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

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

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XINYI ENERGY HOLDINGS LIMITED

信義能源控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 03868)

CONNECTED AND DISCLOSEABLE TRANSACTION

EXERCISE OF CALL OPTION (GROUP 1) PURSUANT TO THE SOLAR FARM AGREEMENT AND THE SOLAR FARM (GROUP 1) AGREEMENT AND NOTICE OF EGM

Independent Financial Adviser



中國通海企業融資
CHINA TONGHAI CAPITAL

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

A letter from the Board is set out on pages 8 to 19 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from China Tonghai Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 38 of this circular.

The EGM is to be held at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 15 May 2020 at 9:00 a.m. is set out on pages 45 and 46 of this circular. Shareholders are advised to read the Notice of EGM and if you are not able to attend the EGM or its adjournment (as the case may be) in person but wish to exercise your right as a Shareholder, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

Shareholders attending the EGM should read the statement on the precautionary measures for the EGM set out on pages ii to iii of this circular.

23 April 2020

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PRECAUTIONARY MEASURES FOR THE EGM

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

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration from confirming their names and contact details, and confirming that they have not travelled to, or to their best of knowledge had physical contact with any person who has recently travelled to any countries or areas outside of Hong Kong (as per guidelines issued by the Hong Kong government at www.chp.gov.hk) at any time in the preceding 14 days. Any person who does not comply with this requirement may be denied entry into the EGM venue or be required to leave the EGM venue;
- (iii) Attendees must wear surgical face masks inside the EGM venue at all times, and maintain a safe distance between seats. Any person who does not comply with this requirement may be denied entry into the EGM venue or be required to leave the EGM venue; and
- (iv) No refreshments will be served, and there will be no corporate gifts.

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

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

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

PRECAUTIONARY MEASURES FOR THE EGM

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

Investor Relations Department

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

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

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
E-mail: hkinfo@computershare.com.hk
Tel: (852) 2862 8555
Fax: (852) 2865 0990

DEFINITIONS

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

“Acquisition Committee”	means the acquisition committee of the Board established for the purpose of considering and if appropriate, approving any acquisition of Call Right Assets;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	means the board of directors of the Company;
“BVI”	means the British Virgin Islands;
“Call Option”	means the call option granted by Xinyi Solar to the Company pursuant to the Solar Farm Agreement, which requires the XYS Group to sell to the XYE Group the Call Right Assets;
“Call Option (Group 1)”	means the call option to be exercised by the Company to acquire the Call Right Assets (Group 1) from the XYS Group pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement;
“Call Right Assets”	means the Completed Projects set forth in the Solar Farm List;
“Call Right Assets (Group 1)”	means the relevant Call Right Assets to be acquired by the Company through the Equity Transfer, namely (a) Zhanjiang Solar Farm One, (b) Zhanjiang Solar Farm Two, (c) Wuwei Solar Farm, and (d) Laohekou Solar Farm, further information on which is set forth in the paragraph headed “SOLAR FARM (GROUP 1) AGREEMENT — Target Subsidiaries and Call Right Assets (Group 1)” in the letter from the Board of this circular;
“Call Right Notice”	means the notice delivered by the Company to Xinyi Solar on 16 March 2020 pursuant to the Solar Farm Agreement for the exercise of the Call Option (Group 1);
“Call Right Period”	with respect to each Call Right Asset in the PRC, refers to the period commencing on the date that is ninety (90) days prior to the date on which such Call Right Asset is scheduled to become commercially operational in the PRC in the same batch or categorisation and terminating on the Call Right Period Expiration Date;

DEFINITIONS

“Call Right Period Expiration Date”	with respect to each Call Right Asset, refers to the earliest of (a) the date on which the Company receives written notice from Xinyi Solar that such Call Right Asset constitutes a Terminated Call Right Asset; (b) the date on which the Company gives notice to Xinyi Solar to exercise the Solar Farm ROFR; (c) solely with respect to Call Right Assets in the PRC in the same batch or categorization, in the event the Company has acquired or agreed to acquire a subsequent batch of Call Right Asset in the PRC, the date on which the acquisition of the relevant Completed Projects has completed; or (d) the date which is 36 months after the date on which the construction of such Call Right Asset in the PRC has substantially completed;
“Call Right Price”	means the exercise price of the Call Option in respect of each Call Right Asset as set forth in the Solar Farm Agreement;
“Closing Accounts”	means the unaudited statement of closing accounts of the Target Company as of the close of business on the Closing Accounts Date;
“Closing Accounts Date”	means 31 August 2020 or such other date as the parties to the Solar Farm (Group 1) Agreement may agree in writing;
“Company”	means Xinyi Energy Holdings Limited (信義能源控股有限公司), a company incorporated under the laws of BVI with limited liability, the shares of which are listed on the Stock Exchange (stock code: 03868);
“Completed Projects”	means the substantially completed construction and grid-connected utility-scale ground-mounted solar farm projects developed or constructed by the XYS Group;
“Completion”	means completion of the Equity Transfer;
“Completion Date”	means (i) on or before 30 September 2020 or (ii) such other date as the parties to the Solar Farm (Group 1) Agreement may agree in writing on which Completion takes place, but in any event shall not be later than the first anniversary of the date of the Call Right Notice;
“Condition(s)”	means condition(s) precedent to the Equity Transfer set forth in the Solar Farm (Group 1) Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	means the amount of consideration for the Equity Transfer payable by the Company to the Vendor;

DEFINITIONS

“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and refers to Xinyi Solar, Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M</i> , Mr. LI Man Yin, Mr. NG Ngan Ho, Mr. LI Ching Leung, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. SZE Nang Sze and their respective controlled corporations;
“Debt”	means the actual amount of indebtedness of the Target Company as of the Closing Account Date;
“Directors”	means the directors of the Company;
“EGM”	means the extraordinary general meeting of the Company to be held at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 15 May 2020 at 9:00 a.m. or any adjournment thereof;
“Equity Transfer”	means the transfer of the Target Shares, representing the entire issued share capital of the Target Company, pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement;
“Feed-in-Tariff”	means the feed-in-tariff regime currently implemented by the PRC Government for the provision of subsidy, i.e. the tariff adjustment, to the solar farm operators in the PRC by way of tariff adjustment;
“Hong Kong”	means The Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$” or “Hong Kong Dollars”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Board Committee”	means the independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang, established to advise the Independent Shareholders in relation to the entering into of the Solar Farm (Group 1) Agreement and the exercise of Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement;

DEFINITIONS

“Independent Financial Adviser”	means China Tonghai Capital Limited, a licensed corporation permitted to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Solar Farm (Group 1) Agreement and the exercise of Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement;
“Independent Shareholder(s)”	means Shareholders other than the Controlling Shareholders and their associates;
“Independent Third Party(ies)”	means an individual(s) or a company(ies) who or which is independent of and not connected (within the meaning of the Listing Rules) with the Company as far as the Directors are aware after having made all reasonable enquiries;
“Joint Announcement”	means the joint announcement issued by the Company and Xinyi Solar dated 16 March 2020;
“Laohekou Solar Farm”	means Laohekou Solar Farm (老河口光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi New Energy (Xiangyang) Co., Ltd.* (信義新能源(襄陽)有限公司) and located in Laohekou City, Hubei Province, the PRC with an approved capacity of 100 MW, which is wholly-owned by Power Sky directly;
“Latest Practicable Date”	means 17 April 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long-stop Date”	means 14 May 2021 (or such other date as the parties to the Solar Farm (Group 1) Agreement may agree in writing on which Completion takes place, but in any event shall not be later than sixty (60) days from the first anniversary of the date of the Call Right Notice);
“Max Wisdom”	means Max Wisdom Enterprises Limited, an indirect wholly-owned subsidiary of Xinyi Solar, and a company incorporated in Hong Kong and the beneficial owner of 90% of each of Zhanjiang Solar Farm One and Zhanjiang Solar Farm Two;
“MW”	means unit of energy (power), megawatt;

