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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 3) PURSUANT TO THE SOLAR FARM AGREEMENT AND THE SOLAR FARM (GROUP 3) 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 forth on pages 10 to 20 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set forth on pages 21 and 22 of this circular. A letter from China Tonghai Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set forth on pages 23 to 42 of this circular.

The EGM is to be held at 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 2 June 2022 at 9:00 a.m. and the Notice of EGM is set forth on pages 48 and 49 of this circular. Shareholders are advised to read the Notice of EGM and if you are not able to attend the EGM or its adjournment (as the case may be) in person but wish to exercise your right as a Shareholder, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than Tuesday, 31 May 2022 at 9:00 a.m. (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

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

- compulsory temperature check
- compulsory health declarations
- compulsory wearing of surgical face masks
- mandatory scanning of the "LeaveHomeSafe" ("LHS") venue QR code using the LHS Mobile App or filling in a specified form as an alternative to the use of the LHS Mobile App (for individuals allowed under the relevant regulations)
- attendees aged 18 or above are required to receive at least two doses of COVID-19 vaccine to continue to use the Vaccine Pass
- the number of attendees may be limited to ensure appropriate social distancing and may be admitted into the EGM venue on a first-come-first-served basis
- no distribution of corporate gifts and refreshments

Any person who does not comply with the precautionary measures may not be allowed to enter into the EGM venue. **The Company strongly recommends Shareholders to exercise their voting rights by appointing the Chairman of the EGM as their proxy to vote on the resolutions at the EGM as an alternative to attending the EGM in person.**

13 May 2022

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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 form confirming their names and contact details, and confirming that they are not subject to quarantine and they, or to their best of knowledge, any person whom they have/had close contact with, have not entered Hong Kong from Mainland China or any overseas countries/areas (as per guidelines issued by the Hong Kong government at www.chp.gov.hk/en/features/102742.html from time to time) at any time in the preceding 14 days. Any person who does not comply with this requirement may be denied entry into the EGM venue or be required to leave the EGM venue;
- (iii) Attendees must wear surgical face masks inside the EGM venue at all times, and maintain a safe distance between seats. Any person who does not comply with this requirement may be denied entry into the EGM venue or be required to leave the EGM venue;
- (iv) Attendees must scan the LHS venue QR code using the LHS Mobile App before entering the EGM venue. For those attendees who are (i) aged 65 or above and aged 15 or below; (ii) with disability; or (iii) recognised by the HKSAR Government or organisation(s) authorised by the HKSAR Government may fill in a specified form as an alternative to the use of the LHS Mobile App;
- (v) The Vaccine Pass is applicable to the EGM. Attendees aged 18 or above are required to receive at least two doses of COVID-19 vaccine to continue to use the Vaccine Pass, except the holders of the COVID-19 Vaccination Medical Exemption Certificate (Exemption Certificate). All attendees are required to carry an electronic version or a paper copy of their COVID-19 vaccination record or Exemption Certificate;
- (vi) Following the Hong Kong Government's regulation, the number of attendees inside the EGM venue, who will be physically attending the EGM, may be limited. Shareholders and/or their proxies may be admitted into the EGM venue on a first-come-first-served basis; and
- (vii) 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.

PRECAUTIONARY MEASURES FOR THE EGM

Subject to the development of COVID-19, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the websites of the Company (www.xinyienergy.com) and the Stock Exchange (www.hkexnews.hk) for further announcements and updates on the EGM arrangements.

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. **The Company strongly recommends Shareholders to exercise their voting rights, by using form of proxy with voting instruction inserted, appoint the Chairman of the EGM as their proxy to vote on the resolutions at the EGM as an alternative to attending the EGM in person.**

The form of proxy is attached to this circular. Alternatively, the form of proxy 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.

If Shareholders choosing not to attend the EGM in person have any questions about the relevant resolutions, 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
Email: 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 Branch Share Registrar in Hong Kong as follows:

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Enquiries: www.computershare.com/hk/contact
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;
“Baimao Solar Farm”	means Baimao Solar Farm, the utility-scale ground-mounted solar farm project located in Wuhu City, Anhui Province, the PRC with an approved capacity of 200 MW, which is operated and wholly-owned by Xinbai Wuhu;
“Board”	means the board of Directors of the Company;
“Branch Share Registrar”	means the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong;
“BVI”	means the British Virgin Islands;
“Call Notice (Group 3)”	means the notice dated 11 April 2022 delivered by the Company to Xinyi Solar for the purpose of exercising the Call Option (Group 3);
“Call Option”	means the call option granted by Xinyi Solar to the Company under the Solar Farm Agreement, pursuant to which the Company may acquire from Xinyi Solar the Call Right Assets;
“Call Option (Group 2A)” and “Call Option (Group 2B)”	refers to the Call Option previously exercised by the Company for the acquisition of the Call Right Assets (Group 2A) and Call Right Assets (Group 2B);
“Call Option (Group 3)”	refers to the Call Option currently exercised by the Company to acquire the Call Right Assets (Group 3);
“Call Right Assets”	means the substantially completed construction and grid-connected utility-scale ground-mounted solar farm projects developed or constructed by the XYS Group which include Call Right Assets (Group 2A), Call Right Assets (Group 2B) and Call Right Assets (Group 3);
“Call Right Assets (Group 2A)” and “Call Right Assets (Group 2B)”	means the Call Right Assets in the total approved capacity of 250 MW and 270 MW previously acquired by the Company pursuant to the exercise of the Call Option (Group 2A) and Call Option (Group 2B) respectively;

DEFINITIONS

“Call Right Assets (Group 3)”	means the four solar farms in the total approved capacity of 650 MW owned and operated by Xinyi Xiaochang, Xinbai Wuhu, Xinze Xiangyang and Xinyi Haikou proposed to be acquired by the Company under the Call Option (Group 3);
“Call Right Price”, and “Call Right Price (Group 3)”	means the exercise price in relation to the exercise of the Call Option and Call Option (Group 3);
“Company”	means Xinyi Energy Holdings Limited (信義能源控股有限公司), a company incorporated under the laws of BVI with limited liability, the shares of which are listed on the Stock Exchange (stock code: 03868);
“Completion Date (Group 3)”	means the date of completion of the sale and purchase transaction contemplated under the Solar Farm (Group 3) Agreement, which is expected to be on or before 31 March 2023;
“connected subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the case of the Company, refers to Xinyi Solar, Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i> , Mr. LI Man Yin, Mr. NG Ngan Ho, Mr. LI Ching Leung, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. SZE Nang Sze and their respective controlled corporations;
“Dragon Well”	means Dragon Well Investment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Vendor as of the Latest Practicable Date, and will become a wholly-owned subsidiary of the Target Company (Group 3) following completion of the reorganisation;
“Directors”	means the directors of the Company;
“EGM”	means the extraordinary general meeting of the Company to be held at 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 2 June 2022 at 9:00 a.m. or any adjournment thereof, to consider and if thought fit, approve, among others, the Solar Farm (Group 3) Agreement, at which the Controlling Shareholders will abstain from voting;
“Feed-in-Tariff”	means the feed-in-tariff regime currently implemented by the PRC government for the provision of subsidy, i.e. the tariff adjustment, to the solar farm operators in the PRC by way of tariff adjustment;

DEFINITIONS

“Hainan Solar Farm”	means Hainan Solar Farm, the utility-scale ground-mounted solar farm project located in Haikou City, Hainan Province, the PRC with an approved capacity of 300 MW, which is operated and wholly-owned by Xinyi Haikou;
“Hong Kong”	means The Hong Kong Special Administrative Region of the PRC;
“HK\$”	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 3) Agreement and the exercise of Call Option (Group 3) pursuant to the Solar Farm (Group 3) Agreement and the Solar Farm Agreement;
“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 3) Agreement and the exercise of Call Option (Group 3) pursuant to the Solar Farm (Group 3) Agreement and the Solar Farm 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;
“Laohekou Solar Farm (Phase Three)”	means Laohekou Solar Farm (Phase Three), the utility-scale ground-mounted solar farm project located in Laohekou City, Hubei Province, the PRC with an approved capacity of 100 MW, which is operated and wholly-owned by Xinze Xiangyang;
“Latest Practicable Date”	means 10 May 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;

DEFINITIONS

“Listing Rules”	means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long-stop Date (Group 3)”	means 31 May 2023;
“MW”	means unit of energy (power), megawatt;
“Notice of EGM”	means the notice convening the EGM as set forth on pages 48 and 49 of this circular;
“PRC”	means The People’s Republic of China, excluding Hong Kong, The Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this circular;
“Rise Trend”	means Rise Trend Investment Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of the Vendor as of the Latest Practicable Date, and will become a wholly-owned subsidiary of the Target Company (Group 3) following completion of the reorganisation;
“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;
“Shine Base”	means Shine Base Development Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of the Target Company (Group 3) as of the Latest Practicable Date;
“Solar Farm Agreement”	means the solar farm agreement dated 5 December 2018 entered by and between Xinyi Solar and the Company;
“Solar Farm (Group 2) Joint Announcement”	means the joint announcement issued by the Company and Xinyi Solar dated 6 January 2021;
“Solar Farm (Group 2A) Transaction”	means the acquisition of the Call Right Assets (Group 2A), further information on which is set forth in the Solar Farm (Group 2) Joint Announcement and the XYE Solar Farm (Group 2) Circular;
“Solar Farm (Group 2B) Transaction”	means the acquisition of the Call Right Assets (Group 2B), further information on which is set forth in the Solar Farm (Group 2) Joint Announcement and the XYE Solar Farm (Group 2) Circular;

