THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Beijing Digital Telecom Co., Ltd.** (**北京迪信通商貿股份有限公司**), you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

迪信通
D.PHONE

北京迪信通商貿股份有限公司

Beijing Digital Telecom Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6188)

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION: FORMATION OF THE JOINT VENTURE (2) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION: SECOND SUPPLEMENTAL AGREEMENT TO THE 2024-2026 FINANCIAL SERVICES FRAMEWORK AGREEMENT (3) CONTINUING CONNECTED TRANSACTION: 2025-2027 PHOTOVOLTAIC EQUIPMENT AND COMPONENTS PURCHASE AND SALES FRAMEWORK AGREEMENT (4) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND (5) NOTICE OF THE EGM

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

Innovax Capital

Letter from the Board is set out on pages 8 to 57 of this circular. Letter from the Independent Board Committee containing its advice to the independent Shareholders is set out on pages 58 to 59 of this circular. Letter from Innovax containing its advice to the Independent Board Committee and independent Shareholders is set out on pages 60 to 127 of this circular.

A notice convening the EGM to be held at 46th Floor, South Tower, Lize SOHO, Building 1, No. 20, Lize Road, Lize Financial Business District, Fengtai District, Beijing, the PRC on Friday, 13 December 2024, at 10:00 a.m. is set out on pages 141 to 143 of this circular.

A form of proxy for use at the EGM is enclosed herewith and also published on both the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.dixintong.com). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion, signing 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.

References to dates and time in this circular are to Hong Kong dates and time.

25 November 2024

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"2022-2023 Financial Services Framework Agreement"	the framework agreement dated 18 November 2022 and entered into between the Company and Huafa Finance Company in relation to the provision of the Deposit Services and the credit services for the term from 18 November 2022 to 31 December 2023;
"2024-2026 Financial Services Framework Agreement"	the framework agreement dated 25 September 2023 and entered into between the Company and Huafa Finance Company in relation to the provision of the Deposit Services and the credit services for the term from 1 January 2024 to 31 December 2026;
"2024-2026 First Supplemental Financial Services Framework Agreement"	2024-2026 Financial Services Framework Agreement (as amended and supplemented by the First Supplemental Agreement);
"2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement"	the framework agreement dated 24 October 2024 and entered into between the Company and Beijing Shangfang in relation to the sale of the Photovoltaic Equipment for the term from 1 January 2025 to 31 December 2027;
"30%-controlled company"	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
"Amended and Restated Articles of Association"	the amended and restated Articles of Association incorporating and consolidating all the Articles Amendments, proposed to be adopted by the Company at the EGM;
"Articles Amendments"	the proposed amendments to the Articles of Association as set out on pages 52 to 54 of this circular;
"Articles of Association"	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time;
"Beijing Shangfang"	Beijing Shangfang Intelligent Clean Energy Company Limited* (北京尚方智慧清潔能源有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Zhuhai Shangfang;
"Beijing Shangfang Group"	Beijing Shangfang and its subsidiaries;

"Board"	the board of Directors;
"Company"	Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H Shares are listed on the Stock Exchange, stock code: 6188;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;
"Deposit Services"	the financial services provided by Huafa Finance Company to the Group under the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) whereby the Group maintains deposits with Huafa Finance Company;
"Digital Science & Technology"	Digital Science & Technology Group Limited* (迪信通科技集團有限公司), a limited liability company established in the PRC, which directly holds 168,362,098 Domestic Shares;
"Director(s)"	the director(s) of the Company;
"Di Er Tong"	Beijing Di Er Tong Consulting Company Limited* (北京迪爾通諮詢有限公司), a limited liability company established in the PRC;
"Domestic Share(s)"	ordinary share(s) in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB;

"EGM"	the extraordinary general meeting of the Company to be convened and held at 46th Floor, South Tower, Lize SOHO, Building 1, No. 20, Lize Road, Lize Financial Business District, Fengtai District, Beijing, the PRC on Friday, 13 December 2024 at 10:00 a.m. or any adjournment thereof (as the case may be) for the purpose of approving, among other things, (i) the Joint Venture Agreement and the transactions contemplated thereunder; (ii) the Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps; (iii) the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); and (iv) the Articles Amendments;
"Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement"	the framework agreement dated 11 March 2024 and entered into between the Company and Beijing Shangfang in relation to the sale of the Photovoltaic Equipment for the term from 22 May 2024 to 31 December 2024;
"First Supplemental Agreement"	the first supplemental agreement to the 2024-2026 Financial Services Framework Agreement entered into between the Company and Huafa Finance Company on 11 March 2024 in relation to the revision of the annual caps of the Deposit Services under the 2024-2026 Financial Services Framework Agreement;
"Group"	the Company and its subsidiaries from time to time;
"H Share(s)"	the ordinary share(s) of the Company, with a par value of RMB1.00 each, which are listed on the Stock Exchange and traded in HK$;
"H Shareholder(s)"	holders of H Shares;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Hong Kong Huafa"	Hong Kong Huafa Investment Holdings Limited（香港華發投資控股有限公司）, a company incorporated in Hong Kong with limited liability, and a subsidiary of Zhuhai Huafa and a controlling shareholder of the Company;

"Huafa Finance Company"	Zhuhai Huafa Group Finance Co., Ltd.* (珠海華發集團財務有限公司), a limited liability company established in the PRC and a subsidiary of Zhuhai Huafa;
"Huafa Technology Industry Group"	Zhuhai Huafa Technology Industry Group Co., Ltd.* (珠海華發科技產業集團有限公司)(formerly known as Zhuhai Huafa Industrial Investment Holding Co., Ltd.* (珠海華發實體產業投資控股有限公司)), a limited liability company established in the PRC, and a subsidiary of Zhuhai Huafa and a controlling shareholder of the Company;
"Huashi Zhiyuan"	Zhuhai Huashi Zhiyuan Investment Co., Ltd.* (珠海華實智遠投資有限公司), a limited liability company established in the PRC and a direct wholly-owned subsidiary of Huafa Technology Industry Group;
"Independent Board Committee"	the independent board committee of the Board, comprising all of the independent non-executive Directors, formed to advise the independent Shareholders in respect of (i) the Joint Venture Agreement and the transactions contemplated thereunder; (ii) the Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps; and (iii) the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps);
"Innovax"	Innovax Capital Limited, a corporation licensed under the SFO permitted to engage in Type 1 and Type 6 regulated activities (as defined under the SFO), being the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of (i) the Joint Venture Agreement and the transactions contemplated thereunder; (ii) the Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps; and (iii) the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps);

"Joint Venture"	a limited liability company to be jointly established in the Guangdong-Macao In-Depth Cooperation Zone in Hengqin, the PRC by the Company and Huashi Zhiyuan pursuant to the Joint Venture Agreement;
"Joint Venture Agreement"	the shareholders' agreement dated 24 October 2024 entered into between the Company and Huashi Zhiyuan in relation to the establishment of the Joint Venture;
"Latest Practicable Date"	20 November 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Liu Family"	collectively, Mr. Liu Donghai, Mr. Liu Songshan, Ms. Liu Wencui, Ms. Liu Hua, Ms. Liu Yongmei and Ms. Liu Wenli, all of whom are siblings to each other;
"NFRA"	National Financial Regulatory Administration (國家金融監督管理總局);
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC;
"Photovoltaic Equipment"	the photovoltaic equipment and components, including but not limited to photovoltaic modules, inverters, racking, distribution boxes, cables and auxiliary materials, to be sold by the Group to Beijing Shangfang Group pursuant to the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement;
"Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 1"	the framework agreement dated 6 February 2024 and entered into between the Company and Beijing Shangfang in relation to the sale of the Photovoltaic Equipment for the term from 6 February 2024 to 21 May 2024;
"PRC"	The People's Republic of China, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
"Revised Annual Caps"	collectively, the Revised Deposit Caps and the Revised Credit Caps;

"Revised Credit Caps"	the revised annual caps in respect of the credit services contemplated under the Second Supplemental Agreement to the 2024-2026 Financial Services Framework Agreement;
"Revised Deposit Caps"	the revised annual caps in respect of the Deposit Services contemplated under the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement);
"RMB"	Renminbi, the lawful currency of the PRC;
"Second Supplemental Agreement"	the second supplemental agreement to the 2024-2026 Financial Services Framework Agreement entered into between the Company and Huafa Finance Company on 24 October 2024 in relation to the increase in the existing annual caps for the Deposit Services and the credit services for the years ending 31 December 2024, 2025 and 2026 to the Revised Annual Caps;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Share(s)"	Domestic Share(s) and H Share(s);
"Shareholders"	holder(s) of the Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules;
"Zhuhai Huafa"	Zhuhai Huafa Group Company Limited*（珠海華發集團有限公司）, a state-owned enterprise owned by Zhuhai SASAC and Department of Finance of Guangdong（廣東省財政廳）as to 93.51% and 6.49%, respectively, and a controlling shareholder of the Company;
"Zhuhai SASAC"	State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government*（珠海市人民政府國有資產監督管理委員會）;

"Zhuhai Shangfang"	Zhuhai Shangfang Intelligent Clean Energy Company Limited* (珠海尚方清潔能源科技有限公司), a limited liability company established in the PRC; and
"%"	per cent.

* *For identification purposes only*

北京迪信通商貿股份有限公司

Beijing Digital Telecom Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6188)

Executive Directors:
Ms. Xu Jili *(Chairwoman)*
Ms. Xu Liping
Mr. Liu Donghai

Non-executive Directors:
Mr. Xie Hui
Mr. Jia Zhaojie
Ms. Pan Anran

Independent Non-executive Directors:
Mr. Lv Tingjie
Mr. Lv Pingbo
Mr. Cai Chun Fai

Registered Office:
Room 24603, 46th Floor
-4 to 45th Floor 101
Building 1, No. 20 Courtyard, Lize Road
Fengtai District
Beijing
the PRC

Principal Place of Business in Hong Kong:
31/F., Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

25 November 2024

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION: FORMATION OF THE JOINT VENTURE
(2) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION: SECOND SUPPLEMENTAL AGREEMENT TO THE 2024-2026 FINANCIAL SERVICES FRAMEWORK AGREEMENT
(3) CONTINUING CONNECTED TRANSACTION: 2025-2027 PHOTOVOLTAIC EQUIPMENT AND COMPONENTS PURCHASE AND SALES FRAMEWORK AGREEMENT
(4) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND
(5) NOTICE OF THE EGM

I. INTRODUCTION

The purpose of this circular is to give you a notice of the EGM, which is set out on pages 141 to 143 of this circular, and to provide you with information reasonably necessary to enable you to vote for or against certain of the resolutions to be proposed at the EGM as described below.

At the EGM, ordinary resolutions will be proposed to consider and approve (i) the Joint Venture Agreement and the transactions contemplated thereunder; (ii) the Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps; and (iii) the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). Special resolution will be proposed to consider and approve the Articles Amendments.

II. MAJOR TRANSACTION AND CONNECTED TRANSACTION: FORMATION OF THE JOINT VENTURE

Reference is made to the announcement of the Company dated 24 October 2024 in relation to, among other things, the Joint Venture Agreement entered into between the Company and Huashi Zhiyuan in relation to the formation of the Joint Venture. You should read the following information carefully when considering the resolution on the Joint Venture Agreement and the transactions contemplated thereunder.

The principal terms of the Joint Venture Agreement are as follows:

Date: 24 October 2024 (after trading hours)

Parties:

(1) the Company; and

(2) Huashi Zhiyuan

Subject matter: The parties shall establish the Joint Venture in the Guangdong-Macao In-Depth Cooperation Zone in Hengqin, the PRC.

The proposed name of the Joint Venture is Zhuhai Dixintong Green Technology Company Limited*(珠海迪信通綠色科技有限公司), subject to the registration by the market supervision and management department of the PRC.

The scope of the principal business of the Joint Venture includes investment, construction and operation of the businesses in the fields of new energy, information technology and modern agriculture, etc. Based on the business operation or development of the Joint Venture, the principal business of the Joint Venture may be adjusted after mutual agreement of the parties to the Joint Venture Agreement.

The Joint Venture represents a long-term and strategic cooperation between the Company and Huashi Zhiyuan for the investment, construction and operation of the projects primarily focused on the new energy and information technology sectors in the PRC.

As at the Latest Practicable Date, the Company and Huashi Zhiyuan are in the course of discussing the business plan for the Joint Venture, and no concrete business plan has been finalised. The implementation of such plan will be subject to various factors, such as the prevailing market conditions and regulatory landscape of the respective industries. Based on the ongoing discussions between the Company and Huashi Zhiyuan so far, it is intended that the Joint Venture will explore the opportunities to be engaged in the following nature of businesses: (i) the investment, construction, and operation of green energy power plants; and (ii) the construction, operation and market development of intelligent computing power centres. Leveraging on the Group's experience in the household photovoltaic agency and the sale of photovoltaic modules, as well as its relationship with major mobile carriers to support them with hardware in constructing intelligent computing power centres, the potential businesses of the Joint Venture will bolster the vertical expansion of its existing mobile telecommunications business and evolving new energy and photovoltaic business.

Capital contribution in the Joint Venture: Pursuant to the terms of the Joint Venture Agreement, the registered capital of the Joint Venture will be RMB3,000,000,000. The Company will contribute RMB1,530,000,000 and Huashi Zhiyuan will contribute RMB1,470,000,000 towards the registered capital of the Joint Venture. Apart from the aforesaid capital contribution, there is no requirement in the Joint Venture Agreement for the Company and Huashi Zhiyuan to make any other capital commitment (whether equity, loan or otherwise) or provide any guarantee or indemnity in respect of the formation of the Joint Venture.

The contribution of the registered capital to be made by the parties to the Joint Venture Agreement and their respective equity interest in the Joint Venture are set out as follows:

	Registered Capital Contribution *(RMB billion)*	**Equity Interest in the Joint Venture** *(%)*
the Company	1.53	51
Huashi Zhiyuan	1.47	49
	3	100

Each of the parties to the Joint Venture Agreement is required to make their respective capital contribution in cash in full no later than 31 December 2026 pursuant to the Joint Venture Agreement. Based on the discussion between the Company and Huashi Zhiyuan, it is intended that each of the Company and Huashi Zhiyuan will make their respective capital contribution in cash in full by the end of 2024.

If any of the parties to the Joint Venture Agreement fails to make the capital contribution in full by the due date under the Joint Venture Agreement, it shall pay to the Joint Venture late payment charges at the rate of 0.05% per day of the amount of the capital contribution due in addition to their respective agreed amount of capital contribution.

The capital contribution to be made by the Company and Huashi Zhiyuan was determined after arm's length negotiations between the parties, with reference to the equity interest of each party in the Joint Venture and the expected capital requirement of the Joint Venture for investment, construction and operation of the businesses in the fields of new energy, information technology and modern agriculture, etc. in the PRC.

The expected capital requirement of the Joint Venture was determined after taking into account the following factors:

(i) both the photovoltaic business and artificial intelligence and data industries would require substantial upfront investment due to their capital-intensive nature. In the field of new energy, significant capital would be required to construct and operate the green energy power plants. For the purpose of market research, the Company has, on a best effort basis, identified four companies whose shares are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, each of which is principally engaged in the new energy and photovoltaic businesses and has invested in the solar plant or photovoltaic project with a capacity of 1GW in the PRC, as publicly disclosed during the review period from 1 July 2024 to 30 September 2024. Based on the market research, the construction of a solar plant or the investment in a photovoltaic project in the PRC (each of which has a capacity of 1GW) would generally require an investment amount of at least RMB2.7 billion. In addition, in the field of information technology, the construction, operation, and management of intelligent computing power centres would require significant investment costs, including but not limited to the acquisition of the computing power equipment and ancillary telecommunication facilities, project construction cost and staff cost; and

(ii) with the heightened focus of the PRC government on the renewable energy development and the artificial intelligence and the data industries, the PRC government has implemented various government incentives and regulatory support to promote the development of such industries in the PRC. In particular, the companies with robust capital base will be in a better position to take full advantage of the favourable government policies and support. It is expected that the contribution of the registered capital to the Joint Venture pursuant to the Joint Venture Agreement is poised to empower the Joint Venture to undertake the projects encompassing the investment, construction and operation of green energy power plants and/or artificial intelligence computing power centres, which align with the national policy requirements and corporate sustainability targets of the PRC.

The Group intends to finance its capital contribution in the Joint Venture from its self-owned funds and internal resources.

Corporate governance: The Joint Venture will establish a board of directors comprising five directors (including one chairman), among which the Company will be entitled to nominate three directors and Huashi Zhiyuan will be entitled to nominate two directors. The chairman of the board of directors of the Joint Venture will be nominated by the Company. The term of office of the directors of the Joint Venture is three years and will be re-elected upon expiration of the term. The board of directors of the Joint Venture will report to its shareholders at the shareholders' meeting of the Joint Venture. The chairman of the board of directors of the Joint Venture will also act as the legal representative of the Joint Venture.

The Company will be entitled to nominate the general manager of the Joint Venture, whereas Huashi Zhiyuan will be entitled to nominate the deputy general manager of the Joint Venture. The general manager of the Joint Venture will be responsible for, among other matters, presiding over the management of the Joint Venture and implementing the resolutions of the board of directors of the Joint Venture, as well as formulating the business plan and development strategy of the Joint Venture. Huashi Zhiyuan will be entitled to nominate the person-in-charge of finance, who will be responsible for reviewing the financial plans and capital expenditure of the Joint Venture. Upon nomination, the general manager, deputy general manager and the person-in-charge of finance of the Joint Venture will then be appointed by the board of directors of the Joint Venture.

The Joint Venture will have one supervisor who will be nominated by Huashi Zhiyuan. The supervisor will be responsible for, among other matters, inspecting the finance and supervising the conduct of the directors and senior management of the Joint Venture in the performance of their duties.

In addition to the aforesaid management personnel, the Company will be entitled to nominate other management personnel to participate in the operation of the Joint Venture when it considers necessary in the light of the actual situation of the operation and development of the Joint Venture, without the consent of Huashi Zhiyuan.

The quorum for the directors' meeting of the Joint Venture shall be a majority of the directors of the Joint Venture from time to time. Unless otherwise agreed in the Joint Venture Agreement or provided for in the articles of association of the Joint Venture, the resolutions of the board of directors of the Joint Venture shall be passed by a majority of the directors of the Joint Venture, and the resolutions of the shareholders' meeting of the Joint Venture shall be passed by the shareholders of the Joint Venture representing a majority of the voting rights.

Matters requiring approval of two-thirds of directors of the Joint Venture:

The following are the matters requiring approval of two-thirds of the directors of the Joint Venture:

(a) the formulation of the proposal for the increase or reduction of the registered capital of the Joint Venture and for the issuance of corporate bond; and

(b) the formulation of the proposal for the merger, separate establishment, dissolution or change of corporate form of the Joint Venture.

Matters requiring approval of two-thirds of the voting rights of the shareholders of the Joint Venture:

The following are the matters requiring approval of two-thirds of the voting rights of the shareholders of the Joint Venture:

(a) the appointment and change of the directors and supervisor of the Joint Venture and matters related to the determination of their remuneration;

(b) the resolution in relation to the issuance of the corporate bond;

(c) the resolution in relation to the increase or reduction of the registered capital of the Joint Venture;

(d) the resolution in relation to the merger, separate establishment, dissolution, liquidation or change of corporate form of the Joint Venture, reorganisation, bankruptcy or any particular transaction which can be characterised as a trade sale or liquidation event; and

(e) the alteration of the articles of association of the Joint Venture.

Equity transfer:

If a shareholder of the Joint Venture transfers equity interest of the Joint Venture to a person other than the shareholders of the Joint Venture, the transferring shareholder shall inform the other shareholders in writing of the quantity, price, payment method and schedule of the potential equity transfer, and the other shareholders of the Joint Venture shall have the pre-emptive right under the same conditions. The non-transferring shareholders who do not respond within 30 days from receiving the written notice will be deemed to have waived their pre-emptive rights.

Profit distribution: For the distribution of the after-tax profits of a year, the Joint Venture shall set aside 10% of the profits as its statutory surplus reserve. The Joint Venture may not be required to set aside further amount for its statutory surplus reserve if the cumulative statutory surplus reserve accounts for 50% or more of the Joint Venture's registered capital. Where the statutory surplus reserve of the Joint Venture is not adequate to cover losses of previous years, the profit of a year shall be first used to cover losses before the set-aside of the aforesaid statutory surplus reserve.

The Joint Venture shall distribute all of the remaining after-tax profits of the Joint Venture for the preceding year (after coverage of the losses for the previous years and set-aside for the aforesaid statutory surplus reserve and other reserve for the working capital required for the operation of the Joint Venture within the next 12 months) to the shareholders of the Joint Venture in proportion to the contributed registered capital by 31 December of the following year.

Conditions precedent: The Joint Venture Agreement will come into effect upon satisfaction of the following conditions:

(i) the Company having obtained the approval of the Board in relation to the Joint Venture Agreement and the transactions contemplated thereunder in accordance with the Listing Rules, the articles of association of the Company and applicable laws; and

(ii) the resolution of the independent Shareholders at the EGM having been passed to approve the Joint Venture Agreement and the transactions contemplated thereunder in accordance with the Listing Rules, the articles of association of the Company and applicable laws.

As at the Latest Practicable Date, the Company has obtained the approval of the Board in relation to the Joint Venture Agreement and the transactions contemplated thereunder.

Completion: Upon establishment of the Joint Venture, the Company and Huashi Zhiyuan will hold 51% and 49% equity interest in the Joint Venture, respectively. The Joint Venture will be treated as a subsidiary of the Company, and its financial results will be consolidated into the consolidated financial statements of the Group.

As at the Latest Practicable Date, the Company and Huashi Zhiyuan have not identified any specific acquisition targets in the fields of new energy, information technology and modern agriculture, etc. in the PRC. Should any such acquisition materialise after the formation of the Joint Venture, the Company will comply with the relevant disclosure and/or approval requirements in accordance with the Listing Rules as and when appropriate.

Financial effect of the Joint Venture Agreement: The formation of the Joint Venture will not affect the earnings, assets and liabilities of the Group initially. However, upon full contribution of the registered share capital of the Joint Venture, it is expected that the total assets of the Group will be increased by RMB1,470,000,000 (being the capital contribution to be made by Huashi Zhiyuan).

Reasons and benefits for the formation of the Joint Venture: Under the strategic direction of "Realize New Retail, Strengthen 1+N, Layout New Track", the Group not only continues to develop its original business in the sales of mobile telecommunications devices and accessories but also strives to capitalize on opportunities to explore the in-depth development of the business of sales of mobile telecommunications devices and expand the offerings and presence of the new energy businesses.

In recent years, with the PRC government's heightened focus on the artificial intelligence and data industries, along with its policy to bolster new infrastructure construction and promote the integration of artificial intelligence across various industries, the Group has been actively exploring the vertical expansion of its mobile telecommunications business. The Company has accumulated significant customer channel resources within the mobile telecommunications industry and forged a long-term strategic business relationship with three major telecom operators in the PRC, namely China Mobile, China Telecom, and China Unicom. Since 2022, the Company has been expanding its business collaborations with downstream enterprises in the information technology sector. This involves selling the servers and equipment for 5G and digitalization projects to the major mobile carriers to support them to construct their computing power centres and facilities. Building upon this foundation and leveraging the comprehensive industrial chain layout of Huafa Technology Industry Group in information technology sector, the Company will explore opportunities through the Joint Venture to vertically expand its mobile telecommunications business, including the construction, operation, management, and market development of computing power centres.

Meanwhile, given the robust support of the PRC government in promoting renewable energy development, it is anticipated that the new energy and photovoltaic industry in the PRC will continue in a favourable growth trajectory in the foreseeable future. To leverage on the national policy requirements and propel the development of the Group's new energy business, the Company established the new energy business centre in the fourth quarter of 2022. The Company has built a cooperative relationship with leading household photovoltaic enterprises to conduct its photovoltaic agency business. This involves procuring customers which seek to install distributed photovoltaic power plants, arranging personnel to conduct site inspections, designing installation plans, and subsequently handing over the projects to downstream photovoltaic companies for construction and operation of the distributed photovoltaic power plants. Building upon the Group's extensive offline and online channel network for selling mobile telecommunications devices, as well as its relationship with upstream photovoltaic manufacturers and suppliers gained through its photovoltaic agency business, the Company has further expanded its photovoltaic business by venturing into the wholesale of photovoltaic equipment and components since the first half of 2024. As it deepens its involvement in the photovoltaic sector, the Group has accumulated valuable expertise and resources both upstream and downstream, thereby laying a robust foundation for the Company to vertically expand its photovoltaic business to the investment, construction, and operation of green energy power plants through the Joint Venture.

The Directors are of the view that the formation of the Joint Venture with Huashi Zhiyuan will achieve a strong alliance and generate synergistic effects through enhanced resource integration and expertise sharing between the parties. This will empower the Group to seize opportunities, better align with national policy requirements and deepen the integration between the real and digital economies, thereby optimizing the development of the Group's core business and the expansion of the new business track. This collaboration is poised to bring mutual economic benefits to both the Group and Huashi Zhiyuan. On one hand, Huafa Technology Industry Group, as the sole shareholder of Huashi Zhiyuan, has strategically positioned itself with a comprehensive industrial chain layout in the information technology and new energy sectors. In particular, Huafa Technology Industry Group has invested in various listed and unlisted companies across the entire industrial chain within the new energy and information technology sectors. In the realm of new energy and photovoltaic businesses, these investments encompass a wide range of activities such as the production and sale of raw materials and photovoltaic equipment and components, as well as the engineering, procurement, construction, operation, and maintenance of the distributed photovoltaic power plants. In the field of information technology, the companies in which Huafa Technology Industry Group has invested engage in a wide range of businesses, including research and development, production and sale of semiconductor products, chips and optical modules, and the establishment, operation, and management of 5G wireless communication base stations, as well as computing power and data centres. The experiences and resources accumulated by Huafa Technology Industry Group through these investments will enable Huashi Zhiyuan to provide substantial resource support for enhancing the Joint Venture's business development and strengthening its competitiveness and influence in these industries. On the other hand, leveraging the Group's strong sales capabilities and established offline channel network related to mobile telecommunications devices, the Group can offer substantial support for the development of the information technology and new energy business of the Joint Venture, including but not limited to market development, system installation, operation and maintenance, and user services.

In light of the reasons set out above, the Directors (including all the independent non-executive Directors) are of the view that the terms and conditions of the Joint Venture Agreement are on normal commercial terms and fair and reasonable, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

III. MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION: SECOND SUPPLEMENTAL AGREEMENT TO THE 2024-2026 FINANCIAL SERVICES FRAMEWORK AGREEMENT

References are made to (i) the announcement of the Company dated 25 September 2023 in relation to, among others, the continuing connected transaction of the Deposit Services under the 2024-2026 Financial Services Framework Agreement; (ii) the announcement of the Company dated 11 March 2024 and the circular of the Company dated 30 April 2024 in relation to, among others, the discloseable transaction and continuing connected transaction in relation to the revision of the annual caps for the Deposit Services under the 2024-2026 Financial Services Framework Agreement; and (iii) the announcement of the Company dated 24 October 2024 in relation to, among others, the Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps.