DEFINITIONS

“Notice of EGM”	means the notice convening the EGM as set out on pages 45 and 46 of this circular;
“PBOC”	means The People’s Bank of China, the central bank of the PRC;
“Power Sky”	means Power Sky Development Limited, an indirect wholly-owned subsidiary of Xinyi Solar, and a company incorporated in Hong Kong and the sole legal and beneficial owner of Laohekou Solar Farm;
“PRC”	means The People’s Republic of China, excluding Hong Kong, The Macau Special Administrative Region of the People’s Republic of China, and Taiwan for the purpose of this circular;
“Reorganisation”	means the transfer of the entire issued share capital of the Target Subsidiaries held by the Vendor to the Target Company;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time);
“Share(s)”	means ordinary share(s) of the Company;
“Shareholder(s)”	means the holders of the Shares;
“Solar Farm Agreement”	means the solar farm agreement dated 5 December 2018 entered by and between Xinyi Solar and the Company;
“Solar Farm (Group 1) Agreement”	means the sale and purchase agreement entered into between Xinyi Power (BVI) Limited as the vendor and the Company as the purchaser on 16 March 2020 regarding the Equity Transfer;
“Solar Farm List”	means the list of Completed Projects to be updated and provided by Xinyi Solar to the Company on a quarterly basis;
“Solar Farm ROFR”	means the right of first refusal granted by Xinyi Solar to the Company pursuant to the Solar Farm Agreement on the acquisition of the Call Right Assets that would otherwise be sold by Xinyi Solar to Independent Third Party upon the same terms and conditions;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;

DEFINITIONS

“Sun Harbour”	means Sun Harbour International Limited, an indirect wholly-owned subsidiary of Xinyi Solar, and a company incorporated in Hong Kong and the sole beneficial owner of the Wuwei Solar Farm;
“Target Company”	means Xinyi Solar Farm (Group 3) Limited, a company incorporated under the laws of BVI and indirectly wholly-owned by Xinyi Solar;
“Target Group”	the Target Company, the Target Subsidiaries and their respective subsidiaries in the PRC (where applicable);
“Target Shares”	means the 200 ordinary shares in the Target Company, representing all its shares in issue;
“Target Subsidiaries”	means Power Sky, Sun Harbour, and Max Wisdom;
“Terminated Call Right Asset”	means the Call Right Asset that may be removed from the Solar Farm List if there is any legal or regulatory restriction on the part of the XYE Group that prohibits the transfer of such Call Right Asset to any third party or that it is under Solar Farm ROFR;
“Vendor”	means Xinyi Power (BVI) Limited, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of Xinyi Solar;
“Wuwei Solar Farm”	means Wuwei Solar Farm (無為光伏電站(第3期)), the utility-scale ground-mounted solar farm project operated by Wuwei New Innovation Energy Co., Ltd.* (無為信創新能源有限公司) and located in Wuhu City, Anhui Province, the PRC with an approved capacity of 30 MW, which is wholly-owned by Sun Harbour indirectly;
“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 and its shares are listed on the Stock Exchange (stock code: 00868);
“Xinyi Solar”	means Xinyi Solar Holdings Limited (信義光能控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 00968);
“XYE Group” or the “Group”	means the Company and its subsidiaries;
“XYE Prospectus”	means the prospectus issued by the Company dated 15 May 2019;

DEFINITIONS

“XYS Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the case of Xinyi Solar, refers to Xinyi Glass and its subsidiaries, Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M</i> , Mr. LI Man Yin, Mr. NG Ngan Ho, Mr. LI Ching Leung, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. SZE Nang Sze, and their respective controlled corporations;
“XYS Directors”	means the directors of Xinyi Solar;
“XYS Group”	means Xinyi Solar and its subsidiaries (other than members of the XYE Group);
“Zhanjiang Solar Farm One”	means Zhanjiang Solar Farm One (湛江光伏电站(第1期)), the utility-scale ground-mounted solar farm project operated by Guangdong Shenke New Energy Co., Ltd.* (廣東深科新能源有限公司) and located in Zhanjiang City, Guangdong Province, the PRC with an approved capacity of 30 MW, which is owned as to 90% by Max Wisdom indirectly and 10% by an Independent Third Party;
“Zhanjiang Solar Farm Two”	means Zhanjiang Solar Farm Two (湛江光伏电站(第2期)), the utility-scale ground-mounted solar farm project operated by Guangdong Shenke New Energy Co., Ltd.* (廣東深科新能源有限公司) and located in Zhanjiang City, Guangdong Province, the PRC with an approved capacity of 70 MW, which is owned as to 90% by Max Wisdom indirectly and 10% by an Independent Third Party; and
“%”	denotes as per cent.

* *for identification purpose only*

LETTER FROM THE BOARD



XINYI ENERGY HOLDINGS LIMITED

信義能源控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 03868)

Non-Executive Director and Chairman:

Dr. LEE Yin Yee, B.B.S. (*Chairman*)

Executive Directors:

Tan Sri Datuk TUNG Ching Sai

P.S.M., D.M.S.M (Vice Chairman)

Mr. TUNG Fong Ngai (*Chief Executive Officer*)

Mr. LEE Yau Ching

Ms. CHENG Shu E

Independent non-executive Directors:

Mr. LEUNG Ting Yuk

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

Ms. LYU Fang

Registered office:

Jayla Place

Wickhams Cay I

Road Town

Tortola, VG1110

British Virgin Islands

Principal place of business in China:

No. 102, Meidiya Road

E Qiao Town

Sanshan District

Wuhu Country

Anhui Province

China

*Principal place of business
in Hong Kong:*

Unit 2118-2120, 21/F

Rykadan Capital Tower

No. 135 Hoi Bun Road

Kwun Tong, Kowloon

Hong Kong

23 April 2020

To the Shareholders

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

**EXERCISE OF CALL OPTION (GROUP 1) PURSUANT TO THE
SOLAR FARM AGREEMENT
AND THE SOLAR FARM (GROUP 1) AGREEMENT**

INTRODUCTION

The Board refers to the Joint Announcement in relation to, among others, the exercise of the Call Option (Group 1) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group

LETTER FROM THE BOARD

1) Agreement. On 16 March 2020, the Company served a Call Right Notice on Xinyi Solar to exercise the Call Option (Group 1) for the acquisition of the Call Right Assets (Group 1) pursuant to the terms and conditions of the Solar Farm Agreement and the Solar Farm (Group 1) Agreement.

The purpose of this circular is to provide you with (i) further information on the exercise of the Call Option (Group 1) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement; (ii) a letter of recommendations from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) the Notice of EGM.

BACKGROUND INFORMATION

As disclosed in the XYE Prospectus and the Joint Announcement, in relation to the Solar Farm Agreement, Xinyi Solar has granted the Company the Call Option. Pursuant to the Solar Farm Agreement, the Company may serve a written notice on Xinyi Solar to exercise the Call Option at any time during the Call Right Period to purchase any or all of the Call Right Assets.

On 16 March 2020, the Company served a Call Right Notice on Xinyi Solar to exercise the Call Option (Group 1) for the acquisition of the Call Right Assets (Group 1) pursuant to the terms and conditions of the Solar Farm Agreement and the Solar Farm (Group 1) Agreement.

SOLAR FARM AGREEMENT

As disclosed in the XYE Prospectus and the Joint Announcement, the principal terms of the Call Option under the Solar Farm Agreement are set forth below:

The Call Right Price

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

Call Right Price = the greater of (a) is equal to (Adjusted EBITDA during Designated 12-month of Operation + Sales revenue VAT[#]) x Implied Multiple and (b) is equal to such amount representing one hundred and ten percent (110%) of the actual reasonable and documented construction costs of such Call Right Asset.

The Call Right Price will be deducted by such amount representing the net liabilities as of the date of completion of the acquisition of the relevant Completed Projects.

[#] Representing the cash flow benefit arising from the set-off of VAT incurred on sales (Sales revenue VAT, charged on revenue derived from the electricity generated and transmitted as well as tariff adjustment) against the VAT incurred on purchases (VAT receivable, previously incurred when the capital expenditure was paid during the construction period of the solar farm project).

LETTER FROM THE BOARD

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

For the purpose of determining the Call Right Price,

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

“**Adjustments**” refer to adjustments of certain items which are charged or credited to the consolidated income statements for the relevant year, being:

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

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

“**Implied Multiple**” = 7.2.

SOLAR FARM (GROUP 1) AGREEMENT

As disclosed in the Joint Announcement, in order to effect the Equity Transfer upon the exercise of the Call Option (Group 1), on 16 March 2020, the Solar Farm (Group 1) Agreement was entered into in relation to the acquisition of the Target Shares for the Consideration.

LETTER FROM THE BOARD

The principal terms of the Solar Farm (Group 1) Agreement are set forth below:

Date

16 March 2020

Parties

- (i) the Company, as the purchaser; and
- (ii) the Vendor, as the vendor.