DEFINITIONS

“Solar Farm (Group 3) Agreement”	means the sale and purchase agreement dated 11 April 2022 and entered into between Xinyi Power (BVI) Limited as the vendor and the Company as the purchaser for the acquisition of the Target Shares (Group 3);
“Solar Farm (Group 3) Joint Announcement”	means the joint announcement issued by the Company and Xinyi Solar dated 11 April 2022;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Target Company (Group 3)”	means Xinyi Solar Farm (Group 2) Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Vendor;
“Target Members (Group 3)”	means the Target Company (Group 3) and Target Subsidiaries (Group 3);
“Target Shares (Group 3)”	means all the 200 ordinary shares in issue of the Target Company (Group 3);
“Target Subsidiaries (Group 3)”	means (a) the three wholly-owned subsidiaries of the Target Company (Group 3) incorporated in Hong Kong, namely Dragon Well, Rise Trend and Shine Base, and (b) the seven wholly-owned subsidiaries of the Target Company (Group 3) established in the PRC, namely Xinze Wuhu, Xinyi Haikou, Xinchu Wuhu, Xinchuang Haikou, Xinze Xiangyang, Xinyi Xiaochang and Xinbai Wuhu;
“Vendor”	means Xinyi Power (BVI) Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Xinyi Solar;
“Xiaochang Solar Farm (Phase Three)”	means Xiaochang Solar Farm (Phase Three), the utility-scale ground-mounted solar farm project located in Xiaochang County, Hubei Province, the PRC with an approved capacity of 50 MW, which is operated and wholly-owned by Xinyi Xiaochang;
“Xinbai Wuhu”	means Wuhu Xinbai Renewable Energy Limited* 蕪湖信白新能源有限公司, a company established in the PRC and the sole owner and operator of the Baimao Solar Farm;
“Xinchu Wuhu”	means Wuhu Xinchu Renewable Energy Limited* 蕪湖信儲新能源有限公司, a company established in PRC and a wholly-owned subsidiary of Xinbai Wuhu;

DEFINITIONS

“ Xinchuang Haikou ”	means Xinchuang Green Agriculture (Haikou) Limited* 信創綠色農業(海口)有限公司, a company established in the PRC and a wholly-owned subsidiary of Xinyi Haikou;
“ Xinyi Haikou ”	means Xinyi Solar (Haikou) Limited* 信義光能(海口)有限公司, a company established in the PRC and the sole owner and operator of the Hainan Solar Farm;
“ Xinyi Solar ”	means Xinyi Solar Holdings Limited (信義光能控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 00968);
“ Xinyi Xiaochang ”	means Xinyi Renewable Energy (Xiaochang) Limited* 信義新能源(孝昌)有限公司, a company established in the PRC and the sole owner and operator of the Xiaochang Solar Farm (Phase Three);
“ Xinze Wuhu ”	means Wuhu Xinze Renewable Energy Limited* 蕪湖信澤新能源有限公司, a company established in the PRC and a wholly-owned subsidiary of Dragon Well;
“ Xinze Xiangyang ”	means Xinze Renewable Energy (Xiangyang) Limited* 信澤新能源(襄陽)有限公司, a company established in the PRC and the sole owner and operator of the Laohekou Solar Farm (Phase Three);
“ XYE Group ” or the “ Group ”	means the Company and its subsidiaries;
“ XYE Prospectus ”	means the prospectus issued by the Company dated 15 May 2019;
“ XYE Solar Farm (Group 2) Circular ”	means the circular issued by the Company dated 27 January 2021;
“ XYE Controlling Shareholders ”	has the meaning ascribed to it under the Listing Rules and, in the case of Xinyi Solar, refers to Xinyi Glass Holdings Limited (stock code: 00868) and its subsidiaries, Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai <i>J.P.</i> , Mr. LI Man Yin, Mr. NG Ngan Ho, Mr. LI Ching Leung, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. SZE Nang Sze, and their respective controlled corporations;
“ XYE Directors ”	means the directors of Xinyi Solar;
“ XYE Group ”	means Xinyi Solar and its subsidiaries (other than members of the XYE Group);

DEFINITIONS

“XYS Shares”	means the issued shares of Xinyi Solar;
“XYS Solar Farm Announcement”	means the announcement dated 2 November 2018 issued by Xinyi Solar;
“XYS Solar Farm Circular”	means the circular dated 2 November 2018 issued by Xinyi Solar; and
“%”	denotes as per cent.

* *for identification purpose only*

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB0.8128 =HK\$1.0. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

LETTER FROM THE BOARD



XINYI ENERGY HOLDINGS LIMITED

信義能源控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 03868)

Executive Directors:

Mr. LEE Shing Put, B.B.S. (*Chairman*)

Tan Sri Datuk TUNG Ching Sai

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

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

Mr. LEE Yau Ching

Ms. CHENG Shu E

Registered office:

Jayla Place

Wickhams Cay I

Road Town

Tortola, VG1110

British Virgin Islands

Independent non-executive Directors:

Mr. LEUNG Ting Yuk

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

Ms. LYU Fang

Principal place of business in the PRC:

No. 102, Meidiya Road

E Qiao Town

Sanshan District

Wuhu County

Anhui Province

China

Principal place of business in Hong Kong:

Unit 2118-2120, 21/F

Rykadan Capital Tower

135 Hoi Bun Road

Kwun Tong, Kowloon

Hong Kong

13 May 2022

To the Shareholders,

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

**EXERCISE OF CALL OPTION (GROUP 3)
PURSUANT TO THE SOLAR FARM AGREEMENT
AND THE SOLAR FARM (GROUP 3) AGREEMENT**

LETTER FROM THE BOARD

INTRODUCTION

The Board refers to the Solar Farm (Group 3) Joint Announcement in relation to, among others, the exercise of the Call Option (Group 3) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement. On 11 April 2022, the Company delivered to Xinyi Solar the Call Notice (Group 3) to exercise the Call Option (Group 3) pursuant to the terms and conditions of the Solar Farm Agreement and the Solar Farm (Group 3) Agreement.

The purpose of this circular is to provide you with (i) further information on the exercise of the Call Option (Group 3) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement; (ii) a letter of recommendations from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) the Notice of EGM.

BACKGROUND INFORMATION

The Board refers to the Solar Farm Agreement, pursuant to which Xinyi Solar has granted the Call Option to the Company. In January 2021, the Company had exercised the Call Option (Group 2) and the Solar Farm (Group 2A) Transaction and the Solar Farm (Group 2B) Transaction was completed in February 2021 and December 2021, respectively.

On 11 April 2022, the Company delivered to Xinyi Solar the Call Notice (Group 3) to exercise the Call Option (Group 3) to acquire the Call Right Assets (Group 3) pursuant to the terms and conditions of the Solar Farm Agreement. The Call Right Assets (Group 3) comprise four utility-scale ground-mounted solar farm projects in the total approved capacity of 650 MW.

On 11 April 2022, the Solar Farm (Group 3) Agreement was entered into in relation to the transfer of the Target Shares (Group 3) for the Call Right Price (Group 3).

LETTER FROM THE BOARD

CALL RIGHT PRICE UNDER THE SOLAR FARM AGREEMENT

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

The Call Right Price is equal to the greater of:

- (a) (Adjusted EBITDA¹ during Designated 12-month of Operation² + Sales revenue value-added tax) x 7.2 (the Implied Multiple) (the “**First Limb**”); and
- (b) such amount representing one hundred and ten percent (110%) of the actual reasonable and documented construction costs of such Call Right Asset (the “**Second Limb**”)

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

PRINCIPAL TERMS OF THE SOLAR FARM (GROUP 3) AGREEMENT

Following the exercise of the Call Option (Group 3), the primary purpose of entering into the Solar Farm (Group 3) Agreement is to set forth the specific terms and conditions for the acquisition of the Call Right Assets (Group 3) in 2022. The acquisition under the Solar Farm (Group 3) Agreement will require the approval of the Independent Shareholders pursuant to the Listing Rules. The Solar Farm (Group 3) Agreement is entered into pursuant to the Solar Farm Agreement and the material terms of which are not inconsistent with the Solar Farm Agreement (which has been approved at an extraordinary general meeting of Xinyi Solar held on 21 November 2018).