The Board has reviewed the existing continuing connected transaction of the Deposit Services (including the existing annual caps) contemplated under the 2024-2026 First Supplemental Financial Services Framework Agreement. In view of the ongoing expansion of the Group's business and operational scale, as well as the intention of the Company and Huashi Zhiyuan to have their contributed registered capital of the Joint Venture deposited into the Joint Venture's account maintained with Huafa Finance Company after its establishment for better capital management, the Board anticipates that the demand of the Group for the Deposit Services will exceed the previous projection to the effect that the existing annual caps for the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement will not be sufficient to meet the increased demand of the Group. In addition, taking into account the continued business development of the Group, Huafa Finance Company and the Group intend to increase the existing annual caps in respect of the credit limit for the credit services to be provided by Huafa Finance Company to the Group under the 2024-2026 Financial Services Framework Agreement.

Accordingly, on 24 October 2024 (after trading hours), the Company and Huafa Finance Company entered into the Second Supplemental Agreement to increase the existing annual caps for the Deposit Services and the credit services for the years ending 31 December 2024, 2025 and 2026 to the Revised Annual Caps in order to cater for the Group's increased demand for such services, facilitate the Group in the overall capital management and capture its potential business growth.

The principal terms of the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) are as follows:

Date: 24 October 2024 (after trading hours)

Parties:
(a) the Company; and

(b) Huafa Finance Company

Duration: From 1 January 2024 to 31 December 2026

Subject matter: The following are the financial services to be provided by Huafa Finance Company to the Group:

(i) the Deposit Services: provision of deposit services to the Group according to the requirements of the Group and formulation of optimal deposit portfolio for the Group, which include current deposit, time deposit, call deposit and agreement deposit, etc.

The Revised Deposit Caps for the Group's daily maximum outstanding balance of the Deposit Services (including accrued interests) in Huafa Finance Company shall be RMB3.3 billion.

(ii) the credit services: provision of credit services to the Group according to the operation and development needs of the Group, which include but not limited to working capital loans, bill acceptance and trade financing, etc.

The credit services shall be provided by Huafa Finance Company to the Group in accordance with normal commercial terms or better. No security over the assets, security over the rights or other guarantees of the Group shall be provided for the loans. None of the Group's deposit to be placed with Huafa Finance Company shall be used as the pledge to the credit services provided by Huafa Finance Company.

The highest comprehensive credit limit of the Group that may be applied on a revolving basis shall be increased from RMB3 billion to RMB5 billion.

The financial services received by the Group from Huafa Finance Company pursuant to the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) is on a non-exclusive basis, and the Group is entitled to select other financial institutions to provide the financial services at its sole discretion.

Pricing policy: In respect of the Deposit Services, the deposit interest rate provided by Huafa Finance Company to the Group shall be determined by the parties after arm's length negotiations with reference to the interest rate provided by general commercial banks within the PRC for the deposits of the same type and term but not lower than the benchmark interest rate in the same period promulgated by the PBOC for the deposits of the same type and term.

In respect of the credit services, the loan interest rate granted by Huafa Finance Company to the Group is determined by the parties after arm's length negotiations but shall not be higher than the interest rate provided by general commercial banks within the PRC for the loan of the same type and term.

Condition precedent: The Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps are conditional upon the approval by the independent Shareholders at the EGM.

In any event, prior to obtaining the approval from the independent Shareholders at the EGM, the Group shall continue to comply with the terms of the Deposit Services and its existing annual caps under the 2024-2026 First Supplemental Financial Services Framework Agreement.

Revision of annual caps:

Deposit Services

Pursuant to the Second Supplemental Agreement, conditional upon the approval by the independent Shareholders at the EGM, the existing annual caps for the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement for the years ending 31 December 2024, 2025 and 2026 will be revised to the Revised Deposit Caps as follows:

	For the year ending 31 December 2024 *(RMB millions)*	For the year ending 31 December 2025 *(RMB millions)*	For the year ending 31 December 2026 *(RMB millions)*
Deposit Services – daily maximum outstanding balance of the deposits (including any accrued interests)			
Existing annual caps	300	300	300
Revised Deposit Caps	3,300	3,300	3,300

Credit Services

As the credit services to be provided by Huafa Finance Company to the Group under the Second Supplemental Agreement to the 2024-2026 Financial Services Framework Agreement are entered into on normal commercial terms or better, fair and reasonable and no security over the assets of the Group will be provided in respect of the credit services, the credit services will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules. The Revised Credit Caps in respect of the highest comprehensive credit limit that may be applied on a revolving basis for three years ending 31 December 2024, 2025 and 2026 shall be increased from RMB3 billion to RMB5 billion. The actual credit limit that may be granted to the Group shall be subject to the approval process by Huafa Finance Company.

Historical transaction amount:

The table below sets out the historical transaction amounts of the Deposit Services (i) for the period from 18 November 2022 to 31 December 2022, (ii) for the year ended 31 December 2023, (iii) for the period from 1 January 2024 to 21 May 2024, and (iv) for the period from 22 May 2024 to the Latest Practicable Date, as well as the comparisons with the historical annual caps for the Deposit Services (i) under the 2022-2023 Financial Services Framework Agreement for the period from 18 November 2022 to 31 December 2022 and for the year ended 31 December 2023 and (ii) under the 2024-2026 Financial Services Framework Agreement for the period from 1 January 2024 to 21 May 2024, and the existing annual caps for the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement for the period from 22 May 2024 to 31 December 2024, respectively.

	Historical/Existing Annual Caps				**Historical Transaction Amounts**			
	For the period from 18 November 2022 to 31 December 2022 *(RMB millions)*	**For the year ended 31 December 2023** *(RMB millions)*	**For the period from 1 January 2024 to 21 May 2024** *(RMB millions)*	**For the period from 22 May 2024 to 31 December 2024** *(RMB millions)*	**For the period from 18 November 2022 to 31 December 2022** *(RMB millions)*	**For the year ended 31 December 2023** *(RMB millions)*	**For the period from 1 January 2024 to 21 May 2024** *(RMB millions)*	**For the period from 22 May 2024 to the Latest Practicable Date** *(RMB millions)*
Deposit Services								
Daily maximum outstanding balance of the deposits (including any accrued interests)	120	120	120	300	101.95	119.93	119.92	299.56

The actual transaction amounts for the Deposit Services (i) under the 2022-2023 Financial Services Framework Agreement for the period from 18 November 2022 to 31 December 2022 and for the year ended 31 December 2023, (ii) under the 2024-2026 Financial Services Framework Agreement for the period from 1 January 2024 to 21 May 2024, and (iii) under the 2024-2026 First Supplemental Financial Services Framework Agreement for the period from 22 May 2024 to the Latest Practicable Date did not exceed their respective annual caps.

Prior to the obtaining of the approval of the independent Shareholders at the EGM in relation to the Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps, the Group will conduct the Deposit Services in accordance with the existing terms of the 2024-2026 First Supplemental Financial Services Framework Agreement, and ensure that the actual daily maximum outstanding balance of the deposits placed by the Group with Huafa Finance Company will not exceed the existing annual caps under the 2024-2026 First Supplemental Financial Services Framework Agreement.

Basis for determining the Revised Deposit Caps:

In arriving at the Revised Deposit Caps for the Deposit Services, the Directors have taken into account the following factors:

(i) the historical daily maximum outstanding balance of the deposits (including any accrued interests) that were maintained by the Group with Huafa Finance Company and each of its principal banks;

(ii) the relatively high utilisation rates of the daily maximum balance of the deposits placed by the Group with Huafa Finance Company (including any accrued interests) for the period from 18 November 2022 to 31 December 2022, for the year ended 31 December 2023, for the period from 1 January 2024 to 21 May 2024 and for the period from 22 May 2024 to the Latest Practicable Date reached approximately 84.96%, 99.94%, 99.93% and 99.85% of the respective annual cap, respectively;

(iii) the operating cash flow, the financial and capital management requirements for the Group's working capital and operation needs and business expansion in the future. In particular, considering that the registered capital of the Joint Venture in the amount of RMB3,000,000,000 will be contributed by the Company and Huashi Zhiyuan pursuant to the Joint Venture Agreement, it is intended by the Company and Huashi Zhiyuan that the aforesaid amount will be deposited into the account of the Joint Venture maintained with Huafa Finance Company during the term of the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) for better overall capital management pending its deployment of capital. However, the Company does not expect that the entire amount of the registered capital of the Joint Venture will remain in the Joint Venture's account maintained with Huafa Finance Company during the term of the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement), and will not be utilized by 2026. The Company and Huashi Zhiyuan have not identified any specific investment targets nor formulated any concrete business plan of the Joint Venture as at the Latest Practicable Date. The timeline for implementing the business plan will primarily hinge on the prevailing market conditions, regulatory landscape and the emergence of suitable business opportunities that align with the strategic objectives and priorities of the Joint Venture. By implementing the Revised Deposit Caps for the full three-year period would enhance the flexibility of the Joint Venture to utilise the registered capital which has been deposited into the account maintained with Huafa Finance Company, given that the utilisation schedule of the registered capital of the Joint Venture for executing the business plan is still uncertain.

Once the business plan of the Joint Venture materialises, and coupled with the continuous business expansion of the Group, it is expected that the Group will have to handle an even higher volume of cash flow generated from its operations. Therefore, the existing annual caps for the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement will be insufficient to fulfil the demand of the Group for the Deposit Services. Under these circumstances, if the Revised Deposit Caps are not adopted, the Group will have to deposit the cash in excess of the aforesaid existing annual caps to other commercial banks for the provision of the Deposit Services, which will significantly reduce the overall liquidity and efficiency of the use and management of funds and increase the management cost of operating the fund, and hence the interests of the Shareholders cannot be fully enhanced.

(iv) by adopting the Revised Deposit Caps, the Group will gain increased flexibility to implement better capital management strategies in engaging Huafa Finance Company to provide the Deposit Services. The Deposit Services provided by Huafa Finance Company to the Group pursuant to the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplement Agreement) will provide an alternative to the Group to manage its funds with more favourable terms as compared to those from other commercial banks in the PRC. For instance, the Deposit Services provided by Huafa Finance Company do not necessitate a pre-determined notice period for withdrawals. This means that the Group can freely withdraw funds from the account maintained with Huafa Finance Company whenever required, which will provide greater flexibility and convenience as compared to other commercial banks in the PRC that typically require a pre-determined notice period for withdrawals. This enhanced flexibility enables the Group to deploy its capital more efficiently, allowing for the maintenance of an optimal capital structure; and

(v) based on the fact that Huafa Finance Company is supervised by the NFRA and maintains satisfactory operating results and financial position, as well as implements good risk control and standardized management to reduce potential risks.

Reasons and benefits: Huafa Finance Company is a non-bank financial institution regulated by the NFRA and is authorized to provide various financial services. The principal reasons for and the benefits of entering into the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) are as follows:

(i) in view of the continuous business expansion of the Group, as well as the plan of having the contributed registered capital of the Joint Venture deposited into the account of the Joint Venture maintained with Huafa Finance Company after its establishment for better capital management pending its deployment of capital, the Directors are of the view that the Group will substantially increase its demand for the Deposit Services provided by Huafa Finance Company. The Directors anticipate that the demand of the Group for the Deposit Services will far exceed the previous projection to the effect that the existing annual caps for the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement will not be sufficient to meet the increased demand of the Group. Accordingly, the Company entered into the Second Supplemental Agreement with Huafa Finance Company in order to cater for the Group's increased demand for such services, facilitate the Group in the overall capital management and capture its potential business growth;

(ii) the Group can use Huafa Finance Company as a medium to facilitate more efficient deployment of funds among the Company's subsidiaries;

(iii) the financial services promote capital liquidity within the Group, enhance the overall capital management and control of the Group, help monitor financial risks and allow for quick and accurate monitoring and regulation of the use of the Group's funds;

(iv) the Deposit Services form part of the Group's treasury activities to further support its operational and treasury needs, which help improve the Group's efficiency of its cash management and working capital position;

(v) the interest rates of the Deposit Services offered by Huafa Finance Company to the Group will be equal to or more favourable, on a case by case basis, than those offered to the Group by independent third parties;

(vi) the Group is expected to benefit from Huafa Finance Company's better understanding of the Group's operations, which should render more expedient and efficient financial services than other commercial banks and financial institutions in the PRC;

(vii) the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) will not preclude the Group from using the financial services offered by other financial institutions, which the Group has discretion in choosing as it thinks fit and appropriate in the interests of the Company and its Shareholders as a whole. When required, the Group will solicit quotations from commercial banks and/or other financial institutions in respect of similar transactions for comparison and consideration; and

(viii) Huafa Finance Company is regulated by the NFRA and provides financial services in accordance with and in compliance with the rules and operational requirements of the NFRA. In addition, capital risk can be prevented through the implementation of the risk control measures as stipulated in the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement).

Save for the above revisions of the existing annual caps for the Deposit Services and the credit services and the basis for determining the Revised Deposit Caps, the other principal terms of the 2024-2026 First Supplemental Financial Services Framework Agreement, including but not limited to the service scope of the financial services, the pricing policy for the credit services to be provided by Huafa Finance Company to the Group under the 2024-2026 Financial Services Framework Agreement, as well as the relevant internal control procedures and the corporate governance measures in respect of the Deposit Services and the credit services, remain unchanged.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES FOR THE 2024-2026 FIRST SUPPLEMENTAL FINANCIAL SERVICES FRAMEWORK AGREEMENT (AS AMENDED AND SUPPLEMENTED BY THE SECOND SUPPLEMENTAL AGREEMENT)

In respect of the Deposit Services, the Company has adopted the following internal control and monitoring procedures:

(i) before entering into any deposit arrangements with Huafa Finance Company, the Company will negotiate with Huafa Finance Company on an arm's length basis in respect of the deposit interest rate of the Deposit Services, and ensure that such interest rate is determined: (1) by reference to and is not lower than the benchmark interest rate then published by the PBOC for the deposits of the same term and same type and, in case of any change in the benchmark deposit interest rate, the deposit interest rate to be payable by Huafa Finance Company shall be determined by reference to and not lower than such benchmark deposit interest rate; and (2) by reference to the average deposit interest rate offered by at least three other independent domestic commercial banks in the PRC for deposit services of the same term and same type on normal commercial terms. The personnel responsible for cashier in the fund management department of the Company will be responsible for conducting market research, consulting with independent commercial banks and compiling statistics on interest rates for different types of deposits, and the fund operation unit of the fund management department of the Company will then be responsible for reviewing and determining the interest rate, which will be considered and approved by the head of the fund management department of the Company. As such, the Company will be able to ensure the deposit interest rate of the Deposit Services will not be less favourable than that published by the PBOC and the average deposit interest rate offered by three other independent domestic commercial banks in the PRC;

(ii) the fund management department of the Company will monitor the Deposit Services on a daily basis to ensure the proposed annual caps will not be exceeded;

(iii) the fund management department of the Company will report to the senior management of the Company to give an update on the deposit arrangements entered into with Huafa Finance Company on a monthly basis;

(iv) Huafa Finance Company has agreed to provide data to assist the Company in monitoring the daily deposit balance cap when necessary;

(v) in terms of the credit assessment on Huafa Finance Company, the Group will request Huafa Finance Company to provide its audited annual financial statements annually and its management accounts every three months. Also, the Group will annually request Huafa Finance Company to provide its compliance risk management reports filed by it to the NFRA, as well as regularly conduct on-site inspections and interviews with the senior management of Huafa Finance Company, in order to ensure that Huafa Finance Company is financially reliable and safe to provide the Deposit Services to the Group and the capital risk control measures can be effectively carried out by Huafa Finance Company;

(vi) the Directors (including the independent non-executive Directors) will review the transactions contemplated under the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) and their proposed annual caps each year to ensure that the transactions contemplated under the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) are conducted within the terms of the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement), on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

(vii) the independent non-executive Directors and the auditor of the Company will perform annual reviews on the pricing and annual caps of such transactions contemplated under the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement).

In respect of the credit facilities, the Company has adopted the following internal control procedures, including but not limited to locating at least four independent commercial banks in the PRC to enquire about the cost of financing prior to the utilisation of the credit services, conducting a comprehensive comparison of the favourable terms, interest rates and financing procedures offered by the independent commercial banks in the PRC during the negotiation process, in order to ascertain the optimal financing option and to ensure that the credit facilities provided by Huafa Finance Company to the Group are on normal commercial terms or better, fair and reasonable and no security over the assets of the Group will be granted in respect of the credit services.

CAPITAL RISK CONTROL MEASURES FOR THE 2024-2026 FIRST SUPPLEMENTAL FINANCIAL SERVICES FRAMEWORK AGREEMENT (AS AMENDED AND SUPPLEMENTED BY THE SECOND SUPPLEMENTAL AGREEMENT)

(i) Huafa Finance Company will ensure the safe operation of the funds management information system, all of which has passed the security test in respect of the interface of online banking of commercial banks, so as to ensure the security of the funds of the Group;

(ii) Huafa Finance Company will ensure that it operates in strict compliance with the risk monitoring indicators for financial institutions promulgated by the NFRA and that all of its major regulatory indicators, such as capital adequacy ratio, interbank borrowing ratio and liquidity ratio, will also comply with the requirements of the NFRA. To the best knowledge of the Company, as at the Latest Practicable Date, all of the major regulatory indicators of Huafa Finance Company, including its capital adequacy ratio, interbank borrowing ratio and liquidity ratio, have complied with the requirements imposed by the NFRA;

(iii) Zhuhai Huafa has undertaken to the NFRA that, in the event that Huafa Finance Company is in urgent difficulty in making payment, Zhuhai Huafa will increase capital funding accordingly based on the actual need to solve such problem; and

(iv) the capital balance of the Group exceeding the daily maximum deposit at Huafa Finance Company will be deposited into one or more commercial banks in the PRC as deposits.

By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that (i) the Deposit Services and the credit services will be conducted on normal commercial terms or better, fair and reasonable and no less favourable to the Group than those available from the independent third parties, and (ii) in respect of the credit services, no security over the assets of the Group will be granted in respect of the credit services.

Taking into account the relevant pricing policies, the basis for determining the Revised Deposit Caps, the reasons for and benefits of entering into the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement), the Company's internal control procedures and corporate governance measures as disclosed in this circular, the Directors (including the independent non-executive Directors) are of the view that the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) and the transactions contemplated thereunder (including the Revised Deposit Caps) are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IV. CONTINUING CONNECTED TRANSACTION: 2025-2027 PHOTOVOLTAIC EQUIPMENT AND COMPONENTS PURCHASE AND SALES FRAMEWORK AGREEMENT

References are made to (i) the announcement of the Company dated 11 March 2024 and the circular of the Company dated 30 April 2024 in relation to, among others, the continuing connected transaction under the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement entered into between the Company and Beijing Shangfang; and (ii) the announcement of the Company dated 24 October 2024 in relation to, among others, the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder.

As the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement will expire on 31 December 2024 and the Group expects to continue to carry on the transactions contemplated thereunder upon its expiry, on 24 October 2024 (after trading hours), the Company entered into the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement with Beijing Shangfang, pursuant to which the Group agreed to supply the Photovoltaic Equipment to Beijing Shangfang Group for a term of three years from 1 January 2025 and ending on 31 December 2027.

The principal terms of the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement are set out as follows:

Date:	24 October 2024 (after trading hours)
Parties:	(a) the Company (as supplier); and
	(b) Beijing Shangfang (as purchaser)
Term:	From 1 January 2025 to 31 December 2027
Subject matter:	Pursuant to the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, the Group agreed to purchase the Photovoltaic Equipment from independent third party suppliers and supply such Photovoltaic Equipment to Beijing Shangfang Group.

Individual sale of Photovoltaic Equipment agreements:

As the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement only sets out the framework of the sale of the Photovoltaic Equipment generally, in respect of the specific products to be sold by the Group, the relevant members of the Group shall enter into further specific sales contracts (or the orders thereunder) in respect of specific sale transaction with the relevant members of Beijing Shangfang Group to determine the type and quantity of the Photovoltaic Equipment and detailed terms and conditions on the sale of such products.

In the event of conflict between the terms of the specific sales contracts (or the orders thereunder) and the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, the terms of the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement shall prevail.

Pricing and payment terms:

As a general principle, the prices for the sale of the Photovoltaic Equipment shall be determined on normal commercial terms, negotiated on arm's length basis by both parties under the principles of justice, fairness and openness, and with reference to the prevailing market prices of the relevant Photovoltaic Equipment.

The prices for the sale of the Photovoltaic Equipment will also be determined in accordance with the following principles, including:

(i) the prices offered by the Group to Beijing Shangfang Group shall not be less than those comparable transactions that offered by the Group to independent third parties for the provision of the same or similar Photovoltaic Equipment during the same period (if any); and

(ii) both parties agree that the Group has the right to freely choose its customer. If the Group does not agree with the actual transaction price and/or related terms proposed by Beijing Shangfang Group, the Group does not have the obligation to sell the products to Beijing Shangfang Group.

In general, both parties will sign the specific sales contracts and agree on the payment period under the principles of fairness and reasonableness. The payment of the specific Photovoltaic Equipment shall be settled by Beijing Shangfang within 180 days from the date of completion of delivery of goods by the Group to Beijing Shangfang Group under the specific sales contracts (or the orders thereunder) pursuant to the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement. The amount of payment shall be based on the settlement amount set out under the specific sales contracts (or the orders thereunder).

Since the first quarter of 2024, the Group has been actively engaging with and approaching potential independent customers for the sale of Photovoltaic Equipment through various channels, including customer referrals, telephone conversations and on-site visits. Despite these efforts, as at the Latest Practicable Date, since the Company has not yet reached agreement on the terms of sales contracts with those potential independent customers, the Company has not sold the Photovoltaic Equipment to any independent third party. Given the above, the Company is not able to compare whether the credit term offered by the Group to Beijing Shangfang Group is comparable to those which have been offered to independent third parties in similar transactions.

However, the credit term offered by the Group to Beijing Shangfang Group pursuant to the 2025–2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement was determined after arm’s length negotiation by both parties, with reference to the credit term offered by the Group to the independent enterprises for the sale of mobile telecommunications device and accessories, which typically range between 30 days and 360 days from the date of completion of delivery of goods by the Group.

Despite the difference in products, the Directors are of the view that it is fair and reasonable for the Company to apply comparable credit terms, given that (i) the business model for the sale of both Photovoltaic Equipment and the mobile telecommunications device and accessories by the Group is of a similar trading business nature, wherein the Group does not manufacture the relevant products for the sale to the customers, and it primarily leverages on its robust network and expertise in sourcing high-quality products from the reputable upstream suppliers and facilitates its sale and distribution to downstream customers; and (ii) both businesses are related to bulk trading to enterprises.

The credit term offered by the Group to Beijing Shangfang in respect of the specific sales contracts (or the orders thereunder) for the sale of the Photovoltaic Equipment entered into between 22 May 2024 and 31 December 2024 will remain to be a period within 120 days from the date of signing the specific sales contracts (or the orders thereunder) pursuant to the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement. Due to the delay in the grid connection approval for the distributed photovoltaic power plants in several regions in the PRC, the approval processes have taken longer than the initial estimation at the time of entering into the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement in the first quarter of 2024. Consequently, the turnover rate within the residential photovoltaic industry has generally decelerated, leading to prolonged sales and collection cycles for residential photovoltaic businesses. Therefore, the Company and Beijing Shangfang have mutually agreed to extend the credit term offered by the Group to Beijing Shangfang Group under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement to a period within 180 days from the date of completion of delivery of goods by the Group to Beijing Shangfang Group under the specific sales contracts (or the orders thereunder). Having considered the above factors, the Directors are of the view that the aforesaid extension of the credit period in respect of the sale of the Photovoltaic Equipment to Beijing Shangfang during the term from 1 January 2025 to 31 December 2027 is fair and reasonable.

Unless otherwise agreed by both parties, Beijing Shangfang Group will pay for the delivery or other arrangement already agreed pursuant to the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement.

Pricing policy: The prices for the sale of the Photovoltaic Equipment under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement shall be determined with reference to the following factors:

(i) factors such as the cost of purchasing the Photovoltaic Equipment from the upstream suppliers and the target gross profit margin which can be represented by the formula: cost x (1 + target gross profit margin), and shall be no less favourable to the Group than the prices of the comparable transactions (if any) conducted by the Group with no less than three independent third parties during the same period.

The target gross profit margin ranging from 1% to 5% (subject to adjustment depending on market conditions) shall be determined based on arm's length negotiations between the Group and Beijing Shangfang Group and having regard to the factors including, among others, (i) the gross profit margin for the trading business of the Group which is primarily with reference to the sales of mobile telecommunications device and accessories by the Group to independent customers; and (ii) gross profit margin of the comparable transactions (if any) conducted by the Group with no less than three independent third parties during the same period.

(ii) the prices for the sale of the Photovoltaic Equipment to Beijing Shangfang Group shall not be lower than the floor prices for the relevant type of the Photovoltaic Equipment which apply unified pricing set by the Company.

The floor prices for the relevant type of the Photovoltaic Equipment set by the Company shall be determined with reference to the prevailing market prices of the relevant Photovoltaic Equipment in the PRC market based on the market research and the quotation in the open market obtained from the authoritative third-party public source in the photovoltaic industry, and shall not be lower than the cost of purchasing the Photovoltaic Equipment from the upstream suppliers.

Condition precedent: The 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are conditional upon the approval by the independent Shareholders at the EGM.

Historical transaction amount: Set out below are the historical transaction amounts for the sale of the Photovoltaic Equipment by the Group to Beijing Shangfang (i) for the period from 6 February 2024 to 21 May 2024 and (ii) for the period from 22 May 2024 to the Latest Practicable Date, as well as the comparisons with the historical caps for the sale of the Photovoltaic Equipment by the Group to Beijing Shangfang (i) for the period from 6 February 2024 to 21 May 2024 under the Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 1 and (ii) for the period from 22 May 2024 to the Latest Practicable Date under the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, respectively.

