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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 CALL OPTION (GROUP 4) PURSUANT TO THE SOLAR FARM AGREEMENT AND THE SOLAR FARM (GROUP 4) AGREEMENT AND NOTICE OF EGM

Independent Financial Adviser



Unless the context requires otherwise, the capitalised terms used on this cover shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set forth on pages 8 to 21 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set forth on pages 22 to 23 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set forth on pages 24 to 45 of this circular.

The EGM is to be held at 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 2 June 2023 at 9:00 a.m. and the Notice of EGM is set forth on pages 52 to 53 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, i.e. not later than Wednesday, 31 May 2023 at 9:00 a.m. (Hong Kong time), 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.

17 May 2023

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DEFINITIONS

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 acquisition of the Call Right Assets;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	means the board of Directors of the Company;
“Branch Share Registrar”	means the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong;
“BVI”	means the British Virgin Islands;
“Call Notice (Group 4)”	means the notice dated 28 April 2023 delivered by the Company to Xinyi Solar for the purpose of exercising the Call Option (Group 4);
“Call Option”	means the call option granted by Xinyi Solar to the Company under the Solar Farm Agreement, pursuant to which the Company may acquire from Xinyi Solar the Call Right Assets;
“Call Option (Group 3)”	refers to the Call Option previously exercised by the Company for the acquisition of the Call Right Assets (Group 3);
“Call Option (Group 4)”	refers to the Call Option currently exercised by the Company to acquire the Call Right Assets (Group 4);
“Call Right Assets”	means the substantially completed construction and grid-connected utility-scale ground-mounted solar farm projects developed or constructed by the XYS Group which include the Call Right Assets (Group 3) and the Call Right Assets (Group 4);
“Call Right Assets (Group 3)”	means the Call Right Assets in the total approved capacity of 650.0 MW previously acquired by the Company pursuant to the exercise of the Call Option (Group 3) among which, one of the solar farms with the approved capacity of 200.0 MW has been withdrawn from the list of the Call Right Assets;

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“Call Right Assets (Group 4)”	means the five solar farms in the total approved capacity of 636.5 MW, namely Jiangmen Solar Farm, Zhanjiang Solar Farm (Phase Three), Shenxiang Solar Farm, Wanzhi Solar Farm (Phase One) and Hexian Solar Farm respectively owned and operated by Xinze Kaiping, Xinchuang Lianjiang, Xinfu Wuhu, Xinzhi Wuhu and Xinyi Hexian, proposed to be acquired by the Purchaser under the Call Option (Group 4);
“Call Right Price” and “Call Right Price (Group 4)”	means the exercise price in relation to the exercise of the Call Option and the Call Option (Group 4);
“Company”	means Xinyi Energy Holdings Limited (信義能源控股有限公司), a company incorporated under the laws of the BVI with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 03868);
“Completion Date (Group 4)”	means the date of completion of the sale and purchase transaction contemplated under the Solar Farm (Group 4) Agreement, which is expected to be on or before 31 March 2024;
“connected subsidiary”	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;
“EGM”	means the extraordinary general meeting of the Company to be held at 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 2 June 2023 at 9:00 a.m. or any adjournment thereof, to consider and if thought fit, approve, among others, the Solar Farm (Group 4) Agreement, at which the Controlling Shareholders will abstain from voting;
“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;
“Group”	means the Company and its subsidiaries;

DEFINITIONS

“GW”	means unit of energy (power), gigawatt;
“Hexian Solar Farm”	means Hexian Solar Farm (和縣光伏電站), the utility-scale ground-mounted solar farm project located in He County, Anhui Province, the PRC with an approved capacity of 102.0 MW, which is operated and wholly-owned by Xinyi Hexian;
“Hong Kong”	means The Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Jiangmen Solar Farm”	means Jiangmen Solar Farm (江門光伏電站), the utility-scale ground-mounted solar farm project located in Jiangmen City, Guangdong Province, the PRC with an approved capacity of 150.0 MW, which is operated and wholly-owned by Xinze Kaiping;
“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, G.B.M., G.B.S., J.P. and Ms. LYU Fang, established to advise the Independent Shareholders in relation to the exercise of the Call Option (Group 4) pursuant to the Solar Farm (Group 4) Agreement and the Solar Farm Agreement;
“Independent Financial Adviser”	means Quam Capital Limited (formerly known as 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 exercise of Call Option (Group 4) pursuant to the Solar Farm (Group 4) Agreement and the Solar Farm Agreement;
“Independent Shareholders”	means the Shareholders other than the Controlling Shareholders and their respective 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;
“Latest Practicable Date”	means 12 May 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;

DEFINITIONS

“Listing Rules”	means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long-stop Date (Group 4)”	means a business day (a) on or before 31 May 2024 or (b) such other date as the Vendor and the Purchaser may agree in writing, but in any event shall not be later than 60 days from the first anniversary of the date of the Call Notice (Group 4);
“MW”	means unit of energy (power), megawatt;
“Notice of EGM”	means the notice convening the EGM as set forth on pages 52 to 53 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;
“Prospectus”	means the prospectus issued by the Company dated 15 May 2019;
“Purchaser”	Xinyi Solar (Wuhu) Limited* 信義光能(蕪湖)有限公司, a company established in the PRC, a wholly-owned subsidiary of the Company;
“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;
“Shenxiang Solar Farm”	means Shenxiang Solar Farm (沈巷光伏電站), the utility-scale ground-mounted solar farm project located in Shenxiang Town, Anhui Province, the PRC with an approved capacity of 84.5 MW, which is operated and wholly-owned by Xinfu Wuhu;
“Solar Farm Agreement”	means the solar farm agreement dated 5 December 2018 entered by and between Xinyi Solar and the Company;
“Solar Farm (Group 3) Agreement”	refers to the sale and purchase agreement dated 11 April 2022 and entered into between Xinyi Power (BVI) Limited as the vendor and the Company as the purchaser for the acquisition of the Call Right Assets (Group 3);
“Solar Farm (Group 3) Circular”	means the circular issued by the Company dated 13 May 2022;

DEFINITIONS

“Solar Farm (Group 3) Joint Announcement”	refers to the joint announcement issued by the Company and Xinyi Solar dated 11 April 2022;
“Solar Farm (Group 3) Transaction”	means acquisition of the Call Right Assets (Group 3), further information on which is set forth in the Solar Farm (Group 3) Joint Announcement, the Solar Farm (Group 3) Circular and the joint announcements issued by the Company and Xinyi Solar dated 4 January 2023 and 24 February 2023;
“Solar Farm (Group 4) Agreement”	refers to the sale and purchase agreement dated 28 April 2023 and entered into among the Vendor, Xinyi Solar and the Purchaser for the disposal of the Target Shares (Group 4);
“Solar Farm (Group 4) Joint Announcement”	refers to the joint announcement issued by the Company and Xinyi Solar dated 28 April 2023;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Target Members (Group 4)”	means Xinze Kaiping, Xinchuang Lianjiang, Xinfu Wuhu, Xinchu Wuhu, Xinzhi Wuhu and Xinyi Hexian;
“Target Shares (Group 4)”	means the entire issued share capital of the Target Members (Group 4);
“Vendor”	means Sun Wisdom Development Limited (智日發展有限公司), a company incorporated in Hong Kong, a wholly-owned subsidiary of Xinyi Solar;
“Wanzhi Solar Farm (Phase One)”	means Wanzhi Solar Farm (Phase One) (灣沚光伏電站(第1期)), the utility-scale ground-mounted solar farm project located in Wuhu City, Anhui Province, the PRC with an approved capacity of 100.0 MW, which is operated and wholly-owned by Xinzhi Wuhu;
“Xinchu Wuhu”	means Wuhu Xinchu Renewable Energy Limited* 蕪湖信儲新能源有限公司, a company established in the PRC and a wholly-owned subsidiary of Xinfu Wuhu following completion of the reorganisation;
“Xinchuang Lianjiang”	means Xinchuang Renewable Energy (Lianjiang) Limited* 信創新能源(廉江)有限公司, a company established in the PRC, the sole owner and operator of the Zhanjiang Solar Farm (Phase Three) and a wholly-owned subsidiary of the Vendor following completion of the reorganisation;

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“Xinfu Wuhu”	means Wuhu Xinfu Renewable Energy Limited* 蕪湖信伏新能源有限公司, a company established in the PRC, the sole owner and operator of the Shenxiang Solar Farm and a wholly-owned subsidiary of the Vendor following completion of the reorganisation;
“Xinyi Hexian”	means Xinyi Renewable Energy (Hexian) Limited* 信義新能源(和縣)有限公司, a company established in the PRC, the sole owner and operator of the Hexian Solar Farm and a wholly-owned subsidiary of the Vendor following completion of the reorganisation;
“Xinyi Solar”	means Xinyi Solar Holdings Limited (信義光能控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 00968);
“Xinze Kaiping”	means Xinze Renewable Energy (Kaiping) Limited* 信澤新能源(開平)有限公司, a company established in the PRC, the sole owner and operator of the Jiangmen Solar Farm and a wholly-owned subsidiary of the Vendor following completion of the reorganisation;
“Xinzhi Wuhu”	means Wuhu Xinzhi Renewable Energy Limited* 蕪湖信沚新能源有限公司, a company established in the PRC, the sole owner and operator of the Wanzhi Solar Farm (Phase One) and a wholly-owned subsidiary of the Vendor following completion of the reorganisation;
“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>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 Group);
“XYS Shares”	means the issued shares of Xinyi Solar;
“XYS Solar Farm Announcement”	means the announcement dated 2 November 2018 issued by Xinyi Solar;

DEFINITIONS

“XYS Solar Farm Circular”	means the shareholders’ circular dated 2 November 2018 issued by Xinyi Solar;
“Zhanjiang Solar Farm (Phase Three)”	means Zhanjiang Solar Farm (Phase Three) (湛江光伏电站(第3期)), the utility-scale ground-mounted solar farm project located in Lianjiang City, Guangdong Province, the PRC with an approved capacity of 200.0 MW, which is operated and wholly-owned by Xinchuang Lianjiang; and
“%”	denotes as per cent.

