious Smart Limited	Director

Except as disclosed above, as of the Latest Practicable Date, none of the Directors or proposed Directors (if any) is a director or employee of any person or corporation who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO.

### **3. DIRECTORS' SERVICE CONTRACTS**

As of the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or be determinable by the member of the Group within one year without payment of compensation (other than statutory compensation).

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

#### **Interests in assets**

As of the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

#### **Interests in contracts**

As of the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group.

**5. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As of the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

**6. MATERIAL ADVERSE CHANGE**

The Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Group were made up to, up to and including the Latest Practicable Date.

**7. EXPERT'S QUALIFICATION AND CONSENT**

The following are qualifications of the expert who has given its opinion or advice which is included in this circular:

<b>Name</b>	<b>Qualification</b>
China Tonghai Capital Limited. . .	a licensed corporation permitted to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO

As of the Latest Practicable Date, the expert above did not have any shareholding, directly or indirectly, in any member of the Group, nor did any of them have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

The expert above has given its written consent and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion as set forth in this circular and references to its name in the form and context in which they appear.

**8. DOCUMENTS AVAILABLE FOR PUBLIC INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company by members of the public in Hong Kong at Unit 2118-2120, 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the articles of association of the Company;
- (b) the letter from the Board, the text of which is set forth on pages 11 to 27 of this Circular;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set forth on pages 28 to 29 of this Circular;
- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set forth on pages 30 to 57 of this Circular;
- (e) the written consent referred to in the paragraph headed “7. Expert’s qualifications and consent” in this appendix;
- (f) the Solar Farm Agreement;
- (g) the Call Notices (Group 2);
- (h) the Solar Farm (Group 2) Agreements; and
- (i) this circular.

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## NOTICE OF EGM

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### XINYI ENERGY HOLDINGS LIMITED

### 信義能源控股有限公司

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock code: 03868)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “EGM”) of Xinyi Energy Holdings Limited (the “Company”) will be held at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, on Thursday, 11 February 2021 at 9:30 a.m., for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

**“THAT:**

1. (a) the exercise of the Call Option (Group 2A) (as defined in the circular of the Company dated 27 January 2020 (the “Circular”) of which this notice forms part) for the acquisition of the Call Right Assets (Group 2A) (as defined in the Circular) pursuant to the terms and conditions of the Solar Farm Agreement (as defined in the Circular) (a copy of which has been produced to the meeting and marked “A” and initialled by the chairman of the meeting (the “Chairman”) for identification purpose), the Call Notice (Group 2A) (as defined in the Circular) (a copy of which has been produced to the meeting and marked “B” and initialled by the Chairman for identification purpose), and the Solar Farm (Group 2A) Agreement (as defined in the Circular) (a copy of which has been produced to the meeting and marked “C” and initialled by the Chairman for identification purpose) and the entering into of the Solar Farm (Group 2A) Agreement be and are hereby approved, ratified and confirmed; and
- (b) authorisation be granted to any director of the Company to complete and do all such acts or things (including executing all such documents, instruments and agreements as may be required) as are in his or her opinion may consider necessary, appropriate, desirable or expedient or in the interest of the Company to implement and/or give effect to the exercise of the Call Option (Group 2A) (as defined in the Circular) and/or the Solar Farm (Group 2A) Agreement and all other matters incidental thereto or in connection therewith;”

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## NOTICE OF EGM

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2. “(a) the exercise of the Call Option (Group 2B) (as defined in the Circular of which this notice forms part) for the acquisition of the Call Right Assets (Group 2B) (as defined in the Circular) pursuant to the terms and conditions of the Solar Farm Agreement (as defined in the Circular) (a copy of which has been produced to the meeting and marked “A” and initialled by the Chairman for identification purpose), the Call Notice (Group 2B) (as defined in the Circular) (a copy of which has been produced to the meeting and marked “D” and initialled by the Chairman for identification purpose), and the Solar Farm (Group 2B) Agreement (as defined in the Circular) (a copy of which has been produced to the meeting and marked “E” and initialled by the Chairman for identification purpose) and the entering into of the Solar Farm (Group 2B) Agreement be and are hereby approved, ratified and confirmed; and
- (b) authorisation be granted to any director of the Company to complete and do all such acts or things (including executing all such documents, instruments and agreements as may be required) as are in his or her opinion may consider necessary, appropriate, desirable or expedient or in the interest of the Company to implement and/or give effect to the exercise of the Call Option (Group 2B) (as defined in the Circular) and/or the Solar Farm (Group 2B) Agreement and all other matters incidental thereto or in connection therewith.”

By order of the Board  
**Xinyi Energy Holdings Limited**  
**TUNG Fong Ngai**  
*Executive Director and Chief Executive Officer*

Hong Kong, 27 January 2021

*Registered office:*  
Jayla Place  
Wickhams Cay I  
Road Town  
Tortola, VG1110  
British Virgin Islands

*Principal place of business in Hong Kong:*  
Unit 2118-2120, 21/F  
Rykan Capital Tower  
No. 135 Hoi Bun Road  
Kwun Tong, Kowloon  
Hong Kong

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*Notes:*

- (1) A form of proxy for the EGM to be held on Thursday, 11 February 2021 is enclosed.
- (2) Any Shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him/her/it and vote on his/her/it behalf at the EGM. A proxy need not be a member of the Company.

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## NOTICE OF EGM

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- (3) In order to be valid, the form of proxy completed in accordance with the instructions set forth therein, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of such power or authority) must be deposited to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should the Shareholder so wish.
- (4) In case of joint holders of any Share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the meeting in person or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
- (5) The register of members of the Company will be closed from Wednesday, 10 February 2021 to Thursday, 11 February 2021, both days inclusive, during which period no transfer of Shares will be effected in order to determine the entitlement to attend and vote at the EGM. All Share transfers accompanied by the relevant Share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 9 February 2021 for such purpose.
- (6) Bad weather arrangements

The EGM will be held on Thursday, 11 February 2021 as scheduled regardless of whether or not an amber or red rainstorm warning signal is in force in Hong Kong at any time on that day. However, if a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 8:00 a.m. on Thursday, 11 February 2021, the EGM will be automatically postponed to a later date. The Company will post an announcement on the websites of the Stock Exchange and the Company to notify Shareholders of the date, time and location of the rescheduled meeting. Shareholders should make their own decision as to whether they would attend the EGM under bad weather conditions having regard to their own situation and if they should choose to do so, they are advised to exercise care and caution.

- (7) As of the date of this notice, the five executive Directors are Mr. LEE Shing Put, B.B.S. (Chairman), Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M., J.P.*, Mr. TUNG Fong Ngai, Mr. LEE Yau Ching, and Ms. CHENG Shu E, and the three independent non-executive Directors are Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, *G.B.M., G.B.S., J.P.* and Ms. LYU Fang.