¹ “**Adjusted EBITDA**” is defined as the consolidated EBITDA after eliminating the effect of the Adjustments, if applicable, for that year. The “Adjustments” refer to adjustments of certain items which are charged or credited to the consolidated income statements for the relevant year, being:

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

² “**Designated 12-month of Operation**” shall commence from the first calendar day of the calendar month immediately after the targeted date of completion of the acquisition of the Call Right Assets.

LETTER FROM THE BOARD

The principal terms of the Solar Farm (Group 3) Agreement are set forth below:

- Date:** 11 April 2022
- Parties:** (a) the Company, as the purchaser; and
(b) the Vendor, as the vendor.

The Company, as the purchaser has conditionally agreed to purchase, and the Vendor has agreed to sell, the Target Shares (Group 3), representing the entire issued share capital of the Target Company (Group 3).

- Subject matter:** All issued shares of the Target Company (Group 3), which is the ultimate holding company of the Target Subsidiaries (Group 3). The Target Company (Group 3) is a limited liability company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Vendor. The Target Company (Group 3) is an investment holding company.

Based on the unaudited combined financial information of the Target Members (Group 3) for the year ended 31 December 2021, the unaudited combined total asset and net asset of the Target Members (Group 3) as of 31 December 2021 amounted to HK\$873.6 million and HK\$43.8 million, respectively. As of 28 February 2022, the unaudited combined total asset and net asset of the Target Members (Group 3) amounted to HK\$959.7 million and HK\$47.0 million, respectively. The unaudited combined financial information of the Target Members (Group 3) for the two years ended 31 December 2021 and the two months ended 28 February 2022 is as follows:

	Year ended		Two months
	31 December		ended
	2020	2021	28 February
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net profit before tax	8,063	28,136	2,649
Net profit after tax	8,063	28,272	2,304
Net profit after tax attributable to equity owners	8,063	28,272	2,304

Upon completion of the transactions contemplated under the Solar Farm (Group 3) Agreement, the Target Company (Group 3) will become a wholly-owned subsidiary of the Company. As the Company is a non-wholly owned subsidiary of Xinyi Solar, each of the Target Members (Group 3) will continue to be a non-wholly owned subsidiary of Xinyi Solar.

LETTER FROM THE BOARD

Call Right Assets (Group 3): The Call Right Assets (Group 3) (which are held by the Target Subsidiaries (Group 3)) are as follows:

Name of the Call Right Assets (Group 3)	Target Subsidiaries (Group 3)				Expected time of completion of construction	Expected time/ time of commencement of operation
	Approved capacity	Established in the PRC	Incorporated in Hong Kong	Approved Feed-in-Tariff rate		
	(MW)			(RMB)		
Xiaochang Solar Farm (Phase Three)	50	Xinyi Xiaochang, which is owned by Xinze Wuhu	Dragon Well	0.4161	Third quarter of 2022	Third quarter of 2022
Laohekou Solar Farm (Phase Three)	100	Xinze Xiangyang, which is owned by Xinze Wuhu	Dragon Well	0.4161	Fourth quarter of 2022	Third quarter of 2022
Baimao Solar Farm	200	Xinbai Wuhu	Rise Trend	0.3844	Fourth quarter of 2022	Third quarter of 2022
Hainan Solar Farm	300	Xinyi Haikou	Shine Base	0.4298	Third quarter of 2022	First quarter of 2019
Total	650					

Call Right Price (Group 3): The Call Right Price (Group 3) is determined according to the terms of the Solar Farm Agreement and the Solar Farm (Group 3) Agreement.

The Directors have reviewed the formula in determining the Call Right Price (Group 3) and confirm that the Call Right Price (Group 3) would be determined according to the Second Limb, i.e. an amount representing one hundred and ten percent (110%) of the actual reasonable and documented construction costs of such Call Right Asset as of the Completion Date (Group 3). The Call Right Price (Group 3) will be deducted by such amount representing the net liabilities, i.e. the amount of debt plus the estimated amount due to suppliers by the Target Members (Group 3) in connection with the construction of the Call Right Assets (Group 3) as of the Completion Date (Group 3) and other payables and plus balance of cash and receivables of the Target Members (Group 3) as of the Completion Date (Group 3). As the Call Right Assets (Group 3) will be substantially completed on the Completion Date (Group 3), the difference between the estimated and the actual costs of construction is expected to be insignificant.

As of the Latest Practicable Date, the Call Right Price (Group 3), subject to adjustment below, has been estimated by Xinyi Solar and the Company to be RMB2,563.7 million (equivalent to HK\$3,154.1 million).

LETTER FROM THE BOARD

Adjustment to the Call Right Price (Group 3): For the purpose of determining the Call Right Price (Group 3), Xinyi Solar shall provide to the Company:

- (a) the unaudited combined accounts of the Target Members (Group 3) (the “**Provisional Closing Accounts**”) as of the close of business on the last day of the previous month prior to the Completion Date (Group 3) on or before the Completion Date (Group 3); and
- (b) the unaudited combined accounts of the Target Members (Group 3) (the “**Closing Accounts**”) as of the close of business on the Completion Date (Group 3) within ten (10) business days after the Completion Date (Group 3).

The Provisional Closing Accounts and the Closing Accounts shall be prepared by the Target Members (Group 3) to the satisfaction of the Company.

Payment terms: The Company shall pay:

- (a) 90% of the Call Right Price (Group 3) (as determined on the basis of the Provisional Closing Accounts) on the Completion Date (Group 3);
- (b) any shortfall between the Call Right Price (Group 3) (as determined under (a) above) and the Call Right Price (Group 3) (as determined on the basis of the Closing Accounts) within fifteen (15) business days after the Completion Date (Group 3); and
- (c) the remaining 10% of the Call Right Price (Group 3) (on the basis of the Closing Accounts) within twelve (12) months after the Completion Date (Group 3).

The payment of the Call Right Price (Group 3) will be made by the Company out of its internal resources (including the expected cash inflows from the operation of the Group and the receipt of tariff adjustment under the Feed-in-Tariff regime for the existing solar farm projects of the Group for the year ending 31 December 2022), the net proceeds raised from the issue of new Shares by the Company in April 2022 of approximately HK\$779.5 million and/or available banking facilities. As of the Latest Practicable Date, the Group has unutilised banking facilities of HK\$300.0 million. The Directors confirm that the payment of the Call Right Price (Group 3) will not be made out of the net proceeds raised from the global offering as set forth in the XYE Prospectus, which have been fully utilised as of the Latest Practicable Date.

LETTER FROM THE BOARD

Conditions precedent:

Completion under the Solar Farm (Group 3) Agreement is subject to the following conditions:

- (a) the Vendor being the sole and beneficial owner of the Target Shares (Group 3) free from all encumbrances and having the capacity and power to sell the Target Shares (Group 3) free from all encumbrances;
- (b) the reorganisation to the effect that all Target Subsidiaries (Group 3) are held by the Target Company (Group 3) has been completed;
- (c) the Company having received a PRC legal opinion dated the Completion Date (Group 3) on each of the Target Subsidiaries (Group 3) established in the PRC confirming, inter alia, its corporate existence, shareholding structure and the validity of its interests in and certain operational aspects and licensing matters of the Call Right Assets (Group 3) in the form and substance satisfactory to the Company; and
- (d) the approval by the Independent Shareholders at the EGM of the resolution(s) approving the Solar Farm (Group 3) Agreement and the exercise of the Call Option (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement.

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 3) Agreement at or before 1:00 p.m. on or before the Completion Date (Group 3), then unless the Vendor and the Company agree otherwise in writing, the Completion Date (Group 3) shall be postponed to the Long-stop Date (Group 3).

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 3) Agreement at or before 1:00 p.m. on or before the Long-stop Date (Group 3), then unless the Vendor and the Company agree otherwise in writing, the Solar Farm (Group 3) Agreement shall be terminated, and neither parties to the Solar Farm (Group 3) Agreement shall have any claim or cause of action against the other, save for any antecedent breach and the return of the Call Right Price (Group 3) (to the extent paid by the Company) by the Vendor to the Company without interest within five (5) business days after the termination of the Solar Farm (Group 3) Agreement.

As of the Latest Practicable Date, except condition (a), none of the above conditions has been satisfied.

Completion Date (Group 3):

On a business day (a) on or before 31 March 2023 or (b) such other date as the parties to the Solar Farm (Group 3) Agreement may agree in writing, but in any event shall not be later than the first anniversary of the date of the Call Notice (Group 3).

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE EXERCISE OF CALL OPTION (GROUP 3) AND THE ENTERING INTO OF THE SOLAR FARM (GROUP 3) 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 national policy for the “dual carbon” targets was announced in October 2021, which calls for carbon peak emissions by 2030 and carbon neutrality by 2060. With the introduction of these targets, the Directors believe the development of low-carbon and zero-carbon energy industry will be promoted, and new opportunities will emerge. As part of its existing solar power business, the Group has continued to operate and expand its solar farm portfolios and seize any suitable acquisitions opportunities of utility-scaled solar farm projects from Xinyi Solar and Independent Third Parties. Hence, the Solar Farm (Group 3) Agreement has been entered into for the purpose of acquiring the Call Right Assets (Group 3) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement.