	For the period from 6 February 2024 to 21 May 2024 *(RMB millions)*	**For the period from 22 May 2024 to the Latest Practicable Date** *(RMB millions)*
Historical caps	70	3,000

	For the period from 6 February 2024 to 21 May 2024 *(RMB millions)*	**For the period from 22 May 2024 to the Latest Practicable Date** *(RMB millions)*
Historical transaction amounts	51.55	468.20

Proposed annual caps:

The proposed annual caps in respect of the fees receivable from the sale of the Photovoltaic Equipment to be provided by the Group to Beijing Shangfang Group under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement for the years ending 31 December 2025, 2026 and 2027 are set out below:

	For the year ending 31 December		
	2025	**2026**	**2027**
	(RMB millions)	*(RMB millions)*	*(RMB millions)*
Total fees for the sale of the Photovoltaic Equipment	3,000	3,000	3,000

Basis for determining the annual caps:

In considering the proposed annual caps under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, the Directors have considered a number of factors including:

(i) the historical transaction amounts for the sale of the Photovoltaic Equipment by the Group to Beijing Shangfang under the Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 1 and the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement for the period from 6 February 2024 to the Latest Practicable Date. For the period from 6 February 2024 to the Latest Practicable Date, Beijing Shangfang has placed orders with the Group in purchasing the relevant Photovoltaic Equipment with a total transaction amount of approximately RMB934 million, out of which approximately RMB519.75 million has been recognised as the income of the Group for the period from 6 February 2024 to the Latest Practicable Date. Since it would normally take time for the upstream suppliers to manufacture the relevant Photovoltaic Equipment and deliver them to the Company after accepting the Company's order, the Company has not completed the delivery of all relevant Photovoltaic Equipment to Beijing Shangfang as ordered, and hence the Company has not recognized all the fees receivable for the aforesaid sale of the relevant Photovoltaic Equipment to Beijing Shangfang as the income of the Group for the period from 6 February 2024 to the Latest Practicable Date;

(ii) based on the discussions between the Company and Beijing Shangfang, Beijing Shangfang Group will continue to expand its photovoltaic business in relation to the construction of the distributed photovoltaic power plants in several provinces of the PRC for the years between 2025 and 2027, and it is expected that the demand of Beijing Shangfang Group for the relevant Photovoltaic Equipment from the Group will continue to increase during the term of the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement;

(iii) based on the discussions between the Company and its upstream suppliers, the expected production capacity and channel of the potential upstream suppliers of the Group in relation to the supply of the relevant Photovoltaic Equipment to the Group will be sufficient to cater for the demand of Beijing Shangfang Group for the relevant Photovoltaic Equipment from the Group during the term of the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement. In particular, the Company has established a cooperative relationship with various major photovoltaic manufacturers and suppliers by entering into the framework purchase agreements related to the purchase of the Photovoltaic Equipment with a term no less than one (1) year. As such, the Group has the capacity to secure a stable source of supply for the large volume of the Photovoltaic Equipment from the major photovoltaic manufacturers and suppliers, in order to fulfil the increased demand of Beijing Shangfang Group for the Photovoltaic Equipment from the Group as contemplated under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement; and

(iv) the respective estimated average unit prices of the Photovoltaic Equipment, which have taken into account the historical transactions between the Group and Beijing Shangfang, the prevailing market prices and market trend of such products.

Based on the communication between the Company and Beijing Shangfang in relation to the development plan of Beijing Shangfang Group for 2025 to 2027, Beijing Shangfang Group will continue to expand its photovoltaic businesses in relation to the construction of the distributed photovoltaic power plants for its commercial, residential and entrepreneurial customers in several provinces of the PRC, such as Jiangsu, Anhui, Hunan, Hubei, Guangdong and Guangxi, etc. In order to facilitate the business expansion of Beijing Shangfang Group as contemplated under its development plan for 2025 to 2027, as at the Latest Practicable Date, Beijing Shangfang Group has established a team of more than 15,000 staff who are experienced in the photovoltaic industry to actively conduct business promotion and pursue business opportunities in the photovoltaic industry. Against the backdrop of robust government support and evolving landscape of the photovoltaic industry in the PRC, coupled with the guidance of a seasoned management team of Beijing Shangfang Group in the photovoltaic industry, Beijing Shangfang Group anticipates that it will continue to expand its business and operation scale of constructing distributed photovoltaic power plants and achieve a significant cumulative capacity in the coming years. Such anticipated cumulative capacity will necessitate a substantial quantity of Photovoltaic Equipment to be procured by Beijing Shangfang Group from the upstream suppliers for the construction of distributed photovoltaic power plants.

Beijing Shangfang Group's projected purchase cost of the Photovoltaic Equipment in 2025 to 2027 is based on the expected annual cumulative capacity of Beijing Shangfang Group pursuant to the development plan of Beijing Shangfang Group for 2025 to 2027, and the prevailing building cost per watt in respect of the construction of distributed photovoltaic power plants. According to the communication between the Group and Beijing Shangfang Group, and the research conducted by the Company on the information related to prevailing building cost and cost component of constructing photovoltaic power plants in the PRC from the authoritative public sources such as the China Photovoltaic Industry Association and Infolink Consulting, which is a world-leading renewables and technology research and consulting firm, it is noted that the prevailing building cost would be around RMB3 per watt, while the prevailing cost of Photovoltaic Equipment (e.g. photovoltaic modules, inverters, supports, cables and box transformers, etc.) would be around RMB2 per watt, which was multiplied by the total expected annual cumulative capacity of Beijing Shangfang Group for 2025 to 2027 to derive the total Photovoltaic Equipment cost of Beijing Shangfang Group for 2025 to 2027. As such, the proposed annual caps for the sale of Photovoltaic Equipment by the Group to Beijing Shangfang Group under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement (i.e. RMB3,000 million) represent only a portion of the total expected cost of Beijing Shangfang Group in purchasing the photovoltaic equipment from the photovoltaic manufacturers and suppliers as contemplated in its development plan of 2025 to 2027.

Based on the above, the Group and Beijing Shangfang Group have reached a final agreement on the proposed annual caps of RMB3,000 million under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, which was determined based on the alignment of both the demand of Beijing Shangfang Group in purchasing, and the capacity of the Group to deliver, the Photovoltaic Equipment.

Reasons and benefits: In line with the strategic direction of the Group in expanding the new energy business, the Company has been ramping up its efforts to develop and strengthen its presence in the new energy and photovoltaic businesses in order to capture the potential business opportunities since 2023.

With strong support from the PRC government in the new energy and photovoltaic sectors, the photovoltaic industry in the PRC is expected to maintain a favourable development trend in the foreseeable future. As a growing player in the photovoltaic power plant industry with a promising business outlook and development potential, and against the background of the growth of such industries, Beijing Shangfang Group will continue to expand the business and operation scale of the construction of photovoltaic power plants in various places in the PRC in the upcoming years, thereby resulting in a continuous increase in the procurement demand of Beijing Shangfang Group for the Photovoltaic Equipment from the Group during the term of the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement.

On the other hand, the Group has established a solid business relationship with several photovoltaic manufacturers and suppliers by entering into the framework purchase agreements for the purpose of meeting the stable and consistent demand of the Group in the procurement of the Photovoltaic Equipment. Given that the Company is a PRC state-owned company listed on the Stock Exchange and is controlled by Zhuhai Huafa, which is a large state-owned conglomerate in the PRC under the direct supervision of Zhuhai SASAC, the Company is in a position to leverage on its capability and competitiveness to source the Photovoltaic Equipment from the suppliers with a relatively more competitive price and favourable term and resell such products to Beijing Shangfang Group for supporting the increased demand of Beijing Shangfang Group in the relevant Photovoltaic Equipment.

By leveraging on the industry chain layout of Zhuhai Huafa in the new energy industry, the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement will enable the Group to further expand its business offerings and bolster revenue stream and operational performance. The ongoing collaboration between the Group and Beijing Shangfang Group is expected to generate synergies and foster mutual economic benefits and interests for both parties, thereby accelerating the Group's development strategy in the new energy and photovoltaic industry.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES FOR THE 2025-2027 PHOTOVOLTAIC EQUIPMENT AND COMPONENTS PURCHASE AND SALES FRAMEWORK AGREEMENT

The Company will adopt the below internal control procedures and corporate governance measures in relation to the transactions contemplated under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement:

(i) the business departments of the Group will be responsible for collecting the market information including the price fluctuation of each type of the Photovoltaic Equipment on a monthly basis from the authoritative third-party public source in the photovoltaic industry;

(ii) the business departments of the Group will also communicate with the customers, suppliers or trade partners through telephone conversations, emails and site visits to obtain the prices of comparable transactions during the same period and the prevailing market price at the time of a particular transaction for verification of the prevailing sales price implemented by the sales departments of the Group;

(iii) the business departments of the Group, having obtained internal approval from the Company's management, will set up a floor price for each type of Photovoltaic Equipment applying unified pricing set by the Company, which shall be determined with reference to the prevailing market price of the relevant Photovoltaic Equipment in the PRC market based on the aforesaid market research and the quotation in the open market obtained from the authoritative third-party public source in the photovoltaic industry, and shall not be lower than the cost of purchasing the Photovoltaic Equipment from the upstream suppliers;

(iv) prior to entering into any specific sales contract (or the orders thereunder) with Beijing Shangfang Group, the business departments of the Group will review the terms and ascertain the cost of purchasing the Photovoltaic Equipment from the upstream suppliers based on the framework purchase agreements (and the orders thereunder) entered into between the Group and the upstream suppliers. The business departments of the Group will also collect and review the information in relation to (i) gross profit margin for the trading business of the Group which is primarily with reference to the sales of mobile telecommunications device and accessories by the Group to independent customers during the same period; and (ii) the comparable transactions (if any) conducted by the Group with no less than three independent third parties during the same period. Taking into account the above factors, as well as based on the market research of the prevailing market price of the relevant Photovoltaic Equipment in the PRC market and the communication with Beijing Shangfang Group in relation to its acceptable price range, the business departments of the Group will then consider and determine the gross profit margin for the sale of the relevant Photovoltaic Equipment offered to Beijing Shangfang Group, which shall be subsequently reviewed and approved by the management of the Company, in order to ensure that (i) the gross profit margin set for the sale of the Photovoltaic Equipment will be comparable to those set for the trading business of the Group involving independent customers; (ii) the selling price and payment terms offered to Beijing Shangfang Group in respect of the sale of the relevant Photovoltaic Equipment to Beijing Shangfang Group shall be no less favourable to the Group than those offered to the independent customers; and (iii) the selling price of the Photovoltaic Equipment offered to Beijing Shangfang Group will not be lower than the floor price for each type of Photovoltaic Equipment set by the Company;

(v) the business departments of the Group will review the sales of the Photovoltaic Equipment of the Group based on the floor price and report to the management of the Company on a monthly basis;

(vi) the finance department of the relevant members of the Group is responsible for monitoring the fees for respective transactions contemplated under each of the specific sales contracts (or the orders thereunder) under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement to ensure that they are in accordance with the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the proposed annual caps thereof are not exceeded. In addition, the finance department of the Company will also conduct overall review on a monthly basis. Where the finance department of the relevant members of the Group is aware of any potential non-compliance with the pricing policies or that the proposed annual caps will be exceeded, the finance department of the relevant members of the Group will escalate the relevant matter to the senior management of the Company, who will co-ordinate at the Group level to take remedial actions, and ensure that the basis of proposed annual caps is followed and the proposed annual caps are not exceeded; and

(vii) the independent non-executive Directors and the auditor of the Company will conduct annual review on the transactions contemplated under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and provide their view to the Board.

By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that any fees to be agreed pursuant to the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement will be on normal commercial terms, fair and reasonable and no less favourable to the Group than those available from independent third parties.

Taking into account the relevant pricing policies, the basis for determining the proposed caps, the reasons for and benefits of entering into the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, the Company's internal control procedures and corporate governance measures as disclosed in this circular, the Directors (including the independent non-executive Directors) are of the view that the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

V. INFORMATION OF THE PARTIES

The Group

The Company is a joint stock limited company established in the PRC on 31 May 2001. The principal business activity of the Group is the sales of mobile telecommunications devices and accessories and the provision of related services.

Huashi Zhiyuan

Huashi Zhiyuan is a limited liability company established in the PRC. Huashi Zhiyuan is an investment holding company directly and wholly owned by Huafa Technology Industry Group. Huafa Technology Industry Group is mainly engaged in investment and asset management. Huafa Technology Industry Group has invested in various listed and unlisted companies with an industrial layout focused on the new energy, information technology, semiconductor, medical and healthcare, artificial intelligence and smart home businesses. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, Huafa Technology Industry Group is directly owned as to approximately 88.46% by Zhuhai Huafa, approximately 3.30% by the local asset management company established in Shaanxi province in the PRC and approximately 1.65% by each of the four financial asset investment companies and one limited partnership fund established in the PRC.

Zhuhai Huafa

Zhuhai Huafa is a state-owned conglomerate based in Zhuhai and is owned by Zhuhai SASAC and Department of Finance of Guangdong Province (廣東省財政廳) as to 93.51% and 6.49%, respectively. Zhuhai Huafa, through its subsidiaries, is principally engaged in four core business sectors of urban operations, real estate development, financial industry, and industrial investment, as well as two comprehensive supplementary businesses of commerce and trade services and modern services.

Huafa Finance Company

Huafa Finance Company is a limited liability company established in the PRC and a subsidiary of Zhuhai Huafa. Huafa Finance Company is a non-bank financial institution regulated by the NFRA, and the scope of its operations mainly includes the handling of deposits, loans, settlements and other related businesses, as well as the provision of consulting and agency business, such as financial and financing consulting, credit verification services, etc. The ultimate beneficial owner of Huafa Finance Company is Zhuhai Huafa.

Beijing Shangfang

Beijing Shangfang is a limited liability company established in the PRC, which is principally engaged in the development, survey, design, construction and operation of the distributed photovoltaic power plants. Beijing Shangfang is a wholly-owned subsidiary of Zhuhai Shangfang, and to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the ultimate beneficial owner of Beijing Shangfang is Mr. Jin Xin (金鑫)("**Jin Xin**"), who (i) is the legal representative and general manager of Zhuhai Shangfang, responsible for its overall business and management; (ii) indirectly owns 51% equity interest in Zhuhai Shangfang through his majority-controlled companies; and (iii) is the general partner of Hefei Yunshun Technology Partnership (Limited Partnership)* (合肥允舜科技合夥企業(有限合夥))("**Hefei Yunshun**") and holds 1% partnership interest in Hefei Yunshun, which in turn owns 9% equity interest in Zhuhai Shangfang. As at the Latest Practicable Date, Ms. Zhou Yi (周毅), the spouse of Jin Xin, holds approximately 87.89% partnership interest in Hefei Yunshun.

In addition, Zhuhai Huajin Alpha VI Equity Investment Fund Partnership (Limited Partnership)* (珠海華金阿爾法六號股權投資基金合夥企業(有限合夥))("**Huajin Alpha**") directly holds 30% equity interest in Zhuhai Shangfang. Huajin Alpha is owned as to approximately 99.97% partnership interest by Huafa Technology Industry Group and as to approximately 0.03% partnership interest by Zhuhai Huaying Investment Company Limited* (珠海鏵盈投資有限公司)("**Zhuhai Huaying**"). Zhuhai Huaying is the general partner of Huajin Alpha and is a wholly-owned subsidiary of Zhuhai Huajin Capital Co., Ltd.* (珠海華金資本股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000532.SZ), which is controlled by Huafa Technology Industry Group (being a subsidiary of Zhuhai Huafa).

VI. LISTING RULES IMPLICATION

As at the Latest Practicable Date, Huafa Technology Industry Group (and any parties acting in concert with it) and Hong Kong Huafa jointly hold, control or direct approximately 74.99% of the total number of issued Shares, and both Huafa Technology Industry Group and Hong Kong Huafa are subsidiaries of Zhuhai Huafa. Accordingly, each of Zhuhai Huafa, Huafa Technology Industry Group and Hong Kong Huafa is a controlling shareholder and a connected person of the Company. Huashi Zhiyuan, being a subsidiary of Huafa Technology Industry Group, is a connected person of the Company. Huafa Finance Company, being a subsidiary of Zhuhai Huafa, is also a connected person of the Company. Beijing Shangfang, being a 30%-controlled company indirectly held by Zhuhai Huafa, is an associate of Zhuhai Huafa and hence a connected person of the Company. As such, the transactions contemplated under the Joint Venture Agreement constitute connected transactions of the Company, and the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) and the transactions contemplated under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Joint Venture Agreement exceeds 100%, the transactions contemplated under the Joint Venture Agreement constitute a major transaction (as it does not involve an acquisition or disposal of assets) and a non-exempt connected transaction of the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

In respect of the Deposit Services to be provided by Huafa Finance Company to the Group, as the highest applicable percentage ratio in respect of the Revised Deposit Caps for the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) is more than 5%, the Deposit Services constitute a non-exempt continuing connected transaction of the Company, and are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as the highest applicable percentage ratio in respect of the Revised Deposit Caps for the Deposit Services under the 2024-2026 Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) exceeds 100%, the Deposit Services constitute a major transaction of the Company (as the Deposit Services do not involve an acquisition or disposal of assets) and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In respect of the Revised Credit Caps for the credit services under the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement), as the credit services to be provided by Huafa Finance Company to the Group are entered into on normal commercial terms or better, fair and reasonable and no security over the assets of the Group will be provided in respect of the credit services, the credit services constitute financial assistance to be provided by a connected person for the benefit of the Group under the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps for the sale of the Photovoltaic Equipment under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement exceed 5%, the transactions contemplated under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VII. DIRECTORS' INTEREST IN THE ABOVE TRANSACTIONS

Each of the Directors, namely Ms. Xu Jili, Ms. Xu Liping, Mr. Xie Hui, Mr. Jia Zhaojie and Ms. Pan Anran holds positions in Zhuhai Huafa and/or its subsidiaries, and Mr. Liu Donghai, a Director, shall act in accordance with the will of Huafa Technology Industry Group pursuant to a concert party agreement dated 8 April 2024, and therefore the above Directors are deemed to be materially interested in the Joint Venture Agreement, the Second Supplemental Agreement and the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, and they have abstained from voting at the Board meeting for approving the transactions contemplated under the Joint Venture Agreement, the Second Supplemental Agreement (including the Revised Deposit Caps) and the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement (including the proposed annual caps). Save as disclosed above, none of the Directors has any material interest in the Joint Venture Agreement, the Second Supplemental Agreement and the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement that would require them to abstain from voting at the Board meeting for approving the transactions contemplated under the Joint Venture Agreement, the Second Supplemental Agreement and the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement.

VIII. APPROVAL OF INDEPENDENT SHAREHOLDERS

Given that (i) the Joint Venture Agreement and the transactions contemplated thereunder; (ii) the Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps; and (iii) the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are subject to independent Shareholders' approval, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lv Tingjie, Mr. Lv Pingbo and Mr. Cai Chun Fai, has been established to advise the independent Shareholders in respect of the above transactions. Innovax has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of the aforesaid transactions. Details of Innovax's advice and the principal factors and reasons taken into account by it in arriving at its advice and recommendations are set out in the "Letter from Innovax" on pages 60 to 127 of this circular.

Pursuant to the concert party agreement dated 8 April 2024 entered into between Huafa Technology Industry Group, Digital Science & Technology and Mr. Liu Donghai, Digital Science & Technology and Mr. Liu Donghai shall take concerted action with and shall act in accordance with the will of Huafa Technology Industry Group in relation to any Shares that Digital Science & Technology and/or Mr. Liu Donghai hold directly or indirectly, for the matters of, among others, exercising the voting rights in the meetings of the Board and the general meetings of the Shareholders during the term of the concert party agreement. In view of the material interest held by Zhuhai Huafa in the Joint Venture Agreement, the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) and the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, Huafa Technology Industry Group (and any parties acting in concert with it) and Hong Kong Huafa, both being the subsidiaries of Zhuhai Huafa, jointly hold, control or direct approximately 74.99% of the total number of issued Shares in aggregate as at the Latest Practicable Date, and they are required to abstain from voting on the resolutions proposed at the EGM for approving (i) the Joint Venture Agreement and the transactions contemplated thereunder; (ii) the Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps; and (iii) the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

As at the Latest Practicable Date, save for the above, to the best of the Director's knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has a material interest in the aforesaid resolutions to be proposed at the EGM and will be required to abstain from voting at the EGM.

IX. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 24 October 2024 in relation to the proposed amendments to the Articles of Association.

Pursuant to the Guidelines on Articles of Association of Listed Companies (《上市公司章程指引》) issued by the China Securities Regulatory Commission and other applicable laws and regulations of the PRC, the Board proposed to amend the existing Articles of Association and to adopt the Amended and Restated Articles of Association in substitution for, and to the exclusion of, the existing Articles of Association, in order to (i) bring the Articles of Association in line with the relevant requirements of the applicable laws and regulations of the PRC; (ii) align its business scope under the Articles of Association with those set out in its existing business license; and (iii) make some other housekeeping changes.

Details of the Articles Amendments are set out below (deleted texts are presented in strikethrough and additional texts are presented in underline):

Before Amendments	**After Amendments**
Newly added	Article 12 The Company shall establish an organization of the Communist Party to carry out the activities of the Party in accordance with the requirements under the Constitution of the Communist Party of China. The Company shall provide necessary conditions for the activities organized by the Party.
Article 13 The business scope of the Company is subject to the scope approved by the company registration authority.	Article ~~13~~14 The business scope of the Company is subject to the scope approved by the company registration authority.

Scope of business: wholesale and retail of telecommunications devices and equipment, electronic products, metal materials, office equipment, computers and peripherals, software and ancillary equipment, labour protection gears, office supplies, instruments, daily necessities, household appliances, kitchen appliances, domestic appliances, timepieces, bags and suitcases, garment, shoes and hats, lighting equipment (with no physical store operation), gifts, cosmetics, infant products, toys, musical instruments, category-1, category-2 and category-3 medical equipment, healthcare products and food, computer installed, computer accessories, networking products, photographic and video recorders, digital accessories, stationery and consumables, stylistic devices, learning books, health and hygiene products, fabric bags and luggage, grocery food products, office furniture, tool equipment, hardware and decoration, building materials, automobile accessories; mobile phone repair services; technology consultancy, technical services, technology development and technology transfer, technology exchange and technology promotion; import and export of goods and technology; software development; solar power generation technology services; photovoltaic equipment and components sales; photovoltaic power generation equipment leasing: mechanical and electrical equipment sales; electronic special equipment sales; electronic special material sales; power electronic components sales; photoelectronic device sales: battery sales: new energy power equipment sales: transportation cargo packaging services; carbon emission reduction, carbon conversion, carbon capture, carbon sequestration technology research and development; environmental protection specialized equipment sales; installation, maintenance and testing of power transmission, supply and receiving facilities.	Scope of business:~~wholesale and retail of~~ general items: telecommunications devices~~and equipment,~~ sales; mobile telecommunications devices sales; electronic~~products,~~ products sales; metal materials~~,~~ sales; office equipment~~, computers and peripherals, software~~ sales; retail of computer hardware, software and ancillary equipment; wholesale of computer hardware, software and ancillary equipment; sales of labour protection gears; sales of~~,~~ office supplies; sales of intelligent~~,~~ instruments~~,~~ ~~daily necessities~~ and meters; sales of electrical instruments and meters; sales of daily necessities and general merchandise; sales of household appliances~~, kitchen appliances, domestic appliances,~~; retail of household electrical appliances; sales of timepieces; sales of~~,~~ bags and suitcases, garment; retail of garment and apparel; wholesale of garment and apparel; retail of shoes and hats; sales of~~,~~ lighting equipment~~(with no physical store operation)~~; sales of lighting appliance; sales of~~,~~ gifts and flowers; retail of~~,~~ cosmetics~~, infant products, toys,~~; wholesale of cosmetics; sales of infant products; sales of toys; retail of musical instruments; sales of category 1 medical equipment; sales of category 2~~, category-1, category-2 and category-3 medical equipment, healthcare products and food, computer installed, computer accessories, networking products, photographic and video recorders, digital accessories~~ medical equipment; sales of cameras and devices; sales of teaching models and teaching aids; wholesale of stationery~~and consumables, stylistic devices~~ supplies; retail of sporting goods and devices;~~learning books, health and hygiene products, fabric bags and luggage, grocery food products, office furniture~~ wholesale of sporting goods and devices; retail of medical masks; sales of daily masks (non-medical): sales of disinfectants (excluding dangerous chemicals); sales of needlework and textiles; retail of edible agricultural products; wholesale of edible agricultural products;

	sales of furniture; sales of metal tools; retail of hardware; sales of building decorative materials~~, building materials~~; sales of automotive decorative goods~~; mobile phone repair services~~; telecommunications devices repair; technology~~ consultancy, technical~~ services, technology development, technology ~~transfer~~ consultancy, technology exchange, technology transfer, and technology promotion; import and export of goods and technology; software development; solar power generation technology services; photovoltaic equipment and components sales; photovoltaic power generation equipment leasing~~.~~; mechanical and electrical equipment sales; electronic special equipment sales; electronic special material sales; power electronic components sales; photoelectronic device sales~~.~~; battery sales: new energy power equipment sales: transportation cargo packaging services; ~~carbon emission reduction, carbon conversion, carbon capture, carbon sequestration technology research and development;~~ environmental protection specialized equipment sales. (Except for items which are subject to approval by law, business activities are carried out independently by law per the business licence) permitted items: Type III medical device business; food sales; publication retailing; installation, maintenance and testing of power transmission, supply and receiving facilities. (For items that are subject to approval by law, carrying out of business activities is subject to approval by relevant authorities, and specific business items are subject to the approval documents or permits issued by relevant authorities) (the business activities prohibited and restricted by the national and local industry policies shall not be permitted)
The Company may change its business scope and amend these Articles of Association in accordance with law upon registration of change with company registration authority and with the approval of shareholders at the Shareholders' Meeting.	The Company may change its business scope and amend these Articles of Association in accordance with law upon registration of change with company registration authority and with the approval of shareholders at the Shareholders' Meeting.

Save for the Articles Amendments as set out above, other provisions in the existing Articles of Association remain unchanged. Save as disclosed in this circular, if the serial numbering of the articles of the Articles of the Association is changed due to the addition of the aforesaid article, the serial numbering of the articles of the Articles of Association as so amended shall be changed accordingly, including references.

Shareholders and potential investors are advised that the Amended and Restated Articles of Association are prepared in both English and Chinese versions. The English translation of the Amended and Restated Articles of Association is for reference only. In case of any inconsistency between these two versions, the Chinese version shall prevail.

The Company has been advised by its legal advisers that the Articles Amendments are not inconsistent with the requirements of the Listing Rules and the laws of the PRC respectively. The Company also confirms that there is nothing unusual about the Articles Amendments for a company listed on the Stock Exchange.

The Board proposed to put forward to the Shareholders at the EGM a special resolution to approve the Articles Amendments and to adopt the Amended and Restated Articles of Association in the form to be tabled at the EGM in substitution for, and to the exclusion of, the existing Articles of Association.

X. EGM

The notice of the EGM to be held at 46th Floor, South Tower, Lize SOHO, Building 1, No. 20, Lize Road, Lize Financial Business District, Fengtai District, Beijing, the PRC on Friday, 13 December 2024, at 10:00 a.m. is set out on pages 141 to 143 of this circular.