* *The English translation of Chinese names or words in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words*

For the purpose of this circular, unless the context indicated otherwise, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB0.8774 = HK\$1.0. No representation is made that any amount in RMB and HK\$ can be or could have been converted at the relevant dates at this rate or any other rates at all.

LETTER FROM THE BOARD



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

Registered office:

Jayla Place

Wickhams Cay I

Road Town

Tortola, VG1110

British Virgin Islands

Principal place of business

in the PRC:

No. 102, Meidiya Road

E Qiao Town

Sanshan District

Wuhu City

Anhui Province

China

Principal place of business

in Hong Kong:

Unit 2118-2120, 21/F

Rykadan Capital Tower

135 Hoi Bun Road

Kwun Tong, Kowloon

Hong Kong

17 May 2023

To the Shareholders

Dear Sir or Madam

CONNECTED AND DISCLOSEABLE TRANSACTION

EXERCISE OF CALL OPTION (GROUP 4) PURSUANT TO

THE SOLAR FARM AGREEMENT

AND THE SOLAR FARM (GROUP 4) AGREEMENT

LETTER FROM THE BOARD

INTRODUCTION

The Board refers to the Solar Farm (Group 4) Joint Announcement in relation to, among others, the exercise of the Call Option (Group 4) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement. On 28 April 2023, the Company delivered to Xinyi Solar the Call Notice (Group 4) to exercise the Call Option (Group 4) pursuant to the terms and conditions of the Solar Farm Agreement and the Solar Farm (Group 4) Agreement.

The purpose of this circular is to provide you with (i) further information on the exercise of the Call Option (Group 4) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement; (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 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 April 2022, the Company had exercised the Call Option (Group 3) and the Solar Farm (Group 3) Transaction was completed in December 2022 and February 2023.

On 28 April 2023, the Company delivered to Xinyi Solar the Call Notice (Group 4) to exercise the Call Option (Group 4) to acquire the Call Right Assets (Group 4) pursuant to the terms and conditions of the Solar Farm Agreement. The Call Right Assets (Group 4) comprise five utility-scale ground-mounted solar farm projects in the PRC in the total approved capacity of 636.5 MW.

On 28 April 2023, the Solar Farm (Group 4) Agreement was entered into in relation to the acquisition of the Target Shares (Group 4) for the Call Right Price (Group 4).

LETTER FROM THE BOARD

CALL RIGHT PRICE

As disclosed in the XYS Solar Farm Announcement, the XYS Solar Farm Circular and the Prospectus, the Call Right Price under the Solar Farm Agreement shall be determined according to the following:

The Call Right Price is equal to the greater of:

- (a) (Adjusted EBITDA¹ during Designated 12-month of Operation² + 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**”).

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.

PRINCIPAL TERMS OF THE SOLAR FARM (GROUP 4) AGREEMENT

Following the exercise of the Call Option (Group 4), the primary purpose of entering into the Solar Farm (Group 4) Agreement is to set forth the specific terms and conditions for the disposal of the Call Right Assets (Group 4). The transactions contemplated under the Solar Farm (Group 4) Agreement will require the approval of the Independent Shareholders. The Solar Farm (Group 4) Agreement is 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).

¹ “**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.

² “**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.

LETTER FROM THE BOARD

The principal terms of the Solar Farm (Group 4) Agreement are set forth below:

- Date:** 28 April 2023
- Parties:**
- (a) The Vendor, as the vendor;
 - (b) Xinyi Solar; and
 - (c) the Purchaser, as the purchaser.

The Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Target Shares (Group 4), representing the entire issued share capital of the Target Members (Group 4). Xinyi Solar has agreed to procure completion of the reorganisation to the effect that all Target Members (Group 4) are held by the Vendor as its wholly-owned subsidiaries.

Subject matter: All issued shares of the Target Members (Group 4).

Based on the unaudited combined financial information of the Target Members (Group 4) for the year ended 31 December 2022, the unaudited combined total assets and net assets of the Target Members (Group 4) as of 31 December 2022 amounted to HK\$365.5 million and HK\$4.1 million, respectively. As of 31 March 2023, the unaudited combined total assets and net assets of the Target Members (Group 4) amounted to HK\$440.9 million and HK\$4.4 million, respectively. The unaudited combined financial information of the Target Members (Group 4) for the three years ended 31 December 2022 and the three months ended 31 March 2023 is as follows:

	Year ended 31 December			Three months ended 31 March
	2020	2021	2022	2023
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net profit before tax	—	—	4,130	89
Net profit after tax	—	—	4,203	197
Net profit after tax attributable to equity owners	—	—	4,203	197

LETTER FROM THE BOARD

As of the Latest Practicable Date, each of the Target Members (Group 4) is an indirect wholly-owned subsidiary of Xinyi Solar. Upon completion of the transactions contemplated under the Solar Farm (Group 4) Agreement, each of the Target Members (Group 4) will become a wholly-owned subsidiary of the Company. As the Company is a non-wholly owned subsidiary of Xinyi Solar, each of the Target Members (Group 4) will change to be a non-wholly owned subsidiary of Xinyi Solar.

Call Right Assets (Group 4):

The Call Right Assets (Group 4) are as follows:

Name of the Call Right Assets (Group 4)	Approved capacity	Name of the direct holding company	Approved Feed-in-Tariff rate	Expected time of completion of construction	Expected time or time of commencement of operation
	<i>(MW)</i>		<i>(RMB)</i>		
Jiangmen Solar Farm (江門光伏電站)	150.0	Xinze Kaiping	0.453	3rd quarter of 2023	1st quarter of 2022
Zhanjiang Solar Farm (Phase Three) (湛江光伏電站(第3期))	200.0	Xinchuang Lianjiang	0.453	4th quarter of 2023	4th quarter of 2023
Shenxiang Solar Farm (沈巷光伏電站)	84.5	Xinfu Wuhu	0.3844	4th quarter of 2023	3rd quarter of 2023
Wanzhi Solar Farm (Phase One) (灣沚光伏電站(第1期))	100.0	Xinzhi Wuhu	0.3844	4th quarter of 2023	3rd quarter of 2023
Hexian Solar Farm (和縣光伏電站)	102.0	Xinyi Hexian	0.3844	3rd quarter of 2023	1st quarter of 2023
Total	<u>636.5</u>				

Call Right Price (Group 4):

The Call Right Price (Group 4) is determined according to the terms of the Solar Farm Agreement and the Solar Farm (Group 4) Agreement.

The Directors have reviewed the formula in determining the Call Right Price and confirm that the Call Right Price for Jiangmen Solar Farm would be determined according to the First Limb, and the Call Right Price for Zhanjiang Solar Farm (Phase Three), Shenxiang Solar Farm, Wanzhi Solar Farm (Phase One) and Hexian Solar Farm would be determined according to the Second Limb.

LETTER FROM THE BOARD

All of the Call Right Assets (Group 4) are currently under construction and are expected to commence commercial operation on a stage-by-stage basis. As of the Latest Practicable Date, only Jiangmen Solar Farm and Hexian Solar Farm are currently income generating. During the construction stage, the financial information of the Call Right Assets (Group 4) is straightforward. On this basis and taking into consideration the fact that the operational period for the Call Right Assets (Group 4) prior to the Completion Date (Group 4) will be very short, the Directors do not consider that audited financial information of the Call Right Assets (Group 4) is required in determining the final Call Right Price (Group 4). This arrangement is consistent with the provisions in the Solar Farm Agreement and the Solar Farm (Group 4) Agreement.

As of the Latest Practicable Date, the Call Right Price (Group 4), subject to adjustment below, has been estimated by Xinyi Solar and the Company to be RMB2,297.9 million (equivalent to HK\$2,619.0 million). As set forth in the Solar Farm Agreement and the Solar Farm (Group 4) Agreement, the final Call Right Price will be determined according to the agreed formula less such amount representing the net liabilities of the relevant Call Right Assets as of the completion date. The Directors expect that the final Call Right Price (Group 4) will be less than RMB2,297.9 million.