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 YYS Group. The location, approved capacity, the Feed-in-Tariff rates and technical aspects of the Call Right Assets (Group 3) are also consistent with the Group’s growth strategy in solar farm acquisitions. 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 3) Agreement (including the amount of Call Right Price (Group 3)) 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 3) and enter into the Solar Farm (Group 3) Agreement.

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. As of the Latest Practicable Date, Xinyi Solar owns 48.8% of the equity interest in the Company and remains the single largest shareholder of the Company. The Company and its subsidiaries continues to be indirect non-wholly owned subsidiaries of Xinyi Solar.

LETTER FROM THE BOARD

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 49.3% by the XYS Controlling Shareholders and their respective associates and 50.7% by members of the public.

IMPLICATIONS UNDER THE LISTING RULES IN RELATION TO THE EXERCISE OF THE CALL OPTION (GROUP 3)

As the Solar Farm (Group 2B) Agreement and the Solar Farm (Group 3) Agreement were entered into by the Company (as the purchaser) and a subsidiary of Xinyi Solar (as the vendor) and that the Solar Farm (Group 2B) Agreement was completed within the previous 12-month period, the Solar Farm (Group 2B) Transaction and the transactions contemplated under the Solar Farm (Group 3) Agreement should be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules for the purpose of determining the implications under the Listing Rules.

The highest applicable percentage ratio (as defined under the Listing Rules) in relation to the exercise of the Call Option (Group 3) is (a) if aggregated with the exercise of the Call Option (Group 2B) for the Listing Rules purposes, more than 5% but less than 25% and (b) more than 5% but less than 25% on a stand-alone basis. As such, the exercise of the Call Option (Group 3) would be subject to the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai *J.P.* and Mr. LEE Yau Ching are currently XYS Directors, they are considered to be materially interested in the relevant board resolutions to approve the entering into of the Solar Farm (Group 3) Agreement and the exercise of the Call Option (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement. Accordingly, Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai *J.P.* and Mr. LEE Yau Ching have abstained from voting on the said board resolutions at the meeting of the Board. No other Directors have abstained from voting on the relevant board resolutions of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 27 May 2022.

LETTER FROM THE BOARD

EGM

The EGM will be held at 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 2 June 2022 at 9:00 a.m., for the purpose of considering and, if thought fit, approving the entering into of the Solar Farm (Group 3) Agreement and the exercise of the Call Option (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement.

The Notice of EGM is set forth on pages 48 and 49 of this circular.

Shareholders are advised to read the Notice of EGM and if you are not able to attend the EGM or its adjournment (as the case may be) in person but wish to exercise your right as a Shareholder, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than Tuesday, 31 May at 9:00 a.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

As of the Latest Practicable Date, the Controlling Shareholders and their respective associates were interested in 68.9% 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 49.3% of the issued share capital of Xinyi Solar as of the Latest Practicable Date. The Controlling Shareholders and their respective associates have indicated that they would abstain from voting at the EGM.

Save as disclosed above, to the best of knowledge, information and belief having made all reasonable enquiries by the Directors, no other Shareholders or any of their associates has a material interest in the entering into of the Solar Farm (Group 3) Agreement and the exercise of the Call Option (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) 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.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang, has been established to advise the Independent Shareholders in respect of the entering into of the Solar Farm (Group 3) Agreement and the exercise of Call Option (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement. China Tonghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders set forth on pages 21 and 22 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which is set forth on pages 23 to 42 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 3) Agreement and the exercise of the Call Option (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement as well as the principal factors and reasons taken into consideration in arriving at their advice.

RECOMMENDATION OF THE BOARD

Having taken into account the factors as disclosed in the section headed “Reasons for and benefits of the exercise of Call Option (Group 3) and the entering into of the Solar Farm (Group 3) 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 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement and the terms of the Solar Farm (Group 3) Agreements (including the amount of Call Right Price (Group 3)) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the entering into of the Solar Farm (Group 3) Agreement and the exercise of the Call Option (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement.

ADDITIONAL INFORMATION

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

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



XINYI ENERGY HOLDINGS LIMITED

信義能源控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 03868)

13 May 2022

To the Independent Shareholders,

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

EXERCISE OF CALL OPTION (GROUP 3) PURSUANT TO THE SOLAR FARM AGREEMENT AND THE SOLAR FARM (GROUP 3) AGREEMENT

We refer to the circular of the Company dated 13 May 2022 (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 3) Agreement and the exercise of the Call Option (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement, details of which are set forth in the letter from the Board contained in the Circular. China Tonghai Capital Limited has been appointed as the Independent Financial Adviser.

We wish to draw your attention to the “Letter from the Board” as set forth on pages 10 to 20 of the Circular and the “Letter from the Independent Financial Adviser” as set forth on pages 23 to 42 of the Circular.

Having taken into account the terms of the Solar Farm (Group 3) 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 3) Agreement (including the amount of Call Right Price (Group 3)) and the exercise of the Call Option (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 3) Agreement and the exercise of the Call Option (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement.

Yours faithfully,
Independent Board Committee
Xinyi Energy Holdings Limited

Mr. LEUNG Ting Yuk

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

Ms. LYU Fang

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from China Tonghai Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the exercise of the Call Option (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement, which has been prepared for the purpose of incorporation in this circular.



13 May 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of entering into of the Solar Farm (Group 3) Agreement and the exercise of the Call Option (Group 3) for the acquisition of the Call Right Assets (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement (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 13 May 2022 (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 11 April 2022, the Company delivered the Call Right Notices (Group 3) to Xinyi Solar to exercise the Call Option (Group 3) for the acquisition of the Call Right Assets (Group 3) pursuant to the terms and conditions of the Solar Farm Agreement and the Solar Farm (Group 3) Agreement. On 11 April 2022, the Company and the Vendor, a direct wholly-owned subsidiary of Xinyi Solar, entered into the Solar Farm (Group 3) Agreement, pursuant to which the Company has agreed to purchase, and the Vendor has agreed to sell, the Target Shares (Group 3) under the terms and conditions of the Solar Farm Agreement and the Solar Farm (Group 3) Agreement for the Call Right Price (Group 3) with adjustment (“the **Consideration**”).

As disclosed in the Letter from the Board, as the Solar Farm (Group 2B) Agreement and the Solar Farm (Group 3) Agreement were entered into by the Company and a subsidiary of Xinyi Solar and that the Solar Farm (Group 2B) Agreement was completed within the previous 12-month period, the Solar Farm (Group 2B) Transaction and the transactions contemplated under the exercise of Call Option (Group 3) should be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules for the purpose of determining the implications under the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the exercise of the Call Option (Group 3) is

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) if aggregated with the exercise of the Call Option (Group 2B) for the Listing Rules purposes, more than 5% but less than 25% and (ii) more than 5% but less than 25% on a stand-alone basis, the Proposed Target Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

The Vendor is a connected person of the Company by virtue of the fact that (i) the Controlling Shareholders and their respective associates were interested in 68.9% 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 49.3% of the issued share capital of Xinyi Solar as at the Latest Practicable Date; and (iii) the Vendor is a direct wholly-owned subsidiary of Xinyi Solar. Accordingly, the Proposed Target Acquisition also constitutes a connected transaction for the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

THE INDEPENDENT BOARD COMMITTEE

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

As at the Latest Practicable Date, China Tonghai Capital Limited did not have any relationships with or interests in the Company, the Vendor or the Target Members (Group 3) or any of their respective ultimate beneficial owners which could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the Company with regard to (i) 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; and (ii) the entering into of the Solar Farm (Group 2) Agreement and the exercise of the Call Option (Group 2) for the acquisition of the Call Right Assets (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreement, details of which are set out in the circular of the Company dated 23 April 2020 and 27 January 2021 respectively. Save for aforesaid engagement, we have not acted as independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the aforesaid companies. Accordingly, we are qualified to give independent advice in respect of the Proposed Target Acquisition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

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

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

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position, financial forecast or future prospects of the Group or the Target Members (Group 3).

