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XINYI ENERGY HOLDINGS LIMITED

信義能源控股有限公司

*(Incorporated under the laws of the
British Virgin Islands with limited liability)*

(Stock code: 03868)



XINYI SOLAR HOLDINGS LIMITED

信義光能控股有限公司

*(Incorporated under the laws of the
Cayman Islands with limited liability)*

(Stock code: 00968)

**CONNECTED AND DISCLOSEABLE
TRANSACTION**

**Exercise of Call Option (Group 2)
pursuant to the Solar Farm Agreement
and the Solar Farm (Group 2) Agreements**

CONNECTED TRANSACTION

**Disposal of Call Right Assets (Group 2)
pursuant to the Solar Farm Agreement
and the Solar Farm (Group 2) Agreements**

The XYE Directors and the XYS Directors refer to the Solar Farm Agreement, pursuant to which Xinyi Solar has granted the Call Option to Xinyi Energy. In March 2020, Xinyi Energy had exercised the Call Option (Group 1) and the Solar Farm (Group 1) Transaction was completed in September 2020.

Exercise of the Call Option (Group 2)

On 6 January 2021, Xinyi Energy delivered to Xinyi Solar the Call Notices (Group 2) to exercise the Call Option (Group 2) to acquire the Call Right Assets (Group 2) pursuant to the terms and conditions of the Solar Farm Agreement. On 6 January 2021, the Solar Farm (Group 2) Agreements were entered into in relation to the acquisition of the Target Shares (Group 2) for the Call Right Price (Group 2).

Implications under the Listing Rules in relation to the exercise of the Call Option (Group 2)

In relation to Xinyi Energy

As all of the Solar Farm (Group 1) Agreement and the Solar Farm (Group 2) Agreements were entered into by Xinyi Energy (as the purchaser) and a subsidiary of Xinyi Solar (as the vendor) and that the Solar Farm (Group 1) Agreement was completed within the previous 12-month period, the Solar Farm (Group 1) Transaction and the transactions contemplated under the exercise of Call Option (Group 2) should be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules for the purpose of determining the implications under the Listing Rules. The highest applicable percentage ratio (as defined under the Listing Rules) in relation to the exercise of the Call Option (Group 2) is (a) if aggregated with the exercise of the Call Option (Group 1) for the Listing Rules purposes, more than 5% but less than 25% and (b) more than 5% but less than 25% on a stand-alone basis. As such, the exercise of the Call Option (Group 2) would be subject to the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

A shareholders' circular to be dispatched by Xinyi Energy containing, among other things (a) further information on the exercise of the Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements; (b) a letter of recommendations from the XYE Independent Board Committee; (c) a letter of advice from the XYE Independent Financial Adviser; and (d) a notice of the XYE EGM is expected to be dispatched to the shareholders of Xinyi Energy on or before 26 January 2021 in full compliance with the requirements under the Listing Rules.

In relation to Xinyi Solar

Xinyi Energy is a non-wholly owned subsidiary of Xinyi Solar. As of the date of this joint announcement, the XYS Controlling Shareholders and their respective associates are interested in 48.8% of the XYS Shares and are also interested in 20.6% of the XYE Shares. Accordingly, Xinyi Energy is a connected subsidiary of Xinyi Solar under Chapter 14A of the Listing Rules.

As all of the Solar Farm (Group 1) Agreement and the Solar Farm (Group 2) Agreements were entered into by Xinyi Energy (as the purchaser) and a subsidiary of Xinyi Solar (as the vendor) and that the Solar Farm (Group 1) Agreement was completed within the previous 12-month period, the Solar Farm (Group 1) Transaction and the transactions contemplated under the Solar Farm (Group 2) Agreements should be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules for the purpose of determining the implications under the Listing Rules. The highest applicable percentage ratio (as defined under the Listing Rules) in relation to the disposal of the Call Right Assets (Group 2) is (a) if aggregated with the disposal of the Call Right Assets (Group 1) for the Listing Rules purposes, more than 1% but less than 5% and (b) more than 1% but less than 5% on a stand-alone basis. As such, the disposal of the Call Right Assets (Group 2) is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND INFORMATION

The XYE Directors and the XYS Directors refer to the Solar Farm Agreement, pursuant to which Xinyi Solar has granted the Call Option to Xinyi Energy. In March 2020, Xinyi Energy had exercised the Call Option (Group 1) and the Solar Farm (Group 1) Transaction was completed in September 2020.

