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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Xinyi Electric Storage Holdings Limited.

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### **XINYI ELECTRIC STORAGE HOLDINGS LIMITED**

**信義儲電控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 08328)**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS 2023 SALES FRAMEWORK AGREEMENTS AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

**BALLAS**  
C A P I T A L  
A subsidiary of Crosby

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Unless the context requires otherwise, 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 6 to 17 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set forth on pages 18 to 19 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set forth on pages 20 to 34 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 Thursday, 14 December 2023 at 10:00 a.m. and the Notice of EGM is set forth on pages 45 to 47 of this circular. A form of proxy for use at the EGM is also enclosed.

Whether or not you are able to attend the EGM, you are advised to read the Notice of EGM and to complete and return the accompanying form of proxy, in accordance with the instructions printed thereon, 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, as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM, i.e. not later than Tuesday, 12 December 2023 at 10:00 a.m. (Hong Kong time), or any adjournment thereof (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

This circular will remain on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on the "Latest Listed Company Information" page for at least 7 days from the date of posting and the Company's website at [www.xinyies.com](http://www.xinyies.com).

Hong Kong, 27 November 2023

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## CHARACTERISTICS OF GEM

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*GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.*

*Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.*

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## DEFINITIONS

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*Unless the context requires otherwise, the capitalised terms used in this circular shall have the following meanings:*

“2021 Announcement”	means the joint announcement of the Company and Xinyi Solar dated 8 April 2021;
“2021 XYG Sales Framework Agreement”	means the product sales framework agreement dated 8 April 2021 entered into between Xinyi Glass (Hong Kong) and the Company for the sales of battery packs and energy storage systems by the Group to the XYG Group, which will expire on 31 December 2023;
“2021 XYS Sales Framework Agreement”	means the product sales framework agreement dated 8 April 2021 entered into between Xinyi Solar and the Company for the sales of battery packs and energy storage systems by the Group to the XYS Group, which will expire on 31 December 2023;
“2023 Sales Framework Agreements”	means the 2023 XYG Sales Framework Agreement and the 2023 XYS Sales Framework Agreement;
“2023 XYG Sales Framework Agreement”	means the product sales framework agreement dated 31 October 2023 entered into between Xinyi Glass (Hong Kong) and the Company for the sales of the Electric Storage Products by the Group to the XYG Group;
“2023 XYS Sales Framework Agreement”	means the product sales framework agreement dated 31 October 2023 entered into between Xinyi Solar and the Company for the sales of the Electric Storage Products by the Group to the XYS Group;
“Annual Caps”	means the XYG Annual Caps and the XYS Annual Caps;
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Board”	means the board of Directors;
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Company” or “Xinyi Electric Storage”	means Xinyi Electric Storage Holdings Limited (信義儲電控股有限公司), a company incorporated in the Cayman Islands with limited liability, all the shares of which are listed on GEM (stock code: 08328);

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## DEFINITIONS

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“Controlling Shareholder(s)”	means the controlling shareholders (as such term is defined under the GEM Listing Rules) of the Company, namely, Dr. LEE Yin Yee, S.B.S, B.B.S., M.H., Datuk Wira TUNG Ching Bor, <i>D.C.S.M.</i> , Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i> , Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. NG Ngan Ho, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. LI Ching Leung and their respective controlled corporations;
“Director(s)”	means the director(s) of the Company;
“Electric Storage Products”	refers to (a) lithium battery packs; (b) direct-current lithium battery systems; (c) uninterruptible power supply lithium battery systems; (d) lithium battery energy storage systems; and (e) other lithium battery products to be supplied by the Group to the XYS Group and the XYG Group under the 2023 Sales Framework Agreements;
“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 Thursday, 14 December 2023 at 10:00 a.m. or any adjournment thereof, for the purpose of seeking the approvals from the Independent Shareholders on the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps;
“GEM”	refers to The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“GEM Listing Rules”	means The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means The Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong dollars” or “HK\$”	refers to Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Board Committee”	means an independent committee of the Board established with all independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, S.B.S., J.P., as members;

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## DEFINITIONS

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“Independent Financial Adviser” or “Ballas Capital”	means Ballas Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps;
“Independent Shareholders”	means the independent shareholders of the Company;
“independent third party(ies)”	means third party(ies) independent of and not connected with any of the connected person(s) of the relevant listed company(ies) and their respective associates;
“Joint Announcement”	means the joint announcement of the Company, Xinyi Solar and Xinyi Glass dated 31 October 2023;
“Latest Practicable Date”	means 22 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Notice of EGM”	means the notice convening the EGM as set forth on pages 45 to 47 of this circular;
“PRC”	means The People’s Republic of China which for the purpose of this circular does not include Hong Kong, The Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	refers to Renminbi, the lawful currency of the PRC;
“SFO”	means Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	means the registered holder(s) of the Share(s);
“Share(s)”	means the share(s) of HK\$0.01 each in the issued share capital of the Company;
“Stock Exchange”	refers to The Stock Exchange of Hong Kong Limited;

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## DEFINITIONS

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“United States dollars” or “US\$”	refers to United States dollars, the lawful currency of the United States of America;
“Xinyi Glass”	means Xinyi Glass Holdings Limited (信義玻璃控股有限公司), a company incorporated in the Cayman Islands with limited liability, all the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00868);
“Xinyi Glass (Hong Kong)”	means Xinyi Group (Glass) Company Limited (信義集團(玻璃)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Xinyi Glass;
“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, all the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00968);
“XYG Annual Cap(s)”	means the maximum transaction amount under the 2023 XYG Sales Framework Agreement for the three years ending 31 December 2026;
“XYG Board”	means the board of directors of Xinyi Glass;
“XYG Director(s)”	means the director(s) of Xinyi Glass;
“XYG Group”	means Xinyi Glass and its subsidiaries;
“XYS Annual Cap(s)”	means the maximum transaction amount under the 2023 XYS Sales Framework Agreement for the three years ending 31 December 2026;
“XYS Board”	means the board of directors of Xinyi Solar;
“XYS Director(s)”	means the director(s) of Xinyi Solar;
“XYS Group”	means Xinyi Solar and its subsidiaries; and
“%”	denoted per cent.

*Unless the context requires otherwise, the conversion of RMB into HK\$ is based on the exchange rate of HK\$1.00 = RMB0.9368 for reference only. No representation is made that any amount in RMB and HK\$ can be or could have been converted at the relevant dates at these rates or any other rates at all.*

*This circular has been printed in English and Chinese. In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.*

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## EXPECTED TIMETABLE

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Despatch of this circular and the Notice of EGM . . . . . Monday, 27 November 2023

Latest time for lodging completed transfer forms and  
the relevant share certificates to qualify for  
attendance and voting at the EGM . . . . . 4:30 p.m. on Friday, 8 December 2023

Closure of register of members of the Company for  
purpose of the EGM (both days inclusive) . . . . . from Monday, 11 December 2023 to  
Thursday, 14 December 2023

Latest time for lodging form of proxy for the EGM  
(in any event not less than 48 hours before the time  
appointed for holding the EGM or any adjournment  
thereof) . . . . . before 10:00 a.m.  
on Tuesday, 12 December 2023

Date and time of the EGM . . . . . 10:00 a.m. on Thursday, 14 December 2023

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*Notes:*

1. All dates and time set forth in this circular refer to Hong Kong dates and time.
2. Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate and in accordance with the GEM Listing Rules.

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LETTER FROM THE BOARD

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**XINYI ELECTRIC STORAGE HOLDINGS LIMITED**

**信義儲電控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 08328)**

*Executive Directors:*

Mr. NG Ngan Ho  
Ms. LI Pik Yung  
Mr. WANG Mohan

*Registered office:*

Windward 3, Regatta Office Park  
PO Box 1350, Grand Cayman  
KY1-1108, Cayman Islands

*Non-executive Directors:*

Tan Sri Datuk TUNG Ching Sai  
*P.S.M., D.M.S.M., J.P. (Chairman)*  
Mr. LEE Shing Kan

*Principal place of business  
in Hong Kong:*

Unit 2116-2117, 21/F  
Rykadan Capital Tower  
135 Hoi Bun Road, Kwun Tong  
Kowloon, Hong Kong

*Independent non-executive Directors:*

Mr. WANG Guisheng  
Mr. NG Wai Hung  
Mr. CHAN Hak Kan, S.B.S., J.P.

27 November 2023

*To the Shareholders*

Dear Sir or Madam

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
2023 SALES FRAMEWORK AGREEMENTS**

**INTRODUCTION**

The Board refers to the Joint Announcement in relation to, among others, the 2023 Sales Framework Agreements.

As the 2021 XYS Sales Framework Agreement and the 2021 XYG Sales Framework Agreement will expire on 31 December 2023, on 31 October 2023 (after trading hours), the 2023 XYS Sales Framework Agreement and the 2023 XYG Sales Framework Agreement were entered into, pursuant to which the Group will continue to supply to the XYS Group and the XYG Group, respectively, the Electric Storage Products as part of their ordinary course of businesses for a term of three years commencing on 1 January 2024 and expiring on 31 December 2026. Details of the 2021 XYS Sales Framework Agreement and the 2021 XYG Sales Framework Agreement are set forth in the 2021 Announcement and the circular of the Company dated 7 May 2021.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with (i) further information on the 2023 Sales Framework Agreements and the Annual Caps; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) the Notice of EGM.