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Current solar farm projects

At the time of the listing, the aggregate approved capacity of the nine utility-scale ground-mounted solar farm projects (the “**Initial Portfolio**”) owned and operated by the Group was 954 MW. On 3 June 2019, the Company completed the acquisition from Xinyi Solar of the six utility-scale ground-mounted solar farm projects (the “**2019 Portfolio**”) owned by various wholly-owned subsidiaries of Xinyi Solar, with an approved capacity of 540 MW. On 30 September 2020, the Company completed the acquisition from Xinyi Solar of the Call Right Assets (Group 1) owned by various wholly-owned subsidiaries of Xinyi Solar (the “**Call Right Assets (Group 1)**”), with an approved capacity of 230 MW. The Company also completed the acquisition of Wuwei Rihao solar farm project and Anlu Jingshun solar farm project with an approved capacity of 20 MW and 90 MW respectively in April 2020 and December 2020 (the “**2020 Portfolio**”). The Company further completed the acquisition from Xinyi Solar of the Call Right Assets (Group 2) owned by various wholly-owned subsidiaries of Xinyi Solar, with an approved capacity of 520 MW (the “**Call Right Assets (Group 2)**”), and the acquisitions from independent third parties, with an approved capacity of 140 MW, in December 2021 (the “**2021 Other Acquisitions**”), making the approved capacity of solar farms projects held by the Group to reach 2,494 MW in aggregate. Currently, the solar farm projects are located in Anhui Province, Guangdong Province, Hebei 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.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

<u>Name of the solar farm projects</u>	<u>Location in the PRC</u>	<u>Approved capacity</u> (MW)
Call Right Assets (Group 1)		
Zhanjiang Solar Farm One	Guangdong Province	30
Zhanjiang Solar Farm Two	Guangdong Province	70
Wuwei Solar Farm Three	Anhui Province	30
Laohekou Solar Farm One	Hubei Province	100
Sub-total		230
The 2020 Portfolio		
Wuwei Rihao Solar Farm	Anhui Province	20
Anlu Jingshun Solar Farm	Hubei Province	90
Sub-total		110
Call Right Assets (Group 2)		
Huainan Solar Farm Two	Anhui Province	50
Huaibei Solar Farm	Anhui Province	100
Hebei Zaoqiang Solar Farm	Hebei Province	100
Laohekou Solar Farm Two	Hubei Province	100
Qingyang Solar Farm	Anhui Province	70
Jiangmen Solar Farm One and Two	Guangdong Province	100
Sub-total		520
2021 Other Acquisitions		
Hubei Jingping Solar Farm	Hubei Province	80
Wuhu Xiangtai Solar Farm	Anhui Province	60
Sub-total		140
Total		<u><u>2,494</u></u>

1.3 High dividend payout policy

As disclosed in the XYE Prospectus and the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), its primary business objective is to provide the Shareholders with stable dividend distributions with sustainable long-term growth of the portfolio of the solar farm projects in terms of size and approved capacity. The Company has adopted a high dividend payout policy and a substantial portion of the cash inflows generated by selling the electricity will be used for the dividend distributions. As disclosed in the six months ended 30 June 2021 of the Company (the “**2021 Interim Report**”) and the final results announcement for the year ended 31 December 2021 of the Company (the “**2021 Results Announcement**”), the Board intended to maintain the dividend policy and follow its commitment at the time of listing, which is to distribute

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100% of the distributable income for the year ended 31 December 2021. The dividend of approximately HK\$526.1 million for the six months ended 30 June 2021, which represented approximately 100% of the distributable income during the six-month period, was distributed and paid to the Shareholders in September 2021.

1.4 Financial information of the Group

The table below is certain financial information of the Group for the three years ended 31 December 2019 (“FY2019”), 2020 (“FY2020”) and 2021 (“FY2021”) as extracted from the 2020 Annual Report and the 2021 Results Announcement.

	For the year ended 31 December		
	2019	2020	2021
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Sale of electricity	621,449	685,925	1,068,415
Tariff adjustment	966,730	1,027,414	1,218,187
Solar farm operation and management services	4,907	8,712	10,046
Revenue	1,593,086	1,722,051	2,296,648
Profit for the year attributable to equity holders of the Company	890,986	922,007	1,232,275
Dividends	911,585	1,009,499	1,237,140
	As at 31 December		
	2019	2020	2021
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	14,966,420	17,233,842	21,201,950
Total liabilities	4,772,681	5,223,557	8,641,498
Net assets	10,193,739	12,010,285	12,560,452

(a) Financial performance

Comparison between FY2020 and FY2021

The revenue of the Group for FY2020 and FY2021 amounted to approximately HK\$1,722.1 million and HK\$2,296.6 million respectively, representing an increase of approximately 33.4%. The increase in the units of electricity sold by the utility-scale ground-mounted solar farm projects for FY2021 was primarily due to the completed acquisition of several solar farm projects in the PRC from Xinyi Power (BVI) Limited (the “2021 Xinyi Solar Acquisitions”), and 2021 Other Acquisitions during FY2021. As most of the solar farm projects have been in the full performance, which significantly increased the solar power electricity generation for FY2021.

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

A final dividend in respect of the year ended 31 December 2021 of HK\$0.1 per Share based on 7,109,998,471 Shares in issue as at 31 December 2021 amounting to a total dividend of approximately HK\$711.0 million, will be proposed at the forthcoming annual general meeting.

Comparison between FY2019 and FY2020

The revenue of the Group for FY2019 and FY2020 amounted to approximately HK\$1,593.1 million and HK\$1,722.1 million respectively, representing an increase of approximately 8.1%. The increase in the units of electricity sold by the utility-scale ground-mounted solar farm projects was primarily due to the full performance of the 2019 Portfolio, which accounted for 33.1% of the revenue for the year ended 31 December 2020.

The profit attributable to equity holders of the Company for the FY2019 and FY2020 were approximately HK\$891.0 million and HK\$922.0 million respectively, representing an increase of approximately 3.5%. Despite the aforesaid increase in FY2020, the slightly decrease in the net profit margin from 55.9% in FY2019 to 53.5% in FY2020 was mainly due to (i) increased depreciation charge to property, plant and equipment; (ii) increased income tax expense; and (iii) increased repair and maintenance expense.

A final dividend in respect of the financial year ended 31 December 2020 of HK\$0.085 per Share based on 7,109,998,471 Shares in issue as at 31 December 2020, amounted to a total dividend of approximately HK\$604.4 million was distributed on 23 June 2021.

(b) Financial position

Comparison between FY2020 and FY2021

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

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

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

Comparison between FY2019 and FY2020

The total assets of the Group were approximately HK\$15.0 billion and HK\$17.2 billion as at 31 December 2019 and 31 December 2020 respectively. The Group's total assets mainly consisted of property, plant and equipment, trade and other receivables and prepayments and cash and cash equivalents which accounted for approximately 63.4%, 20.4% and 10.9% of the Group's total assets respectively as at 31 December 2019. Property, plant and equipment, trade and other receivables and prepayments and cash and cash equivalents accounted for approximately 63.8%, 22.7% and 7.6% of the Group's total assets respectively as at 31 December 2020.

The total liabilities of the Group were approximately HK\$4.8 billion and HK\$5.2 billion as at 31 December 2019 and 31 December 2020 respectively. The Group's total liabilities mainly consisted of amount due to immediate holding company, short-term bank borrowings and long-term bank borrowings which accounted for approximately 36.0%, 25.7% and 15.2% respectively as at 31 December 2019. The Group's total liabilities mainly consisted of the amount due to the holding company, short-term bank borrowing and accruals and other payables which accounted for approximately 33.8%, 23.2% and 13.8% respectively as at 31 December 2020.

The increase in net assets of the Group as at 31 December 2020 as compared to 31 December 2019 was mainly due to increases in property, plant and equipment, trade and other receivables and prepayments and prepayments for property, plant and equipment.

2. Background information of the Target Members (Group 3)

2.1 The Target Members (Group 3)

The Target Company (Group 3) is an investment holding company and upon the completion of acquisition of Call Right Assets (Group 3) (the "**Completion**"), will be the ultimate owner of the Call Right Assets (Group 3).

Upon Completion, the Target Company (Group 3) will become a direct wholly-owned subsidiary of the Company. As the Company is a non-wholly owned subsidiary of Xinyi Solar, the Target Company (Group 3) and each of the Target Subsidiaries (Group 3), will continue to be an indirect non-wholly owned subsidiary of Xinyi Solar.

Dragon Well, Rise Trend and Shine Base are the wholly-owned subsidiaries of the Target Company (Group 3), all of them are investment holding companies. Their principal assets are the Call Right Assets (Group 3) upon reorganisation having been completed. Among the Target Subsidiaries (Group 3), (i) Dragon Well indirectly owns Xinyi Xiaochang and Xinze Xiangyang which in turn owns and operates Xiaochang Solar Farm (Phase Three) and Laohekou Solar Farm (Phase Three) respectively; (ii) Rise Trend directly owns Xinbai Wuhu which in turn owns and operates Baimao Solar Farm and indirectly wholly owns Xinchu Wuhu; and (iii) Shine Base directly owns Xinyi Haikou which in turn owns and operates Hainan Solar Farm.