Equity Transfer

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

Target Subsidiaries and Call Right Assets (Group 1)

The Target Subsidiaries are Power Sky, Sun Harbour, and Max Wisdom, each of which is the beneficial owner of the respective interests in the Call Right Assets (Group 1) as set forth in the table below:

<u>Call Right Assets (Group 1)</u>	<u>Name of the intermediate holding companies</u>	<u>Approved capacity</u> (MW)	<u>Approved Feed-in-Tariff rate</u> (RMB)
Zhanjiang Solar Farm One ⁽¹⁾	Max Wisdom	30	0.860
Zhanjiang Solar Farm Two ⁽¹⁾	Max Wisdom	70	0.453
Wuwei Solar Farm	Sun Harbour	30	0.4144
Laohekou Solar Farm	Power Sky	<u>100</u>	0.4161
Total		<u>230</u>	

Note:

- (1) As of the Latest Practicable Date, both Zhanjiang Solar Farm One and Zhanjiang Solar Farm Two were held as to 90% by Max Wisdom indirectly and 10% by Zhuhai Runsheng Enterprise Development Co., Ltd.* (珠海潤生企業發展有限公司), a company established under the laws of the PRC, which is in turned held as to 99% by Mr. YE Ming Jiang and one percent by Mr. YE Ming He, both of them are Independent Third Parties.

All of the Call Right Assets (Group 1) are developed and constructed by Xinyi Solar under the national quota system in the PRC.

LETTER FROM THE BOARD

Reorganisation

As of the date of the Solar Farm (Group 1) Agreement, the Vendor was the holding company of the Target Subsidiaries, the principal assets of which are the Call Right Assets (Group 1). Transfer of the entire issued share capital of the Target Subsidiaries to the Target Company was completed on 27 March 2020.

Consideration

Pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement, the amount of Consideration for the Equity Transfer will be determined according to the following formula:

$$\text{Consideration} = \text{Call Right Price} - \text{Debt} - \text{Estimated amounts due to supplies and other payables} + \text{Cash and receivable balances}$$

Where

“**Debt**” means the actual amount of indebtedness of the Target Company as of the Closing Account Date.

“**Estimated amounts due to suppliers and other payables**” means the estimated amount of payments due to third-party suppliers and others by the Target Company in connection with the construction of the Call Right Assets (Group 1) as of the Closing Accounts Date.

“**Cash and receivable balances**” means the cash and receivable balances of the Target Company as of the Closing Accounts Date.

The Directors confirm that the above formula has included all significant assets and liabilities of the Target Company.

The Call Right Price will be determined in strict compliance with the terms of the Solar Farm Agreement and the Solar Farm (Group 1) Agreement, which will be the greater of (a) the amount determined by the formula set forth in the paragraphs headed “SOLAR FARM AGREEMENT — The Call Right Price” above and (b) such amount representing one hundred and ten percent (110%) of the actual reasonable and documented construction costs of such Call Right Asset. The same bases are set out in the Solar Farm (Group 1) Agreement.

As of the Latest Practicable Date, the Call Right Price for the Call Right Assets (Group 1) has been estimated by Xinyi Solar and the Company to be RMB959.7 million (equivalent to HK\$1,067.9 million), which is based on the amount representing one hundred and ten percent (110%) of the latest budgeted construction costs of the Call Right Assets (Group 1).

LETTER FROM THE BOARD

The Directors confirms that using the amount representing one hundred and ten percent (110%) of the latest budgeted construction costs of the Call Right Assets (Group 1) is appropriate as this amount is expected to be higher than the amount determined by the formula set forth in the paragraphs headed “SOLAR FARM AGREEMENT — The Call Right Price” above. The components of the formula are based on the latest financial information of the Call Right Assets (Group 1) and the implied multiple of 7.2, which was determined on an arm’s length basis with reference to the then valuation of comparable companies/transactions in the PRC and is considered by the Directors to be reflective of the prevailing market valuation of comparable companies/transactions in the PRC. On this basis, the Directors are of the view that the formula (including the implied multiple) is still appropriate as one of the bases in determining the Call Right Price for the Call Right Assets (Group 1). If there is any change in the implied multiple of 7.2 in the formula set forth in the paragraphs headed “SOLAR FARM AGREEMENT — The Call Right Price” above, the Company will comply with the applicable requirements under the Listing Rules.

The Consideration shall be settled by the Company in Hong Kong Dollars, and the exchange rate to be used for the purpose of determining the Consideration in Hong Kong Dollars shall be the average exchange rate between RMB and Hong Kong Dollars, as published by the PBOC, during a period of ten (10) days immediately preceding the Completion Date.

Payment terms

The Company will pay 90% of the Consideration on the Completion Date and the remaining 10% of the Consideration on or before the first anniversary of the Completion Date.

The Consideration will be satisfied by the Company with its internal resources and/or available banking facilities. The Directors confirm that the payment of the Consideration will not have any impact on the use of the net proceeds from the Global Offering (as defined in the XYE Prospectus).

Preparation for Completion

For the purpose of calculating the Consideration, Xinyi Solar will provide to the Company the unaudited closing accounts of the Target Group (the “**Closing Accounts**”) on the closing accounts date which is currently 31 August 2020 (the “**Closing Accounts Date**”) by no later than ten (10) Business Days after the Closing Accounts Date. The Closing Accounts shall be prepared by the Target Group to the Company’s satisfaction. Xinyi Solar shall not and shall cause the Target Company not to incur any additional Debt after the Closing Accounts Date.

The Closing Accounts are not audited accounts. If no agreement is reached on the Closing Accounts, audited Closing Accounts will be prepared pursuant to the Solar Farm (Group 1) Agreement, and adjustments (if applicable) will be made to the Consideration.

Basis of Consideration

The Board confirm that the amount of Consideration is based on the formula set forth in the Solar Farm Agreement.

LETTER FROM THE BOARD

Conditions Precedent

Completion of the Equity Transfer is subject to the following Conditions:

- (a) the Vendor being the sole legal and beneficial owner of the Target Shares free from all encumbrances and having the capacity and power to sell the Target Shares free from all encumbrances;
- (b) the Reorganisation having been completed;
- (c) the Company having received a legal opinion issued by a law firm qualified to practise the laws of the PRC dated the Completion Date on the Target Subsidiaries confirming, inter alia, their corporate existence and the validity of their interests in and certain operational aspects and licensing matters of the Call Right Assets (Group 1), in the form and substance satisfactory to the Company; and
- (d) the passing by the Shareholders at the EGM of the resolution(s) approving the entering into of the Solar Farm (Group 1) Agreement and the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement in accordance with the provisions of the Listing Rules.

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

If any of the Conditions has not been satisfied by the Vendor in accordance with the Solar Farm (Group 1) Agreement at or before 1:00 p.m. on or before the Long-stop Date, the Solar Farm (Group 1) Agreement would be terminated, and neither parties to the Solar Farm (Group 1) Agreement would have any claim or cause of action against the other, save for any antecedent breach and the return of the Consideration (to the extent paid by the Company, if any) by the Vendor to the Company without interest within five (5) business days after determination of the Solar Farm (Group 1) Agreement.

As of the Latest Practicable Date, other than Conditions (a) and (b), none of the Conditions has been satisfied.

REASONS FOR AND BENEFITS OF THE EXERCISE OF CALL OPTION (GROUP 1) AND THE ENTERING INTO OF THE SOLAR FARM (GROUP 1) AGREEMENT

The Solar Farm Agreement is an integral part of the spin-off of the Company from Xinyi Solar for the purpose of establishing a clear business delineation. The Solar Farm (Group 1) Agreement has been entered into for the purpose of acquiring the Call Right Assets (Group 1) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement.

LETTER FROM THE BOARD

The Directors (including the members of the Acquisition Committee and the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) consider that it will be in the Company's interests and the interest of the Shareholders to continue to source construction completed and grid-connected utility-scale ground-mounted solar farm projects from the XYS Group. Given the Company's established relationship with Xinyi Solar, its experience, market position, and the fact that Xinyi Solar is the Company's holding company, the Directors (including the members of the Acquisition Committee and the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) further consider that the terms of the Solar Farm (Group 1) Agreement (including the amount of Consideration) are fair and reasonable and it would be in the Company's interests and the interests of the Shareholders to exercise the Call Option (Group 1) and enter into the Solar Farm (Group 1) Agreement.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Vendor. The Target Company is an investment holding company.