### PRINCIPAL TERMS OF THE 2023 SALES FRAMEWORK AGREEMENTS

The purpose of entering into the 2023 Sales Framework Agreements is to provide a mutually agreed contractual framework for the ongoing sales and purchase transactions of the Electric Storage Products. The terms of the 2023 XYS Sales Framework Agreement and the 2023 XYG Sales Framework Agreement are identical except for the transaction amounts under each of the agreements.

The following sets forth a summary of the principal terms of the 2023 Sales Framework Agreements:

- Date: ..... 31 October 2023 (after trading hours).
- Parties: ..... *For the 2023 XYS Sales Framework Agreement:*
- (a) Xinyi Solar, as the purchaser and
  - (b) the Company, as the supplier.
- For the 2023 XYG Sales Framework Agreement:*
- (a) Xinyi Glass (Hong Kong), as the purchaser and
  - (b) the Company, as the supplier.
- Effective Date:..... The date on which (i) the entering into of the 2023 XYS Sales Framework Agreement, the transactions contemplated thereunder and the XYS Annual Caps, and (ii) the entering into of the 2023 XYG Sales Framework Agreement, the transactions contemplated thereunder and the XYG Annual Caps, are approved by the Independent Shareholders at the EGM respectively.
- Term:..... For a term of three years commencing on 1 January 2024 and expiring on 31 December 2026.
- Subject matter:..... Electric Storage Products, which will be produced according to the technical specifications and requirements of the XYS Group and the XYG Group as purchasers.

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## LETTER FROM THE BOARD

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After-sale service: . . . . . The Group will provide repair and replacement services free of charge on quality issues during the following warranty period:

- (a) lithium battery packs: five years;
- (b) direct-current lithium battery systems: five years;
- (c) uninterruptible power supply lithium battery systems: one year to three years;
- (d) lithium battery energy storage systems: (i) three years for the core equipment such as power conversion systems and batteries and (ii) one year for other equipment and accessories; and
- (e) other lithium battery products: case-by-case basis pursuant to terms of the purchase contract.

Condition precedent: . . . . . Approval by the Independent Shareholders at the EGM by way of poll.

Payment: . . . . . The purchase will be conducted by way of purchase contracts which set forth the detailed information on the products to be ordered, including the product models, technical specifications, quantity, unit price, payment terms and delivery terms.

For (a) lithium battery packs, the purchase prices will be payable within 15 days after delivery.

For (b) direct-current lithium battery systems; (c) uninterruptible power supply lithium battery systems; and (d) lithium battery energy storage systems,

- (i) 30% of the purchase prices will be payable within 10 days immediately after the date of entering into of the purchase contract;
- (ii) 40% of the purchase prices will be payable within 10 days after the purchaser being satisfied of the result of the preliminary inspection on quality; and
- (iii) 30% of the purchase prices will be payable within 10 days after the final inspection on the quality of the products and the receipt of the full amount value add tax invoice by the purchaser.

For (e) other lithium battery products, the purchase prices will be payable in accordance with such payment schedule to be mutually agreed by the parties.

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## LETTER FROM THE BOARD

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### PRICING BASIS

The selling prices are to be determined between the Company and Xinyi Solar (*under the 2023 XYS Sales Framework Agreement*) and Xinyi Glass (Hong Kong) (*under the 2023 XYG Sales Framework Agreement*) on an arm's length basis and upon normal commercial terms, which shall be no less favourable than the prices for comparable products offered by the Company to independent third parties, or by independent third parties to Xinyi Solar or Xinyi Glass (Hong Kong) (as the case may be).

Given that products under the 2023 Sales Framework Agreements are made-to-order according to the required technical specifications and capacity of the products, there is no fixed or standard unit price, or published reference price. In determining the selling prices, the Group will charge on a "cost-plus" basis. Based on the required technical specifications and capacity of the relevant Electric Storage Products, the Group will assess the scope of the relevant order and prepare a cost estimate, which mainly includes the materials cost, labour cost, and delivery and installation cost, with respect to the supply of the products. Such cost estimate will be used as the basis of the selling price of the products. The selling prices will be determined with reference to the production costs incurred by the Group plus a mark-up percentage in the range of 7% to 25%. The percentage will be determined with reference to:

- (a) the average profit margin earned in supplying the products of similar type and features to independent third parties;
- (b) the additional costs in producing the products in accordance with the specific technical requirements and advanced features;
- (c) customers' feedbacks; and
- (d) competitors' pricing information (if available).

The selling prices and mark-up percentage under the 2023 Sales Framework Agreements will be subject to review by the management of the relevant departments of the Group and the XYS Group (*under the 2023 XYS Sales Framework Agreement*) and the XYG Group (*under the 2023 XYG Sales Framework Agreement*) on a regular basis.

## LETTER FROM THE BOARD

### ANNUAL CAPS AND HISTORICAL TRANSACTION AMOUNTS

The annual caps and historical transaction amounts for the battery packs and energy storage systems under the 2021 XYS Sales Framework Agreement and the 2021 XYG Sales Framework Agreement for the period from 28 May to 31 December 2021, the year ended 31 December 2022 and the nine months ended 30 September 2023 are set forth as follows:

	<b>For the period from 28 May to 31 December 2021</b>	<b>Year ended 31 December 2022</b>	<b>Nine months ended 30 September 2023</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
<i>Under the 2021 XYS Sales Framework Agreement</i>			
Annual caps. . . . .	30.0	82.0	74.0( <i>Note</i> )
Historical transaction amounts. . . . .	0.1	12.3	35.4
<i>Under the 2021 XYG Sales Framework Agreement</i>			
Annual caps. . . . .	7.5	6.0	5.0( <i>Note</i> )
Historical transaction amounts. . . . .	4.3	5.6	3.6

*Note:* The amount is for the year ending 31 December 2023.

The table below sets forth the Annual Caps:

	<b>Year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
XYS Annual Caps . . . . .	127.7	110.8	100.6
XYG Annual Caps . . . . .	21.3	14.3	13.6
<b>Total</b> . . . . .	<b>149.0</b>	<b>125.1</b>	<b>114.2</b>

If the transaction amount under any of the 2023 Sales Framework Agreements is expected to be more than the relevant Annual Caps or there is any material change to any of the terms of the 2023 Sales Framework Agreements, the Company, Xinyi Solar and Xinyi Glass will comply with the applicable requirements under the GEM Listing Rules and the Listing Rules, as and when appropriate.

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## LETTER FROM THE BOARD

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### **Basis used in determining the XYS Annual Caps**

In estimating the XYS Annual Caps for the three years ending 31 December 2026, the Directors and the XYS Directors have considered, among others, the current market prices and the expected purchase volume of the Electric Storage Products as may be required under the 2023 XYS Sales Framework Agreement and the relevant historical selling prices and profit margins of the Group for sales of similar products to independent third parties.

The following sets forth the factors considered by the XYS Directors in determining the XYS Annual Caps:

- (a) The XYS Directors expect that the XYS Group would need to increase the installation volume of energy storage systems and that 5.0% to 20.0% (depending on the requirements on different provinces/municipalities) of the total electricity generation capacity (in terms of megawatt) of the grid connected solar farm projects of the XYS Group would be required to install the energy storage systems. Based on the estimated cost per watt-hour of the energy storage systems of RMB0.84, RMB0.76 and RMB0.72 for the three years ending 31 December 2026, respectively, the estimated total purchase and installation costs involved in the installation of the energy storage systems at the solar farm projects newly constructed by the XYS Group would be RMB74.0 million, RMB62.4 million and RMB59.3 million for the three years ending 31 December 2026, respectively.
- (b) The production costs of the energy storage systems are expected to decrease with time and hence, the amount of the XYS Annual Cap is estimated to gradually decrease accordingly. The XYS Directors confirm that the number of units of the energy storage systems proposed to be installed at the solar farm projects newly constructed by the XYS Group is expected to be at a high level throughout the term of the 2023 XYS Sales Framework Agreement.
- (c) The remaining balance under each of the XYS Annual Caps, i.e. RMB53.7 million, RMB48.4 million and RMB41.3 million, for the three years ending 31 December 2026, respectively, mainly represents the estimated amount of purchase and the related installation costs of (i) lithium battery packs, (ii) uninterruptible power supply lithium battery systems, (iii) lithium battery energy storage systems for peak shaving and valley filling purpose to lower the production costs and (iv) other lithium battery products, all of which are mainly to be used/installed in the XYS Group's solar glass production facilities.

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## LETTER FROM THE BOARD

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### **Basis used in determining the XYG Annual Caps**

In estimating the XYG Annual Caps for the three years ending 31 December 2026, the Directors and the XYG Directors have considered, among others, the current market prices and the expected purchase volume of the Electric Storage Products as may be required under the 2023 XYG Sales Framework Agreement and the historical prices and profit margins of the Group for sales of similar products to independent third parties. The purchase amount of the Electric Storage Products for the three years ending 31 December 2026 is estimated by the XYG Directors based on the following:

- (a) the need for installation of uninterruptible power supply lithium battery systems in new production lines to be set up by the XYG Group during 2024;
- (b) the installation of lithium battery energy storage systems in various production facilities for peak sharing and valley filling purpose to lower the production costs;
- (c) the increasing use of chargeable lithium battery products for a number of plant and machinery (including the loading machines) for production purpose; and
- (d) the replacement of the less efficient and less environmental-friendly power systems with the latest generations of power supply products.