On 6 January 2021, Xinyi Energy delivered to Xinyi Solar the Call Notices (Group 2) to exercise the Call Option (Group 2) to acquire the Call Right Assets (Group 2) pursuant to the terms and conditions of the Solar Farm Agreement. On 6 January 2021, the Solar Farm (Group 2) Agreements were entered into in relation to the acquisition of the Target Shares (Group 2) for the Call Right Price (Group 2).

CALL RIGHT PRICE UNDER THE SOLAR FARM AGREEMENT

As disclosed in the XYS Solar Farm Announcement, the XYS Solar Farm Circular and the XYE Prospectus, the formula in determining the Call Right Price under the Solar Farm Agreement is set forth below:

The Call Right Price is equal to the greater of:

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

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

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

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

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

PRINCIPAL TERMS OF THE SOLAR FARM (GROUP 2) AGREEMENTS

Following the exercise of the Call Option (Group 2), the primary purpose of the entering into of the Solar Farm (Group 2) Agreements is to set forth the details of the solar farm projects to be acquired by Xinyi Energy in 2021 and the conditions thereof. Such transactions contemplated under the Solar Farm (Group 2) Agreements will require the approval of the XYE Independent Shareholders pursuant to the Listing Rules. The Solar Farm (Group 2) Agreements are entered into pursuant to the Solar Farm Agreement and the material terms of which are not inconsistent with the Solar Farm Agreement (which has been approved at an extraordinary general meeting of Xinyi Solar held on 21 November 2018). The following sets forth the principal terms of the Solar Farm (Group 2A) Agreement and the Solar Farm (Group 2B) Agreement, respectively. The Solar Farm (Group 2A) Agreement and the Solar Farm (Group 2B) Agreement are not inter-conditional.

Solar Farm (Group 2A) Agreement

On 6 January 2021, Xinyi Energy delivered to Xinyi Solar the Call Notice (Group 2A). On 6 January 2021, the Solar Farm (Group 2A) Agreement was entered into in relation to the acquisition of the Target Shares (Group 2A) for the Call Right Price (Group 2A).

The principal terms of the Solar Farm (Group 2A) Agreement are set forth below:

Date: 6 January 2021

Parties: (a) Xinyi Energy, as the purchaser; and
(b) the Vendor, as the vendor.

Xinyi Energy, as the purchaser has conditionally agreed to purchase, and the Vendor has agreed to sell, the Target Shares (Group 2A), representing the entire issued share capital of the Target Company (Group 2A).

Subject matter of the acquisition: The Target Company (Group 2A), which is an investment holding company and upon completion, will be the ultimate owner of the Call Right Assets (Group 2A).

Based on the unaudited combined financial information of the Target Members (Group 2A) for the year ended 31 December 2019, the unaudited combined total asset value and net asset value of the Target Members (Group 2A) as of 31 December 2019 were approximately HK\$897.5 million and HK\$85.8 million, respectively. As of 30 November 2020, the unaudited combined total asset value and net asset value of the Target Members (Group 2A) were approximately HK\$1,413.2 million and HK\$199.2 million, respectively. The unaudited combined financial information of the Target Members (Group 2A) for the two years ended 31 December 2019 and the eleven months ended 30 November 2020 is as follows:

	Year ended 31 December		Eleven months ended 30
	2018	2019	November
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net profit before tax	14,084	77,137	94,016
Net profit after tax	14,084	77,248	94,184
Net profit after tax attributable to equity owners	14,084	77,248	94,184

Upon completion, the Target Company (Group 2A) will become a direct wholly-owned subsidiary of Xinyi Energy. As Xinyi Energy is a non-wholly owned subsidiary of Xinyi Solar, each of the Target Members (Group 2A) will become an indirect non-wholly owned subsidiary of Xinyi Solar following completion.

**Call Right Assets
(Group 2A):**

The Call Right Assets (Group 2A) include the following:

Name of the Call Right Assets	Name of the immediate holding companies in the PRC	Name of the offshore holding companies	Approved capacity (MW)	Approved Feed-in-Tariff rate (RMB)
Huainan Solar Farm (Phase 2), which is currently owned by Huainan Xinyi, a wholly-owned subsidiary of East Shine	Huainan Xinyi	East Shine	50	0.780
Huaibei Solar Farm, which is currently owned by Huaibai Xinyi, a wholly-owned subsidiary of Great Power	Huaibei Xinyi	Great Power	100	0.780
Hebei Zaoqiang Solar Farm, which is currently owned by Zaoqiang Renewable Energy, a company that will become a wholly-owned subsidiary of Huaibei Xinyi following completion of the reorganisation	Zaoqiang Renewable Energy	Great Power	100	0.378
Total			250	

**Call Right Price
(Group 2A):**

The Call Right Price (Group 2A) is determined in strict compliance with the terms of the Solar Farm Agreement and the Solar Farm (Group 2A) Agreement.