Based on the unaudited combined financial information of the Target Group for the year ended 31 December 2019, the unaudited combined total asset value and net asset value of the Target Company as of 31 December 2019 were HK\$668.0 million and HK\$7.8 million, respectively. Based on the unaudited combined financial information of the Target Group for the year ended 31 December 2019, the unaudited combined financial information of the Target Company for the two years ended 31 December 2018 and 2019 is as follows:

	Year ended 31 December	
	2018	2019
	(HK\$'000)	(HK\$'000)
Net (loss)/profit before tax	(5,617)	8,759
Net (loss)/profit after tax	(5,617)	9,260
Net (loss)/profit after tax attributable to equity owners	(5,060)	8,395

Pursuant to the Solar Farm (Group 1) Agreement, the Vendor shall use its best endeavor to procure completion of the transfer of the entire issued share capital of the Target Subsidiaries to the Target Company before the Completion Date.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Company.

LETTER FROM THE BOARD

INFORMATION OF THE COMPANY, XINYI SOLAR, AND THE VENDOR

The Company

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

Xinyi Solar and the Vendor

The XYS Group is principally engaged in the production and sale of solar glass products, which are carried out internationally, through its production complexes in the PRC and Malaysia. In addition, the XYS Group is also engaged in the development of solar farms and the engineering, procurement and construction services. The Vendor is a direct wholly-owned subsidiary of Xinyi Solar and is an investment holding company. As of the Latest Practicable Date, Xinyi Solar is owned as to 52.0% by the XYS Controlling Shareholders and their respective associates and 48.0% by members of the public.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement is more than 5% but less than 25%, the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As of the Latest Practicable Date, the Controlling Shareholders and their respective associates were interested in 74.4% of the issued share capital of the Company. The Controlling Shareholders and their respective associates (including Xinyi Glass but excluding Xinyi Solar) were also interested in 52.0% of the issued share capital of Xinyi Solar as of the Latest Practicable Date. The Vendor is a direct wholly-owned subsidiary of Xinyi Solar. Accordingly, the Vendor is a connected person of the Company and the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement is subject to the reporting and announcement and the independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

LETTER FROM THE BOARD

As Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, and Mr. LEE Yau Ching are currently XYS Directors, they are considered to be materially interested in the relevant board resolutions to approve the entering into of the Solar Farm (Group 1) Agreement and the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement. Accordingly, Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, and Mr. LEE Yau Ching have abstained from voting on the said board resolutions at the meeting of the Board. No other Directors have abstained from voting on the relevant board resolutions of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12 May 2020 to Friday, 15 May 2020, both days inclusive, during which period no transfer of Shares will be effected in order to determine the entitlement to attend and vote at the EGM. All share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 May 2020 for such purpose.

EGM

The EGM will be held at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 15 May 2020 at 9:00 a.m., for the purpose of considering and, if thought fit, approving the entering into of the Solar Farm (Group 1) Agreement and the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement.

The Notice of EGM is set out on pages 45 and 46 of this circular.

Shareholders are advised to read the Notice of EGM and if you are not able to attend the EGM or its adjournment (as the case may be) in person but wish to exercise your right as a Shareholder, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

As of the Latest Practicable Date, the Controlling Shareholders and their respective associates were interested in 74.4% of the issued share capital of the Company. The Controlling Shareholders and their respective associates (including Xinyi Glass but excluding Xinyi Solar) were also interested in 52.0% of the issued share capital of Xinyi Solar as of the Latest Practicable Date. The Controlling Shareholders and their respective associates have indicated that they would abstain from voting at the EGM.

LETTER FROM THE BOARD

Save as disclosed above, to the best of knowledge, information and belief having made all reasonable enquiries by the Directors, no other Shareholders or any of their associates has a material interest in the entering into of the Solar Farm (Group 1) Agreement and the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement and hence, no other Shareholders would be required to abstain from voting on the relevant resolution(s) to be proposed at the EGM.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the meeting will therefore demand a poll for the ordinary resolution(s) put to the vote at the EGM pursuant to Article 66 of the Memorandum and Articles of Association of the Company and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang, has been established to advise the Independent Shareholders in respect of the entering into of the Solar Farm (Group 1) Agreement and the exercise of Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1). China Tonghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders set out on pages 20 to 21 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which is set out on pages 22 to 38 of this circular containing their advice and recommendation to the Independent Board Committee and the Independent Shareholders regarding the entering into of the Solar Farm (Group 1) Agreement and the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement as well as the principal factors and reasons taken into consideration in arriving at their advice.

LETTER FROM THE BOARD

RECOMMENDATION OF THE BOARD

Having taken into account the factors as disclosed in the section headed “REASONS FOR AND BENEFITS OF THE EXERCISE OF CALL OPTION (GROUP 1) AND THE ENTERING INTO OF THE SOLAR FARM (GROUP 1) AGREEMENT” above, the Directors (including members of the Acquisition Committee and the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) consider that the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) and the terms of the Solar Farm (Group 1) Agreement (including the amount of Consideration) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the entering into of the Solar Farm (Group 1) Agreement and the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement.

ADDITIONAL INFORMATION

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

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



XINYI ENERGY HOLDINGS LIMITED

信義能源控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 03868)

23 April 2020

To the Independent Shareholders,

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

**EXERCISE OF CALL OPTION (GROUP 1) PURSUANT TO THE
SOLAR FARM AGREEMENT
AND THE SOLAR FARM (GROUP 1) AGREEMENT**

We refer to the circular of the Company dated 23 April 2020 (the “**Circular**”) despatched to the Shareholders of which this letter forms part. Unless the context requires otherwise, terms and expressions defined or adopted in the Circular shall have the same respective meanings in this letter.

We have been appointed by the Board to advise the Independent Shareholders in respect of the entering into of the Solar Farm (Group 1) Agreement and the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement, details of which are set out in the letter from the Board contained in the Circular. China Tonghai Capital Limited has been appointed as the Independent Financial Adviser.

We wish to draw your attention to the “Letter from the Board” as set out on pages 8 to 19 of the Circular and the “Letter from the Independent Financial Adviser” as set out on pages 22 to 38 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Solar Farm (Group 1) Agreement, the principal factors and reasons considered by the Independent Financial Adviser, its conclusion and advice, we consider that the terms of the Solar Farm (Group 1) Agreement (including the Consideration) and the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) (the text of which is contained in the Notice of EGM) to be proposed at the EGM to approve the entering into of the Solar Farm (Group 1) Agreement and the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement.

Yours faithfully,
Independent Board Committee
Xinyi Energy Holdings Limited

Mr. LEUNG Ting Yuk

The Hon. IP Kwok Him,
G.B.M., G.B.S., J.P.
Independent non-executive Directors

Ms. LYU Fang

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from China Tonghai Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Solar Farm (Group 1) Agreement and the exercise of the Call Option (Group 1) for the acquisition of the Call Right Assets (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement, which has been prepared for the purpose of incorporation in this circular.



23 April 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Solar Farm (Group 1) Agreement and the exercise of the Call Option (Group 1) for the acquisition of the Call Right Assets (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement (the “**Proposed Target Acquisition**”), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 23 April 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 16 March 2020, the Company served a Call Right Notice to Xinyi Solar to exercise the Call Option (Group 1) for the acquisition of the Call Right Assets (Group 1) pursuant to the terms and conditions of the Solar Farm Agreement and the Solar Farm (Group 1) Agreement. On the same day, the Company and the Vendor, a direct wholly-owned subsidiary of Xinyi Solar, entered into the Solar Farm (Group 1) Agreement, pursuant to which the Company has agreed to purchase, and the Vendor has agreed to sell, the Target Shares under the terms and conditions of the Solar Farm Agreement and the Solar Farm (Group 1) Agreement for the Consideration.

As disclosed in the Letter from the Board, as the highest applicable percentage ratio in respect of the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Proposed Target Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Vendor is a connected person of the Company by virtue of the fact that (i) the Controlling Shareholders and their respective associates were interested in 74.4% of the issued share capital of the Company as at the Latest Practicable Date; (ii) the Controlling Shareholders and their respective associates (including Xinyi Glass but excluding Xinyi Solar) were also interested in 52.0% of the issued share capital of Xinyi Solar as at the Latest Practicable Date; and (iii) the Vendor is a direct wholly-owned subsidiary of Xinyi Solar. Accordingly, the Proposed Target Acquisition also constitutes a connected transaction for the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

THE INDEPENDENT BOARD COMMITTEE

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

As at the Latest Practicable Date, China Tonghai Capital Limited did not have any relationships with or interests in the Company, the Vendor or the Target Group or any of their respective ultimate beneficial owners which could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us other than the current appointment in relation to the Proposed Target Acquisition. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the aforesaid companies. Accordingly, we are qualified to give independent advice in respect of the Proposed Target Acquisition.