### **REASONS FOR AND BENEFITS OF ENTERING INTO OF THE 2023 SALES FRAMEWORK AGREEMENTS**

Part of the ordinary course of business of the Group is the production and sales of different types of battery packs and energy storage systems, including the Electric Storage Products. The Group has the required production capacity and technologies to produce such products. The Board considers that the 2023 Sales Framework Agreements will continue to provide a steady business flow to the Group.

Both the XYS Board and the XYG Board consider that it would be appropriate and commercially viable for them to continue to source the Electric Storage Products from the Group as the Group has been developed with the required production technology and production facilities that can provide in-time supply of these made-to-order products upon such acceptable terms.

### **GENERAL INFORMATION ON THE PARTIES**

The Company is an investment holding company. The Group is principally engaged in the production and sales of electric storage products and photovoltaic films products in the PRC. The Group is also providing engineering, procurement and construction services for solar energy projects in the PRC and other countries. In Hong Kong, the Group provides automobile glass repair and replacement services.

Xinyi Solar is an investment holding company. The XYS Group is principally engaged in the production and sales of solar glass products, which are carried out internationally, through its production facilities in the PRC and Malaysia. In addition, the XYS Group is also engaged in the development and operation of solar farm projects.

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## LETTER FROM THE BOARD

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Xinyi Glass (Hong Kong) is a wholly-owned subsidiary of Xinyi Glass and an investment holding and trading company. Xinyi Glass is an investment holding company. The XYG Group is principally engaged in the production and sales of a wide range of glass products, including automobile glass, architectural glass, float glass and other glass products for different commercial and industrial applications.

### INTERNAL CONTROL MEASURES ADOPTED BY THE COMPANY

The Group will continue to adopt the following internal control measures to monitor the transactions contemplated under the 2023 Sales Framework Agreements:

- (a) The senior management and relevant departments of the Group will review and assess whether the terms set forth in a specific purchase contract are consistent with each of the 2023 Sales Framework Agreements, no less favourable than those offered to independent third parties, and adhere to the respective pricing basis of the transactions by implementing the following checking procedures:
  - (i) collate updated information on the prevailing market prices of the products from time to time to ensure the selling prices are no less favourable to those offered to independent third parties. Market prices will be obtained through, among other things, recent transactions of the Group with independent third parties, pricing information obtained through enquiry with other industry players and desk-top research on industry websites; and
  - (ii) review the profit margin is in the expected range and in alignment with the margin for sale to independent third parties to ensure the selling price is calculated on a cost-plus basis and the mark-up percentage is commensurate with the complexity and technical specifications of the product.
- (b) Specifically assigned personnel from the relevant departments of the Group will monitor the actual transaction amounts on a regular basis to ensure that the Annual Caps would not be exceeded and due compliance with the respective pricing basis of the transactions.
- (c) The finance department of the Group will monitor the transaction amounts contemplated under each of the 2023 Sales Framework Agreements on a regular basis and will prepare a summary of the transaction amounts on a monthly basis.
- (d) The internal audit department of the Group will review and conduct sample checks on the sale amounts under each of the 2023 Sales Framework Agreements, which constitute continuing connected transactions for the Company during the course of its annual review to ensure that the pricing basis and internal control procedures under each of the 2023 Sales Framework Agreements are complied with.
- (e) The independent non-executive Directors will review the continuing connected transactions on an annual basis and report their opinion to the Board.
- (f) The auditors of the Company will conduct annual review on the transactions contemplated by the 2023 Sales Framework Agreements and report their findings and conclusions to the Board.

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## LETTER FROM THE BOARD

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### IMPLICATIONS UNDER THE GEM LISTING RULES

#### Continuing connected transactions

As of the Latest Practicable Date, the Controlling Shareholders and their respective associates are interested in 65.83% of the share capital of Xinyi Glass and 26.17% of the share capital of Xinyi Solar (disregarding the indirect interest being held through Xinyi Glass). Xinyi Glass is also interested in 23.40% of the share capital of Xinyi Solar. The Controlling Shareholders thus control and exercise more than 30% voting power at general meetings of each of Xinyi Glass and Xinyi Solar. Accordingly, Xinyi Glass, Xinyi Solar and each of their respective subsidiaries are connected persons of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.80(1) of the GEM Listing Rules, the XYX Annual Caps and the XYG Annual Caps shall be aggregated as they were entered into by the Company with parties connected with one another. As the aggregated maximum Annual Caps exceeds HK\$10,000,000 and one or more of the applicable percentage ratios for the aggregated Annual Caps is greater than 5.0% under the GEM Listing Rules, the entering into of each of the 2023 Sales Framework Agreements constitutes a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules. Each of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps will be subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*, a non-executive Director, is concurrently an executive XYG Director and a non-executive XYX Director and has interests in the share capital of Xinyi Glass and Xinyi Solar, Mr. NG Ngan Ho, an executive Director, is concurrently a non-executive XYG Director and has interests in the share capital of Xinyi Glass and Xinyi Solar, and Mr. LEE Shing Kan, a non-executive Director, is concurrently an executive XYG Director, each of them has abstained from voting on the resolutions for considering and approving the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps in the relevant Board meeting.

#### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, S.B.S., J.P., has been established to advise and give recommendation to the Independent Shareholders on the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps. Ballas Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE BOARD

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Your attention is drawn to (a) the letter from the Independent Board Committee set forth on pages 18 to 19 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders regarding the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps and (b) the letter from the Independent Financial Adviser set forth on pages 20 to 34 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps.

### EGM

The EGM will be held at 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 14 December 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps. The Notice of EGM is set forth on pages 45 to 47 of this circular.

### PROXY ARRANGEMENT

A form of proxy for the EGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, at 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 and in any event not later than 48 hours before the time appointed for holding the EGM (i.e. not later than Tuesday, 12 December 2023 at 10:00 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 and in such event, the form of proxy shall be deemed to be revoked.

### CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 11 December 2023 to Thursday, 14 December 2023 (both days inclusive), during which period no transfer of the 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 Friday, 8 December 2023.

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## LETTER FROM THE BOARD

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### SHAREHOLDERS ABSTAIN FROM VOTING AND VOTING BY WAY OF POLL

As of the Latest Practicable Date, the Controlling Shareholders and their respective associates are interested in 65.83% of the share capital of Xinyi Glass and 26.17% of the share capital of Xinyi Solar (disregarding the indirect interest being held through Xinyi Glass). The Controlling Shareholders were also interested in approximately 73.32% of the voting rights of the Company as of the Latest Practicable Date, and will be required to abstain from voting at the EGM on the resolutions approving the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps.

Save as disclosed above, to the best of knowledge, information and belief having made all reasonable enquiries by the Directors, no other person who is a Shareholder is required to abstain from voting for the relevant resolutions at the EGM due to its/his/her interests in the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps.

The entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps will be subject to the approval of the Independent Shareholders by ordinary resolutions at the EGM. According to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to the vote at the EGM will be taken by way of poll.

The poll results will be published on the Stock Exchange's website and the Company's website after the conclusion of the EGM.

### TYPHOON AND RAINSTORM ARRANGEMENTS

In case Typhoon Signal No. 8 or above is hoisted, or a Black Rainstorm Warning Signal or "extreme conditions" caused by super typhoons announced by the Government is/are in force in Hong Kong at or at any time after 8:00 a.m. on the date of the meeting, the meeting will be adjourned. The Company will post an announcement on the websites of the Company ([www.xinyies.com](http://www.xinyies.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) to notify Shareholders of the date, time and place of the adjourned meeting.

The meeting will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather conditions bearing in mind their own situation.

### GENERAL INFORMATION

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

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## LETTER FROM THE BOARD

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### RECOMMENDATION OF THE BOARD

The Directors (including members of the Independent Board Committee having taken into account the advice of the Independent Financial Adviser but excluding the Directors who have abstained from voting on the relevant Board resolutions), consider that the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable. Accordingly, the Directors (including members of the Independent Board Committee having taken into account the advice of the Independent Financial Adviser but excluding the Directors who have abstained from voting on the relevant Board resolutions) recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps.

By order of the board of directors of  
**Xinyi Electric Storage Holdings Limited**  
**Tan Sri Datuk TUNG Ching Sai** *P.S.M, D.M.S.M, J.P.*  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the full text of the letter from the Independent Board Committee setting out its advice to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



### XINYI ELECTRIC STORAGE HOLDINGS LIMITED

信義儲電控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 08328)**

27 November 2023

*To the Independent Shareholders*

Dear Sir or Madam

#### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS 2023 SALES FRAMEWORK AGREEMENTS**

We refer to the circular of the Company dated 27 November 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders in respect of the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps, details of which are set forth in the “Letter from the Board” contained in the Circular. Ballas Capital Limited has been appointed as the Independent Financial Adviser.

We wish to draw your attention to the “Letter from the Independent Financial Adviser” as set forth on pages 20 to 34 of the Circular and the “Letter from the Board” as set forth on pages 6 to 17 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the 2023 Sales Framework Agreements and the Annual Caps and the opinion of the Independent Financial Adviser, we are of the view that the 2023 Sales Framework Agreements and the Annual Caps are entered into in the ordinary and usual course of business of the Company, upon normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps.