In order to determine the eligibility of Shareholders to attend and vote at the EGM, the Company's register of H Shareholders will be closed from Tuesday, 10 December 2024 to Friday, 13 December 2024 (both days inclusive). Shareholders who intend to attend and vote at the EGM shall lodge all the transfer documents together with the relevant share certificates with the Company's H 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 holders of H Shares) or the registered office of the Company (for holders of Domestic Shares) no later than 4:30 p.m. on Monday, 9 December 2024.

A form of proxy for use at the EGM is enclosed herewith and also published on both the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.dixintong.com). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion, signing 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.

XI. VOTING BY 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 EGM will therefore demand a poll for every resolution at the EGM pursuant to the articles of association of the Company. An announcement on the poll vote results will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.dixintong.com), respectively, by the Company after the EGM in the manner prescribed under the Listing Rules.

XII. 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

XIII. RECOMMENDATION

The Board is of the opinion that (i) the formation of the Joint Venture, although not in the ordinary and usual course of business of the Group, is conducted on normal commercial terms, and the terms of the Joint Venture Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps are conducted in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are conducted in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, the Board is of the opinion that the Articles Amendments and the adoption of the Amended and Restated Articles of Association are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favour of the relevant resolutions to be proposed at the EGM as set out in the notice of the EGM.

XIV. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Beijing Digital Telecom Co., Ltd.
XU Jili
Chairwoman

迪信通
D.PHONE
北京迪信通商貿股份有限公司
Beijing Digital Telecom Co., Ltd.
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6188)

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION: FORMATION OF THE JOINT VENTURE; (2) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION: SECOND SUPPLEMENTAL AGREEMENT TO THE 2024-2026 FINANCIAL SERVICES FRAMEWORK AGREEMENT; AND (3) CONTINUING CONNECTED TRANSACTION: 2025-2027 PHOTOVOLTAIC EQUIPMENT AND COMPONENTS PURCHASE AND SALES FRAMEWORK AGREEMENT

25 November 2024

To the independent Shareholders

Dear Sir or Madam,

We refer to the circular dated 25 November 2024 of the Company to all Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the independent Shareholders on (i) whether the Joint Venture Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) whether Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps are conducted in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) whether the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are conducted in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Innovax has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders on the same issues.

Having considered the information set out in the Letter from the Board as well as the Letter from Innovax in the Circular, we are of the view that (i) given that the potential scope of businesses of the Joint Venture will bolster the vertical expansion of its existing mobile telecommunications business and evolving new energy and photovoltaic business, the formation of the Joint Venture, although not in the ordinary and usual course of business of the Group, is conducted on normal commercial terms, and the terms of the Joint Venture Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps are conducted in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are conducted in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to respectively approve (i) the Joint Venture Agreement and the transactions contemplated thereunder; (ii) the Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps; and (iii) the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Lv Tingjie	**Mr. Lv Pingbo**	**Mr. Cai Chun Fai**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the full text of a letter of advice from Innovax to the Independent Board Committee and the independent Shareholders in respect of the Connected Transaction and the Continuing Connected Transactions, which have been prepared for the purpose of inclusion in this circular.

Innovax Capital

25 November 2024

To: The Independent Board Committee and the independent Shareholders of
Beijing Digital Telecom Co., Ltd.

Dear Sir/Madam,

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION: FORMATION OF JOINT VENTURE;
(2) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION: SECOND SUPPLEMENTAL AGREEMENT TO THE 2024-2026 FINANCIAL SERVICES FRAMEWORK AGREEMENT; AND
(3) CONTINUING CONNECTED TRANSACTION: 2025-2027 PHOTOVOLTAIC EQUIPMENT AND COMPONENTS PURCHASE AND SALES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the independent Shareholders in respect of the Joint Venture Agreement and the transaction contemplated thereunder (the "**Connected Transaction**"), the Second Supplemental Agreement and the transactions for the Deposit Services contemplated thereunder (including the Revised Deposit Caps), the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) (the "**Continuing Connected Transactions**"), details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 25 November 2024 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 24 October 2024, the Company entered into the Joint Venture Agreement with Huashi Zhiyuan, pursuant to which the parties agreed to establish the Joint Venture to carry out the businesses in the fields of new energy, information technology and modern agriculture, etc primarily in the PRC.

References are made to (i) the announcement of the Company dated 25 September 2023 in relation to, among others, the continuing connected transaction of the Deposit Services under the 2024-2026 Financial Services Framework Agreement; and (ii) the announcement of the Company dated 11 March 2024 and the circular dated 30 April 2024 in relation to, among others, the First Supplemental Financial Services Framework Agreement to revise the existing annual caps and continuing connected transaction of the Deposit Services contemplated under the 2024-2026 Financial Services Framework Agreement. The Board anticipates that the demand of the Group for the Deposit Services will exceed the previous projection to the effect that the existing annual caps for the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement will not be sufficient to meet the increased demand of the Group. Accordingly, on 24 October 2024, the Company and Huafa Finance Company entered into the Second Supplemental Agreement to increase the annual caps for the Deposit Services for the years ending 31 December 2024, 2025 and 2026 to the Revised Deposit Caps in order to cater for the Group's increased demand for such services and facilitate the Group in the overall capital management and capture its potential business growth.

References are made to the announcement of the Company dated 11 March 2024 and the circular of the Company dated 30 April 2024 in relation to, among others, the continuing connected transaction under the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement entered into between the Company and Beijing Shangfang. As the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement will expire on 31 December 2024 and the Group expects to continue to carry on the transactions contemplated thereunder upon its expiry, on 24 October 2024, the Company entered into the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement with Beijing Shangfang, pursuant to which the Group agreed to supply the Photovoltaic Equipment to Beijing Shangfang Group for a term of three years from 1 January 2025 and ending on 31 December 2027.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Huafa Technology Industry Group (and any parties acting in concert with it) and Hong Kong Huafa jointly hold, control or direct approximately 74.99% of the total number of issued Shares, and both Huafa Technology Industry Group and Hong Kong Huafa are subsidiaries of Zhuhai Huafa. Accordingly, each of Zhuhai Huafa, Huafa Technology Industry Group and Hong Kong Huafa is a controlling shareholder and a connected person of the Company. Huashi Zhiyuan, being a subsidiary of Huafa Technology Industry Group, is a connected person of the Company. Huafa Finance Company, being a subsidiary of Zhuhai Huafa, is also a connected person of the Company. Beijing Shangfang, being a 30%-controlled company indirectly held by Zhuhai Huafa, is an associate of Zhuhai Huafa and hence a connected person of the Company. As such, the transaction contemplated under the Joint Venture Agreement constitutes a connected transaction of the Company, and the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement (as supplemented by the

Second Supplemental Agreement) and the transactions contemplated under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Joint Venture Agreement exceeds 100%, the transaction contemplated under the Joint Venture Agreement constitutes a major transaction (as it does not involve an acquisition or disposal of assets) and a non-exempt connected transaction of the Company, and are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

In respect of the Deposit Services to be provided by Huafa Finance Company to the Group, as the highest applicable percentage ratio in respect of the Revised Deposit Caps for the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) is more than 5%, the Deposit Services constitute non-exempt continuing connected transactions of the Company, and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps for the sale of the Photovoltaic Equipment under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement exceed 5%, the transactions contemplated under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement constitute non-exempt continuing connected transactions of the Company and is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors (namely Mr. Lv Tingjie, Mr. Lv Pingbo and Mr. Cai Chun Fai) has been established to advise the independent Shareholders on whether the Connected Transaction is conducted in the ordinary and usual course of business of the Group on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole and the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Company, and the terms thereof are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Innovax Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, Zhuhai Huafa, Huashi Zhiyuan, Huafa Finance Company, Beijing Shangfang or any other parties that could reasonably be regarded as relevant in assessing our independence. In the previous two years from the date of the Circular, save for this appointment and our appointment as the independent financial adviser for (i) the revision of existing annual caps under the 2024-2026 Financial Services Framework Agreement (as supplemented by the First Supplemental Agreement) with Huafa Finance Company; and (ii) the continuing connected transactions in respect of the photovoltaic equipment and components purchase and sales framework agreement no.2 with Beijing Shangfang, details of which are set out in the Circular dated 30 April 2024, we have not acted as an independent financial adviser to the Independent Board Committee and the independent Shareholders of the Company for other transactions. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the independent Shareholders, we have reviewed, amongst other things, (i) the annual report of the Company for the year ended 31 December 2022 (the "**2022 Annual Report**"); (ii) the annual report of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**"); and (iii) the interim report of the Company for the six months ended 30 June 2024 (the "**2024 Interim Report**").

We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management (for which they are solely and wholly responsible), were true and accurate at the time they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. The Directors have confirmed to us that no material facts have been withheld or omitted from the information provided, representations made or opinions expressed. We have no reason to suspect that any material facts or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Directors and the Management. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group.

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

This letter is issued for the information of the Independent Board Committee and the independent Shareholders solely in connection with their consideration of the Connected Transaction and the Continuing Connected Transactions. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the independent Shareholders, we have taken the following principal factors and reasons into consideration:

1. Background information of the Group

1.1 Principal activities of the Group

The Company is a joint stock company with limited liability established in the PRC on 31 May 2001. Since its establishment, the Company has been focusing on the sales of mobile telecommunications terminals and the provision of related services. As at 30 June 2024, the Group had more than 650 independently operated outlets and franchised outlets in 20 provinces and 4 municipalities over China. With its extensive offline sales channels and online sales platform, the Group provides a range of integrated services to consumers, ranging from the sales of mobile phone hardware and accessories, provision of value-added services for software, and provision of personalised services for mobile phones and after-sales services. According to the 2024 Interim Report, to better adapt to the development environment of the retail industry under the new situation at home and abroad, the Group has steadily improved the strategies for "strengthening new retails" and "firming up 1+N" and "deploying new track", actively launched new retail business and diversified merchandise sales business through multi-channel operation system and multi-dimensional service model, so as to consolidate market competitiveness and brand influence. The new energy business is strongly positioned and developing rapidly. Household photovoltaic ("**PV**") business has now made a breakthrough in Dai County, Shanxi Province and promoted the replication of the model, and has been gradually landed in Jiangsu, Hubei and other provinces. The Management advised that the Company collaborates with leading PV manufacturers and service providers and concentrates on expanding channels for household photovoltaic systems across various regions. Their role involves supporting the growth of solar systems and extending the distribution network for collaboration partners, thereby enhancing their market penetration and reach. The Group's revenue generated from the photovoltaic segment represented less than 1% of its total revenue during the six months ended 30 June 2024.

1.2 Historical financial performance of the Group

Set out below is the summary of the consolidated financial information of the Group as extracted from the 2023 Annual Report and the 2024 Interim Report.

	For the year ended 31 December		**For the six months ended 30 June**	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	(unaudited)
Revenue	13,507,537	17,145,992	9,149,602	9,535,821
Gross profit	637,432	781,351	348,145	334,270
(Loss) for the year/period	(279,145)	(666,025)	(32,911)	(29,077)
(Loss) attributable to owners of the parent	(275,579)	(630,045)	(26,436)	(29,267)

*For the year ended 31 December 2023 ("**FY2023**") and 31 December 2022 ("**FY2022**")*

In 2023, after the easing of COVID-19 pandemic control measures, the Company proactively seized market opportunities and strived to expand its business. Several major business operations of the Company gradually recovered and returned to normal. The Group's operating revenue for FY2023 therefore increased by approximately 26.9% from RMB13.5 billion for FY2022 to RMB17.1 billion for FY2023. According to the 2023 Annual Report, the increase in revenue was mainly due to the significant increase in revenue from the wholesale business which the Group sold mobile telecommunication devices and accessories to mobile carriers and other third-party retailers. The Group's revenue from provision of online and offline sales and marketing services and other service fee income also recorded substantial growth by 51.3%, which was mainly attributable to the Company's channel advantages and full utilization of the synergy of resources within the Group.

The net loss for the Group amounted to approximately RMB666.0 million for FY2023, representing a significant increase of loss by approximately 138.6% from approximately RMB279.1 million for FY2022, which was primarily due to the increase in impairment losses on financial assets (including trade receivables and other receivables). By excluding the impact of the impairment losses on financial assets, the Group has indeed achieved a turnaround with a net profit amounting to RMB43.3 million for FY2023. Such improvement was attributable to (i) the increase in revenue as mentioned above; and (ii) the increase in other income and gains due to interest income and the reversal of accrued litigation liabilities in 2023.

*For the six months ended 30 June 2024 ("**1H2024**") and 30 June 2023 ("**1H2023**")*

In 1H2024, the Group recorded growth in operating revenue from approximately RMB9.1 billion in 1H2023 to approximately RMB9.5 billion, which was primarily driven by retail sales of mobile telecommunication devices and accessories from both independent stores and livestreaming business as the economy gradually recovered and other service fee income, which was attributable to the significant growth in revenue from the government and enterprise business (including the collaboration with PV enterprises aforementioned in the new energy business) during the period based on the Company's channel advantages. Such growth was partially offset by the decrease in wholesales of mobile telecommunications devices and accessories, service income from mobile carriers, revenue from provision of online and offline sales and marketing services and sales of automobiles. Despite the growth in revenue, gross profit and gross profit margin dropped slightly.

The net loss for the Group amounted to approximately RMB29.1 million in 1H2024, an approximately 11.6% decrease from approximately RMB32.9 million which was attributable to the increase in other income and gains driven by the gain on fair value changes and decrease in selling and distribution expenses, administrative expenses and impairment losses on financial assets. However, finance costs increased due to increase in the amount of borrowings.

2. Joint Venture Agreement

2.1 Information of Huashi Zhiyuan

Huashi Zhiyuan is a limited liability company established in the PRC. Huashi Zhiyuan is an investment holding company directly and wholly owned by Huafa Technology Industry Group. Huafa Technology Industry Group is mainly engaged in investment and asset management. Huafa Technology Industry Group has invested in various listed and unlisted companies with an industrial layout focused on the new energy, information technology, semiconductor, medical and healthcare, artificial intelligence and smart home businesses. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, Huafa Technology Industry Group is directly owned as to approximately 88.46% by Zhuhai Huafa, approximately 3.30% by the local asset management company established in Shaanxi province in the PRC and approximately 1.65% by each of the four financial asset investment companies and one limited partnership fund established in the PRC.

2.2 Reasons for and benefits of entering into the Joint Venture Agreement

Under the strategic direction of ''Realize New Retail, Strengthen 1+N, Layout New Track'', the Group not only continues to develop its original business in the sales of mobile telecommunications devices and accessories but also strives to capitalize on opportunities to explore the in-depth development of the business of sales of mobile telecommunications devices and expand the offerings and presence of the new energy businesses.

In recent years, with the PRC government's heightened focus on artificial intelligence and the data industry, along with its policy to bolster new infrastructure construction and promote the integration of artificial intelligence across various industries, the Group has been actively exploring the vertical expansion of its mobile telecommunications business. The Company has accumulated significant customer channel resources within the mobile telecommunications industry and forged a long-term strategic business relationship with three major telecom operators in the PRC, namely China Mobile, China Telecom, and China Unicom. Since 2022, the Company has been expanding its business collaborations with downstream enterprises in the information technology sector. This involves selling the servers and equipment for 5G and digitalization projects to the major mobile carriers to support them to construct their computing power centres and facilities. Building upon this foundation and leveraging the comprehensive industrial chain layout of Huafa Technology Industry Group in information technology sector, the Company will explore opportunities through the joint venture to vertically expand its mobile telecommunication business, including the construction, operation, management, and market development of computing power centres.

Meanwhile, given the robust support of the PRC government in promoting renewable energy development, it is anticipated that the new energy and photovoltaic industry in the PRC will continue in a favourable growth trajectory in the foreseeable future. To leverage on the national policy requirements and propel the development of the Group's new energy business, the Company established the new energy business centre in the fourth quarter of 2022. The Company has built a cooperative relationship with leading household photovoltaic enterprises to conduct its photovoltaic agency business. This involves procuring customers which seek to install distributed photovoltaic power plants, arranging personnel to conduct site inspections, designing installation plans, and subsequently handing over the projects to downstream photovoltaic companies for construction and operation of the distributed photovoltaic power plants. Building upon the Group's extensive offline and online channel network for selling mobile telecommunications devices, as well as its relationship with upstream photovoltaic manufacturers and suppliers gained through its photovoltaic agency business, the Company has further expanded its photovoltaic business by venturing into the wholesale of photovoltaic equipment and components since the first half of 2024. As it deepens its involvement in the photovoltaic sector, the Group has accumulated valuable expertise and resources both upstream and downstream, thereby laying a robust foundation for the Company to vertically expand its photovoltaic business to the investment, construction, and operation of green energy power plants through the Joint Venture.

The Directors are of the view that the formation of the Joint Venture with Huashi Zhiyuan will achieve a strong alliance and generate synergistic effects through enhanced resource integration and expertise sharing between the parties. This will empower the Group to seize opportunities, better align with national policy requirements and deepen the integration between the real and digital economies, thereby optimizing the development of the Group's core business and the expansion of the new business track. This collaboration is poised to bring mutual economic benefits to both the Group and Huashi Zhiyuan. On one hand, Huafa Technology Industry Group, as the sole shareholder of Huashi Zhiyuan, has strategically positioned itself with a comprehensive industrial chain layout in information technology and the new energy sectors. In particular, Huafa Technology Industry Group has invested in various listed and unlisted companies across the entire industrial chain within the new energy and information technology sectors. In the realm of new energy and photovoltaic businesses, these investments encompass a wide range of activities such as the production and sale of raw materials and photovoltaic equipment and components, as well as the engineering, procurement, construction, operation, and maintenance of the distributed photovoltaic power plants. In the field of information technology, the companies in which Huafa Technology Industry Group has invested engage in a wide range of businesses, including research and development, production and sale of semiconductor products, chips and optical modules, and the establishment, operation, and management of 5G wireless communication base stations, as well as computing power and data centres. The experiences and resources accumulated by

Huafa Technology Industry Group through these investments will enable Huashi Zhiyuan to provide substantial resource support for enhancing the Joint Venture's business development and strengthening its competitiveness and influence in these industries. On the other hand, leveraging the Group's strong sales capabilities and established offline channel network related to mobile telecommunications devices, the Group can offer substantial support for the development of the information technology and new energy business of the Joint Venture, including but not limited to market development, system installation, operation and maintenance, and user services.

In light of the reasons set out above, the Directors (including all the independent non-executive Directors) are of the view that the terms and conditions of the Joint Venture Agreement are on normal commercial terms and fair and reasonable, and the transaction contemplated thereunder is in the interests of the Company and the Shareholders as a whole.

Based on our discussions with the Company and market research, we understand that intelligent computing power centres are advanced facilities specifically engineered to provide high-performance computing capabilities essential for processing and analyzing large volumes of data. These centres are equipped with state-of-the-art computing infrastructure, AI technologies, and powerful data processing tools, serving as critical hubs that support AI applications, big data analytics, machine learning, and other computationally intensive tasks. In industries like telecommunications, intelligent computing power centres play a key role in efficiently managing extensive data flows. They enable organizations to enhance decision-making processes and optimize operational efficiencies.

In assessing the reasonableness and benefits of the Connected Transaction, we have discussed with the Management and considered the followings:

(i) Strategic Alignment with Group's Objectives

In order to strengthen the 1+N business model and enhance its business output, the Group has continuously sought opportunities to expand into new high-potential sectors. Since 2022, the Group has strategically positioned itself to not only focus on its core 3C business but also diversify into emerging industries. The Joint Venture with Huashi Zhiyuan represents a critical step in this strategic direction, enabling the Group to efficiently enter and penetrate into both the information technology infrastructure and data services industry and the new energy market. Based on our discussion with the Management, through this partnership, the Group aims to tap into and capitalize on opportunities in the information technology infrastructure and data services industry by leveraging its existing relationships with telecommunications carriers and downstream enterprises. Simultaneously, the Group will gain access to Huafa Technology Industry Group's comprehensive value chain in the new energy sector, including investment, construction, and operation of green energy power plants, particularly distributed photovoltaic power plants, modern agriculture, and energy storage. This allows the Group to mitigate the risks of establishing new businesses independently, leveraging the knowledge and resources of Huashi Zhiyuan and Huafa Technology Industry Group and accelerating its growth across these industries.

(ii) Synergy and Complementary Strengths

The Joint Venture is strategically positioned to leverage the Group's strong sales capabilities, its established relationships with government bodies and key enterprises such as mobile carriers, and its extensive offline distribution network across the PRC. These assets, when combined with Huafa Technology Industry Group's comprehensive value chain in artificial intelligence, data, new energy, and the photovoltaic sectors, create a powerful synergy. This collaboration is pivotal to driving the success of the Joint Venture and achieving its strategic objectives.

Regarding the potential contribution from the Group, its work in information technology since 2022 has focused on partnerships with downstream companies, especially mobile carriers, to supply servers and other equipment for their computing power centres. This has given the Group valuable experience in understanding the technical requirements and operational demands of these facilities. As the Group moves towards constructing, operating, and maintaining intelligent computing power centres, the strong connections to mobile carriers and downstream enterprises together with the experience with sourcing and setting up equipment will be instrumental. It provides a strong foundation, allowing the Joint Venture to smoothly expand into full-scale center management and operations, helping it meet its goals in the information technology infrastructure and data services.

Furthermore, the Group's expansive offline channel network with more than 650 independently operated outlets and franchised outlets in 20 provinces and 4 municipalities across China will play a vital role in the distributed commercial and residential photovoltaic power plants segment for the Joint Venture. The Management advised that it will provide clients with the opportunity to learn about photovoltaic systems, discuss the construction, system installation, operation and maintenance of the PV systems, and complete the necessary paperwork with customers. Additionally, this network serves as a platform for advertising and cross-selling to the Group's retail customers.

While the Group has expanded into new energy and IT infrastructure through PV sales and intelligent computing support, the Joint Venture's broader scope, including sectors such as power plant ownership, operation and maintenance, construction and operation of intelligent computing power centres, and modern agriculture, represents a vertical extension of its existing business. Although this falls outside the Group's ordinary and usual course of business, these sectors are rich in potential and benefit from strong government support. We believe that this strategic expansion aligns with the Group's long-term growth objectives and is in the best interests of shareholders as a whole.

As to Huafa Technology Industry Group, its strategic investments in various companies across the photovoltaic new energy and information technology sectors contribute to a comprehensive value chain by establishing a diverse and interconnected network of resources and expertise.

In the information technology field, Huafa Technology Industry Group's investments encompass companies involved in chip development, data center communication architecture, smart IoT sensors and controls and etc. These partnerships enable Huafa Technology Industry Group to leverage cutting-edge technology and innovative solutions, ensuring alignment with the growing demands for data processing and digital infrastructure.

Similarly, in the photovoltaic sector, Huafa Technology Industry Group has invested in companies that provide critical products, including silicon materials, wafers, solar cells, modules, inverters, and services related to the engineering, procurement, and construction of distributed photovoltaic systems and maintenance and modern agriculture. This extensive portfolio covers key stages of the photovoltaic value chain, from raw material supply to manufacturing and installation. By holding stakes in these essential areas, Huafa Technology Industry Group gains insights into industry trends and technological advancements, enhancing its operations and strategic decisions.

Huafa Technology Industry Group's investments in both the photovoltaic and information technology sectors form a robust network that positions the company as a valuable joint venture partner. Its comprehensive value chain allows for collaboration across multiple facets of the energy and technology sectors, facilitating synergies that drive innovation, efficiency, and market competitiveness. This strategic alignment not only enhances the Joint Venture capabilities in entering new markets but also provides valuable resources and knowledge to develop and operate intelligent computing power centres and advanced photovoltaic projects effectively.

By combining the strength of the Group with Huafa Technology Industry Group's strategic investments in both the information technology and photovoltaic sectors, the Joint Venture is uniquely positioned to capitalize on emerging opportunities in these high-growth industries.

(iii) Strategic and Financial Impact

The establishment of the Joint Venture is a pivotal step in achieving the Group's ultimate strategic objective of building and growing its market presence in both the information technology infrastructure and data services and the new energy industry. This expansion is expected to not only broaden the Group's customer base but also enhance its revenue streams and profitability. The combined strengths of the Group and Huafa Technology Industry Group create a strong foundation for sustainable growth and long-term success in the emerging sectors.

Given the above, we concur with the view of the Board that the entering into the Joint Venture Agreement is in the interests of the Company and Shareholders as a whole.

2.3 Principal terms of the Joint Venture Agreement

The principal terms of the Joint Venture Agreement are as follows:

Date:	24 October 2024 (after trading hours)
Parties	(1) The Company; and (2) Huashi Zhiyuan
Subject matter:	The parties shall establish the Joint Venture in the Guangdong Macao In-depth Cooperation Zone in Hengqin, the PRC. The scope of the principal business of the Joint Venture includes investment, construction and operation of the businesses in the fields of new energy, information technology and modern agriculture, etc. Based on the business operation or development of the Joint Venture, the principal business of the Joint Venture may be adjusted after mutual agreement of the parties to the Joint Venture Agreement. The Joint Venture represents a long-term and strategic cooperation between the Company and Huashi Zhiyuan for the investment, construction and operation of the projects primarily focused on the new energy and information technology sectors in the PRC.

As at the Latest Practicable Date, the Company and Huashi Zhiyuan are in the course of discussing the business plan for the Joint Venture, and no concrete business plan has been finalised. The implementation of such plan will be subject to various factors such as the prevailing market conditions and regulatory landscape of the respective industries. Based on the ongoing discussions between the Company and Huashi Zhiyuan so far, it is intended that the Joint Venture will explore the opportunities to be engaged in the following nature of businesses: (i) the investment, construction, and operation of green energy power plants; and (ii) the construction, operation and market development of intelligent computing power centres. Leveraging on the Group's experience in the household photovoltaic agency and the sale of photovoltaic modules, as well as its relationship with major mobile carriers to support them with hardware in constructing intelligent computing power centres, the potential businesses of the Joint Venture will bolster the vertical expansion of its existing mobile telecommunications business and evolving new energy and photovoltaic business.

Capital Contribution in the Joint Venture: Pursuant to the terms of the Joint Venture Agreement, the registered capital of the Joint Venture will be RMB3,000,000,000. The Company will contribute RMB1,530,000,000 and Huashi Zhiyuan will contribute RMB1,470,000,000 towards the registered capital of the Joint Venture. Apart from the aforesaid capital contribution, there is no requirement in the Joint Venture Agreement for the Company and Huashi Zhiyuan to make any other capital commitment (whether equity, loan or otherwise) or provide any guarantee or indemnity in respect of the formation of the Joint Venture.

The contribution of the registered capital to be made by the parties to the Joint Venture Agreement and their respective equity interest in the Joint Venture are set out as follows:

	Registered Capital Contribution *(RMB billion)*	**Equity Interest in the Joint Venture** *(%)*
The Company	1.53	51.00
Huashi Zhiyuan	1.47	49.00
	3.00	100.00

Each of the parties to the Joint Venture Agreement is required to make their respective capital contribution in cash in full no later than 31 December 2026 pursuant to the Joint Venture Agreement. Based on the discussion between the Company and Huashi Zhiyuan, it is intended that each of the Company and Huashi Zhiyuan will make their respective capital contribution in cash in full by the end of 2024.