BASIS OF OUR OPINION

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

We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information of the Group

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

1.1 Business of the Group

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

1.2 Current solar farm projects

At the time of the listing, the aggregate approved capacity of the nine utility-scale ground-mounted solar farm projects (the “**Initial Portfolio**”) owned and operated by the Group was 954 MW. On 3 June 2019, the Company completed the acquisition from Xinyi Solar of the six utility-scale ground-mounted solar farm projects (the “**2019 Portfolio**”) owned by various wholly-owned subsidiaries of Xinyi Solar, with an approved capacity of 540 MW, making the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approved capacity of solar farms projects held by the Group to reach 1,494 MW in aggregate. Currently, the solar farm projects are located in Anhui Province, Hubei Province, Henan Province, Fujian Province and Tianjin Municipality. The table below sets out the details of the current solar farm projects owned and operated by the Group.

<u>Name of the solar farm projects</u>	<u>Location in the PRC</u>	<u>Approved capacity</u> (MW)
The Initial Portfolio		
Jinzhai Solar Farm	Anhui Province	150
Sanshan Solar Farm	Anhui Province	100
Nanping Solar Farm	Fujian Province	30
Lixin Solar Farm	Anhui Province	140
Wuwei Solar Farm One	Anhui Province	100
Hong'an Solar Farm	Hubei Province	100
Fanchang Solar Farm	Anhui Province	60
Shouxian Solar Farm	Anhui Province	100
Binhai Solar Farm	Tianjin Municipality	<u>174</u>
Sub-total		954
The 2019 Portfolio		
Huainan Solar Farm	Anhui Province	20
Xiaochang Solar Farm One	Hubei Province	130
Xiaochang Solar Farm Two	Hubei Province	30
Suiping Solar Farm	Henan Province	110
Shouxian Solar Farm Two	Anhui Province	200
Wuwei Solar Farm Two	Anhui Province	<u>50</u>
Sub-total		540
Total		<u>1,494</u>

1.3 High dividend payout policy

As disclosed in the XYE Prospectus and the interim report for the six months ended 30 June 2019 of the Company (the “**2019 Interim Report**”), its primary business objective is to provide the Shareholders with stable dividend distributions with sustainable long-term growth of the portfolio of the solar farm projects in terms of size and approved capacity. The Company has adopted a high dividend payout policy and a substantial portion of the cash inflows generated by selling the electricity will be used for the dividend distributions. As disclosed in the 2019 Interim Report, the Board intended to declare and distribute interim and final dividend distributions in each year not less than 90% of the distributable income, with an intent to distribute 100% of the distributable income in each year. The dividend of approximately HK\$337.6 million for the six months ended 30 June 2019, which represented 100% of the distributable income during the six-month period, was distributed and paid to the Shareholders in September 2019. As stated in the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), the Board proposed to declare 100% of the distributable income as dividend for the year ended 31 December 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.4 Financial information of the Group

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

	For the year ended 31 December	
	2018 (audited) <i>(HK\$'000)</i>	2019 (audited) <i>(HK\$'000)</i>
Sale of electricity	457,068	621,449
Tariff adjustment	743,488	966,730
Solar farm operation and management services	—	4,907
Revenue	<u>1,200,556</u>	<u>1,593,086</u>
Profit for the year attributable to equity holders of the Company	740,813	890,986
Dividends	315,949	573,961
	As at 31 December	
	2018 (audited) <i>(HK\$'000)</i>	2019 (audited) <i>(HK\$'000)</i>
Total assets	8,656,386	14,966,420
Total liabilities	2,274,676	4,772,681
Net assets	6,381,710	10,193,739

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

The total assets of the Group were approximately HK\$8,656.4 million and HK\$14,966.4 million as at 31 December 2018 and 31 December 2019 respectively. The Group's total assets mainly consisted of property, plant and equipment, trade and other receivables and prepayments and cash and cash equivalents which accounted for approximately 70.1%, 22.3% and 4.9% of the Group's total assets respectively as at 31 December 2018. Property, plant and equipment, trade and other receivables and prepayments and cash and cash equivalents accounted for approximately 63.4%, 20.4% and 10.9% of the Group's total assets respectively as at 31 December 2019.

The total liabilities of the Group were approximately HK\$2,274.7 million and HK\$4,772.7 million as at 31 December 2018 and 31 December 2019 respectively. The Group's total liabilities mainly consisted of long-term bank borrowings, short-term bank borrowings and long-term lease liabilities which accounted for approximately 45.4%, 28.7% and 12.5% respectively as at 31 December 2018. The Group's total liabilities mainly consisted of the amount due to immediate holding company, long term bank borrowings and short term bank borrowings which accounted for approximately 36.0%, 25.7% and 15.2 % respectively as at 31 December 2019.

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

2. Background information of the Target Group

2.1 The Reorganisation

The Target Company is a direct wholly-owned subsidiary of the Vendor and an indirect wholly-owned subsidiary of Xinyi Solar. The Target Company is an investment holding company.

As a Condition precedent to the Solar Farm (Group 1) Agreement, Completion is subject to the Reorganisation having been completed. As of the date of the Solar Farm (Group 1) Agreement, the Vendor was the holding company of the Target Subsidiaries. The Vendor shall use its best endeavor to procure completion of the transfer of the entire issued share capital of the Target Subsidiaries to the Target Company before the Completion Date. As disclosed in the Letter from the Board, the Reorganisation was completed on 27 March 2020. All of the Target Subsidiaries are incorporated in Hong Kong and are investment holding companies which principal assets are the Call Right Assets (Group 1). Among the Target Subsidiaries, (i) Power Sky directly owns and operates Laohekou Solar Farm; (ii) Sun Harbour has a direct wholly-owned subsidiary established in the PRC which in turn owns and operates Wuwei Solar Farm; and (iii) Max Wisdom has an indirect non wholly-owned subsidiary established in the PRC which in turn owns and operates Zhanjiang Solar Farm One and Zhanjiang Solar Farm Two.

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2.2 The Call Right Assets (Group 1)

The Call Right Assets (Group 1) comprises of the solar farm projects, namely Zhanjiang Solar Farm One, Zhanjiang Solar Farm Two, Wuwei Solar Farm and Laohekou Solar Farm developed or constructed by the XYS Group under the national quota system. Upon exercise of the Call Option (Group 1) given Reorganisation having been completed, the Call Right Assets (Group 1) will be acquired by the Company through the transfer of the entire issued share capital of the Target Company and effectively its Target Subsidiaries. Set out below are details of the Call Right Assets (Group 1):

<u>Call Right Assets (Group 1)</u>	<u>Location in the PRC</u>	<u>Approved capacity</u> <i>(MW)</i>	<u>Approved Feed-in- Tariff rate</u> <i>(RMB)</i>	<u>Equity interest</u>
Zhanjiang Solar Farm One	Guangdong Province	30	0.860	90% owned indirectly by Max Wisdom and 10% by an Independent Third Party <i>(Note)</i>
Zhanjiang Solar Farm Two	Guangdong Province	70	0.453	
Wuwei Solar Farm	Anhui Province	30	0.4144	100% owned indirectly by Sun Harbour
Laohekou Solar Farm	Hubei Province	100	0.4161	100% owned directly by Power Sky
Total		230		

Note:

The Independent Third Party is Zhuhai Runsheng Enterprise Development Co., Ltd.* (珠海潤生企業發展有限公司), a company established under the laws of the PRC, which is in turned held as to 99% by Mr. YE Ming Jiang and 1% by Mr. YE Ming He, both of them are Independent Third Parties.

Per discussion with the Management, the construction of the Call Right Assets (Group 1) is expected to be completed or substantially completed by the Completion Date.

* For identification purpose only

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2.3 Financial information of the Target Group

The table below sets out certain unaudited combined financial information of the Target Group for the year ended 31 December 2018 and 2019 prepared in accordance with the general accepted accounting principles of Hong Kong:

	Year ended	
	31 December	
	2018	2019
	(unaudited)	(unaudited)
	(HK\$'000)	(HK\$'000)
Net (loss) / profit before tax	(5,617)	8,759
Net (loss) / profit after tax	(5,617)	9,260
Net (loss) / profit after tax attributable to equity owners of the Target Company	(5,060)	8,395
		As at
		31 December
		2019
		(unaudited)
		(HK\$'000)
Total assets		668,044
Total liabilities		660,244
Net assets		7,800

Upon Completion, the Company will become the holding company of the Target Company through the Equity Transfer and the financial results of the Target Group will be consolidated into the Group's financial statements. As the Company is a non-wholly owned subsidiary of Xinyi Solar, the Target Company will continue to be an indirect non-wholly owned subsidiary of Xinyi Solar following Completion.