The XYE Directors and the XYS Directors have reviewed the formula in determining the Call Right Price and confirm that the Call Right Price for Huainan Solar Farm and Huaibei Solar Farm would be determined according to the First Limb and that the Call Right Price for the Hebei Zaoqiang Solar Farm would be determined according to the Second Limb.

As of the date of this joint announcement, the Call Right Price (Group 2A) has been estimated by Xinyi Solar and Xinyi Energy to be RMB1,265.8 million (equivalent to HK\$1,502.8 million).

Payment terms:

Xinyi Energy shall pay:

- (a) 90% of the Call Right Price (Group 2A) (as determined on the basis of the Provisional Closing Accounts (as defined below)) on the Completion Date (Group 2A);
- (b) the Adjustment Payment (if any) within fifteen (15) business days after the Completion Date (Group 2A); and
- (c) the remaining 10% of the Call Right Price (Group 2A) (on the basis of the Closing Accounts (as defined below)) within twelve (12) months after the Completion Date (Group 2A).

The payment of the Call Right Price (Group 2A) will be made by the XYE Group with its internal resources and/or available banking facilities. The XYE Directors confirm that the payment of the Call Right Price (Group 2A) will not have any impact on the use of the net proceeds from the global offering as set forth in the XYE Prospectus.

Conditions precedent:

Completion under the Solar Farm (Group 2A) Agreement is subject to the following conditions:

- (a) the Vendor being the sole and beneficial owner of the Target Shares (Group 2A) free from all encumbrances and having the capacity and power to sell the Target Shares (Group 2A) free from all encumbrances;
- (b) the reorganisation having been completed;
- (c) Xinyi Energy having received a legal opinion issued by a law firm qualified to practice the laws of the PRC dated the Completion Date (Group 2A) on the each of the Target PRC Subsidiaries (Group 2A) confirming, inter alia, its corporate existence, shareholding structure and the validity of its interests in and certain operational aspects and licensing matters of the Call Right Assets (Group 2A), in the form and substance satisfactory to Xinyi Energy; and

- (d) the passing by the XYE Independent Shareholders at the XYE EGM of the resolution approving the Solar Farm (Group 2A) Agreement and the exercise of the Call Option (Group 2A) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2A) Agreement in accordance with the provisions of the Listing Rules.

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 2A) Agreement at or before 1:00 p.m. on or before the Completion Date (Group 2A), then unless the Vendor and Xinyi Energy agree otherwise in writing, the Completion Date (Group 2A) shall be postponed to the Long-stop Date (Group 2A).

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 2A) Agreement at or before 1:00 p.m. on or before the Long-stop Date (Group 2A), then unless the Vendor and Xinyi Energy agree otherwise in writing, the Solar Farm (Group 2A) Agreement shall be terminated, and neither parties to the Solar Farm (Group 2A) Agreement shall have any claim or cause of action against the other, save for any antecedent breach and the return of the Call Right Price (Group 2A) (to the extent paid by Xinyi Energy) by the Vendor to Xinyi Energy without interest within five (5) business days after determination of the Solar Farm (Group 2A) Agreement.

As of the date of this joint announcement, none of the above conditions has been satisfied.

Preparation for completion:

For the purpose of calculating the Call Right Price (Group 2A), Xinyi Solar shall provide to Xinyi Energy:

- (a) the unaudited combined accounts of the Target Members (Group 2A) (the “**Provisional Closing Accounts**”) as of the close of business on the last day of the previous month prior to the Completion Date (Group 2A) *on or before* the Completion Date (Group 2A); and
- (b) the unaudited combined accounts of the Target Members (Group 2A) (the “**Closing Accounts**”) as of the close of business on the Completion Date (Group 2A) within ten (10) business days *after* the Completion Date (Group 2A).

The Provisional Closing Accounts and the Closing Accounts shall be prepared by the Target Members (Group 2A) to Xinyi Energy's satisfaction.

Completion Date (Group 2A): Expected to be on a business day (a) on or before on or before 30 June 2021 or (b) such other date as the parties to the Solar Farm (Group 2A) Agreement may agree in writing, on which completion takes place, but in any event shall not be later than the first anniversary of the date of the Call Notice (Group 2A).