**Adjustment to
the Call Right
Price (Group
4):**

For the purpose of determining the Call Right Price (Group 4), the Vendor shall provide to the Purchaser:

- (a) the unaudited combined accounts of the Target Members (Group 4) (the “**Provisional Closing Accounts**”) as of the close of business on the last day of the previous month prior to the Completion Date (Group 4) *on or before* the Completion Date (Group 4); and
- (b) the unaudited combined accounts of the Target Members (Group 4) (the “**Closing Accounts**”) as of the close of business on the Completion Date (Group 4) within ten (10) business days *after* the Completion Date (Group 4).

The Provisional Closing Accounts and the Closing Accounts shall be prepared by the Target Members (Group 4) to the satisfaction of the Purchaser.

LETTER FROM THE BOARD

Payment terms:

The Purchaser shall pay:

- (a) 90% of the Call Right Price (Group 4) (as determined on the basis of the Provisional Closing Accounts) on the Completion Date (Group 4);
- (b) any shortfall between the Call Right Price (Group 4) (as determined under (a) above) and the Call Right Price (Group 4) (as determined on the basis of the Closing Accounts within fifteen (15) business days after the Completion Date (Group 4)); and
- (c) the remaining 10% of the Call Right Price (Group 4) (on the basis of the Closing Accounts) within twelve (12) months after the Completion Date (Group 4).

As of 31 December 2022, the total bank borrowings of the Group amounted to HK\$4,953.8 million and the net debt gearing ratio was only 26.9%. The Directors expect to finance the payment of the final Call Right Price (Group 4) out of its internal financial resources and the then external undrawn banking facilities. The settlement of the final Call Right Price (Group 4) would not result in any significant adverse impact on the working capital of the Group.

Conditions precedent:

Completion under the Solar Farm (Group 4) Agreement is subject to the following conditions:

- (a) all representations and warranties made by the Vendor and Xinyi Solar remaining true, complete and accurate at all times between the date of the Solar Farm (Group 4) Agreement and the Completion Date (Group 4), and the Vendor and Xinyi Solar having performed all of their obligations required to be performed by the Completion Date (Group 4) thereunder and not been in breach of the Solar Farm (Group 4) Agreement;
- (b) the reorganisation to the effect that all Target Members (Group 4) are held by the Vendor as its wholly-owned subsidiaries has been completed;
- (c) the Purchaser having received a PRC legal opinion dated the Completion Date (Group 4) on each of the Target Members (Group 4) established in the PRC confirming, inter alia, its corporate existence, shareholding structure, assets and the validity of its interests in and certain operational aspects and licensing matters of the Call Right Assets (Group 4) in the form and substance satisfactory to the Purchaser;

LETTER FROM THE BOARD

- (d) the approval by the Independent Shareholders at the EGM of the resolution(s) approving the Solar Farm (Group 4) Agreement and the exercise of the Call Option (Group 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement; and
- (e) all internal and external approvals required by the parties to the Solar Farm (Group 4) Agreement for the execution, delivery and performance of the Solar Farm (Group 4) Agreement (including the shareholders approvals of the Target Members (Group 4)) having been obtained.

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 4) Agreement at or before 1:00 p.m. on or before the Completion Date (Group 4), then unless the Vendor and the Purchaser agree otherwise in writing, the Completion Date (Group 4) shall be postponed to the Long-stop Date (Group 4).

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 4) Agreement at or before 1:00 p.m. on or before the Long-stop Date (Group 4), then unless the Vendor and the Purchaser agree otherwise in writing, the Solar Farm (Group 4) Agreement shall be terminated, and neither parties to the Solar Farm (Group 4) 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 4) (to the extent paid by the Purchaser) by the Vendor to the Purchaser within five (5) business days after determination of the Solar Farm (Group 4) Agreement.

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

Completion Date (Group 4): On a business day (a) on or before 31 March 2024 or (b) such other date as the Vendor and the Purchaser may agree in writing, but in any event shall not be later than the first anniversary of the date of the Call Notice (Group 4).

Governing law: The laws of the PRC.

REASONS FOR AND BENEFITS OF THE EXERCISE OF CALL OPTION (GROUP 4) AND THE ENTERING INTO OF THE SOLAR FARM (GROUP 4) AGREEMENT

In relation to the Company

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 4) Agreement has been entered into for the purpose of acquiring the Call Right Assets (Group 4) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement.

LETTER FROM THE BOARD

The Directors have considered the following factors in deciding whether or not to exercise the Call Option (Group 4):

- (i) *The location, approved capacity, the Feed-in-Tariff rates and technical aspects of the solar farm projects developed and constructed by Xinyi Solar*

One of the Group's growth strategies is to acquire construction substantially completed and grid-connected solar farm assets from Xinyi Solar and the Independent Third Parties, 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 annual report of the Group for the year ended 31 December 2022, all of the Group's solar farm projects are located in provinces or municipality with high electricity demand in the PRC. The acquisition of the Call Right Assets (Group 4) from Xinyi Solar would strengthen the Group's business presence in Anhui Province and Guangdong Province. In addition, the approved capacity, the Feed-in-Tariffs rates and technical aspects of the Call Right Assets (Group 4) are also in line with the Group's growth strategies.

All the Call Right Assets (Group 4) are developed and constructed by Xinyi Solar, and the Directors are satisfied that these solar farm projects will continue to meet the technical requirements of the Group on the Completion Date (Group 4).

- (ii) *The industry outlook and performance and growth opportunities of the solar farm industry in the PRC and globally*

The PRC is one of the world's leading countries in the use of renewable energy and is leading the development in the solar power generation industry. In March and June 2022, the PRC government released the "14th Five-Year Plan for Modern Energy Systems" (《“十四五”現代能源體系規劃》) and the "14th Five-Year Plan for Renewable Energy Development" (《“十四五”可再生能源發展規劃》), respectively, for the purpose of implementing decisive measures in the high-quality development of energy development and establishing a modern energy system by 2035. The percentage of non-fossil energy consumption will continue to increase after reaching 25% by 2030, and renewable energy will become the principal source of energy in the PRC. According to the latest forecast of the International Energy Agency, the renewable energy would account for 45% of the global use by 2030 and that the total installed capacity of the renewable energy in the PRC would exceed 1,000 GW by 2027, among which solar and wind power generation will account for 90%. In light of all these policy initiatives and favourable forecast, the Directors expect that the demand for solar power in the PRC and globally will continue to increase.

LETTER FROM THE BOARD

The Directors (including the members of the Acquisition Committee but excluding the independent non-executive Directors who will express their opinion after considering the advice from 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 YYS 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 but excluding the independent non-executive Directors who will express their opinion after considering the advice from the Independent Financial Adviser) further consider that the terms of the Solar Farm (Group 4) Agreement (including the amount of Call Right Price (Group 4)) 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 4) and enter into the Solar Farm (Group 4) Agreement.

In relation to Xinyi Solar

According to the Solar Farm (Group 4) Joint Announcement, upon completion pursuant to the Solar Farm (Group 4) Agreement, each of the Target Members (Group 4) will change from being wholly-owned subsidiaries of Xinyi Solar to non-wholly owned subsidiaries of Xinyi Solar and their financial results will continue to be consolidated into that of the YYS Group. Any difference between the fair value of the Call Right Price (Group 4) and the amount by which the non-controlling interest of the Target Members (Group 4) is adjusted as a result of completion of the Solar Farm (Group 4) Agreement and is recognised in equity attributable to the Vendor. Based on the latest estimated Call Right Price (Group 4) as of the Latest Practicable Date, the YYS Group will recognise a net increase in equity attributable to owners of Xinyi Solar of HK\$95.2 million. However, the actual financial impact will depend on the final amount of the Call Right Price (Group 4) and the carrying amount of the net assets of the Target Members (Group 4) as of the Completion Date (Group 4). The proceeds from disposal of the Call Right Assets (Group 4) are expected to be used in selected existing business of the YYS Group, i.e. solar glass production capacity expansion, development and construction of solar farm projects as well as general working capital.

According to the Solar Farm (Group 4) Joint Announcement, the YYS Directors (including the independent non-executive YYS Directors) consider that the terms of the Solar Farm (Group 4) Agreement (including the amount of the Call Right Price (Group 4)) are fair and reasonable and that the disposal of the Call Right Assets (Group 4) and the entering into of the Solar Farm (Group 4) Agreement are beneficial to the YYS Group and the shareholders of Xinyi Solar as it provides a well-defined approach for the YYS Group to dispose of the construction completed and grid connected utility-scale ground-mounted solar farm projects developed or constructed by it at prices which are negotiated on an arm's length basis upon normal commercial terms. In addition, as the Company is a non-wholly owned subsidiary of Xinyi Solar, this will enable Xinyi Solar to continue to share the revenue and profit from the electricity generated from the solar farm projects after the disposal.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY, THE PURCHASER, XINYI SOLAR AND THE VENDOR

The Company and the Purchaser

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 Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in the management and operation of solar farm in the PRC. As of the Latest Practicable Date, 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 and construction of solar farms. The Vendor is an indirect wholly-owned subsidiary of Xinyi Solar and is an investment holding company. As of the Latest Practicable Date, Xinyi Solar is owned as to 49.24% by the XYS Controlling Shareholders and their respective associates and 50.76% by members of the public.