Yours faithfully  
For and on behalf of the  
Independent Board Committee

**Mr. WANG Guisheng**  
*Independent non-executive  
Director*

**Mr. NG Wai Hung**  
*Independent non-executive  
Director*

**Mr. CHAN Hak Kan, S.B.S., J.P.**  
*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Ballas Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*

**BALLAS**  
C A P I T A L  
A subsidiary of Crosby

5/F, Capital Centre  
151 Gloucester Road  
Wanchai  
Hong Kong

27 November 2023

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO 2023 SALES FRAMEWORK AGREEMENTS**

#### **INTRODUCTION**

We refer to our engagement (the “**Engagement**”) as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2023 Sales Framework Agreements and the transactions contemplated thereunder (the “**Continuing Connected Transactions**”) with the proposed Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular of the Company (the “**Circular**”) dated 27 November 2023, 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.

As disclosed in the Joint Announcement, the Company entered into (i) the 2023 XYS Sales Framework Agreement with Xinyi Solar; and (ii) the 2023 XYG Sales Framework Agreement with Xinyi Glass (Hong Kong), pursuant to which the Group will continue to sell to the XYS Group and the XYG Group, Electric Storage Products as part of the ordinary course of business of the Group for a term of three years commencing on 1 January 2024 and expiring on 31 December 2026.

As set out in the Letter from the Board, as of the Latest Practicable Date, the Controlling Shareholders and their respective associates are interested in 65.83% of the share capital of Xinyi Glass and 26.17% of the share capital of Xinyi Solar (disregarding the indirect interest being held through Xinyi Glass). Xinyi Glass is also interested in 23.40% of the share capital of Xinyi Solar. The Controlling Shareholders thus control and exercise more than 30% voting power at general meetings of each of Xinyi Glass and Xinyi Solar. Therefore, Xinyi Glass, Xinyi Solar and each of their respective subsidiaries are connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the transactions contemplated under the 2023 Sales Framework Agreements constitute continuing connected transactions of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Pursuant to Rule 20.80(1) of the GEM Listing Rules, the XYX Annual Caps and the XYG Annual Caps shall be aggregated as they were entered into by the Company with parties connected with one another. As the aggregated maximum Annual Caps exceeds HK\$10,000,000 and one or more of the applicable percentage ratios for the aggregated maximum Annual Caps is greater than 5.0%, each of the 2023 Sales Framework Agreements and the Continuing Connected Transactions thereunder and the Annual Caps are subject to the reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As the Controlling Shareholders have material interests in the 2023 Sales Framework Agreements, each of the Controlling Shareholders will be required to abstain from voting at the EGM). Save for the above and to the best knowledge, information and belief of the Directors, no other Shareholder is required to abstain from voting on the proposed resolutions approving the entering into of the 2023 Sales Framework Agreements, the transactions contemplated thereunder and the Annual Caps.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, S.B.S., J.P., has been established to advise and give recommendation to the Independent Shareholders on the entering into of the 2023 Sales Framework Agreements and the Annual Caps.

### INDEPENDENCE DECLARATION

Within two years prior to the Engagement, Ballas Capital was engaged as the independent financial adviser of the Company in respect of the continuing connected transactions contemplated under the 2021 XYG Sales Framework Agreement and the 2021 XYX Sales Framework Agreement as set out in the 2021 Announcement (the "**Previous Engagement**"). Other than the professional fees received under the Engagement and the Previous Engagement which were negotiated between the Company and Ballas Capital on an arm's length basis, Ballas Capital has not received any other professional fees from the Company within two years prior to the Engagement.

As the Previous Engagement was for the role of an independent financial adviser, the Previous Engagement would not affect the independence of Ballas Capital for acting as the independent financial adviser to the Company in respect of the 2023 Sales Framework Agreements and the Annual Caps. As at the Latest Practicable Date, we are not aware of any relationships or interests between Ballas Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Ballas Capital's independence as defined under Rule 17.96 of the GEM Listing Rules to act as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Sales Framework Agreements and the Annual Caps.

### BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company (the "**Management**").

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the representations made by the Directors and the Management as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. 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 been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the XYG Group and the XYS Group or any of their respective subsidiaries or associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions, we have considered the following principal factors and reasons:

#### **A. Principal business of the Group, the XYG Group and the XYS Group**

##### *The Group*

The Group is principally engaged in the production and sales of electric storage products and photovoltaic films products in the PRC. The Group is also providing engineering, procurement and construction services for solar energy projects in the PRC and other countries. In Hong Kong, the Group provides automobile glass repair and replacement services.

According to the published financial reports of the Company, the revenue from its electric storage business amounted to approximately HK\$94.5 million, HK\$101.1 million and HK\$271.7 million, representing approximately 43.3%, 20.0% and 25.5% of the total revenue of the Group for the financial years ended 31 December 2020, 2021 and 2022, respectively.

##### *The XYS Group*

Xinyi Solar is an investment holding company. The XYS Group is principally engaged in the production and sales of solar glass products, which are carried out internationally, through its production facilities in the PRC and Malaysia. In addition, the XYS Group is also engaged in the development and operation of solar farm projects. The shares of Xinyi Solar are listed on the Main Board of the Stock Exchange (stock code: 00968).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *The XYG Group*

Xinyi Glass (Hong Kong) is a wholly-owned subsidiary of Xinyi Glass and an investment holding and trading company. Xinyi Glass is an investment holding company. The XYG Group is principally engaged in the production and sales of a wide range of glass products, including automobile glass, architectural glass, float glass and other glass products for different commercial and industrial applications. The shares of Xinyi Glass are listed on the Main Board of the Stock Exchange (stock code: 00868).

### **B. Background of and reasons for entering into of the 2023 Sales Framework Agreements**

Part of the ordinary course of business of the Group is the production and sales of different types of battery packs and energy storage systems, including the Electric Storage Products. The Group has the required production capacity and technologies to produce such products. The Board considers that the 2023 Sales Framework Agreements will continue to provide a steady business flow to the Group.

The entering into of the 2023 Sales Framework Agreements is within the ordinary course of business of the Group. In addition, the Group is not contractually bound to supply and there is no minimum supply amount to the XYS Group or the XYG Group for any of the Electric Storage Products. Provided that the Group is able to negotiate with the XYS Group and the XYG Group on an arm's length basis, and transact on terms and pricing that are on normal commercial terms and are no less favourable to the Group than the terms offered to independent third parties, the 2023 Sales Framework Agreements allow the Group to continue to have the opportunity to sell its products to the XYS Group and the XYG Group at arm's length basis and on normal commercial terms.

Taking into account the above, we consider the entering into of the 2023 Sales Framework Agreements is within the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### **C. Major terms of the 2023 Sales Framework Agreements**

Principal terms of the 2023 Sales Framework Agreements are summarised as below:

Date: ..... 31 October 2023 (after trading hours)

Parties: ..... *For the 2023 XYS Sales Framework Agreement:*

- (a) Xinyi Solar, as the purchaser and
- (b) the Company, as the supplier

*For the 2023 XYG Sales Framework Agreement:*

- (a) Xinyi Glass (Hong Kong), as the purchaser and
- (b) the Company, as the supplier

Term: ..... For a term of three years commencing on 1 January 2024 and expiring on 31 December 2026.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Subject matter: . . . . .	Electric Storage Products, which will be produced according to the technical specifications and requirements of the YYS Group and the YYG Group as purchasers.
Condition: . . . . .	Approval by the Independent Shareholders at the EGM by way of poll.

### *After-sale service (the “Warranties”)*

The Group will provide repair and replacement services free of charge on quality issues of the Electric Storage Products during the following warranty period:

<b>Electric Storage Products</b>	<b>Warranty period</b>
Lithium battery packs . . . . .	Five years
Direct-current lithium battery systems . . . . .	Five years
Uninterruptible power supply lithium battery systems . . . . .	One year to three years
Lithium battery energy storage systems . . . . .	(i) Three years for the core equipment such as power conversion systems and batteries; and (ii) one year for other equipment and accessories
Other lithium battery products . . . . .	Case-by-case basis pursuant to terms of the purchase contract

### *Payment terms (the “Payment Terms”)*

Pursuant to the 2023 Sales Framework Agreements, the sales of the products by the Group to the YYS Group and the YYG Group will be conducted by individual contracts which set forth the detailed information on the products to be ordered, including the product models, technical specifications, quantity, unit price, payment terms and the delivery terms.

For lithium battery packs, the purchase prices will be payable within 15 days after delivery.

For (i) direct-current lithium battery systems; (ii) uninterruptible power supply lithium battery systems; and (iii) lithium battery energy storage systems, the payment terms would be as follows:

- (a) 30% of the purchase prices will be payable within 10 days immediately after the date of the entering into of the purchase contract;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (b) 40% of the purchase prices will be payable within 10 days after the purchaser being satisfied of the result of the preliminary inspection on quality; and
- (c) 30% of the purchase prices will be payable within 10 days after the final inspection on the quality of the products and the receipt of the full amount value add tax invoice by the purchaser.

For other lithium battery products, the purchase prices will be payable in accordance with such payment schedule to be mutually agreed by the parties.