If any of the parties to the Joint Venture Agreement fails to make the capital contribution in full by the due date under the Joint Venture Agreement, it shall pay to the Joint Venture late payment charges at the rate of 0.05% per day of the amount of the capital contribution due in addition to their respective agreed amount of capital contribution.

The capital contribution to be made by the Company and Huashi Zhiyuan was determined after arm's length negotiations between the parties, with reference to the equity interest of each party in the Joint Venture and the expected capital requirement of the Joint Venture for the investment, construction and operation of the businesses in the fields of new energy, information technology and modern agriculture, etc in the PRC.

The expected capital requirement of the Joint Venture was determined after taking into account the following factors:

(i) both the photovoltaic business and artificial intelligence and data industries would require substantial upfront investment due to their capital-intensive nature. In the field of new energy, significant capital would be required to construct and operate the green energy power plants. For the purpose of market research, the Company has, on a best effort basis, identified four companies whose shares are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, each of which is principally engaged in the new energy and photovoltaic businesses and has invested in the solar plant or photovoltaic project with a capacity of 1GW in the PRC, as publicly disclosed during the review period from 1 July 2024 to 30 September 2024. Based on the market research, the construction of a solar plant or the investment of a photovoltaic project in the PRC (each of which has a capacity of 1GW) would generally require an investment amount of at least RMB2.7 billion. In addition, in the field of information technology, the construction, operation, and management of intelligent computing power centres would require significant investment costs, including but not limited to the acquisition of the computing power equipment and ancillary telecommunication facilities, project construction cost and staff cost; and

(ii) With the heightened focus of the PRC government in the renewable energy development and artificial intelligence and the data industry, the PRC government has implemented various government incentives and regulatory support to promote the development of such industries in the PRC. In particular, the companies with robust capital base will be in a better position to take full advantage of the favourable government policies and support. It is expected that the contribution of the registered capital to the Joint Venture pursuant to the Joint Venture Agreement is poised to empower the Joint Venture to undertake the projects encompassing the investment, construction and operation of green energy power plants and/ or artificial intelligence computing power centres, which align with the national policy requirements and corporate sustainability targets of the PRC.

The Group intends to finance its capital contribution in the Joint Venture from its self-owned funds and internal resources.

Corporate governance: The Joint Venture will establish a board of directors comprising five directors (including one chairman), among which, the Company will be entitled to nominate three directors and Huashi Zhiyuan will be entitled to nominate two directors. The chairman of the board of the directors of the Joint Venture will be nominated by the Company. The term of office of the directors of the Joint Venture is three years and will be re-elected upon expiration of the term. The board of directors of the Joint Venture will report to its shareholders at the shareholders' meeting of the Joint Venture. The chairman of the board of directors of the Joint Venture will also act as the legal representative of the Joint Venture.

The Company will be entitled to nominate the general manager of the Joint Venture, whereas Huashi Zhiyuan will be entitled to nominate the deputy general manager of the Joint Venture. The general manager of the Joint Venture will be responsible for, among other matters, presiding over the management of the Joint Venture and implementing the resolutions of the board of directors of the Joint Venture, as well as formulating the business plan and development strategy of the Joint Venture. Huashi Zhiyuan will be entitled to nominate the person-in-charge of finance, who will be responsible for reviewing the financial plans and capital expenditure of the Joint Venture. Upon nomination, the general manager, deputy general manager and the person-in-charge of finance of the Joint Venture will then be appointed by the board of directors of the Joint Venture.

The Joint Venture will have one supervisor who will be nominated by Huashi Zhiyuan. The supervisor will be responsible for, among other matters, inspecting the finance and supervising the conduct of the directors and senior management of the Joint Venture in the performance of their duties.

In addition to the aforesaid management personnel, the Company will be entitled to nominate other management personnel to participate in the operation of the Joint Venture when it considers necessary in the light of the actual situation of the operation and development of the Joint Venture, without the consent of Huashi Zhiyuan.

The quorum for the directors' meeting of the Joint Venture shall be a majority of the directors of the Joint Venture from time to time. Unless otherwise agreed in the Joint Venture Agreement or provided for in the articles of association of the Joint Venture, the resolutions of the board of directors of the Joint Venture shall be passed by a majority of the Directors of the Joint Venture, and the resolutions of the shareholders' meeting of the Joint Venture shall be passed by the shareholders of the Joint Venture representing a majority of the voting rights.

Equity transfer: If a shareholder of the Joint Venture transfers equity interest of the Joint Venture to a person other than the shareholders of the Joint Venture, the transferring shareholder shall inform the other shareholders in writing of the quantity, price, payment method and schedule of the potential equity transfer, and the other shareholders of the Joint Venture shall have the pre-emptive right under the same conditions. The non-transferring shareholders who do not respond within 30 days from receiving the written notice will be deemed to have waived their pre-emptive rights.

Profit distribution: For the distribution of the after-tax profits of a year, the Joint Venture shall set aside 10% of the profits as its statutory surplus reserve. The Joint Venture may not be required to set aside further amount for its statutory surplus reserve if the cumulative statutory surplus reserve accounts for 50% or more of the Joint Venture's registered capital. Where the statutory surplus reserve of the Joint Venture is not adequate to cover losses of previous years, the profit of a year shall be first used to cover losses before the set-aside of the aforesaid statutory surplus reserve.

The Joint Venture shall distribute all of the remaining after-tax profits of the Joint Venture for the preceding year (after coverage of the losses for the previous years and set-aside for the aforesaid statutory surplus reserve and other reserve for the working capital required for the operation of the Joint Venture within the next 12 months) to the shareholders of the Joint Venture in proportion to the contributed registered capital by 31 December of the following year.

2.3.1 Analysis on capital contribution in the Joint Venture

Pursuant to the Joint Venture Agreement, the registered capital of the Joint Venture Company will be RMB3.0 billion upon Completion, which shall be contributed in proportion by the shareholders of the Joint Venture in accordance with their respective equity shareholding in the Joint Venture, i.e. RMB1.53 billion by the Company based on its 51.0% equity interest in the Joint Venture and RMB1.47 billion by Huashi Zhiyuan based on its 49.0% equity interest in the Joint Venture.

According to the letter from the Board, the capital contribution to be made by the Company and Huashi Zhiyuan was determined after arm's length negotiations, with reference to the equity interest of each party in the Joint Venture and the expected capital requirement of the Joint Venture for the investment, construction and operation of the businesses in the fields of new energy, information technology and modern agriculture, etc in the PRC.

In evaluating the total capital contribution, discussions with Management revealed that, as of the Latest Practicable Date, neither the Company nor Huashi Zhiyuan has pinpointed specific target companies, assets, or businesses for acquisition by the Joint Venture. This investment will be directed toward the construction and operation of projects within the new energy, information technology, and modern agriculture, etc sectors in the PRC.

Furthermore, we were advised by the Management that the businesses in the fields of modern agriculture and information technology are increasingly centered on the integration of information technology infrastructure and data services. These industries are well-positioned to utilize AI technologies to improve efficiency, productivity, and decision-making processes. For instance, AI applications in modern agriculture are revolutionizing traditional farming practices by facilitating precision agriculture, optimizing resource management, and enhancing crop monitoring through advanced data analytics. Similarly, data-driven services leveraging AI algorithms can refine user experiences, streamline operations, and empower businesses to make informed strategic decisions based on real-time data insights.

In assessing the reasonableness of the Joint Venture's capital commitment of RMB3.0 billion, we have considered the following factors:

(i) High initial capital requirements

Both the information technology infrastructure and data services industry, as well as the new energy sector, require substantial upfront investment due to their capital-intensive nature. Initial investments are typically directed toward research and development (R&D), team formation, and market research. However, the most significant costs typically arise from the procurement of hardware, which forms the backbone of this industry.

For example, various listed companies in Hong Kong and the PRC are investing heavily in the establishment of intelligent power centres. China Bester Group Telecom Co., Ltd (Stock code: 603220.SH), a company engaging in the planning, design, construction, maintenance, and optimization of communications network for telecom operators in China, announced plans in August 2024 to invest another RMB850 million to build another intelligent computing center in Hefei, among which RMB743 million was allocated for purchasing servers and network equipment. Beijing Energy International Holding Co., Ltd. (Stock code: 686.HK), a company engaging in the investment, development, operation, and management of power plants and other clean energy projects in the China, Australia, and Vietnam, allocated RMB 916 million for the procurement of equipment and technical services related to its AI public computing platform in the PRC in October 2023. These cases clearly illustrate the capital-intensive nature of the industry, particularly with regard to hardware investments, which are essential for building the infrastructure needed to support high-performance computing and data services.

Further, in conducting desktop research, we also found that significant capital is necessary to develop solar plants in the renewable energy sector. For instance, TBEA Co., Ltd. (600089.SH) announced in August 2024 the construction of a 1GW solar plant in Xinjiang, China, with an investment of RMB 3.5 billion. Similarly, Tianyuan Environmental Protection (301127.SZ) announced in August 2024 that its subsidiary had signed an investment cooperation agreement for a 1GW PV project, with a total investment of approximately RMB 3.02 billion.

Additionally, as PV production scales up, the need for energy storage systems increases to stabilize the grid and store excess solar power. Large-scale battery storage systems are becoming a growing component of PV project costs. In response, the Chinese government raised its target for national battery storage capacity from 30 GW to 40 GW by 2025, signaling the need for billions of RMB in additional investment to meet these goals. This further underscore the capital-intensive nature of the PV sector as both renewable energy production and storage become critical to the country's energy transition efforts.

Given the capital-intensive demands of both the information technology infrastructure and data and new energy sectors, the RMB 3.0 billion commitment realistically allows the Group to undertake only a few large-scale projects. The substantial costs of photovoltaic development and IT infrastructure limit the number of feasible projects within this budget, emphasizing the need for a focused allocation of resources.

(ii) Government Support and Policy Alignment

The Chinese government has been highly supportive of the information technology infrastructure and data services, as well as the new energy sector, creating favorable conditions for companies to thrive with large-scale investments.

In information technology infrastructure and data services, the New Generation AI Development Plan (2017) sets a clear vision for China to become a global leader in AI by 2030, with projected investments totaling RMB 1 trillion. The focus is on breakthrough technologies, R&D, talent development, and establishing AI innovation centres. By 2025, the AI industry is expected to contribute RMB 1 trillion to China's economy. Additionally, guidelines from the Ministry of Industry and Information Technology (MIIT) in 2022 promote the integration of AI with traditional industries, with local governments offering tax breaks, R&D funding, and other incentives to support AI adoption. The explosive growth of artificial intelligence (AI) necessitates a significant trend towards the establishment of intelligent computing power centres as a leading force in data center construction. According to Action Plan for the High-Quality Development of Computing Power Infrastructure (《算力基礎設施高品質發展行動計畫》), it is projected that by 2025, the share of intelligent computing power in China's overall computing capacity will reach 35%, with an annual compound growth rate exceeding 30%.

Similar, in renewable energy, the Chinese government has set ambitious targets for renewable energy capacity, particularly in the solar sector. In June 2022, China released the 14th Five-Year Plan ("**FYP**") on Renewable Energy Development (2021-2025), a comprehensive blueprint for further accelerating China's renewable energy expansion. The plan targets a 50% increase in renewable energy generation (from 2.2 trillion kWh in 2020 to 3.3 trillion kWh in 2025), establishes a 2025 renewable electricity consumption share of 33 % (up from 28.8% in 2020), and directs that 50% of China's incremental electricity and energy consumption shall come from renewables over the period 2021-2025. This is further reinforced by China's carbon neutrality goal by 2060, driving large-scale PV projects to reduce reliance on fossil fuels.

Given these extensive government incentives, spanning regulatory support, financial subsidies, and direct investment, companies with substantial capital are uniquely positioned to take full advantage of these policies. Large-scale investments enable the Joint Venture to strategically invest in high-impact computing power projects, establish computing power centres, and pursue R&D efforts that align with China's national goals. In the renewable energy sector, sufficient capital allows for the construction of solar power plants and energy storage systems, which are crucial for meeting both national and corporate sustainability targets.

In conclusion, aligning the Joint Venture's strategies with government policies in both information technology infrastructure and data services and renewable energy ensures reduced barriers to entry and accelerated growth. A robust capital base will enable the Joint Venture to penetrate these markets quickly and take full advantage of the favorable policy landscape.

Based on the above and having considered, in particular, that (i) the equity contributions to be made by the Company and Huashi Zhiyuan are proportionate to their equity interests; (ii) the industries are capital intensive; and (iii) the market demand and opportunities arising from development and regulatory support of the information technology infrastructure and data services and new energy industry in the PRC, we consider that the contribution to be made by the respective equity holders of the Joint Venture in respect of the total capital commitment is fair and reasonable.

2.3.2 Analysis on corporate governance and profit distribution

As stated in the letter from the Board, the Joint Venture will establish a board of directors comprising five directors (including one chairman), among which, the Company will be entitled to nominate three directors and Huashi Zhiyuan will be entitled to nominate two directors. The chairman of the board of the Joint Venture will be nominated by the Company. Further, as the majority shareholder, the Company's ability to nominate the general manager ensures that it can exercise significant control over the daily operations and strategic direction of the Joint Venture. We are of the view that such arrangement will enable the Group to maintain its control over the board of directors of the Joint Venture, and thus control the business or financial decision of the Joint Venture.

We have also reviewed the terms governing the distributions to be made by the Joint Venture to its shareholders as set out in the letter from the Board. It is noted that the profit distribution terms for the Joint Venture outline a structured approach as to how profits after tax will be allocated. These terms include the contribution to a statutory surplus reserve, the treatment of previous losses, and the distribution of remaining profits to shareholders. The set-aside of the 10% for the statutory surplus reserve is in line with the requirement of the Company Law of the PRC (中華人民共和國公司法). The provision to cease further withdrawals once the statutory surplus reserve reaches 50% of the registered capital is also reasonable and in line with the requirement of the Company Law of the PRC, as it prevents the over-accumulation of reserves that could otherwise be distributed to shareholders or reinvested in the business.

Regarding treatment of previous losses, the terms specify that if the statutory surplus reserve is insufficient to cover losses from previous years, the Joint Venture must use the current year's profits to make up for these losses before the set-aside of the statutory surplus reserve. This approach prioritizes the financial health of the Joint Venture by ensuring that past losses are addressed before profits are distributed. It is a prudent measure that protects the long-term viability of the Joint Venture and aligns with sound financial management practices.

After making up for previous losses and contributing to the statutory surplus reserve, the remaining profit after tax is to be distributed to shareholders. The distribution is to be done on a pro-rata basis, according to the contributed registered capital, and must be completed by 31 December of the following year. The Joint Venture may also withdraw a portion of profits for a working capital reserve needed for operations over the next 12 months. The pro-rata distribution based on contributed registered capital is a fair method, as it aligns with the shareholders' equity interests. This ensures that profits are distributed in proportion to the level of risk and investment undertaken by each shareholder. Additionally, the requirement to retain some profits for working capital ensures that the Joint Venture has sufficient liquidity to continue operations without relying on external funding.

2.3.3 Analysis on equity transfer

The clause requires that if a shareholder intends to transfer their equity interest in the Joint Venture to a third party (a person other than the current shareholders), they must inform the other shareholders in writing. The notice must include specific details such as the quantity of equity being transferred, the price, the payment method, and the schedule of the transfer. This notification requirement is reasonable as it ensures transparency in the transaction. By providing detailed information to the other shareholders, the clause enables them to make an informed decision about whether to exercise their pre-emptive rights.

The clause grants existing shareholders the right of first refusal, or pre-emptive rights, under the same conditions as the proposed third-party transfer. If the non-transferring shareholders wish to exercise this right, they can purchase the equity interest on the same terms offered to the third party. The pre-emptive rights provision is a common and reasonable measure in joint venture agreements. It allows the Group to have a say in the potential introduction of a new shareholder, thereby maintaining the integrity and stability of the Joint Venture's ownership structure. The clause ensures that any changes in ownership do not introduce unforeseen risks or conflicts that could impact the Company's control and strategic direction of the Joint Venture.

Having considered the above, we concur with the Directors' view that the Joint Venture Agreement was entered into on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3. The Second Supplemental Agreement to the 2024-2026 Financial Services Framework Agreement

3.1 Information of Huafa Finance Company

Huafa Finance Company is a limited liability company established in the PRC. It is a non-bank financial institution regulated by NFRA, and the scope of its operations mainly includes the handling of deposits, loans, settlements and other related businesses, as well as the provision of consulting and agency business, such as financial and financing consulting, credit verification services, etc. The ultimate beneficial owner of Huafa Finance Company is Zhuhai Huafa. The total registered capital of Huafa Finance Company is RMB5.0 billion. We are advised by the management of the Group that the customers of Huafa Finance Company are limited to the group members of Zhuhai Huafa. As such, Huafa Finance Company was incorporated as a non-bank financial institution with a primary focus to serve group members of Zhuhai Huafa.

Zhuhai Huafa is a large state-owned conglomerate in the PRC with its business operations primarily conducted in the PRC. Zhuhai Huafa was established as a wholly state-owned enterprise in 1980 and is under the direct supervision of Zhuhai SASAC. Zhuhai Huafa and its subsidiaries initially focused on property development in Zhuhai, and has since expanded into other cities and diversified to include other businesses. Currently, Zhuhai Huafa and its subsidiaries are primarily engaged in four core business sectors, namely urban operations, real estate development, financial industry, and industrial investment, as well as two comprehensive supplementary businesses of commerce and trade services and modern services.

(i) Regulatory compliance

Huafa Finance Company is a non-bank financial institution regulated by NFRA. The banking industry in the PRC is highly regulated, and the current principal regulatory authorities include the NFRA (the successor of the China Banking and Insurance Regulatory Commission), responsible for supervising and regulating banking institutions, and the PBOC, responsible for formulating and implementing monetary policies and preparing drafts of important laws and regulations in the banking industry and prudently regulating basic systems, as advised by the Management.

Huafa Finance Company is subject to stringent regulations of the NFRA, including but not limited to regular examination of the audited financial statements and other relevant materials required to be filed by Huafa Finance Company. Huafa Finance Company is required to submit audited financial statements and report its operation status to the NFRA annually. The standing of Huafa Finance Company as a non-bank financial institution in the PRC is subject to periodic review by the NFRA. In addition, Huafa Finance Company must comply with the financial ratio requirements set by the NFRA from time to time. To ensure compliance with the applicable laws and regulations, NFRA has powers to issue corrective and/or disciplinary orders and to impose penalties and/or fines on Huafa Finance Company. We have been informed by the Management that the Group would regularly obtain the report filed with NFRA by Huafa Finance Company. The reports encompassed a comprehensive review of Huafa Finance Company's regulatory compliance, including aspects such as corporate governance, risk management practices and policies, comprehensive financial ratios assessment. As advised by the Management, up to the Latest Practicable Date, there is no record of non-compliance with relevant laws, rules and regulations of the PRC on Huafa Finance Company.

(ii) Financial stability and assets quality of Huafa Finance Company

As advised by the Management, the Group would obtain from Huafa Finance Company on a regular basis their financial statements, including balance sheet, statement of profits or loss and statement of cashflow, to assess their financial health and stability. We have also obtained the audited financial statements of Huafa Finance Company for the three years ended 31 December 2023. We noted that Huafa Finance Company has managed to achieve resilience despite the negative impact of the COVID-19 pandemic, and has consistently recorded stable profits in recent years. The Management informed us that Huafa Finance Company did not have any actual non-performing assets or loans during the past three years ended 31 December 2023. We also noted that the net assets of Huafa Finance Company demonstrated an increasing trend, indicating a strong financial position of Huafa Finance Company. Based on our review of the 2021, 2022 and 2023 compliance risk management reports (the "**Compliance Risk Management Reports**") filed with NFRA by Huafa Finance Company, we noted that Huafa Finance Company has met all the financial ratios requirement which include but not limited to capital adequacy ratio, credit risk indicators, return on equity, asset profitability ratios, liquidity ratio, inter-bank borrowing ratio, investment ratio, collateral ratio, indicating that Huafa Finance Company is financially reliable and safe to provide deposit services to the Group.

(iii) Corporate governance of Huafa Finance Company

Huafa Finance Company has a sound organizational structure and standardized internal control mechanism in accordance with the relevant PRC financial services rules and regulations. It has established different departments and committees, including but not limited to risk management department, audit management department and credit examining committee, for maintaining risk management and internal control functions. Policies and operation manuals for important functions, including but not limited to credit analysis, loan businesses and risk classification of assets, have been in place for maintaining proper internal control functions. We have also noted in the Compliance Risk Management Reports the assessment of Huafa Finance Company's corporate governance structure and risk management practices and policies, which include but not limited to board oversight, clear delineation of authority and accountability and internal control measures.

Having considered the background, regulatory compliance, financial stability and asset quality, corporate governance of Huafa Finance Company, the above credit assessment conducted based on the review of the financial statements and the Compliance Risk Management Reports, we consider that Huafa Finance Company is capable and financially reliable to provide and monitor the provision of Deposit Services to the Group in compliance with the relevant rules and regulations in the PRC.

3.2 Reasons for and benefits of entering into the 2024-2026 First Supplemental Financial Services Framework Agreement (as supplemented by the Second Supplemental Agreement)

As stated in the letter from the Board, the principal reasons for and the benefits of entering into the 2024-2026 First Supplemental Financial Services Framework Agreement (as supplemented by the Second Supplemental Agreement) are as follows:

(i) in view of the continuous business expansion of the Group, as well as the plan of having the contributed registered capital of the Joint Venture deposited into the account of the Joint Venture maintained with Huafa Finance Company after its establishment for better capital management pending its deployment of capital, the Directors are of the view that the Group will substantially increase its demand in the Deposit Services provided by Huafa Finance Company. The Directors anticipate that the demand of the Group for the Deposit Services will far exceed the previous projection to the effect that the existing annual caps for the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement will not be sufficient to meet the increased demand of the Group. Accordingly, the Company entered into the Second Supplemental Agreement with Huafa Finance Company in order to cater for the Group's increased demand for such services, facilitate the Group in the overall capital management and capture its potential business growth.

(ii) the Group can use Huafa Finance Company as a medium to facilitate more efficient deployment of funds among the Company's subsidiaries;

(iii) the financial services promote capital liquidity within the Group, enhance the overall capital management and control of the Group, help monitor financial risks and allow for quick and accurate monitoring and regulation of the use of the Group's funds;

(iv) the Deposit Services form part of the Group's treasury activities to further support its operational and treasury needs, which help improve the Group's efficiency of its cash management and working capital position;

(v) the interest rates of the Deposit Services offered by Huafa Finance Company to the Group will be equal to or more favourable, on a case by case basis, than those offered to the Group by independent third parties;

(vi) the Group is expected to benefit from Huafa Finance Company's better understanding of the Group's operations which should render more expedient and efficient financial services than other commercial banks and financial institutions in the PRC;

(vii) the 2024-2026 First Supplemental Financial Services Framework Agreement (as supplemented by the Second Supplemental Agreement) will not preclude the Group from using the financial services offered by other financial institutions, which the Group has discretion in choosing as it thinks fit and appropriate in the interests of the Company and its Shareholders as a whole. When required, the Group will solicit quotations from commercial banks and/or other financial institutions in respect of similar transactions for comparison and consideration; and

(viii) Huafa Finance Company is regulated by NAFR, and it provides financial services in accordance with and in compliance with the rules and operational requirements of NAFR. In addition, capital risk can be prevented through the implementation of the risk control measures as stipulated in the 2024-2026 First Supplemental Financial Services Framework Agreement (as supplemented by the Second Supplemental Agreement).

Save for the above revisions of the existing deposit caps for the Deposit Services and the basis for determining the Revised Deposit Caps, the other principal terms of the 2024-2026 First Supplemental Financial Services Framework Agreement in respect of the Deposit Services as well as the relevant internal control procedures and the corporate governance measures in respect of the Deposit services, remain unchanged.

Other than the aforementioned factors in the letter from the Board, we have discussed with the Management and considered the following:

(i) Establishment of the Joint Venture

The proposed increase in the existing deposit caps is primarily driven by the establishment of a new Joint Venture, in which the Group holds a 51.0% shareholding and exercises control over the Joint Venture. Given that the Joint Venture is a subsidiary of the Group, and considering the scale of its planned operations, this revision of deposit caps is both necessary and strategically justified. According to the Joint Venture Agreement, the total capital contribution is RMB3.0 billion, which is scheduled to be fully contributed by 31 December 2026. The intention of the Group is for the entire capital amount to be placed in Huafa Finance Company for Deposit Services. While 31 December 2026 is the deadline for the capital contribution, the actual timing will be dictated by the Joint Venture's operational needs. Management expects the Joint Venture to expand rapidly, driven by market demand and emerging opportunities. As a result, projects may be secured well before the 2026 deadline, necessitating earlier capital contribution. Based on the discussion between the Company and Huashi Zhiyuan, it is intended that each of the Company and Huashi Zhiyuan will make their respective capital contribution in cash in full by the end of 2024. This anticipated rapid expansion and the sizable capital contribution of RMB3.0 billion justify a significant increase in the deposit caps. The increase ensures that Huafa Finance Company can accommodate the large influx of funds as the Joint Venture ramps up its operations.

(ii) Better understanding of the Group's operations and its needs

With its state-owned background, Huafa Finance Company has engaged in the provision of financial services to group members of Zhuhai Huafa for more than 10 years, demonstrating expertise in servicing the Zhuhai Huafa group's financial needs and hence possesses the relevant experiences in providing the Deposit services under the 2024-2026 First Supplemental Financial Services Framework Agreement (as supplemented by the Second Supplemental Agreement) to the Group. As compared to other commercial banks or financial institutions in the PRC, Huafa Finance Company is expected to have a better business connection with the Group, as both are subsidiaries of Zhuhai Huafa. This affiliation likely fosters shared strategic goals, operational insights and closely aligned objectives. Given the shared understanding of group operations and aligned objectives, Huafa Finance Company is expected to have a better understanding of the Group's operations, which could render more expedient and efficient services to cater for the needs of the Group. Accordingly, the use of Huafa Finance Company as an alternative vehicle to manage the funds of the Group would allow more efficient deployment of funds and provide flexibility and convenience to the Group's operations.

(iii) Alternative and flexible financial services with better or comparable terms to meet the Group's needs for Deposit Services

As advised by the Management, the Group handles a high volume of cash inflow and outflow from its operations through different banks. During the two years ended 31 December 2023 and the six months ended 30 June 2024, the Group's revenue amounted to approximately RMB13.5 billion, RMB17.1 billion and RMB9.5 billion respectively. Meanwhile, the Group's pledged deposits, cash and cash equivalents in aggregate amounted to approximately RMB1.3 billion as at 31 December 2022, which increased to approximately RMB2.5 billion as at 31 December 2023 and further increased to approximately RMB2.8 billion as at 30 June 2024. Given the substantial cash flows managed by the Company and the continuous business growth and expansion of the Company, there is a continual requirement for reliable and flexible financial services to maximise the efficiency of the Group's capital.