IMPLICATIONS UNDER THE LISTING RULES

In relation to the Company

As the Solar Farm (Group 3) Agreement and the Solar Farm (Group 4) Agreement were entered into by a member of the Group (as purchaser) and a member of the XYS Group (as vendor) and that the Solar Farm (Group 3) Agreement was completed within the previous 12-month period, the Solar Farm (Group 3) Transaction and the transactions contemplated under the Solar Farm (Group 4) Agreement 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 4) is (a) if aggregated with the exercise of the Call Option (Group 3) for the purpose of the Listing Rules, 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 4) 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.

LETTER FROM THE BOARD

As Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai *J.P.* and Mr. LEE Yau Ching are currently YYS Directors, they are considered to be materially interested in the relevant board resolutions to approve the entering into of the Solar Farm (Group 4) Agreement and the exercise of the Call Option (Group 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement. Accordingly, Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai *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.

In relation to Xinyi Solar

As of the Latest Practicable Date, Xinyi Solar owns 49.03% of the equity interest in Xinyi Energy and remains the single largest shareholder of the Company. The Company continues to be a non-wholly owned subsidiary of Xinyi Solar. As of the Latest Practicable Date, the YYS Controlling Shareholders and their respective associates are interested in 49.24% of the YYS Shares and are also interested in 26.22% of the Shares. Accordingly, the Company is a connected subsidiary of Xinyi Solar under Chapter 14A of the Listing Rules.

As the Solar Farm (Group 3) Agreement and the Solar Farm (Group 4) Agreement were entered into by a member of the Group (as purchaser) and a member of the YYS Group (as vendor) and that the Solar Farm (Group 3) Agreement was completed within the previous 12-month period, the Solar Farm (Group 3) Transaction and the transactions contemplated under the Solar Farm (Group 4) Agreement 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 disposal of the Call Right Assets (Group 4) is (a) if aggregated with the disposal of the Call Right Assets (Group 3) for the purpose of the Listing Rules, more than 1% but less than 5% and (b) more than 1% but less than 5% on a stand-alone basis. As such, the disposal of the Call Right Assets (Group 4) is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

According to the Solar Farm (Group 4) Joint Announcement, the Solar Farm Agreement has been approved at an extraordinary general meeting of Xinyi Solar held on 21 November 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023 (both days inclusive) during which period no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Branch Share Registrar, 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 Monday, 29 May 2023.

LETTER FROM THE BOARD

EGM

The EGM will be held at 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 2 June 2023 at 9:00 a.m., for the purpose of considering and, if thought fit, approving the entering into of the Solar Farm (Group 4) Agreement and the exercise of the Call Option (Group 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement.

The Notice of EGM is set forth on pages 52 to 53 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 Branch Share Registrar, 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 (i.e. not later than Wednesday, 31 May 2023 at 9:00 a.m. (Hong Kong time)) 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 69.20% of the issued share capital of the Company. The Controlling Shareholders and their respective associates (excluding Xinyi Solar) were also interested in 26.01% 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 4) Agreement and the exercise of the Call Option (Group 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement 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 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 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.

LETTER FROM THE BOARD

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 4) Agreement and the exercise of Call Option (Group 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement. Quam 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 22 to 23 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 24 to 45 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 4) Agreement and the exercise of the Call Option (Group 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement 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 4) and the entering into of the Solar Farm (Group 4) Agreement” 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 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement and the terms of the Solar Farm (Group 4) Agreements (including the amount of Call Right Price (Group 4)) 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 4) Agreement and the exercise of the Call Option (Group 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement.

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)

17 May 2023

To the Independent Shareholders

Dear Sir or Madam

CONNECTED AND DISCLOSEABLE TRANSACTION

**EXERCISE OF CALL OPTION (GROUP 4) PURSUANT TO
THE SOLAR FARM AGREEMENT
AND THE SOLAR FARM (GROUP 4) AGREEMENT**

We refer to the circular of the Company dated 17 May 2023 (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 4) Agreement and the exercise of the Call Option (Group 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement, details of which are set forth in the “Letter from the Board” contained in the Circular. Quam 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 8 to 21 of the Circular and the “Letter from the Independent Financial Adviser” as set forth on pages 24 to 45 of the Circular.

Having taken into account the terms of the Solar Farm (Group 4) Agreement, 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 4) Agreement (including the amount of Call Right Price (Group 4)) and the exercise of the Call Option (Group 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement 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 resolution(s) (the text of which is contained in the Notice of EGM)

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

to be proposed at the EGM to approve the entering into of the Solar Farm (Group 4) Agreement and the exercise of the Call Option (Group 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Quam Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Solar Farm (Group 4) Agreement and the exercise of the Call Option (Group 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement, which has been prepared for the purpose of incorporation in this circular.



17 May 2023

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 4) Agreement and the exercise of the Call Option (Group 4) for the acquisition of the Call Right Assets (Group 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement (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 17 May 2023 (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 28 April 2023, the Company delivered the Call Notice (Group 4) to Xinyi Solar to exercise the Call Option (Group 4) for the acquisition of the Call Right Assets (Group 4) pursuant to the terms and conditions of the Solar Farm Agreement and the Solar Farm (Group 4) Agreement. On 28 April 2023, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor, an indirect wholly-owned subsidiary of Xinyi Solar, entered into the Solar Farm (Group 4) Agreement, pursuant to which the Purchase has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Target Shares (Group 4) under the terms and conditions of the Solar Farm Agreement and the Solar Farm (Group 4) Agreement for the Call Right Price (Group 4) with adjustment (the “**Final Call Right Price (Group 4)**”).

As the Solar Farm (Group 3) Agreement and the Solar Farm (Group 4) Agreement were entered into by a member of the Group (as the purchaser) and a member of the YYS Group (as the vendor) and that the Solar Farm (Group 3) Agreement was completed within the previous 12-month period, the Solar Farm (Group 3) Transaction and the transactions contemplated under the Solar Farm (Group 4) Agreement 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the exercise of the Call Option (Group 4) is (a) if aggregated with the exercise of the Call Option (Group 3) for the purpose of 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 4) 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.

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 69.20% of the issued share capital of the Company as at the Latest Practicable Date; (ii) the YYS Controlling Shareholders and their respective associates (including Xinyi Glass but excluding Xinyi Solar) were also interested in 49.24% of the issued share capital of Xinyi Solar and are also interested in 26.22% of the issued share capital of the Company as at the Latest Practicable Date; and (iii) the Vendor is an indirect 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 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 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, Quam Capital Limited did not have any relationships with or interests in the Company, the Purchaser, the Vendor or the Target Members (Group 4) 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 3) Agreement and the exercise of the Call Option (Group 3) for the acquisition of the Call Right Assets (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement, details of which are set out in the circular of the Company dated 13 May 2022. 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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 4).

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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 dividends.

1.2 Current solar farm projects

At the time of 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. In 2020, the Company completed the acquisition from Xinyi Solar of the five solar farm projects (the “**2020 Portfolio**”) owned by various wholly-owned subsidiaries of Xinyi Solar, with an approved capacity of 340 MW. The Company further completed the acquisition of eight solar farm projects with an aggregated approved capacity of 660 MW in 2021 (the “**2021 Portfolio**”). The Company further completed the acquisition of seven solar farm projects with an aggregated approved capacity of 520 MW (the “**2022 Portfolio**”) in 2022. In addition, the Company completed the acquisition of Hainan Solar Farm with approved capacity of 300 MW in February 2023, resulting in the approved capacity of solar farms projects held by the Group reaching 3,314 MW in aggregate. Currently, the solar farm projects of the Group are located in Anhui Province, Fujian Province, Guangdong Province, Hainan Province, Hebei Province, Hubei Province, Henan Province, Inner Mongolia Autonomous Region, Shaanxi Province and Tianjin Municipality. The table below sets out the details of the current solar farm projects owned and operated by the Group.