### *Pricing basis*

Pursuant to the 2023 Sales Framework Agreements, the selling prices are to be determined between the Company and Xinyi Solar (*under the 2023 XYS Sales Framework Agreement*) and Xinyi Glass (Hong Kong) (*under the 2023 XYG Sales Framework Agreement*) on an arm's length basis and upon normal commercial terms, which shall be no less favourable to the Group than the prices for comparable products offered by the Company to independent third parties or by independent third parties to Xinyi Solar or Xinyi Glass (Hong Kong) (as the case may be).

Given that the Electric Storage Products are made-to-order according to the required technical specifications and the capacity of the products, there is no fixed unit price or standard price, or a published reference price. In determining the selling prices of the Electric Storage Products, the Group will charge on a "cost-plus" basis. Based on the required technical specifications and the capacity of the relevant Electric Storage Products, the Group will assess the scope of the relevant order and prepare a cost estimate, which mainly includes the materials cost, labour cost, and delivery and installation cost, with respect to the supply of the products. Such cost estimate will be used as the basis of the selling price of the products. The selling prices will be determined with reference to the production costs incurred by the Group plus a mark-up percentage in the range of 7% to 25%. Such percentage will be determined with reference to (i) the average profit margin earned in supplying the products of similar type and features to independent third parties; (ii) the additional costs in producing the products in accordance with the specific technical requirements and advanced features; (iii) customers' feedbacks; and (iv) competitors' pricing information (if available). The selling prices and mark-up percentage under the 2023 Sales Framework Agreements will be subject to review by the management of the relevant departments of the Group and the XYS Group (*under the 2023 XYS Sales Framework Agreement*) and the XYG Group (*under the 2023 XYG Sales Framework Agreement*) on a regular basis.

### *Internal control measures*

As set out in the Letter from the Board, the Group has established the following internal control measures to monitor the Continuing Connected Transactions contemplated under the 2023 Sales Framework Agreements:

- (a) The senior management and relevant departments of the Group will review and assess whether the terms set forth in a specific purchase contract are consistent with each of the 2023 Sales Framework Agreements, no less favourable than those offered to independent third parties, and adhere to the respective pricing basis of the transactions by implementing the following checking procedures:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (i) collate updated information on the prevailing market prices of the products from time to time to ensure the selling prices are no less favourable to those offered to independent third parties. Market prices will be obtained through, among other things, recent transactions of the Group with independent third parties, pricing information obtained through enquiry with other industry players and desk-top research on industry websites; and
  - (ii) review the profit margin is in the expected range and in alignment with the margin for sale to independent third parties to ensure the selling price is calculated on a cost-plus basis and the mark-up percentage is commensurate with the complexity and technical specifications of the product.
- (b) Specifically assigned personnel from the relevant departments of the Group will monitor the actual transaction amounts on a regular basis to ensure that the Annual Caps would not be exceeded and due compliance with the respective pricing basis of the transactions.
  - (c) The finance department of the Group will monitor the transaction amounts contemplated under each of the 2023 Sales Framework Agreements on a regular basis and will prepare a summary of the transaction amounts on a monthly basis.
  - (d) The internal audit department of the Group will review and conduct sample checks on the sale amounts under each of the 2023 Sales Framework Agreements, which constitute continuing connected transactions for the Company during the course of its annual review to ensure that the pricing basis and internal control procedures under each of the 2023 Sales Framework Agreements are complied with.
  - (e) The independent non-executive Directors will review the continuing connected transactions on an annual basis and report their opinion to the Board.
  - (f) The auditors of the Company will conduct annual review on the transactions contemplated by the 2023 Sales Framework Agreements and report their findings and conclusions to the Board.

### *Our work done*

We have obtained from the Management the full historical transaction list of the sales of the Electric Storage Products by the Group to the XYS Group and the XYG Group during the year ended 31 December 2021, the year ended 31 December 2022 and the nine months ended 30 September 2023 (the “**Review Period**”). We have selected, on sample basis, nine sample transactions from the aforesaid historical transaction list and obtained the relevant transaction documents, including the cost sheets in calculating the mark-up, of (i) the selected sample transactions between the Group and the XYS Group and the XYG Group, and (ii) transactions of similar products between the Group and independent third parties. From our review and understanding from the Management, the cost sheet of each transaction has listed out all costs in relation to the production of the Electric Storage Product to be sold, including but not limited to, cost of materials, installation costs, delivery costs, design costs and testing costs. As each of the made-to-order Electric Storage Product has been produced in accordance with the specifications and requirements of the purchaser, and all costs in producing such

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Electric Storage Product have been included in the cost sheet before applying the mark-up, the Management advised that all costs in relation to any specifications and requirements of the purchasers, whether connected or independent to the Group, have been properly accounted for in the selling prices and an overall mark-up was charged to all costs involved in the transaction. Based on our review, we note that (i) the mark-up charged by the Group to the XYS Group and the XYG Group were comparable with those charged by the Group to independent third party customers for products of similar type and features; and (ii) the Payment Terms and Warranties offered by the Group to the XYS Group and the XYG Group were comparable to those payment terms and warranties offered by the Group to its independent third party customers.

*Our view*

Given that (i) the terms offered by the Group to the XYS Group and the XYG Group, including the pricing terms, the Payment Terms and the Warranties, under the 2023 Sales Framework Agreements are comparable with and no less favourable to the Group than those offered by the Group to its independent third party customers; and (ii) appropriate internal control procedure is in place to ensure that the Continuing Connected Transactions contemplated under the 2023 Sales Framework Agreements will be conducted on normal commercial terms or on terms no less favourable to the Group than those terms offered by the Group to independent third parties, we concur with the view of the Directors that the terms of the 2023 Sales Framework Agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

**D. Historical transaction amounts and the proposed Annual Caps**

Set out below are the details of the historical transaction amounts for battery packs and energy storage systems under the 2021 XYG Sales Framework Agreement for the period from 28 May to 31 December 2021, the year ended 31 December 2022 and the nine months ended 30 September 2023 and the proposed Annual Caps for the transactions contemplated under each of the 2023 Sales Framework Agreements for each of the three years ending 31 December 2026:

<b>Historical transaction amounts</b>	<b>For the period from 28 May to 31 December 2021</b>	<b>Year ended 31 December 2022</b>	<b>Nine months ended 30 September 2023</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
<i>Under the 2021 XYS Sales Framework Agreement</i>			
Transaction amounts . . . . .	0.1	12.3	35.4
<i>Under the 2021 XYG Sales Framework Agreement</i>			
Transaction amounts . . . . .	4.3	5.6	3.6

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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<u>Proposed Annual Caps</u>	<u>Year ending 31 December</u>		
	<u>2024</u>	<u>2025</u>	<u>2026</u>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
XYS Annual Caps . . . . .	127.7	110.8	100.6
XYG Annual Caps . . . . .	<u>21.3</u>	<u>14.3</u>	<u>13.6</u>
<b>Total</b> . . . . .	<b><u>149.0</u></b>	<b><u>125.1</u></b>	<b><u>114.2</u></b>

As set out in the Letter from the Board, the following factors were considered by the YYS Directors in determining the YYS Annual Caps:

- (a) The YYS Directors expect that the YYS Group would need to increase the installation volume of energy storage systems and that 5.0% to 20.0% (depending on the requirements on different provinces/municipalities) of the total electricity generation capacity (in terms of megawatt, “MW”) of the grid connected solar farm projects of the YYS Group would be required to install the energy storage systems. Based on the estimated cost per watt-hour of the energy storage systems of RMB0.84, RMB0.76 and RMB0.72 for the three years ending 31 December 2026, respectively, the estimated total purchase and installation costs involved in the installation of the energy storage systems at the solar farm projects newly constructed by the YYS Group would be RMB74.0 million, RMB62.4 million and RMB59.3 million, for the three years ending 31 December 2026, respectively.
- (b) The production costs of the energy storage systems are expected to decrease with time and hence, the amount of the YYS Annual Cap is estimated to gradually decrease accordingly. The YYS Directors confirm that the number of units of the energy storage systems proposed to be installed at the solar farm projects newly constructed by the YYS Group is expected to be at a high level throughout the term of the 2023 YYS Sales Framework Agreement.
- (c) The remaining balance under each of the YYS Annual Caps, i.e. RMB53.7 million, RMB48.4 million and RMB41.3 million, for the three years ending 31 December 2026, respectively, mainly represents the estimated amount of purchase and the related installation costs of (i) lithium battery packs, (ii) uninterruptible power supply lithium battery systems, (iii) lithium battery energy storage systems for peak shaving and valley filling purpose to lower the production costs and (iv) other lithium battery products, all of which are mainly to be used/installed in the YYS Group’s solar glass production facilities.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the Letter from the Board, in estimating the XYG Annual Caps of RMB21.3 million, RMB14.3 million and RMB13.6 million for the three years ending 31 December 2026, the Directors and the XYG Directors have considered, among others, the current market prices and the expected purchase volume of the Electric Storage Products as may be required under the 2023 XYG Sales Framework Agreement and the historical prices and profit margins of the Group for sales of similar products to independent third parties. The purchase amount of the Electric Storage Products for the three years ending 31 December 2026 is estimated by the XYG Directors based on the following:

- (a) the need for installation of uninterruptible power supply lithium battery systems in new production lines to be set up by the XYG Group during 2024;
- (b) the installation of lithium battery energy storage systems in various production facilities for peak shaving and valley filling purpose to lower the production costs;
- (c) the increasing use of chargeable lithium battery products for a number of plant and machinery (including the loading machines) for production purpose; and
- (d) the replacement of the less efficient and less environmental-friendly power systems with the latest generations of power supply products.