For the year ended 31 December 2019, the combined profit attributable to equity holders of the Target Company was approximately HK\$8.4 million for the year ended 31 December 2019 turning around from the loss attributable to equity holders of approximately HK\$5.1 million for the year ended 31 December 2018 mainly due to the commencement of sales of electricity from two out of four solar farm projects owned by the Target Group, namely Zhanjiang Solar Farm One and Zhanjiang Solar Farm Two, during 2019.

As at 31 December 2019, the total assets of the Target Group were approximately HK\$668.0 million. The Target Group's total assets mainly consisted of property, plant and equipment and also right-of-use assets.

The total liabilities of the Target Group were approximately HK\$660.2 million as at 31 December 2019. The Target Group's total liabilities primarily consisted of the amount due to certain subsidiaries of Xinyi Solar and third-party suppliers to finance the construction costs of solar farms.

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3. Reasons for and benefits of the Proposed Target Acquisition

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

The Solar Farm (Group 1) Agreement has been entered into for the purpose of acquiring the Call Right Assets (Group 1) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement. Details of the Call Right Assets (Group 1) are set out in the section headed “2. Background information of the Target Group” above.

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

As disclosed in the 2019 Annual Report, all of the Group’s solar farm projects are located in provinces or municipality with high electricity demand in the PRC, with no experiences in any curtailment issue in electricity generation from the customers such as The State Grid Corporation. The acquisition of the Call Right Assets (Group 1) would help to increase distributions in Anhui Province and Hubei Province, while expanding into new location i.e. Guangdong Province.

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

4. The Solar Farm Agreement

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

(a) *Call Right Price*

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

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

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

The Call Right Price will be deducted by such amount representing the net liabilities as of the date of completion of the transaction.

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

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

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

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

“Implied Multiple” = 7.2.

(b) Payment of the Call Right Price

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

(c) Completion

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

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5. The Solar Farm (Group 1) Agreement

In order to effect the Equity Transfer upon the exercise of the Call Option (Group 1), on 16 March 2020, the Solar Farm (Group 1) Agreement was entered into in relation to the acquisition of the Target Shares for the Consideration.

(a) *Parties*

The Vendor, as the vendor; and

The Company, as the purchaser.

(b) *Subject matter*

The Company has agreed to acquire, and the Vendor has agreed to sell, the Target Shares representing the entire issued share capital of the Target Company.

The Vendor is the holding company of the Target Subsidiaries, which principal assets are the Call Right Assets (Group 1). Pursuant to the Solar Farm (Group 1) Agreement, the Vendor shall procure the transfer of the entire issued share capital of the Target Subsidiaries held by it to the Target Company before the Completion Date.

The Target Subsidiaries are Power Sky, Sun Harbour, and Max Wisdom, each of which is the beneficial owner of the respective interests in the Call Right Assets (Group 1) as set forth in the table in the sub-section headed “2.2 The Call Right Assets (Group 1)” above.

(c) *Consideration*

The Consideration for the Equity Transfer will be determined according to the following formula:

$$\text{Consideration} = \text{Call Right Price} - \text{Debt} - \text{Estimated amounts due to suppliers and other payables} \\ + \text{Cash and receivable balances}$$

“Debt” means the actual amount of indebtedness of the Target Company as of the Closing Account Date.

“Estimated amounts due to suppliers and other payables” means the estimated amount of payments due to third-party suppliers and others by the Target Company in connection with the construction of the Call Right Assets (Group 1) of the Closing Accounts Date.

“Cash and receivable balances” means the cash and receivable balances of the Target Company as of the Closing Accounts Date.

The Board and the board of Xinyi Solar confirm that the amount of Consideration is based on the formula set forth in the Solar Farm Agreement.

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The Consideration shall be settled by the Company in Hong Kong Dollars, and the exchange rate to be used for the purpose of determining the Consideration in Hong Kong Dollars shall be the average exchange rate between RMB and Hong Kong Dollars, as published by the PBOC, during a period of ten days immediately preceding the Completion Date.

(d) Payment terms

The Company shall pay 90% of the Consideration on the Completion Date and the remaining 10% of the Consideration on or before the first anniversary of the Completion Date.

(e) Conditions precedent

Completion of the Equity Transfer is subject to the following Conditions:

- (i) the Vendor being the sole legal and beneficial owner of the Target Shares free from all encumbrances and having the capacity and power to sell the Target Shares free from all encumbrances;
- (ii) the Reorganisation having been completed;
- (iii) the Company having received a legal opinion issued by a law firm qualified to practice the laws of the PRC dated the Completion Date on the Target Subsidiaries confirming, inter alia, their corporate existence and the validity of their interests in and certain operational aspects and licensing matters of the Call Right Assets (Group 1), in the form and substance satisfactory to the Company; and
- (iv) the passing by the Shareholders at the EGM of the resolution approving the exercise of the Call Option (Group 1) pursuant to the Solar Farm Agreement and the Solar Farm (Group 1) Agreement in accordance with the provisions of the Listing Rules.

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

If any of the Conditions has not been satisfied by the Vendor in accordance with the Solar Farm (Group 1) Agreement at or before 1:00 p.m. on or before the Long-stop Date, the Solar Farm (Group 1) Agreement shall be terminated, and neither parties to the Solar Farm (Group 1) Agreement shall have any claim or cause of action against the other, save for any antecedent breach and the return of the Consideration (to the extent paid by the Company, if any) by the Vendor to the Company without interest within five business days after determination of the Solar Farm (Group 1) Agreement.

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6. Evaluation of the Consideration

6.1 Determination of the Consideration

The Consideration will be determined based on the following formula:

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

For further details, please refer to the section headed “5. Solar Farm (Group 1) Agreement”.

As disclosed in the Letter from the Board, the Call Right Price will be determined in strict compliance with the terms of the Solar Farm Agreement and the Solar Farm (Group 1) Agreement.

As of the Latest Practicable Date, the Call Right Price had been estimated by Xinyi Solar and the Company to be approximately RMB959.7 million (equivalent to approximately HK\$1,067.9 million) based on 110% of the latest budgeted construction costs of the Call Right Assets (Group 1), which is the higher amount as determined in accordance with the predetermined formula set forth in the section headed “4. The Solar Farm Agreement”. We have obtained and reviewed the detailed calculation of the estimation of the Call Right Price. We have discussed with the Management in respect of the basis of the calculation. We have also reviewed the latest management accounts of the Target Group and other information such as tariff rates approved by price bureaus or submitted by the Company to the price bureaus and published VAT rate. Based on our review, we consider that the estimated Call Right Price of approximately RMB959.7 million (equivalent to approximately HK\$1,067.9 million) has been determined in accordance with the formula set out in the Solar Farm (Group 1) Agreement.

6.2 Evaluation of the Consideration

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

In assessing the fairness and reasonableness of the Call Right Price, we have made reference to recent comparable transactions in respect of sale and purchase of solar farms which are (i) located in the PRC; (ii) with approved capacity ranging from 30 MW to 977 MW in aggregate; (iii) acquired or disposed by companies listed in Hong Kong; (iv) related to the acquisition or disposal of solar farm(s) or the majority equity interest of the entity owning the solar farm(s) at a fixed consideration; and (v) were publicly announced during the period from 1 January 2019 and up to the Latest Practicable Date, which in our view represents a reasonable period to reflect recent market conditions for entering into such transactions.

To the best of our knowledge and on a best-effort basis, we have identified a list of eight comparable transactions (the “**Comparable Transactions**”) which fit the aforesaid criteria. Taking into account (i) the respective considerations for the underlying solar farm projects were referenced to, among others, the approved capacities thereof being a key component of the revenue generated from the sale of electricity of such solar farms; and (ii) the comparison of unit prices of electricity,

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which were computed based on the respective considerations of completed solar farm projects divided by the approved capacities thereof, we are of the view that the analysis of the unit prices of electricity of the Comparable Transactions against that of the Target Group as derived from the estimated Call Right Price of RMB959.7 million and the aggregated approved capacity of 230 MW is appropriate for comparison purpose. Set out in the table below is a summary of the Comparable Transactions.