Name of the solar farm projects	Location in the PRC	Approved capacity (MW)
The Initial Portfolio		
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		954

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name of the solar farm projects	Location in the PRC	Approved capacity (MW)
The 2019 Portfolio		
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
The 2020 Portfolio		
Zhanjiang Solar Farm	Guangdong Province	100
Wuwei Solar Farm Three	Anhui Province	30
Laohekou Solar Farm One	Hubei Province	100
Wuwei Rihao Solar Farm	Anhui Province	20
Anlu Jingshun Solar Farm	Hubei Province	90
Sub-total		340
The 2021 Portfolio		
Huainan Solar Farm Two	Anhui Province	50
Huaibei Solar Farm	Anhui Province	100
Hebei Zaoqiang Solar Farm	Hebei Province	100
Laohekou Solar Farm Two	Hubei Province	100
Qingyang Solar Farm	Anhui Province	70
Jiangmen Solar Farm One and Two	Guangdong Province	100
Hubei Jingping Solar Farm	Hubei Province	80
Wuhu Xiangtai Solar Farm	Anhui Province	60
Sub-total		660

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Name of the solar farm projects	Location in the PRC	Approved capacity (MW)
The 2022 Portfolio		
Baoji Yilin Solar Farm	Shaanxi Province	40
Pingshan Tesheng Solar Farm	Hebei Province	30
Tumd Right Banner Yingneng Solar Farm	Inner Mongolia Autonomous Region	100
Xinan Anlu Solar Farm	Hubei Province	90
Xinmu Anlu Solar Farm	Hubei Province	110
Laohekou Solar Farm Three	Hubei Province	100
Xiaochang Solar Farm Three	Hubei Province	50
Sub-total		520
Hainan Solar Farm	Hainan Province	300
Total		<u>3,314</u>

1.3 High dividend payout policy

As disclosed in the Prospectus and the annual report of the Company for the year ended 31 December 2021 (the “**2021 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 interim report for the six months ended 30 June 2022 of the Company (the “**2022 Interim Report**”) and the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”), the Board intended to declare and distribute interim and final distributions each year of not less than 90% of the distributable income, with an intention to maintain the dividend policy and follow its commitment at the time of listing, which is to distribute 100% of the distributable income in each year. The dividend of approximately HK\$562.0 million for the six months ended 30 June 2022, which represented approximately 100% of the distributable income during the six-month period, was distributed and paid to the Shareholders in cash or partially settled by the issuance of scrip shares in respect of scrip dividend in September 2022.

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1.4 Financial information of the Group

The table below summarises financial information of the Group for the three years ended 31 December 2020 (“FY2020”), 2021 (“FY2021”) and 2022 (“FY2022”) as extracted from the 2021 Annual Report and the 2022 Annual report.

	For the year ended 31 December		
	2020	2021	2022
	<i>(Audited)</i> <i>(HK\$'000)</i>	<i>(Audited)</i> <i>(HK\$'000)</i>	<i>(Audited)</i> <i>(HK\$'000)</i>
Sale of electricity	685,925	1,068,415	1,279,205
Tariff adjustment	1,027,414	1,218,187	1,026,144
Solar farm operation and management services	8,712	10,046	9,926
Revenue	1,722,051	2,296,648	2,315,275
Profit for the year attributable to equity holders of the Company	922,007	1,232,275	971,451
Dividends	1,009,499	1,255,980	1,112,567
	As at 31 December		
	2020	2021	2022
	<i>(Audited)</i> <i>(HK\$'000)</i>	<i>(Audited)</i> <i>(HK\$'000)</i>	<i>(Audited)</i> <i>(HK\$'000)</i>
Total assets	17,233,842	21,201,950	19,939,880
Total liabilities	5,223,557	8,641,498	8,177,728
Net assets	12,010,285	12,560,452	11,762,152

(a) Financial performance

Comparison between FY2021 and FY2022

The revenue of the Group for FY2021 and FY2022 amounted to approximately HK\$2,296.6 million and HK\$2,315.3 million respectively, representing a slight increase of approximately 0.8%. The revenue increase was principally attributable to the full operation of the eight solar farm projects which were acquired in 2021 and completion of the acquisition of certain solar farm projects in 2022. As at 31 December 2022, the aggregate approved capacity of the solar farm projects of the Group amounted to 3,014 MW, as compared to 2,494 MW as at 31 December 2021. In addition, due to the increase in the sunshine hours throughout the year, the Group achieved an increase in the sales of electricity generation for the year ended 31 December 2022.

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The profit attributable to equity holders of the Company for FY2021 and FY2022 were approximately HK\$1,232.3 million and HK\$971.5 million respectively, representing a decrease of approximately 21.1%. The decrease was mainly due to (i) the one-off deduction of tariff adjustment of approximately HK\$223.8 million; and (ii) the increase in interest expense on bank borrowing of approximately HK\$73.0 million.

A final dividend in respect of the year ended 31 December 2022 of HK\$0.074 per Share based on 7,440,400,255 Shares in issue as at 31 December 2022 amounting to a total dividend of approximately HK\$550.6 million, will be proposed at the forthcoming annual general meeting of the Group.

Comparison between FY2020 and FY2021

The revenue of the Group for FY2020 and FY2021 amounted to approximately HK\$1,722.1 million and HK\$2,296.6 million respectively, representing an increase of approximately 33.4%. The increase in the units of electricity sold by the utility-scale ground-mounted solar farm projects for FY2021 was primarily due to the completed acquisition of the 2021 Portfolio during FY2021. As most of the solar farm projects have been in the full performance, which significantly increased the solar power electricity generation for FY2021.

The profit attributable to equity holders of the Company for FY2020 and FY2021 were approximately HK\$922.0 million and HK\$1,232.3 million respectively, representing an increase of approximately 33.7%. The net profit margin for FY2021 remained stable at approximately 53.7%.

A final dividend in respect of the year ended 31 December 2021 of HK\$0.1 per Share based on 7,298,398,471 Shares in issue as at the record date for the dividend entitlement amounting to a total dividend of approximately HK\$729.8 million was distributed on 6 July 2022.

(b) Financial position

Comparison between FY2021 and FY2022

The total assets of the Group were approximately HK\$21.2 billion and HK\$19.9 billion as at 31 December 2021 and 2022 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 65.3%, 23.7% and 5.2% of the Group's total assets respectively as at 31 December 2021. Property, plant and equipment, trade and other receivables and prepayments, and cash and cash equivalents accounted for approximately 68.1%, 17.1% and 9.0% of the Group's total assets respectively as at 31 December 2022.

The total liabilities of the Group were approximately HK\$8.6 billion and HK\$8.1 billion as at 31 December 2021 and 2022 respectively. The Group's total liabilities mainly consisted of the long-term bank borrowings, short-term bank borrowings, and amount due to immediate holding company which accounted for approximately 32.9%, 23.6% and 20.3% of the Group's total liabilities

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respectively as at 31 December 2021. The Group's total liabilities mainly consisted of the long-term bank borrowings, short-term bank borrowings, and amount due to immediate holding company which accounted for approximately 25.2%, 35.4% and 17.0% of the Group's total liabilities respectively as at 31 December 2022.

The decrease in net assets as at 31 December 2022 was mainly due to (i) the significant decrease in trade and other receivables; (ii) the significant increase in short term bank borrowings; and (iii) the increase in amount due to follow subsidiaries, partially offset by (i) the increase in cash and cash equivalents; (ii) the decrease in accruals and other payables; and (iii) the decrease in the amount due to immediate holding company.

Comparison between FY2020 and FY2021

The total assets of the Group were approximately HK\$17.2 billion and HK\$21.2 billion as at 31 December 2020 and 2021 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 63.8%, 22.7% and 7.6% of the Group's total assets respectively as at 31 December 2020. Property, plant and equipment, trade and other receivables and prepayments, and cash and cash equivalents accounted for approximately 65.3%, 23.7% and 5.2% of the Group's total assets respectively as at 31 December 2021.

The total liabilities of the Group were approximately HK\$5.2 billion and HK\$8.6 billion as at 31 December 2020 and 2021 respectively. The Group's total liabilities mainly consisted of the amount due to the holding company, short-term bank borrowing, and accruals and other payables which accounted for approximately 33.8%, 23.2% and 13.8% of the Group's total liabilities respectively as at 31 December 2020. The Group's total liabilities mainly consisted of the long-term bank borrowings, short-term bank borrowings, and amount due to immediate holding company which accounted for approximately 32.9%, 23.6% and 20.3% of the Group's total liabilities respectively as at 31 December 2021.

The increase in net assets as at 31 December 2021 was mainly due to increases in (i) property, plant and equipment; and (ii) trade and other receivables and prepayments, partially offset by (i) the decrease in cash and cash equivalents; and (ii) increase in bank borrowings.

2. Background information of Target Members (Group 4)

2.1 Target Members (Group 4)

Xinze Kaiping, Xinchuang Lianjiang, Xinfu Wuhu, Xinzhi Wuhu, Xinyi Hexian are the wholly-owned subsidiaries of the Vendor, all of them are investment holding companies. Their principal assets are the Call Right Assets (Group 4) upon reorganisation having been completed. Among the Target Members (Group 4), (i) Xinze Kaiping directly owns and operates Jiangmen Solar Farm; (ii) Xinchuang Lianjiang directly owns and operates Zhanjiang Solar Farm (Phase Three); (iii) Xinfu Wuhu directly owns and operates Shenxiang Solar Farm; (iv) Xinzhi Wuhu directly owns and operates Wanzhi Solar Farm (Phase One); and (v) Xinyi Hexian directly owns and operates Hexian Xiangquan Solar Farm. As of the date of this circular, each of the Target Members (Group 4) is an indirect

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wholly-owned subsidiary of Xinyi Solar. Upon Completion, each of the Target Members (Group 4) will become a wholly owned subsidiary of the Company. As the Company is a non-wholly owned subsidiary of Xinyi Solar, each of the Target Members (Group 4) will change to be a non-wholly owned subsidiary of Xinyi Solar.