### *Our work done*

In assessing the fairness and reasonableness of the proposed Annual Caps under the 2023 Sales Framework Agreements, we have reviewed and discussed with Management on the underlying calculation of the proposed Annual Caps, including the basis and assumptions in arriving the same. Set out below are our analysis on the major assumptions of the Company in projecting the transaction amounts of the Electric Storage Products for the purpose of determining the proposed Annual Caps:

- (a) Projected average selling price of the Electric Storage Products

We note from the underlying calculation of the proposed Annual Caps that in determining the unit price of the Electric Storage Products, the Company has made reference to the current selling prices of the Electric Storage Products and estimated that the average selling prices of the Electric Storage Products will drop by about 15.0% during the term of the 2023 Sales Framework Agreements as a result of the expected reduction in production cost of the Electric Storage Products.

We have also obtained and reviewed the historical average selling prices of the Electric Storage Products of the Group from 2018 to 2023 and note that the average selling prices of the Electric Storage Products have decreased by approximately 11.4% from 2018 to 2020, and increased by approximately 16.7% from 2021 to 2023. According to the Bloomberg New Energy Finance, (i) after more than a decade of declines, volume-weighted average prices for lithium-ion battery packs across all sectors have increased to US\$151 per kilowatt-hour in 2022, a 7% rise from last year in real terms; (ii) it is expected that battery price will start dropping again in 2024, when lithium prices are expected to ease as more extraction and refining capacity comes online. Accordingly, we concur with the Management that it is reasonable to factor in potential drop in the average selling price of the Electric Storage Products despite the increase in price from 2021 to 2023 for prudence sake.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given the above, we consider that the projected average selling prices of the Electric Storage Products in formulating the proposed Annual Caps are determined on a fair and reasonable basis.

(b) Expected demand of the Electric Storage Products

*The XYS Group*

The proposed XYS Annual Caps for each of the three years ending 31 December 2026 amount to approximately RMB127.7 million, RMB110.8 million and RMB100.6 million, respectively, which are significantly higher than the historical sales amount of the Electric Storage Products from the Group to the XYS Group for the period from 28 May to 31 December 2021, the year ended 31 December 2022 and the nine months ended 30 September 2023 of approximately RMB0.1 million, RMB12.3 million and RMB35.4 million, respectively. As advised by the Management, such significant increase is mainly driven by the expected demand for energy storage systems by the solar farms to be constructed by the XYS Group in view of the implementation of the government policy in promoting the utilisation of energy storage systems as further elaborated below.

Based on the Guiding Opinions published by the PRC government in 2017, the PRC government targets to promote energy storage industry in the following decade, which includes, among others, the application of energy storage to improve the level of renewable energy utilisation and improve flexibility and stability of renewable power systems. Pursuant to the “Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035” (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要) passed by the National People’s Congress in March 2021, solar farms in certain provinces/municipalities in the PRC are encouraged to install energy storage systems. As advised by the Management, various measures and policies have been published and is expected to continue to be published in various provinces and/or cities in the PRC, which encourages solar farms to equip energy storage systems to a larger extent and/or a higher standard.

From our review of the underlying calculations and assumptions, we note that approximately RMB74.0 million (or 57.9%), RMB62.4 million (or 56.3%) and RMB59.3 million (or 58.9%) of the XYS Annual Caps for each of the three years ending 31 December 2026, are attributable to the supply of energy storage systems with energy storage capacities of approximately 75 megawatt-hours (“MWh”) or 80MWh (as the case may be) to the solar farm projects of the XYS Group. We understand from the Management that such expected demand for energy storage capacities for the solar farm projects are estimated by the XYS Group based on its expected increase in electricity generation capacity of approximately 850MW, 500MW and 500MW for each of the three years ending 31 December 2026, respectively, for its solar farm projects in view of the aforesaid government policies (the “**Annual Increment on Capacity**”).

In respect of the Annual Increment on Capacity of approximately 850MW, 500MW and 500MW for each of the three years ending 31 December 2026, we noted that it is within the range of historical annual increment in electricity generation capacity of the XYS Group during the period from 2014 to 2022 and almost equivalent to the annual increment for 2020. Accordingly, we consider that such expected increase in electricity generation capacity is reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The remaining portion of the XYS Annual Caps amounted to RMB53.7 million (or 42.1%), RMB48.4 million (or 43.7%) and RMB41.3 million (or 41.1%), of the XYS Annual Caps for each of the three years ending 31 December 2026, represents the estimated sales amount for Electric Storage Products to be supplied to existing production facilities or production facilities in the process of construction of the XYS Group. The expected quantities to be purchased by the XYS Group are provided by the XYS Group, and based on the understanding of the Company, the XYS Group has set the expected quantities after taking into account (i) the installation of lithium battery energy storage systems in various production facilities for peak shaving and valley filling purpose to lower the production costs; (ii) the increasing use of chargeable lithium battery products for a number of plant and machinery (including the loading machines) for production purpose; and (iii) the replacement of the less efficient and less environmental-friendly power systems with the latest generations of power supply products.

We note that the National Development and Reform Commission of China had issued the “Notice on Further Improving the Time-of-Use Electricity Price Mechanism” on 26 July 2021 (the “**Notice**”). It is stipulated in the Notice that when the peak-valley ratio is expected to exceed 40% in the previous year or the current year, in principle, the electricity price difference should not be less than 4:1; and it should not be less than 3:1 in other places. As stated in the article namely “China’s Higher Peak Power Tariff to Drive Energy Savings, Demand-Side Storage” published by Fitch Ratings on 14 September 2021, before such policy, the peak-trough tariff gap of the majority of Chinese provinces ranged from 2.2x-3x. According to the Management, the increased spread of the power price between peak and trough periods had driven the demand from the XYS Group for installation of the Group’s energy storage system for peak shaving and valley filling purposes.

Based the above, we consider that the estimated purchase volume of the Electric Storage Products in calculating the XYS Annual Caps is determined on a fair and reasonable basis.

### *The XYG Group*

The proposed XYG Annual Caps for the each of the three years ending 31 December 2026 amount to approximately RMB21.3 million, RMB14.3 million and RMB13.6 million, respectively, which are significantly higher than of the historical sales amount of the Electric Storage Products from the Group to the XYG Group for the Review Period. As advised by the Management, such significant increase is mainly due to the demand arising from the installation of energy storage systems in the production facilities of the XYG Group for peak shaving and valley filling with an aim to lower the electricity cost of production.

As mentioned above, as a result of the Notice published by National Development and Reform Commission of China, it is expected that increased spread of the power price between peak and trough periods will be increased and this had driven the demand from the XYG Group for installation of the Group’s energy storage system for peak shaving and valley filling purpose. From our review of the underlying calculations and assumptions, we note that approximately RMB13.9 million (or 65.4%), RMB12.5 million (or 87.8%), and RMB11.9 million (or 87.8%) of the XYG Annual Caps for each of the three years ending 31 December 2026 are attributable to the expected sales amount of the energy storage systems. In this respect, we understand from the Management that it is estimated that an aggregate energy storage capacities of approximately

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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33MWh of the energy storage systems will be installed in four selected production facilities of the XYG Group during the three years ending 31 December 2026. In calculating the XYG Annual Caps, it is estimated that the installation will be conducted evenly throughout the three years. Accordingly, the electricity generation capacities of energy storage systems estimated to be installed would be 10MWh per year.

In addition, we note that approximately RMB5.4 million (or 25.6%) the XYG Annual Caps for the year ending 31 December 2024 is arising from expected sales of other Electric Storage Products to the new float glass production complex in Gresik, East Java, Indonesia (the “**Indonesia Production Complex**”). As disclosed in the interim report of Xinyi Glass for the six months ended 30 June 2023, the XYG Group is building the Indonesia Production Complex to expand its business footprints in ASEAN countries.

The remaining portion of the XYG Annual Caps represents the estimated sales of other Electric Storage Products for products replacement and improvement for other production facilities based on discussion with the XYG Group.

Taking into account of the above analysis, we consider that the estimated purchase volume of the Electric Storage Products in calculating the XYG Annual Caps is determined on a fair and reasonable basis.

### *Our view*

Having considered the above and our review of the underlying calculations of the proposed Annual Caps, we concur with the view of the Management and consider that the proposed XYG Annual Caps and XYG Annual Caps are fair and reasonable as far as the Independent Shareholders are concerned.