Company name	Stock code	Date of announcement	Total capacity of solar farm(s)	Consideration <i>(Notes 1)</i>	Unit price <i>(Notes 2)</i>	Portion of consideration to be settled prior to and including the date of completion <i>(Notes 3)</i>
			<i>(MW)</i>	<i>(approximate RMB million)</i>	<i>(approximate RMB million/MW)</i>	<i>(approximate %)</i>
GCL New Energy Holdings Limited	451	21 January 2020	294	850.5	2.9	100.0 ^(Notes 7)
Kong Sun Holdings Limited	295	5 December 2019	100	446.4 ^(Notes 4)	4.5	91.0
Shunfeng International Clean Energy Limited	1165	26 November 2019	540	641.1	1.2	97.7 ^(Notes 7)
GCL New Energy Holdings Limited	451	23 May 2019	977	1,740.6	1.8	90.0 ^(Notes 7)
Xinyi Solar	968	15 May 2019	540	4,083.3 ^(Notes 5)	7.6	50.0
Kong Sun Holdings Limited	295	28 March 2019	30	109.7	3.7	N/A ^(Notes 8)
Kong Sun Holdings Limited	295	21 March 2019	30	149.6	5.0	91.2 ^(Notes 7)
GCL New Energy Holdings Limited	451	1 February 2019	80	420.0	5.3	100.0 ^(Notes 7)
				Maximum	7.6	100.0
				Minimum	1.2	50.0
				Average	4.0	88.6
				Median	4.1	91.2
Target Group			230	959.7 ^(Notes 6)	4.2	90.0

Notes:

- The consideration comprised (i) the consideration for the sale shares of the target companies owning the solar farm projects; (ii) any shareholder's loan provided to the target companies; and (iii) any liabilities due by/outstanding capital contribution to the target companies assumed by the purchasers in connection with the transactions, as disclosed in the relevant announcements of the Comparable Transactions.
- The implied unit price of electricity of the Comparable Transactions were computed by dividing the aggregate consideration by the approved capacity of the underlying solar farm(s).
- The payment arrangement of the consideration included the settlement of consideration for the sale shares and shareholder's loan (if any) and the settlement of the liabilities/outstanding capital contribution assumed.
- Despite the consideration is subject to an adjustment upon the date of the completion, such adjustment will only be considered in the event of any changes in the net asset value of the target company as a result of any occurrences in the non-ordinary course of its business, therefore the consideration is deemed a fixed consideration.

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5. Represented the final consideration as announced on 3 June 2019.
6. Represented the estimated Call Right Price.
7. The payment arrangement is divided into certain stages upon the satisfaction of certain conditions, which primarily include the completion of registration procedures of the transfer of the equity shares and/or delivery of such related documents, but not on an actual time basis i.e. certain years following the date of the completion, for our analysis purpose, the portion as stated above represented the deemed percentage upon the completion date.
8. The settlement time of the liabilities assumed is not explicitly disclosed in the relevant announcement.

As shown in the table above, the unit price of electricity of the Comparable Transactions ranged from approximately RMB1.2 million per MW to approximately RMB7.6 million per MW with an average of approximately RMB4.0 million per MW and a median of RMB4.1 million per MW. The implied unit price of electricity of the Target Group of approximately RMB4.2 million per MW falls within the range of the Comparable Transactions.

We have also considered the price-to-earnings ratio and the price-to-book ratio analysis for assessing the fairness and reasonableness of the estimated Call Right Price. In view of the earnings of the Target Group for the year ended 31 December 2019 did not represent all of the Call Right Assets (Group 1), the price-to-earnings ratio analysis is considered not to be appropriate. Based on the historical financial information of the Target Group, we noted that the construction costs of the solar farms under the Call Rights Assets (Group 1) were primarily financed by the amount due to certain subsidiaries of Xinyi Solar and third-party suppliers. The Call Right Price has been estimated based on the latest budgeted costs of the Call Right Asset (Group 1). The final Call Right Price will be adjusted by, among other things, the amount due to suppliers and other payables to derive the Consideration on the Completion Date. As such, the price-to-book ratio analysis as implied by the Call Right Price is considered not to be appropriate.

The Call Right Price represents the valuation of the Call Right Assets (Group 1), while the Consideration comprises the Call Right Price, and adjustment with indebtedness and working capital of the Target Group as at the Closing Account Date. Per discussion with the Management, the calculation methodology covers all situations where any of the Call Right Assets (Group 1) is still under construction or any solar farm has started electricity generation as well all the assets and liabilities of the Target Group as at the Closing Accounts Date. All significant assets and liabilities of the Target Group will be included and considered in the calculation.

If the Consideration had been determined based on the Target Group's 31 December 2019 management accounts, the value of the Call Right Price would have been adjusted downward to derive the Consideration and, thus, unit price of electricity of the Target Group would have been lowered. Based on the latest management accounts of the Target Group as at 29 February 2020, the net adjustment to the Call Right Price also shows a downward adjustment. Based on our discussion with the Management, the Management does not anticipate a net upward adjustment to the Call Right Price as at the Closing Accounts Date as the construction of the incomplete solar farms under the Call Right Assets (Group 1) of the Target Group is expected to continue to be financed partially by payables to suppliers and that not all of the Call Right Assets (Group 1) have commenced business operations.

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This is also consistent with the downward adjustment to the Call Right Price to derive at the final consideration in connection with the last acquisition by the Company of the 2019 Portfolio as announced by Xinyi Solar on 15 May 2019. Based on the aforesaid, we consider that it is appropriate to compare the estimated Call Option Price to considerations of the Comparable Transactions.

As stated in the Letter from the Board, the Directors confirm that the above formula has included all significant assets and liabilities of the Target Company. Based on our review of the management accounts of the Target Group as at 31 December 2019 as discussed in the sub-section headed “2.3 Financial information of the Target Group” and its latest management accounts as at 29 February 2020, the solar farms assets, debts, amount due to suppliers and other payables and also cash and receivables were significant assets and liabilities of the Target Group and no other material assets and liabilities were noted.

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

6.3 Payment of the Consideration

Pursuant to the Solar Farm Agreement and Solar Farm (Group 1) Agreement, payment of 90% of the Consideration shall be settled on the Completion Date and the remaining 10% of the Consideration within twelve months after the Completion Date.

We have performed independent research on recent sale and purchase of solar farm projects conducted by listed companies in Hong Kong. Based on our review on the Comparable Transactions as shown in the table in the above sub-section headed “6.2 Evaluation of the Consideration”, we noted that the settlement amount prior to/upon completion of transactions ranged from 50.0% to 100.0%, with a mean and median amounted to 88.6% and 91.2% of total consideration, while the remaining balance would be settled by tranches subject to different respective conditions. The settlement of 90.0% of the Consideration upon Completion is within the range of the Comparable Transactions. It is also noted that the timing on which the tranches of payment to be made after the Completion Date depends upon i) having satisfied certain condition precedents; or ii) the anniversary date of the completion. According to the Solar Farm (Group 1) Agreement, the remaining 10% of the Consideration will be paid after 12 months following Completion. The time range of three relevant Comparable Transactions that have the same payment mechanism which falls from the first anniversary to fourth anniversary following completion or date of equity transfer. Based on the aforesaid, we consider that the payment arrangement under the Solar Farm (Group 1) Agreement is fair and reasonable.

Based on above, we consider that the Solar Farm (Group 1) Agreement are on normal commercial terms and fair and reasonable.

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7. Financial effects of the Proposed Target Acquisition

7.1 Revenue

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

7.2 Working capital and gearing

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

According to the 2019 Annual Report, the Group had cash and cash equivalents of approximately HK\$1,631.2 million as at 31 December 2019 and the Group's net gearing ratio (bank borrowings minus cash and cash equivalents divided by total equity) as at 31 December 2019 was 3.2%. Taking into consideration of (i) the Group had cash and cash equivalents of approximately HK\$1,631.2 million as at 31 December 2019; (ii) the Group generated net cash inflow from operating activities of approximately HK\$1,111.2 million for the year ended 31 December 2019; (iii) all of the solar farms under the Call Rights Assets (Group 1) will be substantially completed construction on the Completion Date; and (iv) the available banking facilities, the Management expect that the payment of the Consideration would not result in any material adverse impact on the working capital and gearing of the Group.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the entering into the Solar Farm (Group 1) Agreement is in the ordinary and usual course of business of the Group, the terms of the Solar Farm (Group 1) Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the Proposed Target Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise (i) the Independent Board Committee to recommend the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM.