2.2 The Call Right Assets (Group 4)

The Call Right Assets (Group 4) comprises the solar farm projects, namely Jiangmen Solar Farm, Zhanjiang Solar Farm (Phase Three), Shenxiang Solar Farm, Hexian Solar Farm and Wanzhi Solar Farm (Phase One) , all of which are developed or constructed by the XYS Group under the national quota system. Upon exercise of the Call Option (Group 4) given the reorganisation having been completed, the Call Right Assets (Group 4) will be acquired by the Company through the transfer of the entire issued share capital of the Target Members (Group 4). Set out below are details of the Call Right Assets (Group 4):

<u>Call Right Assets (Group 4)</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>
- Jiangmen Solar Farm	Guangdong Province	150	0.4530	wholly owned by Xinze Kaiping
- Zhanjiang Solar Farm (Phase Three)	Guangdong Province	200	0.4530	wholly owned by Xinchuang Lianjiang
- Shenxiang Solar Farm	Anhui Province	84.5	0.3844	wholly owned by Xinfu Wuhu
- Wanzhi Solar Farm (Phase One)	Anhui Province	100	0.3844	wholly owned by Xinzhi Wuhu
- Hexian Solar Farm	Anhui Province	102	0.3844	wholly owned by Xinyi Hexian
Total		<u><u>636.5</u></u>		

Per discussion with the Management, the construction of the Call Right Assets (Group 4) is expected to be completed or substantially completed by the Completion Date (Group 4).

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2.3 Financial information of the Target Members (Group 4)

The table below sets out certain unaudited combined financial information of the Target Members (Group 4) for the two years ended 31 December 2022 and the three months ended 31 March 2023 prepared in accordance with the general accepted accounting principles of Hong Kong:

	Year ended 31 December		Three months ended 31 March
	2021	2022	2023
	<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	—	4,130	89
Net profit after tax	—	4,203	197
Net profit after tax attributable to equity owners	—	4,203	197
			As at 31 March 2023
			<i>(unaudited)</i>
			<i>(HK\$'000)</i>
Total assets			440,856
Total liabilities			436,452
Net assets			4,404

Upon completion, the Company will become the holding company of the Target Members (Group 4) through acquisition of the Target Shares (Group 4) and the financial results of the Target Members (Group 4) will be consolidated into the Group's financial statements.

For the year ended 31 December 2022, the combined profit attributable to equity holders of the Target Members (Group 4) was approximately HK\$4.2 million, mainly contributed by the sales of electricity from Jiangmen Solar Farm.

For the three months ended 31 March 2023, the combined profit attributable to equity holders of the Target Members (Group 4) was approximately HK\$197,000, mainly contributed by the sales of electricity from Jiangmen Solar Farm and Hexian Solar Farm.

As at 31 March 2023, total assets of the Target Members (Group 4) were approximately HK\$440.9 million. The total assets mainly consisted of property, plant and equipment, right-of-use assets and tax receivables.

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Total liabilities of the Target Members (Group 4) were approximately HK\$436.5 million as at 31 March 2023, 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 4) Agreement has been entered into for the purpose of acquiring the Call Right Assets (Group 4) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement. Details of the Call Right Assets (Group 4) are set out in the section headed “2. Background information of the Target Members (Group 4)” above.

It is noted that in the 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 2022 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 4) would help to further increase distributions in Anhui Province and Guangdong Province.

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 YYS 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 YYS Group, details of which were set out in the YYS Solar Farm Circular. Set out below are the principal terms of the Call Option under the Solar Farm Agreement.

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(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**”).

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

Final Call Right Price = Call Right Price - Debt - Estimated amounts due to suppliers and other payables+ Cash and receivable balance

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 (Group 4).

“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 (Group 4), 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

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(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 Call Right Price 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.

5. The Solar Farm (Group 4) Agreement

Following the exercise of the Call Option (Group 4), the primary purpose of entering the Solar Farm (Group 4) Agreement is to set forth the details of the solar farm projects to be acquired by the Company in 2023 and the conditions thereof. The Solar Farm (Group 4) Agreement was entered into pursuant to the Solar Farm Agreement and the material terms of which are consistent 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 4) Agreement.

According to the Solar Farm Agreement, Xinyi Solar had provided an updated quarterly list of solar farm projects to the Company on 31 March 2023. On 28 April 2023, the Company delivered to Xinyi Solar the Call Notice (Group 4). On 28 April 2023, the Solar Farm (Group 4) Agreement was entered into in relation to the acquisition of the Target Shares (Group 4) at the Call Right Price (Group 4).

(a) Parties

- (i) The Vendor, as the vendor;
- (ii) Xinyi Solar; and
- (iii) The Purchaser, as the purchaser.

The Purchaser, has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Target Shares (Group 4), representing the entire issued share capital of the Target Members (Group 4). Xinyi Solar has agreed to procure completion of the reorganisation to the effect that all Target Members (Group 4) are held by the Vendor as its wholly-owned subsidiaries.

(b) Subject matter of the acquisition

All issued shares of the Target Members (Group 4), which are the holding companies of the Call Right Assets (Group 4).

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(c) Call Right Price (Group 4)

The Call Right Price (Group 4) is determined according to the terms of the Solar Farm Agreement and the Solar Farm (Group 4) Agreement.

(d) Payment terms

The Purchaser shall pay (i) 90% of the Call Right Price (Group 4) on the Completion Date (Group 4); (ii) any shortfall between the Call Right Price (Group 4) (as determined under (i) above) and the Call Right Price (Group 4) (as determined on the basis of the Closing Accounts) within fifteen (15) business days after the Completion Date (Group 4); and (iii) the remaining 10% of the Call Right Price (Group 4) (on the basis of the Closing Accounts) within twelve (12) months after the Completion Date (Group 4).

(e) Conditions precedent

Completion of the Solar Farm (Group 4) Agreement is subject to the following conditions:

- (i) all representations and warranties made by the Vendor and Xinyi Solar remaining true, complete and accurate at all times between the date of the Solar Farm (Group 4) Agreement and the Completion Date (Group 4), and the Vendor and Xinyi Solar having performed all of the obligations required to be performed by the Completion Date (Group 4) and not been in breach of the Solar Farm (Group 4) Agreement;
- (ii) the reorganisation to the effect that all Target Members (Group 4) are held by the Vendor as its wholly-owned subsidiaries has been completed;
- (iii) the Purchaser having received a legal opinion issued by a law firm qualified to practice the laws of the PRC dated the Completion Date (Group 4) on each of the Target Members (Group 4) established in the PRC confirming, inter alia, its corporate existence, shareholding structure, assets and the validity of its interests in and certain operational aspects and licensing matters of the Call Right Assets (Group 4) in the form and substance satisfactory to the Purchaser;
- (iv) the passing by the Independent Shareholders at the EGM of the resolution approving the Solar Farm (Group 4) Agreement and the exercise of the Call Option (Group 4) pursuant to the Solar Farm Agreement and the Solar Farm (Group 4) Agreement in accordance with the provisions of the Listing Rules; and
- (v) all internal and external approvals required by the parties to the Solar Farm (Group 4) Agreement for the execution, delivery and performance of the Solar Farm (Group 4) Agreement (including the shareholders approvals of the Target Members (Group 4)) having been obtained.

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 4) Agreement at or before 1:00 p.m. on or before the Completion Date (Group 4), then unless the Vendor and the Purchaser agree otherwise in writing, the Completion Date (Group 4) shall be postponed to the Long-stop Date (Group 4).

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If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 4) Agreement at or before 1:00 p.m. on or before the Long-stop Date (Group 4), then unless the Vendor and the Purchaser agree otherwise in writing, the Solar Farm (Group 4) Agreement shall be terminated, and neither parties to the Solar Farm (Group 4) 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 4) (to the extent paid by the Company) by the Vendor to the Purchaser without interest within five (5) business days after termination of the Solar Farm (Group 4) Agreement.

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

(f) Preparation for completion

For the purpose of calculating the Call Right Price (Group 4), Xinyi Solar shall provide to the Company (i) the unaudited combined accounts of the Target Members (Group 4) (the “**Provisional Closing Accounts**”) as of the close of business on the last day of the previous month prior to the Completion Date (Group 4) on or before the Completion Date (Group 4); and (ii) the unaudited combined accounts of the Target Members (Group 4) (the “**Closing Accounts**”) as of the close of business on the Completion Date (Group 4) within ten (10) business days after the Completion Date (Group 4).

The Provisional Closing Accounts and the Closing Accounts shall be prepared by the Target Members (Group 4) to the satisfaction of Xinyi Energy.

(g) Completion Date (Group 4)

The Completion Date (Group 4) is expected to be on a business day (i) on or before 31 March 2024 or (ii) such other date as the Vendor and the Purchaser 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 4).