We understood from the Management that the Deposit Services provided by Huafa Finance Company do not require a pre-determined notice period for withdrawals, which can be freely withdrawn at any time on demand of the Group. In addition, the Deposit services contemplated will be conducted on a voluntary and non-exclusive basis. The Group is not obliged to engage Huafa Finance Company for any particular financial services, or at all, under the 2024-2026 First Supplemental Financial Services Framework Agreement (as supplemented by the Second Supplemental Agreement), which provides full flexibility to the Group to decide in a particular situation as to what is in the Group's best interest.

Pursuant to the 2024-2026 First Supplemental Financial Services Framework Agreement (as supplemented by the Second Supplemental Agreement), the deposit rates offered by Huafa Finance Company for the Deposit Services will be determined by the parties after arm's length negotiations with reference to the interest rate provided by general commercial banks within the PRC for the deposits of the same type and term but not lower than the benchmark interest rate in the same period promulgated by the PBOC for deposits of the same type. Therefore, the entering into the 2024-2026 First Supplemental Financial Services Framework Agreement (as supplemented by the Second Supplemental Agreement) provides an alternative to the Group for a stable source of financial services on terms no less favourable than those of major commercial banks or financial institutions in the PRC.

Given the above, we concur with the view of the Board that the entering into the Second Supplemental Agreement to the 2024-2026 First Supplemental Financial Services Framework Agreement fall within the ordinary and usual course of business of the Group and is in the interests of the Company and Shareholders as a whole.

3.3 The Revised Deposit Caps

(i) Review of historical figures

Set out below are the historical transaction amounts of the Deposit Services (i) for the period from 18 November 2022 to 31 December 2022; (ii) for the year ended 31 December 2023, (iii) for the period from 1 January 2024 to 21 May 2024 and (iv) for the period from 22 May 2024 to the Latest Practicable Date; as well as the comparisons with the historical annual caps for the Deposit Services (i) under the 2022-2023 Financial Services Framework Agreement for the period from 18 November 2022 to 31 December 2022 and for the year ended 31 December 2023, and (ii) under the 2024-2026 First Supplemental Financial Services Framework Agreement for the period from 1 January 2024 to 21 May 2024, and the existing annual caps for the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement from the period from 22 May 2024 to 31 December 2024, respectively; and their respective utilization rates, respectively.

	For the period from 18 November 2022 to 31 December 2022 *RMB millions*	**For the year ended 31 December 2023** *RMB millions*	**For the period from 1 January 2024 to 21 May 2024** *RMB millions*	**For the period from 22 May 2024 to the Latest Practicable Date** *RMB millions*
Daily maximum deposit balance (including any accrued interests)	101.95	119.93	119.92	299.56
Historical/existing deposit caps	120.00	120.00	120.00	300.00
Utilisation rates (%)	84.96	99.94	99.93	99.85

As shown in the table above, we note that the relevant deposit caps had been substantially utilised during the periods under review, ranging from approximately 84.96% to 99.94%. The high utilisation rates were mainly due to the high volume of transactions from its operations. As part of the internal control measures, the fund management department of the Company would monitor the Deposit Services on a daily basis to ensure the deposit caps would not be exceeded. As advised by the Management, the Group has been constantly monitoring its accounts with Huafa Finance Company, and transferring out significant amount of cash balance to accounts with designated commercial banks, to ensure that the existing deposit caps would not be exceeded.

(ii) Assessment of Revised Deposit Caps

It is proposed that the maximum daily deposit balance (including any accrued interests) in Huafa Finance Company will be revised from RMB300 million to RMB3,300 million for each of the three years ending 31 December 2026.

As stated in the letter from the Board, in arriving at the Revised Deposit Caps for the Deposit Services, the Directors have taken into account the following factors:

1) the historical daily maximum outstanding balance of the deposits (including any accrued interests) that were maintained by the Group with Huafa Finance Company and each of its principal banks;

2) the relatively high utilisation rates of the daily maximum balance of the deposits placed by the Group with Huafa Finance Company (including any accrued interests) for the period from 18 November 2022 to 31 December 2022, for the year ended 31 December 2023, for the period from 1 January 2024 to 21 May 2024 and for the period from 22 May 2024 to the Latest Practicable Date reached approximately 85.0%, 99.9%, 99.9% and 99.8% of the respective annual cap respectively;

3) the operating cash flow, the financial and capital management requirements for the Group's working capital and operation needs and business expansion in the future. In particular, considering that the registered capital of the Joint Venture in the amount of RMB3,000,000,000 will be contributed by the Company and Huashi Zhiyuan pursuant to the Joint Venture Agreement, it is intended by the Company and Huashi Zhiyuan that the aforesaid amount will be deposited into the account of the Joint Venture maintained with Huafa Finance Company during the term of the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) for better overall capital management pending its deployment of capital. However, the Company does not expect that the entire amount of the registered capital of the Joint Venture will remain in the Joint Venture's account maintained with Huafa Finance Company during the term of 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement), and will not be utilised by 2026. The Company and Huashi Zhiyuan have not identified any specific investment targets nor formulated any concrete business plan of the Joint Venture as at the Latest Practicable Date. The timeline for implementing the business plan will primarily hinge on the prevailing market conditions, regulatory landscape and the emergence of suitable business opportunities that align with the strategic objectives and priorities of the Joint Venture. By implementing the Revised Deposit Caps for the full three-year period would enhance the flexibility of the Joint Venture to utilise the registered capital which has been deposited into the account maintained with Huafa Finance Company, given that the utilisation schedule of the registered capital of the Joint Venture for executing the business plan is still uncertain.

   Once the business plan of the Joint Venture materialises, and coupled with the continuous business expansion of the Group, it is expected that the Group will have to handle an even higher volume of cash flow generated from its operations. Therefore, the existing annual caps for the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement will be insufficient to fulfil the demand of the Group in the Deposit Services. Under these circumstances, if the Revised Reposit Caps are not adopted, the Group will have to deposit the cash in excess of the aforesaid existing annual caps to the other commercial banks for the provision of the Deposit Services, which will significantly reduce the overall liquidity and efficiency of the use and management of funds and increase the management cost of operating the fund, and hence the interests of the Shareholders cannot be fully enhanced;

4) by adopting the Revised Deposit Caps, the Group will gain increased flexibility to implement better capital management strategies in engaging Huafa Finance Company to provide the Deposit Services. The Deposit Services provided by Huafa Finance Company to the Group pursuant to the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplement Agreement) will provide an alternative to the Group to manage its funds with more favourable terms as compared to those from other commercial banks in the PRC. For instance, the Deposit Services provided by Huafa Finance Company do not necessitate a pre-determined notice period for withdrawals. This means that the Group can freely withdraw funds from the account maintained with Huafa Finance Company whenever required, which will provide greater flexibility and convenience as compared to other commercial banks in the PRC that typically require a pre-determined notice period for withdrawals. This enhanced flexibility enables the Group to deploy its capital more efficiently, allowing for the maintenance of an optimal capital structure; and

5) based on the fact that Huafa Finance Company is supervised by NFRA and maintains satisfactory operating results and financial position, as well as implements good risk control and standardized management to reduce potential risks.

It is noted that the Revised Deposit Caps represent a significant 1,000% increase from the existing annual caps. Upon discussion with the Company, we were informed that this adjustment within a short period of four months is primarily attributable to the formation of the Joint Venture. The capital contribution of RMB3.0 billion from the Joint Venture is intended to be fully deposited into Huafa Finance Company under the Deposit Services as stipulated in the 2024-2026 First Supplemental Financial Services Framework Agreement (as supplemented by the Second Supplemental Agreement). Therefore, the difference between the Revised Deposit Caps and the existing deposit caps of RMB3,000 million is largely accounted for by the anticipated capital contribution from the Joint Venture.

While the capital contribution of RMB3.0 billion from the Joint Venture will be utilised when suitable opportunities arise, our discussion with the Management revealed that the specific investment target for the Joint Venture has yet to be identified at this stage. Selecting and initiating investments will depend on finding suitable opportunities that align with the Group's strategic goals. This uncertainty around timing underscores the prudence of establishing caps that span the full three-year period, ensuring that adequate funding will be available when required. When these large-scale projects actually commence, they are expected to involve substantial cash flows, both inbound and outbound, characteristic of infrastructure and other capital-intensive investments. The three-year caps provide the Group with the flexibility to manage these cash flows without disruption, enabling it to respond effectively to cash flow requirements as they arise. Based on our discussions and the analysis of the Joint Venture Agreement, we consider that the Company's rationale for determining the Revised Deposit Caps is fair and reasonable in the interests of the independent Shareholders as a whole.

4. 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement

4.1 Information of Beijing Shangfang

Beijing Shangfang is a limited liability company established in the PRC with a registered capital of RMB120 million. Beijing Shangfang is principally engaged in the development, survey, design, construction and operation of the distributed photovoltaic power plants. As at the Latest Practicable Date, Beijing Shangfang is a wholly-owned subsidiary of Zhuhai Shangfang, and to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the ultimate beneficial owner of Beijing Shangfang is Mr. Jin Xin (金鑫) ("**Jin Xin**"), who (i) is the legal representative and general manager of Zhuhai Shangfang, responsible for its overall business and management; (ii) indirectly owns 51% equity interest in Zhuhai Shangfang through his majority-controlled companies; and (iii) is the general partner of Hefei Yunshun Technology Partnership (Limited Partnership)* (合肥允舜科技合夥企業(有限合夥)) ("**Hefei Yunshun**") and holds 1% partnership interest in Hefei Yunshun, which in turn owns 9% equity interest in Zhuhai Shangfang. As at the Latest Practicable Date, Ms. Zhou Yi (周毅), the spouse of Jin Xin, holds approximately 87.89% partnership interest in Hefei Yunshun.

In addition, as at the Latest Practicable Date, Zhuhai Huajin Alpha VI Equity Investment Fund Partnership (Limited Partnership)* (珠海華金阿爾法六號股權投資基金合夥企業(有限合夥))(“**Huajin Alpha**”) directly holds 30% equity interest in Zhuhai Shangfang. As at the Latest Practicable Date, Huajin Alpha is owned as to approximately 99.97% partnership interest by Huafa Technology Industry Group and as to approximately 0.03% partnership interest by Zhuhai Huaying Investment Company Limited*(珠海鏵盈投資有限公司)(“**Zhuhai Huaying**”). Zhuhai Huaying is the general partner of Huajin Alpha and is a wholly-owned subsidiary of Zhuhai Huajin Capital Co., Ltd.*(珠海華金資本股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000532.SZ), which is controlled by Huafa Technology Industry Group (being a subsidiary of Zhuhai Huafa).

We were advised by the Management that the Beijing Shangfang Group, operates as a comprehensive solution provider in the distributed photovoltaic segment, offering end-to-end services encompassing development, design, installation, and operation. The Beijing Shangfang Group strategically serves residential, commercial, and entrepreneurial customers across twelve provinces in the PRC. Building on its successful domestic model, the Beijing Shangfang Group is expanding internationally through its Hong Kong subsidiary and its branch in Germany. While Zhuhai Shangfang serves as the equity platform, the Beijing Shangfang Group is actively involved in the development, surveying, design, construction, and operation of distributed photovoltaic power stations. Despite being recently incorporated, the Beijing Shangfang Group has established a substantial team of over 15,000 individuals, including a core team with extensive experience in the development and implementation of distributed photovoltaic power stations. Given the management’s experience in the distributed photovoltaic industry, strong shareholder support, and favorable government policies as discussed below, the Beijing Shangfang Group is poised to capitalise on opportunities for expansion.

4.2 Reasons for and benefits of entering into 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement

According to the letter from the Board, in line with the strategic direction of the Group in expanding the new energy business, the Company has been ramping up its efforts to develop and strengthen its presence in the new energy and photovoltaic businesses in order to capture the potential business opportunities since 2023.

With strong support from the Chinese government in the new energy and photovoltaic sectors, the photovoltaic industry in the PRC is expected to maintain a favourable development trend in the foreseeable future. As a growing player in the photovoltaic power plant industry with a promising business outlook and development potential, and against the background of the growth of such industries, the Beijing Shangfang Group will continue to expand the business and operation scale of the construction of photovoltaic power plants in various places in the PRC in the upcoming years, thereby resulting in a continuous increase in the procurement demand of Beijing Shangfang Group for the Photovoltaic Equipment from the Group during the term of the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement.

On the other hand, the Group has established a solid business relationship with several photovoltaic manufacturers and suppliers by entering into the framework purchase agreements for the purpose of meeting the stable and consistent demand of the Group in the procurement of Photovoltaic Equipment. Given that the Company is a PRC state-owned company listed on the Stock Exchange and is controlled by Zhuhai Huafa, which is a large state-owned conglomerate in the PRC under the direct supervision of Zhuhai SASAC, the Company is in a position to leverage on its capability and competitiveness to source the Photovoltaic Equipment from the suppliers with a relatively more competitive price and favourable term and resell such products to the Beijing Shangfang Group for supporting its increased demand in the relevant Photovoltaic Equipment.

By leveraging on the industry chain layout of Zhuhai Huafa in the new energy industry, the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement will enable the Group to further expand its business offerings and bolster revenue stream and operational performance. The ongoing collaboration between the Group and Beijing Shangfang Group is expected to generate synergies and foster mutual economic benefits and interests for both parties, thereby accelerating the Group's development strategy in the new energy and photovoltaic industry.

Based on our review of the 2023 Annual Report, the 2024 Interim Report, and the recent Joint Venture Agreement, we observe that the Group has been steadily increasing its efforts to strengthen its presence in the new energy and photovoltaic sectors. These initiatives aim to capture emerging business opportunities that have arisen since 2022 and continue to do so in 2024. According to the 2024 Interim Report, the Group has strategically refined its approach by deepening its involvement across the entire photovoltaic industry chain, engaging in both upstream supply chain trading and expanding its channels in downstream power plant markets. Additionally, the Group has made significant progress in the household photovoltaic sector, achieving a breakthrough in Dai County, Shanxi Province, which has provided a scalable model for replication in other regions, including Jiangsu, Hubei, and additional provinces.

Through detailed discussions with Management, we gained further insight into the Group's progress in 2024, which underscores its growing footprint in the photovoltaic sector. Specifically:

(i) The Group has built strong business relationships with several of China's leading photovoltaic manufacturers, not only by signing framework purchase agreements but also by initiating actual procurement activities. In 2024, the Group began purchasing Photovoltaic Equipment, which are now being supplied to Beijing Shangfang. This procurement solidifies the Group's upstream role in the photovoltaic supply chain, ensuring a stable source of high-quality materials and aligning with the Group's broader strategic goals.

(ii) The Group has collaborated closely with leading photovoltaic manufacturers and service providers, primarily acting as a key agent to expand the channels for household photovoltaic systems across various regions. By leveraging its offline networks in Shanxi, Jiangsu, and Hubei, the Group has supported the distribution and market penetration of solar systems. While primarily serving as an intermediary, the Group has gained valuable insights into the PV industry. This deeper understanding allows the Group to better respond to the rising demand for sustainable energy solutions at the household level, further reinforcing its presence in the downstream photovoltaic market.

The ongoing progress and initiatives across the upstream and downstream segments of the photovoltaic industry position the Group as a competitive and integrated player in the sector. This holistic involvement, covering procurement, distribution, and service offerings, forms a key part of the Group's strategy to deepen its presence in the photovoltaic business chain.

In line with this strategic direction, the Group's transaction with Beijing Shangfang represents a pivotal move. We were advised by the Management that the primary products procured by Beijing Shangfang will include solar modules, inverters, mounting structures, and balance-of-system components. The Beijing Shangfang Group, expanding its photovoltaic business across twelve provinces, is expected to serve a substantial number of households and enterprises in the near future. This presents an opportunity for the Group to capitalize on its existing relationships with leading photovoltaic manufacturers to supply high-quality products.

The transaction also allows the Group to leverage its extensive procurement network and favorable supplier terms to offer photovoltaic equipment to Beijing Shangfang at a more competitive price compared to direct procurement by the Beijing Shangfang Group. As a state-owned company with a larger scale and better-established financial standing, the Group benefits from greater confidence from suppliers, resulting in more favorable pricing and consistent demand for photovoltaic equipment. Furthermore, the Group's ability to source these products at advantageous terms enables it to resell them to the Beijing Shangfang Group at competitive market rates with a reasonable markup. This supports the Beijing Shangfang Group's expansion goals, while aligning with the Group's broader objective to deepen its involvement in the photovoltaic sector.

By entering into the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, the Group not only enhances its revenue streams but also accelerates the implementation of its new energy business strategy. This mutually beneficial cooperation with the Beijing Shangfang Group creates synergies that reinforce both parties' positions in the photovoltaic sector and advances the Group's strategic goals.

Having considered the above reasons and benefits and the terms of 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement being on normal commercial terms and fair and reasonable as discussed below, we concur with the views of the Directors that the entering into of the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement is within the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

4.3 Principal terms of the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement

Date:	24 October 2024 (after trading hours)
Parties:	(a) The Company (as supplier); and (b) Beijing Shangfang (as purchaser)
Term:	From 1 January 2025 to 31 December 2027
Subject Matter:	Pursuant to the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, the Group agreed to purchase the Photovoltaic Equipment from independent third party suppliers and supply such Photovoltaic Equipment to Beijing Shangfang Group.

Individual sale of Photovoltaic Equipment agreements: As the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement only sets out the framework of the sale of Photovoltaic Equipment generally, in respect of the specific products to be sold by the Group, the relevant members of the Group shall enter into further specific sales contracts (or the orders thereunder) in respect of specific sale transaction with the relevant members of Beijing Shangfang Group to determine the type and quantity of the Photovoltaic Equipment and detailed terms and conditions on the sale of such products.

In the event of conflicts between the terms of the specific sales contracts (or the orders thereunder) and the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, the terms of the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement shall prevail.

Pricing and payment terms: As a general principle, the prices for the sale of the Photovoltaic Equipment shall be determined on normal commercial terms, negotiated on arm's length basis by both parties under the principle of justice, fairness and openness, and with reference to the prevailing market prices of the relevant Photovoltaic Equipment.

The prices for the sale of the Photovoltaic Equipment will also be determined in accordance with the following principles, including:

(i) the prices offered by the Group to Beijing Shangfang Group shall not be less than those comparable transactions that offered by the Group to independent third parties for provision of the same or similar Photovoltaic Equipment during the same period (if any); and

(ii) both parties agree that the Group has the right to freely choose its customer. If the Group does not agree with the actual transaction price and/or related terms proposed by Beijing Shangfang Group, the Group does not have the obligation to sell the products or services to Beijing Shangfang Group.

In general, both parties will sign the specific sales contracts and agree on the payment period with the principles of fairness and reasonableness. The payment of the specific Photovoltaic Equipment shall be settled by Beijing Shangfang within 180 days from the date of completion of delivery of goods by the Group to Beijing Shangfang Group under the specific sales contracts (or the orders thereunder) pursuant to the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement. The amount of payment shall be based on the settlement amount set out under the specific sales contracts (or the orders thereunder).

Since the first quarter of 2024, the Group has been actively engaging with and approaching potential independent customers for the sale of Photovoltaic Equipment through various channels, including customer referrals, telephone conversations and on-site visits. Despite these efforts, as at the Latest Practicable Date, since the Company has not yet reached agreement on the terms of sales contracts with those potential independent customers, the Company has not sold the Photovoltaic Equipment to any independent third party. Given the above, the Company is not able to compare whether the credit term offered by the Group to Beijing Shangfang Group is comparable to those which have been offered to independent third parties in similar transactions.

However, the credit term offered by the Group to Beijing Shangfang Group pursuant to the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement was determined after arm's length negotiation by both parties, with reference to the credit term offered by the Group to the independent enterprises for the sale of mobile telecommunication device and accessories, which typically range between 30 days and 360 days from the date of completion of delivery of goods by the Group.

Despite the difference in products, the Directors are of the view that it is fair and reasonable for the Company to apply comparable credit terms, given that (i) the business model for the sale of both Photovoltaic Equipment and the mobile telecommunication device and accessories by the Group are of a similar trading business nature, wherein the Group does not manufacture the relevant products for the sale to the customers, and it primarily leverages on its robust network and expertise in sourcing high-quality products from the reputable upstream suppliers and facilitate its sale and distribution to downstream customers; and (ii) both business are related to bulk trading to enterprises.

The credit term offered by the Group to Beijing Shangfang in respect of the specific sales contracts (or the orders thereunder) for the sale of the Photovoltaic Equipment entered into between 22 May 2024 and 31 December 2024 will remain to be a period within 120 days from the date of signing the specific sales contracts (or the orders thereunder) pursuant to the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement. Due to the delay in the grid connection approval for the distributed photovoltaic power plants in several regions in the PRC, the approval processes have taken longer than the initial estimation at the time of entering into the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement in the first quarter of 2024. Consequently, the turnover rate within the residential photovoltaic industry has generally decelerated, leading to prolonged sales and collection cycles for residential photovoltaic businesses. Therefore, the Company and Beijing Shangfang have mutually agreed to extend the credit term offered by the Group to Beijing Shangfang Group under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement to a period within 180 days from the date of completion of delivery of goods by the Group to Beijing Shangfang Group under the specific sales contracts (or the orders thereunder). Having considered the above factors, the Directors are of the view that the aforesaid extension of the credit period in respect of the sale of the Photovoltaic Equipment to Beijing Shangfang during the term from 1 January 2025 to 31 December 2027 is fair and reasonable.

Pricing policy: The prices for the sale of the Photovoltaic Equipment under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement shall be determined with reference to the following factors:

(i) the cost of purchasing the Photovoltaic Equipment from the upstream suppliers and the target gross profit margin which can be represented by the formula: cost x (1 + target gross profit margin), and shall be no less favourable to the Group than the prices of the comparable transactions (if any) conducted by the Group with no less than three independent third parties during the same period.

The target gross profit margin ranging from 1% to 5% (subject to adjustment depending on market conditions) shall be determined based on arm's length negotiation between the Group and Beijing Shangfang Group and having regard to the factors including, among others, (i) the gross profit margin for the trading business of the Group which is primarily with reference to the sale of mobile telecommunication device and accessories by the Group to independent customers; and (ii) gross profit margin of the comparable transactions (if any) conducted by the Group with no less than three independent third parties during the same period.

(ii) the prices for the sale of the Photovoltaic Equipment to Beijing Shangfang Group shall not be lower than the floor prices for the relevant type of the Photovoltaic Equipment which apply unified pricing set by the Company.

The floor prices for the relevant type of the Photovoltaic Equipment set by the Company shall be determined with reference to the prevailing market prices of the relevant Photovoltaic Equipment in the PRC market based on the market research and the quotation in the open market obtained from the authoritative third-party public source in the photovoltaic industry, and shall not be lower than the cost of purchasing the Photovoltaic Equipment from the upstream suppliers.

We have reviewed the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement. Other than the effective period, the credit period and the proposed caps, all other material terms remain principally the same as those of the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement.

We observed that the credit period under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement has been extended to 180 days, compared to 120 days under the previous agreement. Our discussion with the Management revealed that the extension of the credit period is primarily due to delays in grid connection approvals for distributed photovoltaic systems, particularly residential photovoltaic installations, across various regions in China. These approval processes have generally taken longer than initially estimated at the beginning of 2024, which has slowed down the turnover rate in the residential PV industry. As a result, both the sales and collection cycles for residential PV installations have lengthened. Considering these practical factors, both parties have mutually agreed to extend the collection period from 120 days to 180 days. Through desktop research, we verified that delays in grid connection approvals for residential photovoltaic installations have been reported in various Chinese media outlets. According to an article in China Energy News (中國能源報) published in August 2024 (‘‘https://www.cnenergynews.cn/guangfu/2024/08/16/detail20240816172540.html’’), a leading Chinese newspaper focused on energy industry news, policy analysis and market developments and is a subsidiary of the People's Daily, the official newspaper of China, in response to grid limitations, several regions in China have temporarily halted new approvals for distributed photovoltaic projects to prevent overload around May and June 2024. In August 2024, the National Energy Administration of the PRC published the ‘‘Notice from the General Office of the National Energy Administration on the Special Supervision of the Filing and Grid Connection Process for Distributed Photovoltaic Projects’’, which aimed to streamline the project approval process, improve transparency, and enhance grid connection efficiency by standardizing filing, network access, transaction, and settlement processes for distributed PV projects across 11 provinces in China. This confirms that the situation is indeed affecting the industry, validating the extension of the credit period in light of these actual circumstances. Upon reviewing other sales agreements for non-photovoltaic products with independent customers, we found that the Group also offers a 180-day credit period to these customers. Despite the difference in the type of products, the business model remains identical with the Company operating solely as a trader, purchasing PV products and selling them to customers without altering or modifying the products. Given this consistent trading model across product types, it is reasonable to apply comparable credit terms.

As advised by the Management, the primary components of the photovoltaic systems typically have market prices quoted in the open market in the PRC. An authoritative third-party public source, Infolink Consulting, a world-leading renewables and technology research and consulting firm provides the highest and lowest prices for each type of Photovoltaic Equipment. In determining the pricing for the products to be sold to the Beijing Shangfang Group, the Group will take into consideration both the procurement costs and the range of the market prices prevalent in the open market as well as the gross profit margin. In assessing the pricing terms of the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, we have obtained and reviewed three sales agreements entered into between the Group and Beijing Shangfang between May 2024 and October 2024 along with the corresponding purchase agreement with the suppliers (the "**Sample Agreements**"). As advised by the Management, as of the Latest Practicable Date, the Company has not sold any photovoltaic products to independent customers. Therefore, we are unable to compare the Sample Agreements against similar transactions offered to independent third parties. Nevertheless, based on the review of the Sample Agreements, we noted that (i) the type of product sold was solar modules; (ii) the transaction was profitable with gross profit margin falling within the range of target gross profit margin of 1% to 5%; and (iii) the Company sourced the solar modules directly from the manufacturers, which, as confirmed by the Company, are independent. We also confirmed with the Management that the Company considered costs other than the procurement cost of the photovoltaic equipment to ensure profitability of the Group.

In reviewing the three Sample Agreements, we noted that all sale prices adhered to the Company's pricing policies under the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement. Notably, none of the prices fell below the floor prices determined by the Company's pricing policy and formula, ensuring compliance with the agreed framework. Although two agreements were priced slightly below the low-end of the market range quoted on Infolink Consulting (by no more than 1%), this difference reflects competitive adjustments made by the Company in response to challenging market conditions, including oversupply and inadequate grid infrastructure in 2024. These adjustments, which resulted in discounts to the market range, were necessary to maintain competitiveness while ensuring sale prices remained above floor prices and within the target gross profit margin of 1% to 5%. Given the short effective period of the Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 1 and the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement since February 2024 and the limited number of transactions, we consider the sampling period and size to be fair and representative, providing a sufficient basis to evaluate compliance with the Company's pricing policy. This demonstrates that the pricing mechanism has been appropriately applied in practice.