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

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in shares, underlying shares of the Company and any associated corporations

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

(i) Long positions in shares of the Company

Name of Director	Capacity	Name of the controlled corporation	Number of shares held	Approximate percentage of the Company's issued share capital
Dr. LEE Yin Yee, B.B.S	Interest in a controlled corporation ⁽¹⁾	Realbest (as defined below)	82,901,405	1.228%
	Interest in a controlled corporation ⁽¹⁾	Charm Dazzle (as defined below)	457,957,500	6.782%
	Interest in a controlled corporation ⁽²⁾	Full Guang (as defined below)	7,606,019	0.113%
	Joint interest ⁽¹⁾	—	3,575,733	0.053%
	Family interest ⁽¹⁾	—	4,337,354	0.064%
	Interest in person acting in concert ⁽³⁾	—	909,783,718	13.473%
Tan Sri Datuk TUNG Ching Sai <i>P.S.M,D.M.S.M</i>	Interest in controlled corporation ⁽⁴⁾	Copark (as defined below)	29,803,255	0.441%
	Interest in controlled corporation ⁽⁴⁾	Sharp Elite (as defined below)	187,687,500	2.780%
	Family interest ⁽⁴⁾	—	14,544,041	0.215%
	Interest in person acting in concert ⁽³⁾	—	1,234,126,933	18.277%

Notes:

- (1) Dr. LEE Yin Yee, B.B.S. is the beneficial owner of the entire issued share capital of Realbest Investment Limited (“**Realbest**”) and Charm Dazzle Limited (“**Charm Dazzle**”) which in turn are the registered owner of 82,901,405 and 457,957,500 Shares respectively. Dr. LEE Yin Yee, B.B.S. also has 3,575,733 shares jointly held with his spouse, Madam TUNG Hai Chi and is also deemed to be interested in the 4,337,354 Shares directly held by his spouse, Madam TUNG Hai Chi.
- (2) The interest in the Shares are held through Full Guang Holdings Limited (“**Full Guang**”). Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.21%, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* as to 16.21%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) 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%.
- (3) Pursuant to an agreement dated 22 November 2018 and entered into by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under a conditional distribution in specie.
- (4) Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* is the beneficial owner of the entire issued share capital of Copark Investment Limited (“**Copark**”) and Sharp Elite Holdings Limited (“**Sharp Elite**”) which in turn are the registered owner of 29,803,255 and 187,687,500 Shares respectively. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* is also deemed to be interested in the 14,544,041 Shares directly held by his spouse, Madam SZE Tan Hung.

(ii) Long positions in shares of associated corporations

Name of Director	Capacity	Name of the associated corporation	Number of shares held	Approximate percentage in the total issued share capital of associated corporation
Dr. LEE Yin Yee, B.B.S	Interest in a controlled corporation ⁽¹⁾	Xinyi Solar Holdings Limited	829,014,054	10.258%
	Interest in person acting in concert ⁽²⁾		1,411,135,020	17.460%
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M</i>	Interest in a controlled corporation ⁽³⁾	Xinyi Solar Holdings Limited	196,712,334	2.434%
	Personal interest ⁽³⁾		15,754,717	0.195%
	Family interest ⁽³⁾		15,865,899	0.196%
	Interest in person acting in concert ⁽²⁾		2,011,816,124	24.893%

Notes:

- (1) Dr. LEE Yin Yee, B.B.S. is the beneficial owner of the entire issued share capital of Realbest which in turn is the registered owner of 829,014,056 shares in the issued share capital of Xinyi Solar Holdings Limited (“**XYShares**”).
- (2) Pursuant to an agreement dated 31 May 2013 and entered into by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under a conditional distribution in specie, by way of special interim dividend declared on 19 November 2013.
- (3) Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M.* is the beneficial owner of the entire issued share capital of Copark which is the registered owner of 196,712,334 XYShares. Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M.* also has 15,754,717 shares held in his own name and is also deemed to be interested in 15,865,899 XYShares directly held by his spouse, Madam SZE Tan Hung.

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

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

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

Name of Director	Name of companies which had such discloseable interest or short position	Position within such company
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M</i>	Xinyi Group (Glass) Company Limited	Director
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M</i>	Xinyi Automobile Glass (BVI) Company Limited	Director
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M</i>	Xinyi Glass Holdings Limited	Director
Mr. LEE Yau Ching	Xinyi Power (BVI) Limited	Director
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M,</i> Mr. LEE Yau Ching	Xinyi Solar Holdings Limited	Director
Dr. LEE Yin Yee, B.B.S.	Realbest Investment Limited	Director
Dr. LEE Yin Yee, B.B.S.	Charm Dazzle Limited	Director
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M</i>	Copark Investment Limited	Director
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M,</i>	Sharp Elite Holdings Limited	Director
Mr. LEE Yau Ching	Telerich Investment Limited	Director
Mr. LEE Yau Ching	Precious Smart Limited	Director

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

3. DIRECTORS' SERVICE CONTRACTS

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

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

Interests in assets

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

Interests in contracts

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

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

6. MATERIAL ADVERSE CHANGE

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

7. EXPERT'S QUALIFICATION AND CONSENT

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

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

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

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the articles of association of the Company;
- (b) the letter from the Board, the text of which is set out on pages 8 to 19 of this Circular;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 20 to 21 of this Circular;
- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 22 to 38 of this Circular;
- (e) the written consent referred to in the paragraph headed “7. EXPERT’S QUALIFICATATIONS AND CONSENT” in this appendix;
- (f) the Solar Farm Agreement;
- (g) the Call Right Notice;
- (h) the Solar Farm (Group 1) Agreement; and
- (i) this circular.

NOTICE OF EGM



XINYI ENERGY HOLDINGS LIMITED

信義能源控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 03868)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of the members of Xinyi Energy Holdings Limited (“**Company**”) will be held at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, Hong Kong, on Friday, 15 May 2020 at 9:00 a.m., for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the exercise of the Call Option (Group 1) (as defined in the circular of the Company dated 23 April 2020 (the “**Circular**”) of which this notice forms part) for the acquisition of the Call Right Assets (Group 1) (as defined in the Circular) pursuant to the terms and conditions of the Solar Farm Agreement (as defined in the Circular) (a copy of which has been produced to the meeting and marked “**A**” and initialled by the chairman of the meeting (the “**Chairman**”) for identification purpose), the Call Right Notice (as defined in the Circular) (a copy of which has been produced to the meeting and marked “**B**” and initialled by the Chairman for identification purpose), and the Solar Farm (Group 1) Agreement (as defined in the Circular) (a copy of which has been produced to the meeting and marked “**C**” and initialled by the Chairman for identification purpose) and the entering into of the Solar Farm (Group 1) Agreement be and are hereby approved, ratified and confirmed; and
- (b) authorisation be granted to any director of the Company to complete and do all such acts or things (including executing all such documents, instruments and agreements as may be required) as are in his or her opinion may consider necessary, appropriate, desirable or expedient or in the interest of the Company to implement and/or give effect to the exercise of the Call Option (Group 1) (as defined in the Circular) and/or the Solar Farm (Group 1) Agreement and all other matters incidental thereto or in connection therewith.”

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

Hong Kong, 23 April 2020

NOTICE OF EGM

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

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

Notes:

- (1) A form of proxy for the EGM to be held on Friday, 15 May 2020 is enclosed.
- (2) Any shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more ordinary shares in the capital of the Company (the “**Share(s)**”) may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. A proxy need not be a member of the Company.
- (3) In order to be valid, the form of proxy completed in accordance with the instructions set forth therein, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of such power or authority) must be deposited to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should the shareholder so wish.
- (4) In case of joint holders of any Share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting in person or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
- (5) The register of members of the Company will be closed from Tuesday, 12 May 2020 to Friday, 15 May 2020, both days inclusive, during which period no transfer of Shares will be effected in order to determine the entitlement to attend and vote at the EGM. All share transfers accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 May 2020 for such purpose.
- (6) Bad Weather Arrangements

The EGM will be held on Friday, 15 May 2020 as scheduled regardless of whether or not an amber or red rainstorm warning signal is in force in Hong Kong at any time on that day. However, if a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 8:00 a.m. on Friday, 15 May 2020, the EGM will be automatically postponed to a later date. The Company will post an announcement on the websites of the Hong Kong Exchanges and Clearing Limited and the Company to notify shareholders of the date, time and location of the rescheduled meeting. Shareholders should make their own decision as to whether they would attend the EGM under bad weather conditions having regard to their own situation and if they should choose to do so, they are advised to exercise care and caution.

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