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2.2 The Call Right Assets (Group 3)

The Call Right Assets (Group 3) comprises of the solar farm projects, namely Xiaochang Solar Farm (Phase Three), Laohekou Solar Farm (Phase Three), Baimao Solar Farm, and Hainan Solar Farm, all of which are developed or constructed by the XYS Group under the national quota system. Upon exercise of the Call Option (Group 3) given the reorganisation having been completed, the Call Right Assets (Group 3) will be acquired by the Company through the transfer of the entire issued share capital of the Target Members (Group 3). Set out below are details of the Call Right Assets (Group 3):

Call Right Assets (Group 3)	Location in the PRC	Approved capacity	Approved Feed-in- Tariff rate	Equity interest
		<i>(MW)</i>	<i>(RMB)</i>	
Xiaochang Solar Farm (Phase Three)	Hubei Province	50	0.4161	wholly owned by Xinyi Xiaochang
Laohekou Solar Farm (Phase Three)	Hubei Province	100	0.4161	wholly owned by Xinze Xiangyang
Baimao Solar Farm	Anhui Province	200	0.3844	wholly owned by Xinbai Wuhu
Hainan Solar Farm	Hainan Province	300	0.4298	wholly owned by Xinyi Haikou
Total		650		

Per discussion with the Management, the construction of the Call Right Assets (Group 3) is expected to be completed or substantially completed by the Completion Date (Group 3).

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2.3 Financial information of the Target Member (Group 3)

The table below sets out certain unaudited combined financial information of the Target Members (Group 3) for the two years ended 31 December 2021 and the two months ended 28 February 2022 prepared in accordance with the general accepted accounting principles of Hong Kong:

	Year ended 31 December		Two months ended 28 February
	2020	2021	2022
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit before tax	8,063	28,136	2,649
Net profit after tax	8,063	28,272	2,304
Net profit after tax attributable to equity owners	8,063	28,272	2,304
			As at
			28 February
			2022
			<i>(HK\$'000)</i>
			<i>(unaudited)</i>
Total assets			959,700
Total liabilities			912,700
Net assets			47,000

Upon Completion (Group 3), the Company will become the holding company of the Target Members (Group 3) through acquisition of the Target Shares (Group 3) and the financial results of the Target Members (Group 3) will be consolidated into the Group's financial statements.

For the year ended 31 December 2021, the combined profit attributable to equity holders of the Target Members (Group 3) was approximately HK\$28.3 million, increased by approximately 249.4% from approximately HK\$8.1 million for the year ended 31 December 2020, such increase was mainly attributable to the increased sales of electricity from one of the Call Right Assets (Group 3), namely Hainan Solar Farm. The increased net profit contribution from Hainan Solar Farm was primarily due to the combined effect of (i) the increased grid connected capacity; and (ii) improved operating efficiency of Hainan Solar Farm.

For the two months ended 28 February 2022, the combined profit attributable to equity holders of the Target Members (Group 3) was approximately HK\$2.3 million, mainly contributed by the sales of electricity from Hainan Solar Farm.

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As at 28 February 2022, total assets of the Target Members (Group 3) were approximately HK\$959.7 million. The total assets mainly consisted of property, plant and equipment, account receivables and tax receivables.

Total liabilities of the Target Members (Group 3) were approximately HK\$912.7 million as at 28 February 2022, primarily consisted of the amount due to certain subsidiaries of Xinyi Solar and third-party suppliers to finance the construction costs of solar farms.

3. Reasons for and benefits of the Proposed Target Acquisition

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

The Solar Farm (Group 3) Agreement has been entered into for the purpose of acquiring the Call Right Assets (Group 3) by the Company pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement. Details of the Call Right Assets (Group 3) are set out in the section headed “2. Background information of the Target Member (Group 3)” above.

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

As disclosed in the 2021 Interim Report, all of the Group’s solar farm projects are located in provinces or municipality with high electricity demand in the PRC, with no experiences in any curtailment issue in electricity generation from its sole customer, namely The State Grid Corporation. The acquisition of the Call Right Assets (Group 3) would help to further increase distributions in Anhui Province, Hubei Province and Hainan 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.

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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),

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

The Call Right Price will be deducted by such amount representing the net liabilities as of the date of completion of the transaction. If the proposed acquisition of the Call Right Assets is to be conducted by way of acquisition of equity interest in a holding company of the Call Right Assets, the Call Right Price will be deducted by such amount representing the net liabilities, i.e. the amount of debt plus the estimated amount due to suppliers and other payables and plus balance of cash and receivables, of the holding company of the Call Right Assets as of the Completion Date (Group 3).

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

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

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

“Designated 12-month of Operation” shall commence from the first calendar day of the calendar month immediately after the targeted date of completion of the acquisition of the Call Right Assets. If there is any unexpected delay of more than one month to the targeted Completion Date (Group3), the parties to the Solar Farm Agreement shall discuss on the postponement of the commencement date of the Designated 12-month of Operation.

“Implied Multiple” = 7.2

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(b) Payment of the Call Right Price

Subject to mutual agreement by the parties, the Call Right Price may be payable by instalments with reference to the payment of the tariff adjustment under the Feed-in-Tariff regime (if applicable) in relation to the solar farm projects to be acquired. The exchange rate to be used for the purpose of determining the 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.

5. The Solar Farm (Group 3) Agreement

5.1 Principal terms of the Solar Farm (Group 3) Agreement

Following the exercise of the Call Option (Group 3), the primary purpose of entering the Solar Farm (Group 3) Agreement is to set forth the details of the solar farm projects to be acquired by the Company in 2022 and the conditions thereof. The Solar Farm (Group 3) Agreement was entered into pursuant to the Solar Farm Agreement and the material terms of which are not inconsistent with the Solar Farm Agreement (which has been approved at an extraordinary general meeting of Xinyi Solar held on 21 November 2018). The following sets forth the principal terms of the Solar Farm (Group 3) Agreement.

5.2 The Solar Farm (Group 3) Agreement

On 11 April 2022, the Company delivered to Xinyi Solar the Call Notice (Group 3). On 11 April 2022, the Solar Farm (Group 3) Agreement was entered into in relation to the acquisition of the Target Shares (Group 3) for the Call Right Price (Group 3).

(a) Parties

The Company, as the purchaser; and

The Vendor, as the vendor.

(b) Subject matter of the acquisition

The Company, has conditionally agreed to purchase, and the Vendor has agreed to sell, the Target Shares (Group 3), representing the entire issued share capital of the Target Company (Group 3).

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The Target Company (Group 3), which is an investment holding company and upon Completion (Group 3), will be the ultimate owner of the Call Right Assets (Group 3).

The Target Subsidiaries (Group 3), Dragon Well, Rise Trend and Shine Base, each of which is the beneficial owner of the respective interests in the Call Right Assets (Group 3) upon completion of the reorganisation as set forth in the table in the sub-section headed “2.2 The Call Right Assets (Group 3)” above.

(c) Call Right Price (Group 3)

The Call Right Price (Group 3) is determined in strict compliance with the terms of the Solar Farm Agreement and the Solar Farm (Group 3) Agreement.

As discussed with the Management, the Directors and the XYS Directors have reviewed the formula in determining the Call Right Price and confirmed that the Call Right Price for all Solar Farm would be determined according to the Second Limb.

(d) Payment terms

The Company shall pay (i) 90.0% of the Call Right Price (Group 3) on the Completion Date (Group 3); (ii) any shortfall between the Call Right Price (Group 3) (as determined under (i) above) and the Call Right Price (Group 3) (as determined on the basis of the Closing Accounts within fifteen (15) business days after the Completion Date (Group 3)); and (iii) the remaining 10.0% of the Call Right Price (Group 3) (on the basis of the Closing Accounts) within twelve (12) months after the Completion Date (Group 3).

(e) Conditions precedent

Completion of the Solar Farm (Group 3) Agreement is subject to the following conditions:

- (i) the Vendor, being the sole legal and beneficial owner of the Target Shares (Group 3), free from all encumbrances and having the capacity and power to sell the Target Shares (Group 3) free from all encumbrances;
- (ii) the reorganisation to the effect that all Target Subsidiaries (Group 3) are held by the Target Company (Group 3) has been completed;
- (iii) the Company having received a legal opinion issued by a law firm qualified to practice the laws of the PRC dated the Completion Date (Group 3) on each of the Target Subsidiaries (Group 3) established in the PRC confirming, inter alia, its corporate existence, shareholding structure and the validity of its interests in and certain operational aspects and licensing matters of the Call Right Assets (Group 3) in the form and substance satisfactory to the Company; and

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- (iv) the passing by the Independent Shareholders at the EGM of the resolution approving the Solar Farm (Group 3) Agreement and the exercise of the Call Option (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement in accordance with the provisions of the Listing Rules.

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 3) Agreement at or before 1:00 p.m. on or before the Completion Date (Group 3), then unless the Vendor and the Company agree otherwise in writing, the Completion Date (Group 3) shall be postponed to the Long-stop Date (Group 3).

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 3) Agreement at or before 1:00 p.m. on or before the Long-stop Date (Group 3), then unless the Vendor and the Company agree otherwise in writing, the Solar Farm (Group 3) Agreement shall be terminated, and neither parties to the Solar Farm (Group 3) Agreement shall have any claim or cause of action against the other, save for any antecedent breach and the return of the Call Right Price (Group 3) (to the extent paid by the Company) by the Vendor to the Company without interest within five (5) business days after termination of the Solar Farm (Group 3) Agreement.