In assessing the fairness and reasonableness of the target gross profit margin range of 1% to 5% within the pricing formula for the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, subject to adjustment depending on market conditions, we have taken into account several factors.

Firstly, it is evident that the solar module industry, constituting a significant portion of the building cost of distributed photovoltaic power plants, has witnessed a substantial cost reduction. According to a press release of Wood Mackenzie in November 2023 ("https://www.woodmac.com/press-releases/china-dominance-on-global-solar-supply-chain/"), a leading global provider of data and analytics solutions for the renewables, energy and natural resources sectors, the solar industry in China is facing an oversupply of capacity across its various segments including wafers, solar cells and solar modules, leading to intense competition among industry players who are striving to lower their product prices and gross profit margins. Projections indicate that capacity for photovoltaic products will exceed 1TW by 2024. Such oversupply is expected to result in continual price declines. In our desktop research on the cost components and construction expenses of photovoltaic power stations in the PRC, we referred to the "2023-2024 China PV Industry Development Roadmap" issued by the China Photovoltaic Industry Association in February 2024 (the "**Roadmap**") and information from Infolink Consulting, we noted that a significant decline in solar module prices by around 50% since early 2023. In 2024, prices for Chinese solar modules have reached record lows. Therefore, the further decline in prices for photovoltaic products will likely have an adverse impact on the gross profit margins for suppliers.

Secondly, we have reviewed the interim reports of the top five Chinese manufacturers, each with over RMB 25 billion in revenue from solar PV modules or related PV businesses for the six months ending 30 June 2024, as identified by Wood Mackenzie's 2023 global solar PV module manufacturer rankings. This list is exhaustive, including all manufacturers listed on the stock exchanges in the PRC that meet the RMB 20 billion revenue threshold. These companies provide a reliable benchmark due to their market leadership and substantial influence within the industry. Their performance offers a representative view of the sector's profitability trends. Given that even these top manufacturers are operating with thin margins, it can be reasonably inferred that smaller companies within the market likely face even greater challenges in maintaining profitability.

Traders were not included in the comparison due to the difficulty in identifying standalone traders of PV modules with clearly segmented financial data in publicly available reports. Moreover, the top five manufacturers are highly representative of the market, and their low gross profit margins demonstrate that traders, who typically operate with less pricing power, are unlikely to achieve higher margins than these manufacturers.

Below is a summary of the gross profit margins for the six months ended 30 June 2024 from the sale of solar PV modules or within the PV business segment for the top five solar module manufacturers in the PRC:

Name of Company	**Revenue**	**Gross profit margin from the sale of solar module**
	RMB'million	*(%)*
JA Solar (002459.SZ)	35,321	5
Trina Solar (688599.SH)	30,057	11
Jinko Solar (688223.SH)	45,439	9
Longi Green Energy (601012.SH)	36,708	6
Tongwei Solar (600438.SH)	29,030	6

As shown in the table above, four of the top five manufacturers reported gross profit margins below 10%, with the highest-performing manufacturer achieving an 11% margin. These figures indicate a broader industry trend toward progressively lower gross profit margins.

Furthermore, according to Wood Mackenzie, China has been the key driver of market expansion. China's module manufacturing capacity alone is currently almost three times the global demand. This oversupply of solar modules will continue to exert downward pressure on prices in the near future. In alignment with this observation, market projections outlined in the Roadmap indicate that the low prices of solar modules are likely to persist between 2024 and 2030, with little expectation of significant price increases. This sustained period of low pricing, driven by oversupply and competitive pressures, signals a prolonged environment of thin margins for solar module manufacturers.

As a result, we anticipate that gross profit margins for manufacturers will remain low for the foreseeable future. Traders, who primarily source products from manufacturers and resell them to customers without altering or modifying the products, are likely to experience even slimmer profit margins. This reinforces the view that the Company's low target markup range of 1% to 5% accurately reflects the prevailing market conditions, as traders and intermediaries face limited pricing power in a market characterized by excess supply and competitive pricing.

Taking into consideration the aforementioned factors, in particular having considered (i) the floor price would not fall below the procurement costs from independent suppliers; (ii) the sales prices predominantly reflect prevailing market prices obtained from authoritative third-party public source in the photovoltaic industry; and (iii) the anticipated continuation of low solar modules prices in the near future, we consider the terms of 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement are on normal commercial terms which are fair and reasonable.

4.4 The proposed annual caps

(i) Review of historical figures

Set out below are the historical transaction amounts for the sale of the Photovoltaic Equipment by the Group to Beijing Shangfang (i) for the period from 6 February 2024 to 21 May 2024 and (ii) for the period from 22 May 2024 to the Latest Practicable Date, as well as the comparisons with the historical caps for the sale of the Photovoltaic Equipment by the Group to Beijing Shangfang (i) for the period from 6 February 2024 to 21 May 2024 under the Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 1 and (ii) for the period from 22 May 2024 to 31 December 2024 under the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, respectively, and their respective utilization rates.

	For the period from 6 February 2024 to 21 May 2024 *(RMB millions)*	For the period from 22 May 2024 to 31 December 2024 *(RMB millions)*
Historical caps	70	3,000

	For the period from 6 February 2024 to 21 May 2024 *(RMB millions)*	For the period from 22 May 2024 to the Latest Practicable Date *(RMB millions)*
Historical transaction amounts	51.55	468.20
Utilisation rates	73.64%	15.61%

As shown in the table above, the actual utilisation of the historical caps for the transactions contemplated under Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 1 was relatively high at approximately 73.64% for the period from 6 February 2024 to 21 May 2024. However, although the cap is set until 31 December 2024, the utilisation rate of the existing cap for the transactions contemplated under the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement up as of the Latest Practicable Date remains low at 15.61%. This can be largely attributed to the slowdown in solar installations in 2024. According to the National Energy Administration of China, the country's solar capacity expanded significantly by 55.2% in 2023. While this momentum carried over into the first two months of 2024, Reuters' calculations in its article published in May 2024 ("https://www.reuters.com/business/energy/chinas-blistering-solar-power-growth-runs-into-grid-blocks-2024-05-22/") indicate that new solar builds in March 2024 fell by 32% year-on-year, reaching their lowest level in 16 months. For the first half of 2024, solar power installations only grew by 16.8% according to official data of the National Energy Administration of China, reflecting a marked deceleration and aligning with the observed lower utilisation rate.

Based on our discussion with Management and our desktop research, the slowdown in solar installations can partly be attributed to a reduction in government incentives, which has altered the cost-benefit dynamics of new solar projects, making them less attractive. A significant factor contributing to the slower expansion of distributed solar, particularly rooftop installations, is the inadequate energy storage and transmission infrastructure. This shortfall makes it difficult to absorb excess power generated during peak sunlight hours. As a result, regulators have scaled back some price support measures that initially fueled the rapid growth of distributed solar systems, further slowing the sector's expansion. For example, renewable energy generators in China previously benefited from a guarantee that grid operators would purchase nearly all of their power output at prices tied to the coal index. However, this guarantee was lifted on April 1, 2024, and had already been phased out earlier in some regions, according to "Regulatory Measures for the Full Guaranteed Purchase of Renewable Energy Power" (《全額保障性收購可再生能源電量監管辦法》) published in March 2024. As a result, renewable energy projects, including solar, are increasingly subject to less favourable market pricing, which has further dampened the pace of new solar installations.

Taken together, these factors, oversupply, reduction of price support, inadequate infrastructure for distributed solar, and changes in pricing mechanisms, have significantly impacted the overall solar market in 2024. This has directly contributed to the lower-than-expected utilisation of the historical cap for the continuing connected transactions in 2024.

(ii) The proposed annual caps

The proposed annual caps in respect of the fees receivable from the sale of the Photovoltaic Equipment to be provided by the Group to the Beijing Shangfang Group under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement for the years ending 31 December 2025, 2026 and 2027 are set out below:

	For the year ending 31 December		
	2025	**2026**	**2027**
	RMB millions	*RMB millions*	*RMB millions*
Proposed annual caps	3,000	3,000	3,000

As stated in the letter from the Board, in considering the proposed annual caps under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, the Directors have considered a number of factors including:

(i) the historical transaction amount for the sale of the Photovoltaic Equipment by the Group to Beijing Shangfang under the Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 1 and the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreement for the period from 6 February 2024 to the Latest Practicable Date. For the period from 6 February 2024 to the Latest Practicable Date, Beijing Shangfang has placed orders with the Group in purchasing the relevant Photovoltaic Equipment with a total transaction amount of approximately RMB934 million, out of which approximately RMB519.75 million has been recognised as the income of the Group for the period from 6 February 2024 to the Latest Practicable Date. Since it would normally take time for the upstream suppliers to manufacture the relevant Photovoltaic Equipment and deliver them to the Company after accepting the Company's order, the Company has not completed the delivery of all relevant Photovoltaic Equipment to Beijing Shangfang as ordered, and hence the Company has not recognised all the fees receivable for the aforesaid sale of the relevant Photovoltaic Equipment to Beijing Shangfang as the income of the Group for the period from 6 February 2024 to the Latest Practicable Date;

(ii) based on the discussions between the Company and Beijing Shangfang, Beijing Shangfang Group will continue to expand its photovoltaic business in relation to the construction of the distributed photovoltaic power plants in several provinces of the PRC for the years between 2025 and 2027, and it is expected that the demand of Beijing Shangfang Group for the relevant Photovoltaic Equipment from the Group will continue to increase during the term of the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement;

(iii) based on the discussions between the Company and its upstream suppliers, the expected production capacity and channel of the potential upstream suppliers of the Group in relation to the supply of the relevant Photovoltaic Equipment to the Group will be sufficient to cater for the increase in demand of Beijing Shangfang Group for the relevant Photovoltaic Equipment from the Group during the term of the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement; In particular, the Company has established a cooperative relationship with various major photovoltaic manufacturers and suppliers by entering into the framework purchase agreements related to the purchase of the Photovoltaic Equipment with a term no less of one (1) year. As such, the Group has the capacity to secure a stable source of supply for the large volume of the Photovoltaic Equipment from the major photovoltaic manufacturers and suppliers, in order to fulfil the increased demand of Beijing Shangfang Group for the Photovoltaic Equipment from the Group as contemplated under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement; and

(iv) the respective estimated average unit prices of the Photovoltaic Equipment, which have taken into account the historical transactions between the Group and Beijing Shangfang, the prevailing market prices and market trend of such products.

Based on the communication between the Company and the Beijing Shangfang in relation to the development plan of the Beijing Shangfang Group for 2025-2027, the Beijing Shangfang Group will continue to expand its photovoltaic businesses in relation to the construction of the distributed photovoltaic power plants for its commercial, residential and entrepreneurial customers in several provinces of the PRC, such as Jiangsu, Anhui, Hunan, Hubei, Guangdong and Guangxi, etc. In order to facilitate the business expansion of the Beijing Shangfang Group as contemplated under its development plan for 2025-2027, as at the Latest Practicable Date, the Beijing Shangfang Group has established a team of more than 15,000 staff who are experienced in the photovoltaic industry to actively conduct business promotion and pursue business opportunities in the photovoltaic industry. Against the backdrop of robust government support and evolving landscape of the photovoltaic industry in the PRC, coupled with the guidance of a seasoned management team of the Beijing Shangfang Group in the photovoltaic industry, the Beijing Shangfang Group anticipates that it will continue to expand its business and operation scale of constructing distributed photovoltaic power plants and achieve a significant cumulative capacity in the coming years. Such anticipated cumulative capacity will necessitate a substantial quantity of Photovoltaic Equipment to be procured by the Beijing Shangfang Group for the construction of distributed photovoltaic power plants.

The Beijing Shangfang Group's projected purchase cost of the Photovoltaic Equipment in 2025-2027 is based on the expected annual cumulative capacity of the Beijing Shangfang Group pursuant to its development plan for 2025-2027, and the prevailing building cost per watt in respect of the construction of distributed photovoltaic power plants. According to the communication between the Group and the Beijing Shangfang Group, and the research conducted by the Company on the information related to prevailing building cost and cost component of constructing photovoltaic power plants in the PRC from the authoritative public sources such as the China Photovoltaic Industry Association and Infolink Consulting, it is noted that the prevailing building cost would be around RMB3 per watt, while the prevailing cost of Photovoltaic Equipment (e. g. photovoltaic modules, inverters, supports, cables and box transformers, etc.) would be around RMB2 per watt, which was multiplied by the total expected annual cumulative capacity of the Beijing Shangfang Group for 2025-2027 to derive the total Photovoltaic Equipment cost of the Beijing Shangfang Group for 2025-2027. As such, the proposed annual caps for the sale of Photovoltaic Equipment by the Group to the Beijing Shangfang Group under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement (i.e. RMB3,000 million) represent only a portion of the total expected cost of the Beijing Shangfang Group in purchasing the photovoltaic equipment from the photovoltaic manufacturers and suppliers as contemplated in its development plan of 2025-2027.

Based on the above, the Group and the Beijing Shangfang Group have reached a final agreement on the proposed annual caps of RMB3,000 million under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, which was determined based on the alignment of both the demand of the Beijing Shangfang Group in purchasing, and the capacity of the Group to deliver, the Photovoltaic Equipment.

In order to assess the fairness and reasonableness of the proposed annual caps for the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement, we have also taken into consideration the following factors:

(i) Development and regulatory support of the photovoltaic industry in the PRC

The Chinese government has been very supportive of renewable energy development, implementing various policies and incentives to promote the use of solar energy. These policies include subsidies, feed-in tariffs, and targets for renewable energy capacity. In June 2022, China released the FYP, a comprehensive blueprint for further accelerating China's renewable energy expansion. The FYP targets a 50% increase in renewable energy generation (from 2.2 trillion kWh in 2020 to 3.3 trillion kWh in 2025), establishes a 2025 renewable electricity consumption share of 33 % (up from 28.8% in 2020), and directs that 50% of China's incremental electricity and energy consumption shall come from renewables over the period 2021-2025. This is further reinforced by China's carbon neutrality goal by 2060, demonstrating China's long-term ambitions and priorities to accelerate the transformation to a carbon-neutral economy. Encouraged by robust government support, China has witnessed a rapid expansion in its renewable energy sector, particularly in solar power. Research by the Global Energy Monitor, a non-governmental organization which catalogs fossil fuel and renewable energy projects worldwide, indicates that from March 2023 to March 2024, China installed more solar capacity than it had in the prior three years combined. This surge not only surpassed China's own records but also exceeded the solar installations of the rest of the world combined for 2023. However, to reach its 2030 target of producing 25% of all energy from non-fossil sources, China will need to install between 1,600GW and 1,800GW of wind and solar energy capacity. Between 2020 and 2023, only 30% of the growth in energy consumption was met by renewable sources, falling short of the 50% target.

However, this unprecedented growth in solar capacity led to significant challenges. According to Reuters in its article in May 2024 ("https://www.reuters.com/business/energy/chinas-blistering-solar-power-growth-runs-into-grid-blocks-2024-05-22/"), China installed so many solar modules that the country's storage and transmission infrastructure struggled to keep up with the excess power generation. This surplus, coupled with overcapacity in the market, led Chinese authorities to scale back price support for the solar industry, which in turn slowed down new installations in 2024. The market showed signs of cooling, though it continued to experience growth, indicating sustained momentum despite the slower pace.

In 2024, China released several key policies aimed at addressing some of these challenges. The National Energy Administration (the "**NEA**") issued a directive to ensure the effective consumption of renewable energy and promote its sustainable development. The NEA allowed regions with abundant solar resources to lower their renewable energy utilisation targets to 90%, down from the previous 95%, reflecting a more flexible and pragmatic approach to managing supply and demand. Additionally, recognizing the strain placed on its grid infrastructure, China is also ramping up investments to improve transmission capacity and energy storage. The NEA announced plans to complete 37 major power line projects and initiate construction on 33 others by the end of 2024. Furthermore, the State Council raised its 2025 battery storage capacity target from 30 gigawatts to 40 gigawatts, reflecting the need for more energy storage to balance renewable output with demand.

In conclusion, while the PV industry in China faces challenges such as oversupply and limitations in storage and transmission capacity, the long-term growth outlook remains promising. Recent government policies demonstrate a strong commitment to expanding solar capacity, with efforts focused on improving grid infrastructure and introducing more flexible renewable energy targets. These strategic measures aim to alleviate existing bottlenecks and enhance the sector's resilience. Additionally, China's ambitious goals of reducing carbon intensity and achieving carbon neutrality by 2060 necessitate continued expansion of solar energy. Investments in battery storage and transmission projects will enable more efficient integration of renewable energy. These advancements are expected to address current issues and set the stage for renewed growth in the solar energy sector, reinforcing its critical role in China's clean energy transition and climate goals.

(ii) Purchase projection based on the development plan of the Beijing Shangfang Group

We have discussed with the Management and understood that the proposed annual caps were determined after communication with the Beijing Shangfang Group regarding their development plan in 2025-2027. According to the Management, the Beijing Shangfang Group has continued its photovoltaic business in twelve provinces in the PRC. Their 2025-2027 projection anticipates serving both commercial and residential households in these regions and establishing rooftop photovoltaic systems with a significant cumulative capacity, necessitating a substantial quantity of photovoltaic equipment and components for installation.

In evaluating the validity of the purchase projection, we have acquired the estimation from the Company, reviewed the Beijing Shangfang Group's development plan, and conducted additional desktop research to assess the demand for photovoltaic equipment from the Group. In our thorough desktop research on the cost components and construction expenses of photovoltaic power stations in the PRC, we referred to the Roadmap. The Roadmap highlighted that key equipment costs, such as solar modules, inverters, and mounting systems, constitute more than 50% of the total cost of building a photovoltaic system or station. In early 2024, the Roadmap forecasted a continuous decreasing trend in building costs per watt between 2023 and 2030, from RMB3.18 per watt in 2023 to a forecasted cost per watt in 2024 to be slightly below RMB3.0 with the key equipment costs to be around RMB2.0 per watt. Furthermore, according to the National Public Resources Trading Platform ("全國公共資源交易平台"), we noted that numerous winning bids in public tenders for similar rooftop distributed photovoltaic projects in 2024 were around RMB3.0 per watt in building costs. As such, we are of the view that the assumptions in the Company's estimation are reasonable

We have calculated the estimated cost for the Beijing Shangfang Group to build photovoltaic systems by multiplying the building costs per watt for 2025-2027 in the Roadmap by the expected cumulative capacity in the development plan of the Beijing Shangfang Group for 2025-2027. With the total estimated cost for the Beijing Shangfang Group calculated, we then worked out the total demand of Beijing Shangfang for photovoltaic equipment by applying the proportion of key equipment costs to total costs according to the Roadmap. We compared our calculation with the estimation by the Company and are satisfied with the reasonableness of the total demand for photovoltaic equipment from the Beijing Shangfang Group. We noted that the proposed annual caps of RMB3,000 million under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement was indeed less than the total estimated demand of photovoltaic equipment from the Beijing Shangfang Group. Based on our discussion with the Company, the Group does not expect to fulfil all the demand from the Beijing Shangfang Group after taking into consideration (i) the Company's own capabilities and financial feasibility; (ii) the production capacity of the Company's suppliers; and (iii) the assessment of the market landscape, including the presence of other suppliers. The determination of the proposed annual caps therefore ensures alignment with both the client's needs and the company's capacity to deliver. However, the Shareholders should note that the proposed annual caps relate to the future event and it does not represent a forecast of turnover to be generated from the transactions contemplated under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement.

5. Internal control measures

As stated in the letter from the Broad, the Group has implemented the following internal control procedures for the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement (as supplemented by the Second Supplemental Agreement) and the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement.

5.1.1 Internal control measures for the Deposit Services under the 2024-2026 First Supplemental Financial Services Framework Agreement (as supplemented by the Second Supplemental Agreement)

In respect of the Deposit Services, the Company has adopted the following internal control and monitoring procedures:

(i) before entering into any deposit arrangements with Huafa Finance Company, the Company will negotiate with Huafa Finance Company on an arm's length basis in respect of the deposit interest rate of the Deposit Services, and ensure that such interest rate is determined: (1) by reference to and is not lower than the benchmark interest rate then published by the PBOC for deposits of same term and same type and, in case of any change in the benchmark deposit interest rate, the deposit interest rate to be payable by Huafa Finance Company shall be determined by reference to and not lower than such benchmark deposit interest rate; and (2) by reference to the average deposit interest rate offered by at least three other independent domestic commercial banks in the PRC for deposit services of the same term and same type on normal commercial terms. The personnel responsible for cashier in the fund management department will be responsible for conducting market research, consulting with independent commercial banks and compiling statistics on interest rates for different types of deposits, and the fund operation unit of the fund management department will then be responsible for reviewing and determining the interest rate, which will be considered and approved by the head of the fund management department. As such, the Company will be able to ensure the deposit interest rate of the Deposit Services will not be less favourable than that published by the PBOC and the average deposit interest rate offered by three other independent domestic commercial banks in the PRC;

(ii) the fund management department of the Company will monitor the Deposit Services on a daily basis to ensure the Revised Deposit Caps will not be exceeded;

(iii) the fund management department of the Company will report to the senior management of the Company to give an update of the deposit arrangements entered into with Huafa Finance Company on a monthly basis;

(iv) Huafa Finance Company has agreed to provide data to assist the Company to monitor the daily deposit balance cap when necessary;

(v) In terms of the credit assessment on Huafa Finance Company, the Group will request Huafa Finance to provide its audited annual financial statements annually and its management accounts every three months. Also, the Group will annually request Huafa Finance Company to provide its compliance risk management reports filed by it to the NFRA, as well as regularly conduct on-site inspections and interviews with the senior management of Huafa Finance Company, in order to ensure that Huafa Finance Company is financially reliable and safe to provide the Deposit Services to the Group and the capital risk control measures have been effectively carried out by Huafa Finance Company;

(vi) the Directors (including the independent non-executive Directors) will review the transactions contemplated under the 2024-2026 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement) and its annual caps each year, to ensure that the transactions contemplated under the 2024-2026 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement) are conducted within the terms of the 2024-2026 Financial Services Framework Agreement (as supplemented by the Supplemental Agreement), on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

(vii) the independent non-executive Directors and the auditor of the Company will perform annual reviews on the pricing and annual caps of such transactions contemplated under the 2024-2026 Financial Services Framework Agreement (as amended and supplemented by the Supplemental Agreement).

In respect of the above internal control procedures, we conducted the following procedures: (i) held discussions with Management to confirm that the Company's fund management team conducted market research and verified interest rates with three domestic commercial banks before making deposit decisions; (ii) randomly selected and reviewed deposits made by the Group with Huafa Finance Company during three different months in 2024, as well as comparable deposits, if available, with independent domestic commercial banks, examining the respective interest payments; (iii) compared the interest rates offered by Huafa Finance Company to those from independent domestic commercial banks within the same period, noting that Huafa Finance Company offered higher rates; and (iv) conducted desktop research on historical interest rates from three selected domestic commercial banks in the PRC, confirming that Huafa Finance Company's rates were indeed higher than the selected banks. These findings aligned with the pricing policies outlined in the 2024-2026 First Supplemental Financial Services Framework Agreement, and no irregularities or inconsistencies were identified. We have also obtained the annual audited financial statements of the Huafa Finance Company and the Compliance Risk Management Reports from the Management and confirmed with the Management that credit assessment was carried out.

Given that (i) regular checks and monitoring are conducted by relevant personnel and management of the Group; (ii) the independent non-executive Directors and auditors of the Company will review, among other things, whether the transactions contemplated under the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) are conducted in accordance with the terms thereunder; (iii) the findings from our randomly selected samples showed that the terms offered by Huafa Finance Company were no less favourable than those offered by independent third party in historical periods, we are of the view that adequate measures have been put in place to monitor the transactions contemplated under the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement) in order to protect the interests of the Company and the independent Shareholders as a whole.

5.1.2 Capital risk control measures for the 2024-2026 First Supplemental Financial Services Framework Agreement (as amended and supplemented by the Second Supplemental Agreement)

(i) Huafa Finance Company will ensure the safe operation of the funds management information system, all of which has passed the security test in respect of the interface of online banking of commercial banks, so as to ensure the security of the funds of the Group;

(ii) Huafa Finance Company will ensure that it operates in strict compliance with the risk monitoring indicators for financial institutions promulgated by the NFRA and that all of its major regulatory indicators, such as capital adequacy ratio, interbank borrowing ratio and liquidity ratio, will also comply with the requirements of the NFRA. To the best knowledge of the Company, as at the Latest Practicable Date, all of the major regulatory indicators of Huafa Finance Company, including its capital adequacy ratio, interbank borrowing ratio and liquidity ratio, have complied with the requirements imposed by NFRA;

(iii) Zhuhai Huafa has undertaken to the NFRA that, in the event that Huafa Finance Company is in urgent difficulty in making payment, Zhuhai Huafa will increase capital funding accordingly based on the actual need to solve such problem; and

(iv) the capital balance of the Group exceeding the daily maximum deposit at Huafa Finance Company will be deposited into one or more commercial banks in the PRC as deposits.