6. The Final Call Right Price (Group 4)

6.1 Determination of the Final Call Right Price (Group 4)

The Final Call Right Price (Group 4) will be determined based on the following formula:

$$\text{Final Call Right Price (Group 4)} = \text{Call Right Price (Group 4)} - \text{Debt} - \text{Estimated amounts due to suppliers and other payables} + \text{Cash and receivable balance}$$

For further details, please refer to the section headed “4. The Solar Farm Agreement” above.

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The estimated Call Right Price of each solar farm under the Call Right Assets (Group 4) is as follows:

<u>Call Right Assets (Group 4)</u>	<u>Pricing basis</u>	<u>Approved capacity</u>	<u>Call Right Price</u>
		<i>(MW)</i>	<i>(RMB'000)</i>
- Jiangmen Solar Farm	First Limb	150	517,667
- Zhanjiang Solar Farm (Phase Three)	Second Limb	200	726,332
- Shenxiang Solar Farm	Second Limb	84.5	311,186
- Wanzhi Solar Farm (Phase One)	Second Limb	100	388,912
- Hexian Solar Farm	Second Limb	102	353,846
Total		<u>636.5</u>	<u>2,297,943</u>

As of the Latest Practicable Date, the Call Right Price (Group 4) had been estimated by Xinyi Solar and the Company to be approximately RMB2,297.9 million (equivalent to approximately HK\$ 2,619.0 million). The Call Right Price for Jiangmen Solar Farm would be determined according to the First Limb and the Call Right Price for Zhanjiang Solar Farm (Phase Three), Shenxiang Solar Farm, Hexian Solar Farm and Wanzhi Solar Farm (Phase One) 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” above.

We have obtained and reviewed the detailed calculation of the estimation of the Call Right Price (Group 4). We have discussed with the Management in respect of the basis of the calculation. Based on our review, we consider that the estimated Call Right Price (Group 4) of approximately RMB2,297.9 million (equivalent to approximately HK\$2,619.0 million) has been determined in accordance with the formula set out in the Solar Farm (Group 4) Agreement.

6.2 Evaluation of the Final Call Right Price (Group 4)

We have conducted independent research in assessing the fairness and reasonableness of the Call Right Price (Group 4). In particular, we have considered the price of electricity of comparable transactions in respect of sale and purchase of solar farms.

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) with consideration no less than RMB100 million; (v) 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 (vi) were publicly announced during the period from 1 April 2021 and up to 31 March 2023, which in our view represents a reasonable period to reflect recent market conditions for entering into such transactions.

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To the best of our knowledge and on a best-effort basis, we have reviewed the announcements in relation to the acquisition or disposal of solar farm(s) proposed by companies listed on the Stock Exchange and identified a list of 17 comparable transactions (the “**Comparable Transactions**”) which to the best of our knowledge represent the exhaustive samples that 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; (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; and (iii) the Final Call Right Price (Group 4) will be adjusted by, among other things, the amount due to suppliers and other payables and cash and receivable balance to derive the Final Call Right Price (Group 4) on their Completion Date (Group 4) as further elaborated below, we are of the view that the analysis of the unit prices of electricity of the Comparable Transactions against that of the Target Members (Group 4) as derived from the estimated Call Right Price (Group 4) of RMB2,297.9 million and the aggregated approved capacity of 636.5 MW are appropriate for comparison purpose. Set out in the table below is a summary of the Comparable Transactions.

Company name	Stock code	Date of announcement	Total capacity of solar farm(s)	Consideration (Note 1)	Unit price (Note 2)	Portion of consideration to be settled prior to and including the date of completion (Note 3)	
			(MW)	(approximate RMB million)	(approximate RMB million/MW)		(approximate)
Beijing Energy International Holding Co.,Ltd	686	12 December 2022	150	451.9	3.0	100%	(Note 5)
Shunfeng International Clean Energy Limited	1165	26 October 2022	70	664.3	9.5	100%	(Note 5)
GCL New Energy Holdings Limited	451	5 May 2022	30	153.9	5.1	100%	(Note 5)
Xinyi Energy Holdings Limited	3868	11 April 2022	650	2,563.7	3.9	90%	(Note 5)
Kong Sun Holdings Limited	295	25 March 2022	120	530.9	4.4	95%	(Note 5)
Shunfeng International Clean Energy Limited	1165	3 January 2022	132	889.6	6.7	99%	(Note 5)
Shunfeng International Clean Energy Limited	1165	1 December 2021	180	1,110.0	6.2	100%	(Note 5)
Kong Sun Holdings Limited	295	2 November 2021	140	861.9	6.2	95%	(Note 5)
GCL New Energy Holdings Limited	451	13 September 2021	198	903.4	4.6	100%	(Note 5)
GCL New Energy Holdings Limited	451	30 August 2021	271	1,206.4	4.5	100%	(Note 5)
Shunfeng International Clean Energy Limited	1165	24 August 2021	190	537.6	2.8	98%	(Note 5)
GCL New Energy Holdings Limited	451	21 July 2021	301	1161.8	3.9	100%	(Note 5)
Kong Sun Holdings Limited	295	11 July 2021	209	1,624.7	7.8	94%	(Note 5)
GCL New Energy Holdings Limited	451	25 June 2021	229	781.2	3.4	100%	(Note 5)
GCL New Energy Holdings Limited	451	30 April 2021	183	660.4	3.6	100%	(Note 5)
GCL New Energy Holdings Limited	451	1 April 2021	321	927.6	2.9	100%	(Note 5)
GCL New Energy Holdings Limited	451	1 April 2021	469	1,385.3	3.0	100%	(Note 5)
				Maximum	9.5	100%	
				Minimum	2.8	94%	
				Average	4.8	98%	
				Median	4.4	100%	
Target Members (Group 4)			636.5	2,297.9	3.6	90%	
				(Note 4)			

Source: The Stock Exchange website

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. 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.
2. 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).
3. 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.
4. Represented the estimated Call Right Price (Group 4).
5. 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 (Group 4).

As shown in the table above, the unit price of electricity of the Comparable Transactions ranged from approximately RMB2.8 million per MW to approximately RMB9.5 million per MW with an average of approximately RMB4.8 million per MW and a median of RMB4.4 million per MW. The implied unit price of electricity of the Target Members (Group 4) of approximately RMB3.6 million per MW falls within the range, and is lower than the average and median of the Comparable Transactions.

The Final Call Right Price (Group 4) to be derived from the Call Right Price (Group 4) is based on the formula of the Final Call Right Price (Group 4) as set out in the sub-section headed "6.1 Determination of the Final Call Right Price (Group 4)" above. We have reviewed the latest management accounts of the Target Members (Group 4) as at 31 March 2023, and based on such management accounts, we noted that the Call Right Price (Group 4) calculated will be adjusted downward to arrive at the Final Call Right Price (Group 4). Based on our discussion with the Management, the Management expects that there will be a downward adjustment to the Call Right Price (Group 4) to arrive at the Final Call Right Price (Group 4) as at the Closing Date (Group 4) as the construction of the incomplete solar farms under the Call Right Assets (Group 4) is expected to continue to be financed partially by payables to suppliers and that not all of the Call Right Assets (Group 4) have commenced business operations.

On the basis that (i) the implied unit price of electricity of the Target Members (Group 4) was near the low-end range of the Comparable Transactions and was lower than average and median unit price of electricity of the Comparable Transactions; and (ii) it is expected that there will be a downward adjustment to the Call Right Price (Group 4) to arrive at the Final Call Right Price (Group 4), which will further decrease the implied unit price of electricity of the Target Members (Group 4), we consider that the Final Call Right Price (Group 4) is fair and reasonable based on the above analysis of Comparable Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 4). Based on our discussion with the Management and review of the management accounts for three months ended 31 March 2023, we noted that all solar farms are still undergoing construction. In addition, except the Jiangmen Solar Farm and Hexian Solar Farm, other solar farms are not grid connected. Hence, such solar farms have neither generated any revenue nor profit prior to grid connection. In view of the earnings of the Target Members (Group 4) for the three months ended 31 March 2023 did not reflect the earning potential of all of the Call Right Assets (Group 4), the earnings of Target Members (Group 4) was not an appropriate measure to truly reflect the value of the Target Members (Group 4), and hence price-to-earnings ratio analysis is considered not to be appropriate.

Based on the historical financial information of the Target Members (Group 4), we noted that the construction costs of the solar farms under the Call Right Assets (Group 4) were primarily financed by the amount due to certain subsidiaries of Xinyi Solar and third-party suppliers. The Call Right Price (Group 4) for all solar farm projects, has been estimated based on the latest budgeted costs of the Call Right Assets (Group 4). The Call Right Price (Group 4) will be adjusted by, among other things, the amount due to suppliers and other payables and cash and receivable balance to derive the Final Call Right Price (Group 4) on their Completion Date (Group 4). As such, the price-to-book ratio analysis as implied by the Call Right Price is considered not to be appropriate.