(f) Preparation for completion

For the purpose of calculating the Call Right Price (Group 3), Xinyi Solar shall provide to the Company (i) the unaudited combined accounts of the Target Members (Group 3) (the “**Provisional Closing Accounts**”) as of the close of business on the last day of the previous month prior to the Completion Date (Group 3) on or before the Completion Date; and (ii) the unaudited combined accounts of the Target Members (Group 3) (the “**Closing Accounts**”) as of the close of business on the Completion Date (Group 3) within ten (10) business days after the Completion Date (Group 3).

As of the Latest Practicable Date, except condition (i), none of the above conditions had been satisfied.

(g) Completion Date (Group 3)

The Completion Date (Group 3) is expected to be on a business day (i) on or before 31 March 2023 or (ii) such other date as the parties to the Solar Farm (Group 3) Agreement may agree in writing, on which completion takes place, but in any event shall not be later than the first anniversary of the date of the Call Notice (Group 3).

6. Evaluation of the Consideration

6.1 Determination of the Consideration

The Consideration will be determined based on the following formula:

Consideration = Call Right Price (Group 3) - Debt - Estimated amounts due to suppliers and other payables + Cash and receivable balance

For further details, please refer to the section headed “5. Solar Farm (Group 3) Agreement”.

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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 3) Agreement.

As of the Latest Practicable Date, the Call Right Price (Group 3) had been estimated by Xinyi Solar and the Company to be approximately RMB2,563.7 million (equivalent to approximately HK\$3,154.1 million). The Call Right Price for Xiaochang Solar Farm (Phase Three), Laohekou Solar Farm (Phase Three), Baimao Solar Farm, and Hainan Solar Farm would be determined according to the Second Limb, which is based on the higher amount as determined in accordance with the predetermined formula set forth in the section headed “4. The Solar Farm Agreement”

We have obtained and reviewed the detailed calculation of the estimation of the Call Right Price (Group 3). We have discussed with the Management in respect of the basis of the calculation. We have also reviewed the latest management accounts of the Target Company (Group 3) and other information such as tariff rates approved by price bureaus or submitted by the Company to the price bureaus and published VAT rate. Based on our review, we consider that the estimated Call Right Price (Group 3) of approximately RMB2,563.7 million (equivalent to approximately HK\$3,154.1 million) has been determined in accordance with the formula set out in the Solar Farm (Group 3) Agreement.

6.2 Evaluation of the Consideration

We have conducted independent research in assessing the fairness and reasonableness of the Call Right Price (Group 3) of the Target Company (Group 3). In particular, we have considered the price of electricity of comparable transactions in respect of sale and purchase of solar farms.

In assessing the fairness and reasonableness of the Call Right Price (Group 3), we have made reference to recent comparable transactions in respect of sale and purchase of solar farms which are (i) located in the PRC; (ii) with approved capacity up to 1,000 MW in aggregate; (iii) acquired or disposed by companies listed in Hong Kong; (iv) with consideration no less than RMB500 million; (v) related to the acquisition or disposal of solar farm(s) or the majority equity interest of the entity owning the solar farm(s) at a fixed consideration; and (vi) were publicly announced during the period from 1 April 2021 and up to 31 March 2022, 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 13 comparable transactions (the “**Comparable Transactions**”) which fit the aforesaid criteria. Taking into account (i) the respective considerations for the underlying solar farm projects were referenced to, among others, the approved capacities thereof being a key component of the revenue generated from the sale of electricity of such solar farms; and (ii) the comparison of unit prices of electricity, which were computed based on the respective considerations of completed solar farm projects divided by the approved capacities thereof, we are of the view that the analysis of the unit prices of electricity of the Comparable Transactions against that of the Target Company (Group 3) as derived from the estimated Call Right Price (Group 3) of RMB2,563.7 million and the aggregated approved capacity of 650 MW are appropriate for comparison purpose. Set out in the table below is a summary of the Comparable Transactions.

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Company name	Stock code	Date of announcement	Total capacity of solar farm(s) (MW)	Consideration ^(Note 1) <i>(approximate RMB million)</i>	Unit price ^(Note 2) <i>(approximate RMB million/MW)</i>	Portion of consideration to be settled prior to and including the date of completion ^(Note 3) <i>(approximate %)</i>
Kong Sun Holdings Limited	295	25 March 2022	120	530.9	4.4	95% ^(Note 5)
Shunfeng International Clean Energy Limited	1165	3 January 2022	132	889.6	6.7	99% ^(Note 5)
Shunfeng International Clean Energy Limited	1165	1 December 2021	180	1,110.0	6.2	100% ^(Note 5)
Kong Sun Holdings Limited	295	2 November 2021	140	861.9	6.2	95% ^(Note 5)
GCL New Energy Holdings Limited	451	13 September 2021	198	903.4	4.6	100% ^(Note 5)
GCL New Energy Holdings Limited	451	30 August 2021	271	1,206.4	4.5	100% ^(Note 5)
Shunfeng International Clean Energy Limited	1165	24 August 2021	190	537.6	2.8	98% ^(Note 5)
GCL New Energy Holdings Limited	451	21 July 2021	301	1,161.8	3.9	100% ^(Note 5)
Kong Sun Holdings Limited	295	11 July 2021	209	1,624.7	7.8	94% ^(Note 5)
GCL New Energy Holdings Limited	451	25 June 2021	229	781.2	3.4	100% ^(Note 5)
GCL New Energy Holdings Limited	451	30 April 2021	183	660.4	3.6	100% ^(Note 5)
GCL New Energy Holdings Limited	451	1 April 2021	321	927.6	2.9	100% ^(Note 5)
GCL New Energy Holdings Limited	451	1 April 2021	469	1,385.3	3.0	100% ^(Note 5)
				Maximum	7.8	100%
				Minimum	2.8	94%
				Average	4.6	99%
				Median	4.4	100%
Call Right Price (Group 3)						
Target Company (Group 3)			650	2,563.7 ^(Note 4)	3.9	90%

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.

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4. Represented the estimated Call Right Price (Group 3).
5. The payment arrangement is divided into certain stages upon the satisfaction of certain conditions, which primarily include the completion of registration procedures of the transfer of the equity shares and/or delivery of such related documents and completion of ratification, but not on an actual time basis i.e. certain years following the date of the completion, for our analysis purpose, the portion as stated above represented the deemed percentage upon the Completion Date (Group 3).

As shown in the table above, the unit price of electricity of the Comparable Transactions ranged from approximately RMB2.8 million per MW to approximately RMB7.8 million per MW with an average of approximately RMB4.6 million per MW and a median of RMB4.4 million per MW. The implied unit price of electricity of the Target Company (Group 3) of approximately RMB3.9 million per MW falls within the range of the Comparable Transactions.

The Consideration to be derived from the Call Right Price (Group 3) is based on the formula of the Consideration as set out in the sub-section headed "6.1 Determination of the Consideration" above. We have reviewed the latest management accounts of the Target Company (Group 3) as at 28 February 2022, and noted that the consideration calculated based on the latest management accounts as at 28 February 2022 will be adjusted downward.

We have also considered the price-to-earnings ratio and the price-to-book ratio analysis for assessing the fairness and reasonableness of the estimated Call Right Price (Group 3). Based on our discussion with the Management and review of the management accounts for two months ended 28 February 2022, we noted that except the Hainan Solar Farm, other solar farms are still undergoing construction. Hence, such solar farms have neither generated any revenue nor profit prior to grid connection. In view of the earnings of the Target Company (Group 3) for the two months ended 28 February 2022 did not reflect the earning potential of all of the Call Right Assets (Group 3), the earnings of Target Company (Group 3) was not an appropriate measure to truly reflect the value of the Target Company (Group 3), and hence price-to-earnings ratio analysis is considered not to be appropriate.

Based on the historical financial information of the Target Company (Group 3), we noted that the construction costs of the solar farms under the Call Rights Assets (Group 3) were primarily financed by the amount due to certain subsidiaries of Xinyi Solar and third-party suppliers. The Call Right Price (Group 3) for all solar farm projects, has been estimated based on the latest budgeted costs of the Call Right Asset (Group 3). We have obtained and reviewed the formula in determining the Call Right Price and confirmed that the Call Right Price (Group 3) would be determined according to the Second Limb. The final Call Right Price (Group 3) will be adjusted by, among other things, the amount due to suppliers and other payables to derive the Consideration on their Completion Dates (Group 3). As such, the price-to-book ratio analysis as implied by the Call Right Price is considered not to be appropriate.