5.2 Internal control procedures and corporate governance measures for the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement

The Company will adopt the below internal control procedures and corporate governance measures in relation to the transactions contemplated under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement:

(i) the business departments of the Group will be responsible for collecting the market information including the price fluctuation of each of the Photovoltaic Equipment on a monthly basis from the authoritative third-party public source in the photovoltaic industry;

(ii) the business departments of the Group will also communicate with the customers, suppliers or trade partners through telephone conversations, emails and site visits to obtain the prices of comparable transactions during the same period and the prevailing market price at the time of a particular transaction for verification of the prevailing sales price implemented by the sales departments of the Group;

(iii) the business departments of the Group, having obtained internal approval from the Company's management, will set up a floor price for each type of Photovoltaic Equipment applying unified pricing set by the Company, which shall be determined with reference to the prevailing market price of the relevant Photovoltaic Equipment in the PRC market based on the aforesaid market research and the quotation in the open market obtained from the authoritative third-party public source in the photovoltaic industry, and shall not be lower than the cost of purchasing the Photovoltaic Equipment from the upstream suppliers;

(iv) prior to entering into any specific sales contract (or the orders thereunder) with Beijing Shangfang Group, the business departments of the Group will review the terms and ascertain the cost of purchasing the Photovoltaic Equipment from the upstream suppliers based on the framework purchase agreements (and the orders thereunder) entered into between the Group and the upstream suppliers. The business departments of the Group will also collect and review the information in relation to (i) gross profit margin for the trading business of the Group which is primarily with reference to the sales of mobile telecommunications device and accessories by the Group to independent customers during the same period; and (ii) the comparable transactions (if any) conducted by the Group with no less than three independent third parties during the same period. Taking into account the above factors, as well as based on the market research of the prevailing market price of the relevant Photovoltaic Equipment in the PRC market and the communication with Beijing Shangfang Group in relation to its acceptable price range, the business departments of the Group will then consider and determine the gross profit margin for the sale of the relevant Photovoltaic Equipment offered to Beijing Shangfang Group, which shall be subsequently reviewed and approved by the management of the Company, in order to ensure that (i) the gross profit margin set for the sale of the Photovoltaic Equipment will be comparable to those set for the trading business of the Group involving independent customers; (ii) the selling price and payment terms offered to Beijing Shangfang Group in respect of the sale of the relevant Photovoltaic Equipment to Beijing Shangfang Group shall be no less favourable to the Group than those offered to the independent customers; and (iii) the selling price of Photovoltaic Equipment offered to Beijing Shangfang Group will not be lower than the floor price for each type of Photovoltaic Equipment set by the Company;

(v) the business departments of the Group will review the sales of the Photovoltaic Equipment of the Group based on the floor price and report to the management of the Company on a monthly basis;

(vi) the finance department of the relevant members of the Group is responsible for monitoring the fees for respective transactions contemplated under each of the specific sales contracts (or the orders thereunder) under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement to ensure that they are in accordance with the requirements of the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the proposed annual caps thereof are not exceeded. In addition, the finance department of the Company will also conduct overall review on a monthly basis. Where the finance department of the relevant members of the Group is aware of any potential noncompliance with the pricing policies or that the proposed annual caps will be exceeded, the finance department of the relevant members of the Group will escalate the relevant matter to the senior management of the Company, who will co-ordinate at the Group level to take remedial actions, and ensure that the basis of proposed annual caps is followed and the proposed annual caps are not exceeded; and

(vii) the independent non-executive Directors and the auditor of the Company will conduct annual review on the transaction contemplated under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and provide their view to the Board.

In respect of the above internal control procedures, we undertook the following procedures: (i) we randomly selected and reviewed three samples of both sales and purchase agreements; (ii) we recalculated the gross profit margins for the transactions, comparing them with the pricing policies stipulated in the Existing Photovoltaic Equipment and Components Purchase and Sales Framework Agreements, and did not identify any irregularities or inconsistencies; and (iii) we obtained and examined the internal control approval forms for each sample transaction, confirming that each transaction was approved by personnel across various departments.

Given that (i) regular checks are conducted by relevant personnel from various internal departments of the Company; (ii) the independent non-executive Directors and the auditors of the Company will review, among other things, whether the transactions contemplated under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement are conducted in accordance with the terms thereunder; and (iii) the findings from our randomly selected samples showed that the terms offered to Beijing Shangfang were on normal commercial terms in historical periods, we are of the view that adequate measures have been put in place to monitor the transactions contemplated under the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement in order to protect the interests of the Company and the independent Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Connected Transaction is (i) not conducted in the ordinary and usual course of business but is on normal commercial terms and are fair and reasonable so far as the independent Shareholders are concerned; and (ii) in the interests of the Company and the Shareholders as a whole and the Continuing Connected Transactions are conducted (i) in the ordinary and usual course of the business of the Group; (ii) on normal commercial terms and are fair and reasonable so far as the independent Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the independent Shareholders, and we also recommend independent Shareholders to vote in favor of the relevant resolution for approving the Joint Venture Agreement and the transaction contemplated thereunder, the Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps and the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the EGM.

Yours faithfully,
For and on behalf of
Innovax Capital Limited

Alvin Kam *Managing Director*

Erica Ling *Director*

Note:

Mr. Alvin Kam is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 20 years of experience in investment banking and corporate finance.

Ms. Erica Ling is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has around 13 years of experience in investment banking and corporate finance.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023 is disclosed in the annual reports of the Company for the years ended 31 December 2021, 2022 and 2023, respectively, and the unaudited financial information of the Group for the six months ended 30 June 2024 is disclosed in the interim report of the Company for the six months ended 30 June 2024.

The said annual reports and interim report of the Group are published on both the website of the Stock Exchange (https://www.hkexnews.hk) and the website of the Company (https://www.dixintong.com):

- annual report of the Group for the year ended 31 December 2021 (pages 98 to 192) (available on https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0525/2022052500468.pdf);

- annual report of the Group for the year ended 31 December 2022 (pages 73 to 168) (available on https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042602917.pdf);

- annual report of the Group for the year ended 31 December 2023 (pages 89 to 178) (available on https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042900827.pdf); and

- interim report of the Group for the six months ended 30 June 2024 (pages 23 to 46) (available on https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0927/2024092700483.pdf).

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 September 2024, the Group had current bank loans of approximately RMB4,442.26 million, comprising unsecured bank loan repayable within one year of approximately RMB1,362.46 million and secured bank loan repayable within one year of approximately RMB3,079.80 million; current other loans of approximately RMB3,878.29 million, comprising unsecured loan repayable within one year of approximately RMB3,048.00 million, secured loan repayable within one year of approximately RMB747.00 million and current lease liability of approximately RMB83.29 million; and non-current unsecured bank loan of approximately RMB80.00 million and non-current lease liability of approximately RMB122.26 million.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loans or overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptances credits, or any guarantees, or any other contingent liabilities outstanding at the close of business on 30 September 2024, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the Group's indebtedness position or contingent liabilities since the close of business on 30 September 2024.

3. STATEMENT OF SUFFICIENCY OF WORKING CAPITAL

As at the Latest Practicable Date, having made due and careful enquiries, taking into account the internal resources of and credit facilities available to the Group as well as the Joint Venture Agreement, the Second Supplemental Agreement, the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated respectively thereunder, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS

The second half of 2024 marks a critical juncture for the Group. Although the growth of the original business of the sales of mobile telecommunications devices and accessories has been under pressure and the business of new energy and photovoltaic business is still in the incubation period, the Board is confident that the Group will exceed the expectations and fully accomplish the business targets for 2024 through adopting the following approaches:

(i) The Group will expand both our offline presence and online reach to fortify the development of the most competitive omni-channel system. In terms of offline retail, the Group will actively search for premium locations in first- to third-tier cities to increase the number of outlets, with an aim to ensuring operational efficiency and enhancing outlet density in key production areas. The Group will also prioritise the enhancement of the quality of outlet operations to elevate the success and sustainability rates of newly established outlets. At the same time, facing the rapid development of new technologies such as AI, the Group is actively exploring the application and innovation of such new technologies in 3C retail. In terms of new retail, on the one hand, the Group will continue to enhance the supply chain and sales capabilities within exclusive channels like banks and airlines; on the other hand, the Group will serve mainstream e-commerce platforms through a streamlined "one-piece delivery" service. Leveraging on the network advantages and operational excellence, the Group's nationwide outlets have emerged as pivotal omni-channel partners within the local life segment of platforms like TikTok, Kuaishou, Meituan and JD.

(ii) The Group will reinforce its 1+N strategy, with retail serving as the foundation and government and enterprise sectors as the breakthrough points. Beyond the cell phone business, building upon the initial retailer 1.0 recycling platform developed in collaboration with Everything New Life Group, the Group is in the course of upgrading and launching version 2.0 of the bidding recycling platform. Simultaneously, the Group is capitalizing on the launch of flagship products from the core brands in the second half of the year, striving to boost the proportion of fusion products to drive the Group's revenue growth. Leveraging the customer relationships and resources accumulated over the years, the Group has successfully diversified into several avenues within the government and enterprise sectors based on the retail foundation. In the upcoming months, the Group will not only put emphasis on stabilising existing business categories like number cards and data and information communication technology, but will also dedicate efforts to expanding new high-growth potential businesses such as arithmetic servers, with an aim to transforming the government and enterprise segment into a significant and profitable business segment.

(iii) The Group will strategically adjust its new business approach by actively engaging in the photovoltaic industry chain. In the second half of 2024, the Group will further participate in the household photovoltaic industry chain by penetrating upward from the original agency to the supply chain trade and downward to the exploration of possibilities of power plant holding. Through this deeper integration, the Group intends to enhance the cooperation model within the photovoltaic business, tapping into the growth potential of this sector and establishing it as one of the drivers of the future growth of the Group.

(iv) By prioritising cost reduction and operational efficiency, the Group will uphold the principle of "progress amidst stability". The Group will adhere to the guiding ideology of "cost reduction and efficiency enhancement" and implement these principles across all facets of the daily operations, whether it pertains to the front-end business or back-end support functions. Through stringent cost control measures for both the Group and our partners, the Group aims to stabilise or lower costs while concurrently enhance gross profit margins and overall business revenues. Under the premise of "stability", the Group aims to invigorate its team's creativity and drive by fostering an environment that values innovation and progress. By promoting advancement and recognizing excellence, the Group cultivate a culture of continuous improvement and encourage a spirit of catching up, leading to the enhanced overall efficiency within the Group.

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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors, supervisors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register to be kept by the Company, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules were as follows:

Interests in the Company

Name	Class of Shares	Capacity	Number of Shares held	Percentage of the relevant class of Shares *(Note 1)*	Percentage of the total share capital *(Note 1)*
Liu Donghai *(Note 2)*	Domestic Shares	Interest of controlled corporation	168,362,098 (long position)	49.86	18.99
		Person acting in concert	169,337,902 (long position)	50.14	19.10

Notes:

1. The percentage is calculated with the total number of 886,460,400 Shares in issue as at the Latest Practicable Date, comprising 337,700,000 Domestic Shares and 548,760,400 H Shares.

2. As at the Latest Practicable Date, Digital Science & Technology directly held 168,362,098 Domestic Shares, and the Liu Family jointly held the entire equity interest in Digital Science & Technology. In addition, Digital Science & Technology and Liu Donghai entered into a concert party agreement (the "**New Concert Party Agreement**") with Huafa Technology Industry Group on 8 April 2024. Accordingly, pursuant to the SFO, Liu Donghai was deemed to be interested in 168,362,098 Domestic Shares held by Digital Science & Technology and 169,337,902 Domestic Shares held by Huafa Technology Industry Group.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register to be kept by the Company, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote at a general meeting under all circumstances:

Name of Shareholder	Class of Shares	Capacity	Number of Shares held	Percentage of the relevant class of Shares *(Note 1)*	Percentage of the total share capital *(Note 1)*
Liu Yongmei *(Note 2)*	Domestic Shares	Interest of controlled corporation	168,362,098 (long position)	49.86	18.99
		Person acting in concert	169,337,902 (long position)	50.14	19.10
Liu Hua *(Note 2)*	Domestic Shares	Interest of controlled corporation	168,362,098 (long position)	49.86	18.99
		Person acting in concert	169,337,902 (long position)	50.14	19.10
Liu Wenli *(Note 2)*	Domestic Shares	Interest of controlled corporation	168,362,098 (long position)	49.86	18.99
		Person acting in concert	169,337,902 (long position)	50.14	19.10
Liu Wencui *(Note 2)*	Domestic Shares	Interest of controlled corporation	168,362,098 (long position)	49.86	18.99
		Person acting in concert	169,337,902 (long position)	50.14	19.10
Liu Songshan *(Note 2)*	Domestic Shares	Person acting in concert	337,700,000 (long position)	100.00	38.09
Di Er Tong *(Note 2)*	Domestic Shares	Person acting in concert	337,700,000 (long position)	100.00	38.09

Name of Shareholder	Class of Shares	Capacity	Number of Shares held	Percentage of the relevant class of Shares *(Note 1)*	Percentage of the total share capital *(Note 1)*
Digital Science & Technology *(Note 2)*	Domestic Shares	Beneficial owner	168,362,098 (long position)	49.86	18.99
		Person acting in concert	169,337,902 (long position)	50.14	19.10
Huafa Technology Industry Group *(Note 3)*	Domestic Shares	Beneficial owner	169,337,902 (long position)	50.14	19.10
		Person acting in concert	168,362,098 (long position)	49.86	18.99
Zhuhai Huafa *(Note 3)*	Domestic Shares	Interest of controlled corporation	337,700,000 (long position)	100.00	38.09
	H Shares	Interest of controlled corporation	327,057,912 (long position)	59.60	36.90
Hong Kong Huafa *(Note 3)*	H Shares	Beneficial owner	327,057,912 (long position)	59.60	36.89
Dawn Galaxy International Limited *(Note 4)*	H Shares	Beneficial owner	42,000,000 (long position)	7.65	4.74
YBN Investments Limited *(Note 5)*	H Shares	Beneficial owner	77,000,000 (long position)	14.03	8.69
YBN Holdings Limited *(Note 5)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
Taihe Dali Investment Hongkong Limited *(Note 5)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
Wang Wei *(Note 5)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69

Name of Shareholder	Class of Shares	Capacity	Number of Shares held	Percentage of the relevant class of Shares *(Note 1)*	Percentage of the total share capital *(Note 1)*
CITIC International Assets Management Limited *(Note 5)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
CITIC International Financial Holdings Limited *(Note 5)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
China CITIC Bank Corporation Limited *(Note 5)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
CITIC Limited *(Note 5)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
CITIC Group Corporation *(Note 5)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
Unicorn Link Group Limited *(Note 6)*	H Shares	Beneficial owner	77,000,000 (long position)	14.03	8.69
Xi Yue Cultural Industry Investment Fund L.P. ("**Xi Yue Fund L.P.**") *(Note 6)*	H Shares	Beneficial owner	77,000,000 (long position)	14.03	8.69
Glorious Maple Limited *(Note 6)*	H Shares	Beneficial owner	77,000,000 (long position)	14.03	8.69
Yeung Wan Yiu *(Note 6)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
Vital Vision Limited *(Note 6)*	H Shares	Beneficial owner	77,000,000 (long position)	14.03	8.69

Notes:

1. The percentage is calculated with the total number of 886,460,400 Shares in issue as at the Latest Practicable Date, comprising 337,700,000 Domestic Shares and 548,760,400 H Shares.

2. As at the Latest Practicable Date, Digital Science & Technology directly held 168,362,098 Domestic Shares, and the Liu Family jointly held the entire equity interest in Digital Science & Technology. In addition, Digital Science & Technology and Liu Donghai entered into the New Concert Party Agreement with Huafa Technology Industry Group on 8 April 2024. Accordingly, pursuant to the SFO, (i) Liu Donghai was deemed to be interested in 168,362,098 Domestic Shares held by Digital Science & Technology and 169,337,902 Domestic Shares held by Huafa Technology Industry Group and (ii) each of Liu Songshan, Liu Hua, Liu Wencui, Liu Yongmei and Liu Wenli was deemed to be interested in 337,700,000 Domestic Shares held by Digital Science & Technology.

   Given that the concert party agreement dated 29 January 2021 entered into between Huafa Technology Industry Group, Di Er Tong, Digital Science & Technology and the Liu Family has been expired on 7 April 2024, each of Di Er Tong, Liu Hua, Liu Songshan, Liu Wencui, Liu Yongmei and Liu Wenli was no longer a concert party under the New Concert Party Agreement. Accordingly, Di Er Tong ceased to have a notifiable interest pursuant to Divisions 2 and 3 of Part XV of the SFO as Di Er Tong ceased to be a member of a concert party group under the New Concert Party Agreement. However, as there was no notification by Di Er Tong to cease to have a notifiable interest pursuant to Divisions 2 and 3 of Part XV of the SFO after the relevant event and as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO, Di Er Tong remained registered as a substantial shareholder of the Company as at the Latest Practicable Date.

3. Huafa Technology Industry Group directly held 169,337,902 Domestic Shares. In addition, Huafa Technology Industry Group entered into the New Concert Party Agreement with Digital Science & Technology and Liu Donghai on 8 April 2024. Accordingly, pursuant to the SFO, Huafa Technology Industry Group was deemed to be interested in 168,362,098 Domestic Shares held by Digital Science & Technology. Zhuhai Huafa directly held 93.06% equity interest in Huafa Technology Industry Group. Accordingly, pursuant to the SFO, Zhuhai Huafa was deemed to be interested in 337,700,000 Domestic Shares held by Huafa Technology Industry Group. Hong Kong Huafa directly held a total of 327,057,912 H Shares, while Zhuhai Huafa directly held 100% equity interest in Hong Kong Huafa. Accordingly, pursuant to the SFO, Zhuhai Huafa was deemed to be interested in 327,057,912 H Shares held by Hong Kong Huafa.

4. To the best of the Directors' knowledge after due enquiry, following the closing of the mandatory conditional offer for H Shares on 3 June 2021, Dawn Galaxy International Limited was no longer a substantial shareholder of the Company as it had made a valid acceptance for the offer. However, as there was no notification to cease to have a notifiable interest pursuant to Divisions 2 and 3 of Part XV of the SFO after the relevant event and as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO, Dawn Galaxy International Limited remained registered as a substantial shareholder of the Company as at the Latest Practicable Date.

5. To the best of the Directors' knowledge after due enquiry, as at the Latest Practicable Date, YBN Investments Limited directly held 77,000,000 H Shares. YBN Investments Limited was wholly owned by YBN International Holdings Limited, which was in turn owned as to 70.00% by YBN Holdings Limited. Accordingly, pursuant to the SFO, each of YBN International Holdings Limited and YBN Holdings Limited was deemed to be interested in 77,000,000 H Shares held by YBN Investments Limited.

YBN Holdings Limited was directly owned as to approximately 46.75% by CITIC International Assets Management Limited, which was in turn directly owned as to 46.00% by CITIC International Financial Holdings Limited. CITIC International Financial Holdings Limited was a direct wholly-owned subsidiary of China CITIC Bank Corporation Limited, which was in turn directly owned as to approximately 67.05% by CITIC Financial Holdings Co., Ltd. CITIC Financial Holdings Co., Ltd. was indirectly and wholly owned by CITIC Limited through its wholly-owned subsidiary, CITIC Corporation Limited. CITIC Limited was directly owned as to approximately 25.60% and 27.52% by CITIC Glory Limited and CITIC Polaris Limited, respectively, both of which were the wholly-owned subsidiaries of CITIC Group Corporation. Accordingly, pursuant to the SFO, each of CITIC International Assets Management Limited, CITIC International Financial Holdings Limited, China CITIC Bank Corporation Limited, CITIC Financial Holdings Co., Ltd., CITIC Corporation Limited, CITIC Limited and CITIC Group Corporation was deemed to be interested in 77,000,000 H Shares held by YBN Investments Limited.

In addition, YBN Holdings Limited was also directly owned as to approximately 38.25% by Taihe Dali Investment Hongkong Limited, which was in turn directly owned as to approximately 55.60% by Wang Wei. Accordingly, pursuant to the SFO, each of Taihe Dali Investment Hongkong Limited and Wang Wei was deemed to be interested in 77,000,000 H Shares held by YBN Investments Limited.

6. To the best of the Directors' knowledge after due enquiry, as at the Latest Practicable Date, Unicorn Link Group Limited directly held 77,000,000 H Shares, and Xi Yue Fund L.P. wholly owned Unicorn Link Group Limited. The limited partner of Xi Yue Fund L.P. was United Wealth Ventures Limited, which was wholly owned by Glorious Maple Limited, which was owned as to 70.00% by Yeung Wan Yiu. The general partner of Xi Yue Fund L.P. was Vital Vision Limited. Accordingly, pursuant to the SFO, Xi Yue Fund L. P., Glorious Maple Limited and Vital Vision Limited were deemed to be interested in 77,000,000 H Shares held by Unicorn Link Group Limited.

Save as disclosed above, as at the Latest Practicable Date, there was no other person (other than the Directors, supervisors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote at a general meeting under all circumstances.

4. DIRECTORS OR PROPOSED DIRECTORS BEING A DIRECTOR OR EMPLOYEE IN A COMPANY HAVING AN INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at the Latest Practicable Date, apart from Ms. Xu Jili, Ms. Xu Liping, Mr. Xie Hui, Mr. Jia Zhaojie and Ms. Pan Anran who serve in Zhuhai Huafa and/or its subsidiaries, and Mr. Liu Donghai who serves in Digital Science & Technology, none of the Directors is a director or employee of a company having an interest or short position in the Shares and 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.

5. INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective close associates had an interest in any business which competes, or are likely to compete, either directly or indirectly, with the business of the Group which would require disclosure under the Listing Rules.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors, proposed Directors, supervisors or proposed supervisors of the Company entered or proposed to enter into any service contract with any member of the Group which was not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT

Save as disclosed herein, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

8. DIRECTORS' INTEREST IN ASSETS

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or had been proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2023 (being the date to which the latest published audited annual consolidated financial statements of the Group were made up).

10. LITIGATION

As at the Latest Practicable Date, as far as was known to the Directors, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

11. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any members of the Group) had been entered into by the Group immediately before two years from the date of this circular and up to the Latest Practicable Date, and which are or may be material:

(i) the Joint Venture Agreement dated 24 October 2024 entered into between the Company and Huashi Zhiyuan in relation to the establishment of the Joint Venture;

(ii) the subscription agreement dated 1 September 2023 entered into between the Company as issuer and YBN Investments Limited as subscriber for the subscription of a total of 77,000,000 H Shares at the subscription price of HK$1.70 in three tranches; and

(iii) the subscription agreement dated 1 September 2023 entered into between the Company as issuer and Unicorn Link Group Limited as subscriber for the subscription of a total of 77,000,000 H Shares at the subscription price of HK$1.70 in three tranches.

12. EXPERT AND CONSENT

The following are the qualifications of the expert who has provided opinion or advice contained in this circular:

Name	Qualification
Innovax	a corporation licensed under the SFO permitted to engage in Type 1 and Type 6 regulated activities (as defined under the SFO)

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, the above expert did not have any interest, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

13. OTHER INFORMATION

(i) Mr. Huang Mingqiang ("**Mr. Huang**") and Ms. Ng Sau Mei ("**Ms. Ng**") are the joint company secretaries of the Company. Mr. Huang joined the Company in March 2022 as a general manager of the securities and affairs department and has served as the Board secretary of the Company since 1 August 2022. Mr. Huang obtained a Master's degree in Finance from Jiangxi University of Finance and Economics in January 2009. Ms. Ng is a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

(ii) The Company's principal place of business in Hong Kong is located at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, its registered office and headquarter is located at Room 24603, 46th Floor, -4 to 45th Floor 101, Building 1, No. 20 Courtyard, Lize Road, Fengtai District, Beijing, the PRC.

(iii) H Share registrar of the Company is Computershare Hong Kong Investor Services Limited, which is located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

14. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (https://www.dixintong.com) for a period of 14 days from the date of this circular (both days inclusive):

(i) 2024-2026 Financial Services Framework Agreement;

(ii) First Supplemental Agreement;

(iii) Second Supplemental Agreement;

(iv) Joint Venture Agreement;

(v) 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement;

(vi) the letter from the Independent Board Committee, full text of which is set out on pages 58 to 59 of this circular;

(vii) the letter from Innovax, the independent financial adviser, full text of which is set out on pages 60 to 127 of this circular; and

(viii) the written consent of Innovax referred to in the section headed "12. Expert and consent" in this appendix.

北京迪信通商貿股份有限公司

Beijing Digital Telecom Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6188)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Beijing Digital Telecom Co., Ltd. (the "**Company**") will be held at 46th Floor, South Tower, Lize SOHO, Building 1, No. 20, Lize Road, Lize Financial Business District, Fengtai District, Beijing, the PRC on Friday, 13 December 2024, at 10:00 a.m. to consider and, if thought fit, to pass the following resolutions. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 25 November 2024 (the "**Circular**"):

ORDINARY RESOLUTIONS

1. To consider and approve the Joint Venture Agreement and the transactions contemplated thereunder;

2. To consider and approve the Deposit Services under the Second Supplemental Agreement and the Revised Deposit Caps; and

3. To consider and approve the 2025-2027 Photovoltaic Equipment and Components Purchase and Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

SPECIAL RESOLUTION

4. "**That**:

the proposed amendments to the Articles of Association (the "**Articles Amendments**") (details of which are set out in the Circular in relation to the Articles Amendments) be and are hereby approved and the Amended and Restated Articles of Association which consolidates all the Articles Amendments be and are hereby approved and adopted in substitution for, and to the exclusion of, the existing Articles of Association, and any one Director be and is hereby authorised to do all such acts and things and execute all such documents and make all such arrangement as he/she shall, in his/her absolute discretion, deem necessary or expedient to give effect to the foregoing."

By order of the Board
Beijing Digital Telecom Co., Ltd.
Xu Jili
Chairwoman

Beijing, the PRC
25 November 2024

Notes:

1. Shareholders whose names appear on the register of members of the Company on Friday, 13 December 2024 are entitled to attend and vote at the EGM. The register of members of the Company will be closed from Tuesday, 10 December 2024 to Friday, 13 December 2024 (both days inclusive). Shareholders who intend to attend and vote at the EGM shall lodge all the transfer documents together with the relevant share certificates with the Company's H 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 holders of H Shares) or the registered office of the Company (for holders of Domestic Shares) no later than 4:30 p.m. on Monday, 9 December 2024.

2. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote at the EGM on his/her/its behalf. A proxy needs not be a shareholder of the Company.

3. A proxy shall be appointed by an instrument in writing (including the proxy form). Such instrument shall be signed by the appointer or his/her/its attorney duly authorised in writing. If the appointer is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorised in writing. The instrument appointing the proxy shall be deposited at the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Shares; or at the registered office of the Company for holders of Domestic Shares as soon as possible and in any event not later than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). If the instrument appointing the proxy is signed by a person authorized by the appointer, the power of attorney or other document of authority under which the instrument is signed shall be notarised. The notarised power of attorney or other documents of authority shall be deposited together with the instrument appointing the proxy at the same time at the H Share registrar of the Company or the Company's registered office (as may be applicable).

4. Shareholders or their proxies are required to produce their identification documents when attending the EGM.

5. Miscellaneous

   i. All attending Shareholders shall arrange for their transportation and accommodation and shall bear all their own expenses in connection with their attendance.

   ii. The address of the registered office of the Company:

   Room 24603, 46th Floor
   -4 to 45th Floor 101
   Building 1, No. 20 Courtyard, Lize Road
   Fengtai District
   Beijing
   the PRC

   Tel: (010) 6873 3818
   Fax: (010) 6873 3816

   Contact Person: Mr. Huang Mingqiang

   iii. The address of the Company's H Share registrar:

   Computershare Hong Kong Investor Services Limited

   Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (For lodging share transfers)

   17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (For deposit of the proxy form)

   Tel: (852) 2862 8555
   Fax: (852) 2865 0990

As at the date of this notice, the executive Directors are Ms. XU Jili, Ms. XU Liping and Mr. LIU Donghai; the non-executive Directors are Mr. XIE Hui, Mr. JIA Zhaojie and Ms. PAN Anran; and the independent non-executive Directors are Mr. LV Tingjie, Mr. LV Pingbo and Mr. CAI Chun Fai.