The Call Right Price (Group 4) represents the valuation of the Call Right Assets (Group 4), while the Final Call Right Price (Group 4) comprises the Call Right Price (Group 4), and adjustment with indebtedness and working capital of the Target Members (Group 4) as at the Closing Date (Group 4). Per discussion with the Management, the calculation methodology covers all situations where any of the Call Right Assets (Group 4) is still under construction or any solar farm has started electricity generation as well all the assets and liabilities of the Target Members (Group 4) as at the Closing Accounts Date. All significant assets and liabilities of the Target Members (Group 4) will be included and considered in the calculation.

As stated in the Letter from the Board of the Circular, the Directors confirm that the above formula has included all significant assets and liabilities of the Target Members (Group 4). Based on our review of the management accounts of the Target Members (Group 4) as at 31 March 2023 as discussed in the sub-section headed “2.3 Financial information of the Target Members (Group 4)” above, 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 Members (Group 4) and no other material assets and liabilities were noted.

Based on the aforesaid, we consider that the Final Call Right Price (Group 4) (including the Call Right Price (Group 4) and the determination formula thereof) for the Proposed Target Acquisition is fair and reasonable.

6.3 Payment of the Final Call Right Price (Group 4)

Pursuant to the Solar Farm Agreement and Solar Farm (Group 4) Agreement, payment of 90% of the Final Call Right Price (Group 4) shall be settled on the Completion Date and the remaining 10% of the Final Call Right Price (Group 4) shall be settled within twelve months after the Completion Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Final Call Right Price (Group 4)”, we noted that the settlement amount prior to/upon completion of transactions ranged from 94.0% to 100.0%, with an average and median amounted to 98.0% and 100.0% of total consideration respectively, while the remaining balance would all be settled by tranches subject to different respective conditions. The settlement of 90.0% of the Final Call Right Price (Group 4) upon Completion is close to 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 conditions precedent; or (ii) the anniversary date of the completion. According to the Solar Farm (Group 4) Agreement, the remaining 10% of the Final Call Right Price (Group 4) will be paid within 12 months following Completion. The time range of 17 Comparable Transactions that had the same payment mechanism fell between the first anniversary and fourth anniversary following completion or date of equity transfer. Based on the aforesaid, we consider that the payment arrangement under the Solar Farm (Group 4) Agreement is fair and reasonable.

Based on above, we consider that the terms of the Solar Farm (Group 4) Agreement are normal commercial terms and fair and reasonable.

7. Financial effects of the Proposed Target Acquisition

7.1 Revenue

Following Completion, the Target Members (Group 4) will become wholly-owned subsidiaries of the Company and the financial results of the Target Members (Group 4) 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 Final Call Right Price (Group 4) will be satisfied by the Company with its internal resources and/or available banking facilities.

According to the 2022 Annual Report, the Group had cash and cash equivalents of approximately HK\$1,790.7 million as at 31 December 2022 and the Group’s net gearing ratio (bank borrowings minus cash and cash equivalents divided by total equity) as at 31 December 2022 was approximately 26.9%. According to the Company’s announcement dated 14 April 2023, the Group is expected to receive net proceeds of approximately HK\$1,627.9 million by issuing up to 744,040,025 right shares (the “**Rights Issue**”). As of the date of the Circular, the Group has unutilised banking facilities of approximately HK\$400 million. The net cash inflow from operation of the Group for the year ended 31 December 2022 was approximately HK\$577.5 million. Taking into consideration of the above, and considering the construction of all of the solar farms under the Call Right Assets (Group 4) will be substantially completed on the Completion Date (Group 4), the Management expects, and we concur, that the Group will have sufficient financial resources for the settlement of the amount of Final Call Right Price (Group 4) and the payment of the Final Call Right Price (Group 4) would not result in any material adverse impact on the working capital and gearing of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the entering into the Solar Farm (Group 4) Agreement is in the ordinary and usual course of business of the Group, the terms of the Solar Farm (Group 4) Agreement 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
Quam Capital Limited
Leo Chan
Managing Director

Mr. Leo Chan is a Managing Director of Quam Capital Limited and is licensed under the SFO as a Responsible Officer to carry out, among others Type 6 (advising on corporate finance) regulated activity and has approximately 27 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 the 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 (a) 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 taken under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) 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, were as follows:

(i) Long positions in the Shares

<u>Name of Director</u>	<u>Capacity</u>	<u>Name of the controlled corporation</u>	<u>Number of Shares held</u>	<u>Approximate percentage of the Company's issued share capital ⁽³⁾</u>
Tan Sri Datuk TUNG Ching Sai <i>J.P.</i>	Interest in controlled corporation ⁽¹⁾	Copark (as defined below)	30,553,206	0.410%
	Interest in controlled corporation ⁽¹⁾	Sharp Elite (as defined below)	192,410,355	2.586%
	Family interest ⁽¹⁾		14,910,018	0.200%
	Interest in person acting in concert ⁽²⁾		1,262,790,216	16.972%

Notes:

- (1) Tan Sri Datuk TUNG Ching Sai *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 30,553,206 and 192,410,355 Shares, respectively. Tan Sri Datuk TUNG Ching Sai *J.P.*, is also deemed to be interested in the 14,910,018 Shares 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 *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 dispose of their Shares allotted to them under a conditional distribution in specie received at the time of listing of the Company.
- (3) The percentage is calculated based on the total number of 7,440,400,255 Shares in issue as of the Latest Practicable Date.

(ii) Share options of the Company

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of share options outstanding</u>	<u>Appropriate percentage of the Company’s issued share capital ⁽¹⁾</u>
Ms. CHENG Shu E	Personal interest	1,135,000	0.015%

Note:

- (1) The percentage is calculated based on the total number of 7,440,400,255 Shares in issue as of the Latest Practicable Date.

(iii) Long positions in the shares of associated corporations of the Company

<u>Name of Director</u>	<u>Capacity</u>	<u>Name of the associated corporation</u>	<u>Number of shares held in the associated corporation</u>	<u>Approximate percentage of the issued share capital of the associated corporation</u>
Tan Sri Datuk TUNG Ching Sai <i>J.P.</i>	Interest in a controlled corporation ⁽²⁾	Xinyi Solar	220,919,131	2.481%
	Family interest ⁽²⁾		16,497,057	0.185%
	Interest in person acting in concert ⁽¹⁾		2,078,841,241	23.351%

Notes:

- (1) 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 *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 their XYS Shares allotted to them under a conditional distribution in specie, by way of special interim dividend declared on 19 November 2013 of such number of shares to them representing approximately 67.6% of the XYS Shares as of that date.
- (2) Tan Sri Datuk TUNG Ching Sai *J.P.* is the beneficial owner of the entire issued share capital of Copark which is the registered owner of 220,919,131 XYS Shares. Tan Sri Datuk TUNG Ching Sai *J.P.* also has 16,497,057 XYS Shares through his spouse, Puan Sri Datin SZE Tan Hung.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) 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 taken under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

(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 executives of the Company, as of the Latest Practicable Date, the following Director(s) 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

Name of Director	Name of companies which had such discloseable interest or short position	Position within such company
Mr. LEE Shing Put, B.B.S.	Xinyi Solar	Director
Tan Sri Datuk TUNG Ching Sai <i>J.P.</i>	Xinyi Solar	Director
Mr. LEE Yau Ching	Xinyi Solar	Director
Tan Sri Datuk TUNG Ching Sai <i>J.P.</i>	Copark	Director
Tan Sri Datuk TUNG Ching Sai <i>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 which would fall to be disclosed to the Company 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 2022, being the date to which the latest published audited consolidated financial statements of the Group 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 2022, being the date to which the latest published audited consolidated financial statements 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:

Name	Qualification
Quam 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 2022, being the date to which the latest published audited consolidated 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 ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xinyienergy.com) for a period of 14 days commencing from the date of this circular:

- (a) the Solar Farm Agreement;
- (b) the Call Notice (Group 4); and
- (c) the Solar Farm (Group 4) Agreement.

9. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

NOTICE OF EGM



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, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, on Friday, 2 June 2023 at 9:00 a.m., for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the exercise of the Call Option (Group 4) (as defined in the circular of the Company dated 17 May 2023 (the “Circular”) of which this notice forms part) for the acquisition of the Call Right Assets (Group 4) (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 4) (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 4) 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 4) 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 4) (as defined in the Circular) and/or the Solar Farm (Group 4) 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, 17 May 2023

NOTICE OF EGM

Notes:

- (1) A form of proxy for the EGM to be held on Friday, 2 June 2023 is enclosed.
- (2) Any shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more ordinary shares in the capital of the Company (the “Share(s)”) may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. A proxy need not be a member of the Company.
- (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 (i.e. not later than Wednesday, 31 May 2023 at 9:00 a.m. (Hong Kong time)) 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 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 Tuesday, 30 May 2023 to Friday, 2 June 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the EGM, all share transfer documents 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 Monday, 29 May 2023.
- (6) Bad Weather Arrangements

The EGM will be held on Friday, 2 June 2023 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 Friday, 2 June 2023, the EGM will be automatically postponed to a later date. The Company will post an announcement on the websites of the Hong Kong Exchanges and Clearing Limited 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 of the Company 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.