Solar Farm (Group 2B) Agreement

On 6 January 2021, Xinyi Energy delivered to Xinyi Solar the Call Notice (Group 2B). On 6 January 2021, the Solar Farm (Group 2B) Agreement was entered into in relation to the acquisition of the Target Shares (Group 2B) for the Call Right Price (Group 2B).

Date: 6 January 2021

Parties: (a) Xinyi Energy, as the purchaser; and
(b) the Vendor, as the vendor.

Xinyi Energy, as the purchaser has conditionally agreed to purchase, and the Vendor has agreed to sell, the Target Shares (Group 2B), representing the entire issued share capital of the Target Company (Group 2B).

Subject matter of the acquisition: The Target Company (Group 2B), which is an investment holding company and upon completion, will be the ultimate owner of the Call Right Assets (Group 2B).

Based on the unaudited combined financial information of the Target Members (Group 2B) for the year ended 31 December 2019, the unaudited combined total asset value and net asset value of the Target Members (Group 2B) as of 31 December 2019 were approximately HK\$12.4 million and HK\$6,000, respectively. As of 30 November 2020, the unaudited combined total asset value and net liability value of the Target Members (Group 2B) were approximately HK\$264.1 million and HK\$0.2 million, respectively. The unaudited combined financial information of the Target Members (Group 2B) for the year ended 31 December 2019 and the eleven months ended 30 November 2020 is as follows:

	Year ended 31 December		Eleven months ended 30 November
	2018	2019	2020
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net loss before tax	—	(4)	(122)
Net loss after tax	—	(4)	(68)
Net loss after tax attributable to equity owners	—	(4)	(68)

Upon completion, the Target Company (Group 2B) will become a direct wholly-owned subsidiary of Xinyi Energy. As Xinyi Energy is a non-wholly owned subsidiary of Xinyi Solar, each of the Target Members (Group 2B) will become an indirect non-wholly owned subsidiary of Xinyi Solar following completion.

**Call Right Assets
(Group 2B):**

The Call Right Assets (Group 2B) include the following:

Name of the Call Right Assets	Name of the intermediate holding company in the PRC	Name of the offshore holding company	Approved capacity (MW)	Approved Feed-in-Tariff rate (RMB)
Laohekou Solar Farm (Phase 2), which is currently owned by Xiangyang Xinyi, a company that will become a wholly-owned subsidiary of Xinjie Renewable Energy following completion of the reorganisation	Xinjie Renewable Energy	Wealthy Treasure Investment Limited	100	0.4161
Qingyang Solar Farm, which is currently owned by Qingyang Renewable Energy, a wholly-owned subsidiary of Xinjie Renewable Energy	Xinjie Renewable Energy	Wealthy Treasure Investment Limited	70	0.3844
Jiangmen Solar Farm (Phases 1 and 2), which is currently owned by Heshan Renewable Energy, a wholly-owned subsidiary of Xinjie Renewable Energy	Xinjie Renewable Energy	Wealthy Treasure Investment Limited	100	0.453
Total			270	

**Call Right Price
(Group 2B):**

The Call Right Price (Group 2B) is determined in strict compliance with the terms of the Solar Farm Agreement and the Solar Farm (Group 2B) Agreement.

The XYE Directors and the XYS Directors have reviewed the formula in determining the Call Right Price and confirm that the Call Right Price for Laohekou Solar Farm (Phase 2), Qingyang Solar Farm and Jiangmen Solar Farm (Phases 1 and 2) would be determined according to the Second Limb.

As of the date of this joint announcement, the Call Right Price (Group 2B) has been estimated by Xinyi Solar and Xinyi Energy to be RMB1,003.6 million (equivalent to HK\$1,191.5 million).

Payment terms:

Xinyi Energy shall pay:

- (a) 90% of the Call Right Price (Group 2B) (as determined on the basis of the Provisional Closing Accounts) on the Completion Date (Group 2B);
- (b) the Adjustment Payment (if any) within fifteen (15) business days after the Completion Date (Group 2B); and
- (c) the remaining 10% of the Call Right Price (Group 2B) (as determined on the basis of the Closing Accounts) within twelve (12) months after the Completion Date (Group 2B).

The payment of the Call Right Price (Group 2B) will be made by the XYE Group with its internal resources and/or available banking facilities. The XYE Directors confirm that the payment of the Call Right Price (Group 2B) will not have any impact on the use of the net proceeds from the global offering as set forth in the XYE Prospectus.