### **E. Requirements by the GEM Listing Rules regarding the Continuing Connected Transactions**

Pursuant to Rules 20.53 to 20.57 of the GEM Listing Rules, the transactions contemplated under the 2023 Sales Framework Agreements are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the transactions contemplated under the 2023 Sales Framework Agreements and confirm in the annual report that the transactions contemplated under the 2023 Sales Framework Agreements have been entered into:
  - in the ordinary and usual course of business of the Company;
  - on normal commercial terms or better; and
  - according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the transactions contemplated under the 2023 Sales Framework Agreements:
- have received the approval of the Board;
  - are, in all material respects, in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
  - have been entered into, in all material respects, in accordance with the relevant agreement governing the transactions contemplated under the 2023 Sales Framework Agreements; and
  - have not exceeded the Annual Caps.
- (c) the Company must allow, and ensure that the relevant counterparty to the transactions contemplated under the 2023 Sales Framework Agreements allow, the Company's auditors sufficient access to their records for the purpose of reporting on the transactions contemplated under the 2023 Sales Framework Agreements. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (b) above; and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement in accordance with the GEM Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) above respectively.

In light of the reporting requirements attached to the transactions contemplated under the 2023 Sales Framework Agreements, in particular, (i) the restriction of the value of the transactions contemplated under the 2023 Sales Framework Agreements by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the transactions contemplated under the 2023 Sales Framework Agreements and the Annual Caps not being exceeded, we are of the view that appropriate measures are in place to govern the conduct of the transactions contemplated under the 2023 Sales Framework Agreements and safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Continuing Connected Transactions contemplated under the 2023 Sales Framework Agreements are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and the terms thereof as well as the proposed Annual Caps in relation to the 2023 Sales Framework Agreements are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the 2023 Sales Framework Agreements and the proposed Annual Caps in relation thereto.

Yours faithfully,

For and on behalf of

**Ballas Capital Limited**

**Alex Lau**

*Managing Director*

**Cathy Leung**

*Director*

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*Note:* Mr. Alex Lau of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2004, and Ms. Cathy Leung of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2019.

**RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**DISCLOSURE OF INTERESTS****Directors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations**

As of the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange, were as follows:

**(a) Long positions in the Shares**

<b>Name of Director</b>	<b>Capacity</b>	<b>Name of the controlled corporation</b>	<b>Number of issued Shares held</b>	<b>Approximate percentage of the issued share capital of the Company (%)</b>
Tan Sri Datuk TUNG Ching Sai <i>P.S.M., D.M.S.M., J.P.</i>	Interest in a controlled corporation	Copark <sup>(1)</sup> (as defined below)	46,114,672	5.87
		Full Guang <sup>(3)</sup> (as defined below)	13,665,143	1.74
	Personal interest/Spouse interest <sup>(1)</sup>		122,495,571	15.59
	Interest in persons acting in concert <sup>(2)</sup>		393,466,542	50.10

<u>Name of Director</u>	<u>Capacity</u>	<u>Name of the controlled corporation</u>	<u>Number of issued Shares held</u>	<u>Approximate percentage of the issued share capital of the Company (%)</u>
Mr. NG Ngan Ho	Interest in a controlled corporation	Linkall <sup>(4)</sup> (as defined below)	25,195,745	3.20
		Full Guang <sup>(3)</sup> (as defined below)	13,665,143	1.74
	Personal interest		1,343,100	0.17
	Interest in persons acting in concert <sup>(2)</sup>		535,537,940	68.20
Ms. LI Pik Yung	Personal interest		148,328	0.01
Mr. WANG Mohan	Personal interest		62,000	0.01

*Notes:*

- (1) Tan Sri Datuk TUNG Ching Sai, J.P. is the beneficial owner of all the issued share capital of Copark Investment Limited (“**Copark**”), a company incorporated in the British Virgin Islands (the “**BVI**”) and wholly-owned by Tan Sri Datuk TUNG Ching Sai, J.P., which is the registered owner of 46,114,672 Shares. Tan Sri Datuk TUNG Ching Sai, J.P. also has personal interest in 527,802 Shares held in his own name and 121,967,769 Shares are held through his spouse, Puan Sri Datin SZE Tan Hung.
- (2) Pursuant to the shareholders’ agreement dated 25 June 2016 entered into amongst the Controlling Shareholders (the “**Shareholders’ Agreement**”), the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under the Xinyi Glass Distribution (as defined in the prospectus of the Company dated 28 June 2016).
- (3) The interests in Shares are held through Full Guang Holdings Limited (“**Full Guang**”), a company incorporated in the BVI with limited liability. Full Guang is owned by Dr. LEE Yin Yee, S.B.S, B.B.S., M.H. as to 33.98%, Datuk Wira TUNG Ching Bor, *D.C.S.M.* as to 16.20%, Tan Sri Datuk TUNG Ching Sai, J.P. as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.
- (4) Mr. NG Ngan Ho is the beneficial owner of all the issued share capital of Linkall Investment Limited (“**Linkall**”), a company incorporated in the BVI and wholly-owned by Mr. NG Ngan Ho, which is the registered owner of 25,195,745 Shares.

*(b) Share options of the Company*

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of share options outstanding</u>	<u>Approximate percentage of the issued share capital of the Company (%)</u>
Ms. LI Pik Yung	Personal interest	233,805	0.02
Mr. WANG Mohan	Personal interest	4,736,296	0.60

*(c) Interest in the shares of associated corporations of the Company*

<u>Name of associated corporation</u>	<u>Name of Director</u>	<u>Class and number of shares held in the associated corporation</u>	<u>Approximate percentage of the associated corporation's issued share capital (%)</u>
Copark	Tan Sri Datuk TUNG Ching Sai, J.P.	2 ordinary shares	100.00
Linkall	Mr. NG Ngan Ho	2 ordinary shares	100.00
Full Guang	Tan Sri Datuk TUNG Ching Sai, J.P.	350,000 ordinary shares	16.20
	Mr. NG Ngan Ho	80,000 ordinary shares	3.70

Save as disclosed above, as of the Latest Practicable Date, to the knowledge of the Company, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

**Directorship or employment in a company which has an interest or short positions which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

So far as is known to the Directors and the chief executive of the Company, as of the Latest Practicable Date, the following Directors were 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:

<b>Name of Director</b>	<b>Name of company which had such discloseable interest or short positions</b>	<b>Position within such company</b>
Tan Sri Datuk TUNG Ching Sai, J.P.	Copark	Director
Mr. NG Ngan Ho	Linkall	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.

**Directors' service contracts**

As of the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any other member of the Group which would not expire or be determinable by the Company within one year without payment of compensation (other than statutory compensation).

**Directors' interests in assets, contracts or arrangement**

Save as disclosed above, as of the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which had, since 31 December 2022, being the date of the latest published audited accounts of the Company were made up, been acquired or disposed of by, or leased to, the Company or any member of the Group or were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group.

As of the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at such date and which was significant in relation to the business of the Group taken as a whole.

**Substantial shareholders' interests and short positions in the Shares and underlying Shares**

As of the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares and underlying Shares that were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or required to be as recorded in the register required to be kept by the Company under Section 336 of the SFO:

*Long positions in the Shares*

Name of Shareholder	Nature of interest and capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Dr. LEE Yin Yee, S.B.S., B.B.S., M.H.	Interest in a controlled corporation <sup>(3)</sup>	132,990,198	16.93
	Interest in a controlled corporation <sup>(4)</sup>	2,720,960	0.34
	Interest in a controlled corporation <sup>(1)</sup>	13,665,143	1.74
	Personal interest <sup>(3)</sup>	41,311,215	5.26
	Interest in persons acting in concert <sup>(2)</sup>	385,054,412	49.03
Datuk Wira TUNG Ching Bor, <i>D.C.S.M.</i>	Interest in a controlled corporation <sup>(5)</sup>	48,878,216	6.22
	Interest in a controlled corporation <sup>(1)</sup>	13,665,143	1.74
	Personal interest <sup>(5)</sup>	10,855,152	1.38
	Interest in persons acting in concert <sup>(2)</sup>	502,343,417	63.97
Mr. LEE Sing Din	Interest in a controlled corporation <sup>(6)</sup>	46,048,013	5.86
	Interest in a controlled corporation <sup>(1)</sup>	13,665,143	1.74
	Personal interest	3,769,755	0.48
	Interest in persons acting in concert <sup>(2)</sup>	512,259,017	65.23

Name of Shareholder	Nature of interest and capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. LI Ching Wai	Interest in a controlled corporation <sup>(7)</sup>	21,323,578	2.71
	Interest in a controlled corporation <sup>(1)</sup>	13,665,143	1.74
	Interest in persons acting in concert <sup>(2)</sup>	540,753,207	68.86
Mr. LI Man Yin	Interest in a controlled corporation <sup>(8)</sup>	14,473,366	1.84
	Interest in a controlled corporation <sup>(1)</sup>	13,665,143	1.74
	Personal interest <sup>(8)</sup>	1,876,710	0.23
	Interest in persons acting in concert <sup>(2)</sup>	545,726,709	69.49
Mr. SZE Nang Sze	Interest in a controlled corporation <sup>(9)</sup>	20,909,316	2.66
	Interest in a controlled corporation <sup>(1)</sup>	13,665,143	1.74
	Personal interest	1,212,420	0.15
	Interest in persons acting in concert <sup>(2)</sup>	539,955,049	68.76
Mr. LI Ching Leung	Interest in a controlled corporation <sup>(10)</sup>	14,287,863	1.81
	Interest in a controlled corporation <sup>(1)</sup>	13,665,143	1.74
	Personal interest/Spouse interest <sup>(10)</sup>	6,270,935	0.79
	Interest in persons acting in concert <sup>(2)</sup>	541,517,987	68.96
Madam TUNG Hai Chi	Interest in a controlled corporation <sup>(4)</sup>	2,720,960	0.34
	Personal interest/Spouse interest <sup>(11)</sup>	573,020,968	72.97
Puan Sri Datin SZE Tan Hung	Personal interest/Spouse interest <sup>(12)</sup>	575,741,928	73.32