The Call Right Price (Group 3) represents the valuation of the Call Right Assets (Group 3), while the Consideration comprises the Call Right Price (Group 3), and adjustment with indebtedness and working capital of the Target Company (Group 3) as at the Closing Date (Group 3). Per discussion with the Management, the calculation methodology covers all situations where any of the Call Right Assets (Group 3) is still under construction or any solar farm has started electricity generation as well all the assets and liabilities of the Target Company (Group 3) as at the Closing Accounts Date. All significant assets and liabilities of the Target Company (Group 3) will be included and considered in the calculation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our discussion with the Management, the Management does not anticipate a net upward adjustment to the Consideration of Call Right Price (Group 3) as at the Closing Date (Group 3) as the Call Right Assets (Group 3) are in net liabilities according to the latest management accounts of the Target Company (Group 3) as at 28 February 2022.

As stated in the Letter from the Board, the Directors confirm that the above formula has included all significant assets and liabilities of the Target Members (Group 3). Based on our review of the management accounts of the Target Company (Group 3) as at 28 February 2022 as discussed in the sub-section headed “2.3 Financial information of the Target Company (Group 3)”, the solar farms assets, debts, amount due to suppliers and other payables and also cash and receivables were significant assets and liabilities of the Target Company (Group 3) and no other material assets and liabilities were noted.

Based on the aforesaid, we consider that the Consideration (including the Call Right Price (Group 3) 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 3) Agreement, payment of 90.0% of the Consideration shall be settled on the Completion Date and the remaining 10.0% 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 94.0% to 100.0%, with a mean and median amounted to 99.0% and 100.0% 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 close to the range of the Comparable Transactions. It is also noted that the timing on which the tranches of payment to be made after the Completion Date depends upon (i) having satisfied certain condition precedents; or (ii) the anniversary date of the completion. According to the Solar Farm (Group 3) Agreement, the remaining 10.0% of the Consideration will be paid after 12 months following Completion. The time range of 13 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 3) Agreements is fair and reasonable.

Based on above, we consider that the Solar Farm (Group 3) Agreements are on normal commercial terms and fair and reasonable.

7. Financial effects of the Proposed Target Acquisition

7.1 Revenue

Following Completion, the Target Members (Group 3) will become a direct wholly-owned subsidiary of the Company and the financial results of the Target Company (Group 3) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 2021 Results Announcement, the Group had cash and cash equivalents of approximately HK\$1,104.9 million as at 31 December 2021 and the Group's net gearing ratio (bank borrowings minus cash and cash equivalents divided by total equity) as at 31 December 2021 was 30.1%. As of the date of this Circular, the Group has unutilised banking facilities of HK\$300.0 million. The net cash inflow from operation of the Group for the year ended 31 December 2021 was approximately HK\$1,225.1 million. In addition, the Group has raised approximately HK\$780.0 million through issuing and allotting 188,400,000 new shares to investors on 28 March 2022 ("the **Subscription**"). Taking into consideration of (i) the Group had cash and cash equivalents of approximately HK\$1,104.9 million as at 31 December 2021; (ii) the Group generated net cash inflow from operating activities of approximately HK\$1,225.1 million for the year ended 31 December 2021; (iii) all of the solar farms under the Call Rights Assets (Group 3) will be substantially completed construction on the Completion Date (Group 3); (iv) the expected stable operating performance of the Group for the first half of 2022; (v) the additional funds of approximately HK\$780.0 million through the Subscription; and (vi) based on our discussion with the Management, the expected receipt of the tariff adjustment under the Feed-in-Tariff regime for the existing solar farm projects of the Group will be approximately HK\$400.0 million for the year ending 31 December 2022, the Management expect and we concur with the Management that the Group will have sufficient financial resources for the settlement of the amount of Consideration and the payment of the Consideration would not result in any material adverse impact on the working capital and gearing of the Group.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the entering into the Solar Farm (Group 3) Agreement is in the ordinary and usual course of business of the Group, the terms of the Solar Farm (Group 3) 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
Leo Chan
Managing Director

Mr. Leo Chan is a Managing Director of China Tonghai Capital Limited and is licensed under the SFO as a Responsible Officer to carry out, among others Type 6 (advising on corporate finance) regulated activity and has approximately 25 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) 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 the Shares

<u>Name of Director</u>	<u>Capacity</u>	<u>Name of the controlled corporation</u>	<u>Number of Shares held</u>	<u>Approximate percentage of the Company's issued share capital</u>
Tan Sri Datuk TUNG Ching Sai <i>P.S.M., D.M.S.M., J.P.</i>	Interest in controlled corporation ⁽¹⁾	Copark (as defined below)	29,803,255	0.408%
	Interest in controlled corporation ⁽¹⁾	Sharp Elite (as defined below)	187,687,500	2.571%
	Family interest ⁽¹⁾		14,544,041	0.199%
	Interest in person acting in concert ⁽²⁾		1,234,126,933	16.909%

Notes:

- (1) Tan Sri Datuk TUNG Ching Sai *J.P.* is the beneficial owner of the entire issued share capital of Copark Investment Limited (“**Copark**”) and Sharp Elite Holdings Limited (“**Sharp Elite**”) which in turn are the registered owner of 29,803,255 and 187,687,500 Shares respectively. Tan Sri Datuk TUNG Ching Sai *J.P.* is also deemed to be interested in the 14,544,041 Shares directly held by his spouse, Puan Sri Datin SZE Tan Hung.
- (2) Pursuant to an agreement dated 22 November 2018 and entered into by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them received at the time of listing of the Company.

(ii) *Share options of the Company*

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

(iii) *Long positions in the Shares of associated corporations*

<u>Name of Director</u>	<u>Capacity</u>	<u>Name of the associated corporation</u>	<u>Number of shares held</u>	<u>Approximate percentage in the total issued share capital of associated corporation</u>
Tan Sri Datuk TUNG Ching Sai <i>J.P.</i>	Interest in a controlled corporation ⁽²⁾	Xinyi Solar	220,919,131	2.484%
	Family interest ⁽²⁾		16,497,057	0.185%
	Interest in person acting in concert ⁽¹⁾		2,078,841,241	23.372%

Notes:

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

- (2) Tan Sri Datuk TUNG Ching Sai *J.P.* is the beneficial owner of the entire issued share capital of Copark which is the registered owner of 220,919,131 XYS Shares. Tan Sri Datuk TUNG Ching Sai *J.P.* also has deemed to be interested in 16,497,057 XYS Shares directly held by his spouse, Puan Sri Datin SZE Tan Hung.

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

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

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

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

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

3. DIRECTORS' SERVICE CONTRACTS

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

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

Interests in assets

As of the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

Interests in contracts

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

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

6. MATERIAL ADVERSE CHANGE

The Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 December 2021, 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:

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

As of the Latest Practicable Date, the expert above did not have any shareholding, directly or indirectly, in any member of the Group, nor did any of them have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

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

8. DOCUMENTS AVAILABLE ON DISPLAY

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

- (a) the Solar Farm Agreement;
- (b) the Call Notice (Group 3); and
- (c) the Solar Farm (Group 3) Agreement.

9. MISCELLANEOUS

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EGM



XINYI ENERGY HOLDINGS LIMITED

信義能源控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 03868)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of Xinyi Energy Holdings Limited (the “Company”) will be held at 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, on Thursday, 2 June 2022 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

“**THAT:**

- (a) the exercise of the Call Option (Group 3) (as defined in the circular of the Company dated 13 May 2022 (the “Circular”) of which this notice forms part) for the acquisition of the Call Right Assets (Group 3) (as defined in the Circular) pursuant to the terms and conditions of the Solar Farm Agreement (as defined in the Circular) (a copy of which has been produced to the meeting and marked “A” and initialled by the chairman of the meeting (the “Chairman”) for identification purpose), the Call Notice (Group 3) (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 3) 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 3) 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 3) (as defined in the Circular) and/or the Solar Farm (Group 3) 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, 13 May 2022

NOTICE OF EGM

Notes:

- (1) A form of proxy for the EGM to be held on Thursday, 2 June 2022 is enclosed.
- (2) Any shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more ordinary shares in the capital of the Company (the “Share(s)”) may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. A proxy need not be a member of the Company.
- (3) In order to be valid, the form of proxy completed in accordance with the instructions set forth therein, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of such power or authority) must be deposited to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM (i.e. not later than Tuesday, 31 May 2022 at 9:00 a.m. (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should the shareholder so wish.
- (4) In case of joint holders of any Share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting in person or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
- (5) The register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022, 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 transfer documents accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 27 May 2022 for such purpose.
- (6) Bad Weather Arrangements

The EGM will be held on Thursday, 2 June 2022 as scheduled regardless of whether or not an amber or red rainstorm warning signal is in force in Hong Kong at any time on that day. However, if a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 8:00 a.m. on Thursday, 2 June 2022, the EGM will be automatically postponed to a later date. The Company will post an announcement on the websites of the Hong Kong Exchanges and Clearing Limited and the Company to notify shareholders of the date, time and location of the rescheduled meeting. Shareholders should make their own decision as to whether they would attend the EGM under bad weather conditions having regard to their own situation and if they should choose to do so, they are advised to exercise care and caution.

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