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*Notes:*

- (1) The interests in the Shares are held through Full Guang. Full Guang is owned by Dr. LEE Yin Yee, S.B.S., B.B.S., M.H. as to 33.98%, Datuk Wira TUNG Ching Bor, *D.C.S.M.* as to 16.20%, Tan Sri Datuk TUNG Ching Sai, J.P. as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.
- (2) Pursuant to the Shareholders' Agreement, each of the parties has agreed to grant a right of first offer to the other parties if any of them intends to sell their Shares allotted to them under the Xinyi Glass Distribution (as defined in the prospectus of the Company dated 28 June 2016).
- (3) Dr. LEE Yin Yee, S.B.S., B.B.S., M.H.'s interests in 132,990,198 Shares are held through Realbest Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Dr. LEE Yin Yee, S.B.S., B.B.S., M.H.. Dr. LEE Yin Yee, S.B.S., B.B.S., M.H.'s interests in 41,311,215 Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.
- (4) Dr. LEE Yin Yee, S.B.S., B.B.S., M.H.'s interests in 2,720,960 Shares are held through Xin Yuen Investment Limited, a company incorporated in the BVI with limited liability, which is wholly-owned by Xin Wong Investment Limited ("**Xin Wong**"). Xin Wong is 50% owned by Dr. LEE Yin Yee, S.B.S., B.B.S., M.H. and 50% owned by his spouse, Madam TUNG Hai Chi.
- (5) Datuk Wira TUNG Ching Bor, *D.C.S.M.* is the beneficial owner of all the issued share capital of High Park Technology Limited, a company incorporated in the BVI with limited liability and wholly-owned by Datuk Wira TUNG Ching Bor, *D.C.S.M.*, which is the registered owner of 48,878,216 Shares. Datuk Wira TUNG Ching Bor, *D.C.S.M.* also has 10,855,152 Shares held through a joint account with his spouse, Datin Wira KUNG Sau Wai.
- (6) Mr. LEE Sing Din's interests in 46,048,013 Shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din.
- (7) Mr. LI Ching Wai's interests in 21,323,578 Shares are held through Goldbo International Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai.
- (8) Mr. LI Man Yin's interests in 14,473,366 Shares are held through Perfect All Investments Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Man Yin. Mr. LI Man Yin's interests in 1,876,710 Shares are held through a joint account with his spouse, Madam LI Sau Suet.
- (9) Mr. SZE Nang Sze's interests in 20,909,316 Shares are held through Goldpine Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.
- (10) Mr. LI Ching Leung's interests in 14,287,863 Shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung has personal interests in 6,198,335 Shares held in his own name and 72,600 Shares held through his spouse, Madam DY Maria Lumin.
- (11) Madam TUNG Hai Chi's interests in 41,311,215 Shares are held through a joint account with her spouse, Dr. LEE Yin Yee, S.B.S., B.B.S., M.H. and 534,430,713 Shares are held through her spouse, Dr. LEE Yin Yee, S.B.S., B.B.S., M.H..
- (12) Puan Sri Datin SZE Tan Hung has personal interests in 121,967,769 Shares held in her own name and 453,774,159 Shares held through her spouse, Tan Sri Datuk TUNG Ching Sai, J.P.

Save as disclosed above, as of the Latest Practicable Date, the Directors were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who had an interest or short positions in the Shares or underlying Shares that were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register of the Company pursuant to Section 336 of the SFO.

#### **MATERIAL ADVERSE CHANGE**

The Directors confirmed that as of the Latest Practicable Date, there was no material adverse change in the financial or trading position or prospects of the Group since 31 December 2022, being the date of the latest published audited accounts of the Company were made up.

#### **QUALIFICATION AND CONSENT OF EXPERT**

The following are the qualifications of the expert who has been named in this circular and whose advice or opinion are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Ballas Capital Limited	A corporation licensed by the Securities and Futures Commission to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As of the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding, direct or indirect, in any member of the Group or any right or option, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As of the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any asset which have been acquired, or disposed of by, or leased to any member of the Group 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 financial statements of the Company were made up.

The Independent Financial Adviser has given and has not withdrawn their written consent to the issue of this circular with the inclusion herein of their letters and reference to their names, in the form and context in which they are included.

**DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS**

The Company and Xinyi Solar are both engaged in the provision of engineering, procurement and construction services for photovoltaic power stations.

Arrangements have been in place to ensure that there will be no competing business between the Company and Xinyi Solar in terms of geographical locations. There is no overlapping customer between the Company and Xinyi Solar.

As of the Latest Practicable Date, save as disclosed above, as far as the Directors are aware, none of the Directors or the Controlling Shareholders or their respective close associates (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete with the business of the Group.

**GENERAL**

- (a) The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is located at Unit 2116-2117, 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.
- (c) The company secretary of the Company is Mr. CHEUNG Siu On Victor, who is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (d) The Company's branch share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) In case of any discrepancy, the English text of this circular shall prevail over the Chinese text.

**DOCUMENTS AVAILABLE ON DISPLAY**

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

- (a) the letter from the Independent Board Committee, the text of which is set forth on pages 18 to 19 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set forth on pages 20 to 34 of this circular;
- (c) the written consent given by the Independent Financial Adviser referred to in the section headed “Qualification and Consent of Expert” in this appendix;
- (d) the 2023 XYS Sales Framework Agreement; and
- (e) the 2023 XYG Sales Framework Agreement.

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## NOTICE OF EGM

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### XINYI ELECTRIC STORAGE HOLDINGS LIMITED

### 信義儲電控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 08328)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “EGM”) of Xinyi Electric Storage Holdings Limited (the “Company”) will be held at 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 14 December 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company. Unless the context requires otherwise, capitalised terms used in this notice will have the same meanings as defined in the circular (the “Circular”) of the Company dated 27 November 2023.

#### ORDINARY RESOLUTIONS

##### *2023 XYS Sales Framework Agreement*

**1. “THAT:**

- (a) the 2023 XYS Sales Framework Agreement (as defined in the Circular, and a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the meeting (the “Chairman”) for identification purpose) be and is hereby approved, ratified and confirmed;
- (b) the XYS Annual Caps (as defined in the Circular) for the period commencing on 1 January 2024 and expiring on 31 December 2026 as set forth in the Circular be and are hereby approved; and
- (c) any director of the Company be and is hereby authorised 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 2023 XYS Sales Framework Agreement and all other matters incidental thereto or in connection therewith.”

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## NOTICE OF EGM

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### *2023 XYG Sales Framework Agreement*

#### **2. “THAT:**

- (a) the 2023 XYG Sales Framework Agreement (as defined in the Circular, and a copy of which has been produced to the meeting and marked “B” and initialed by the Chairman for identification purpose) be and is hereby approved, ratified and confirmed;
- (b) the XYG Annual Caps (as defined in the Circular) for the period commencing on 1 January 2024 and expiring on 31 December 2026 as set forth in the Circular be and are hereby approved; and
- (c) any director of the Company be and is hereby authorised 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 2023 XYG Sales Framework Agreement and all other matters incidental thereto or in connection therewith.”

By order of the board of directors of  
**Xinyi Electric Storage Holdings Limited**  
**Tan Sri Datuk TUNG Ching Sai** *P.S.M, D.M.S.M, J.P.*  
*Chairman*

Hong Kong, 27 November 2023

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#### *Notes:*

- 1. A form of proxy for the EGM to be held on Thursday, 14 December 2023 is enclosed.
- 2. The register of members of the Company will be closed from Monday, 11 December 2023 to Thursday, 14 December 2023 (both days inclusive), during such period no transfer of the 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 Friday, 8 December 2023.
- 3. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint in written form one or more proxies to attend and vote at the EGM on his/her/its behalf. A proxy is not required to be a Shareholder.

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## NOTICE OF EGM

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4. In order to be valid, the form of proxy must be signed under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorised, and must be deposited 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 (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not later than 48 hours before the time fixed for holding of the EGM (i.e. not later than Tuesday, 12 December 2023 at 10:00 a.m. (Hong Kong time)) or any adjournment thereof.
5. In the case of joint holders of Shares, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose, seniority will be determined by the order in which names stand in the register of members.
6. Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
7. References to time and dates in this notice are to Hong Kong time and dates.
8. In case Typhoon Signal No. 8 or above is hoisted, or a Black Rainstorm Warning Signal or "extreme conditions" caused by super typhoons announced by the Government is/are in force in Hong Kong at or at any time after 8:00 a.m. on the date of the meeting, the meeting will be adjourned. The Company will post an announcement on the websites of the Company ([www.xinyies.com](http://www.xinyies.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) to notify Shareholders of the date, time and place of the adjourned meeting.

The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather conditions bearing in mind their own situation.

*As of the date of this notice, the Board comprises three executive Directors, namely Mr. NG Ngan Ho, Ms. LI Pik Yung and Mr. WANG Mohan, two non-executive Directors, namely Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P. (Chairman) and Mr. LEE Shing Kan, and three independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, S.B.S., J.P..*