Conditions precedent:

Completion of under the Solar Farm (Group 2B) Agreement is subject to the following conditions:

- (a) the Vendor being the sole and beneficial owner of the Target Shares (Group 2B) free from all encumbrances and having the capacity and power to sell the Target Shares (Group 2B) free from all encumbrances;
- (b) the reorganisation having been completed;
- (c) Xinyi Energy having received a legal opinion issued by a law firm qualified to practice the laws of the PRC dated the Completion Date (Group 2B) in respect of (i) Xinjie Renewable Energy confirming, inter alia, its corporate existence and shareholding structure; and (ii) each of Xiangyang Xinyi, Qingyang Renewable Energy and Heshan Renewable Energy confirming, inter alia, its corporate existence, shareholding structure and the validity of its interests in and certain operational aspects and licensing matters of the Call Right Assets (Group 2B), in the form and substance satisfactory to Xinyi Energy; and

- (d) the passing by XYE Independent Shareholders at the XYE EGM of the resolution approving the Solar Farm (Group 2B) Agreement and the exercise of the Call Option (Group 2B) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2B) Agreement in accordance with the provisions of the Listing Rules.

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 2B) Agreement at or before 1:00 p.m. on or before the Completion Date (Group 2B), then unless the Vendor and Xinyi Energy agree otherwise in writing, the Completion Date (Group 2B) shall be postponed to the Long-stop Date (Group 2B).

If any of the above conditions has not been satisfied in accordance with the Solar Farm (Group 2B) Agreement at or before 1:00 p.m. on or before the Long-stop Date (Group 2B), then unless the Vendor and Xinyi Energy agree otherwise in writing, the Solar Farm (Group 2B) Agreement shall be terminated, and neither parties to the Solar Farm (Group 2B) Agreement shall have any claim or cause of action against the other, save for any antecedent breach and the return of the Call Right Price (Group 2B) (to the extent paid by Xinyi Energy) by the Vendor to Xinyi Energy without interest within five (5) business days after determination of the Solar Farm (Group 2B) Agreement.

As of the date of this joint announcement, none of the above conditions has been satisfied.

Preparation for completion:

For the purpose of calculating the Call Right Price (Group 2B), Xinyi Solar shall provide to Xinyi Energy:

- (a) the unaudited combined accounts of the Target Members (Group 2B) (the “**Provisional Closing Accounts**”) as of the close of business on the last day of the previous month prior to the Completion Date (Group 2B) *on or before* the Completion Date (Group 2B); and
- (b) the unaudited combined accounts of the Target Members (Group 2B) (the “**Closing Accounts**”) as of the close of business on the Completion Date (Group 2B) within ten (10) business days *after* the Completion Date (Group 2B).

The Provisional Closing Accounts and the Closing Accounts shall be prepared by the Target Members (Group 2B) to Xinyi Energy's satisfaction.

Completion Date (Group 2B): Expected to be on a business day (a) on or before on or before 31 December 2021 or (b) such other date as the parties to the Solar Farm (Group 2B) Agreement may agree in writing, on which completion takes place, but in any event shall not be later than the first anniversary of the date of the Call Notice (Group 2B).

REASONS FOR AND BENEFITS OF THE EXERCISE OF CALL OPTION (GROUP 2) AND THE ENTERING INTO OF THE SOLAR FARM (GROUP 2) AGREEMENTS

In relation to Xinyi Energy

The Solar Farm Agreement is an integral part of the spin-off of Xinyi Energy from Xinyi Solar for the purpose of establishing a clear business delineation. The Solar Farm (Group 2) Agreements have been entered into for the purpose of acquiring the Call Right Assets (Group 2) by Xinyi Energy pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements.

The XYE Directors (including the members of the XYE Acquisition Committee but excluding the independent non-executive XYE Directors who will express their opinion after considering the advice from the XYE Independent Financial Adviser) consider that it will be in Xinyi Energy's interests and the interest of its shareholders to continue to source construction completed and grid-connected utility-scale ground-mounted solar farm projects from the XYS Group. Given Xinyi Energy's established relationship with Xinyi Solar, its experience, market position, and the fact that Xinyi Solar is Xinyi Energy's holding company, the XYE Directors (including the members of the XYE Acquisition Committee but excluding the independent non-executive XYE Directors who will express their opinion after considering the advice from the XYE Independent Financial Adviser) further consider that the terms of the Solar Farm (Group 2) Agreements (including the amount of Call Right Price (Group 2)) are fair and reasonable and it would be in Xinyi Energy's interests and the interests of its shareholders to exercise the Call Option (Group 2) and enter into the Solar Farm (Group 2) Agreements.

In relation to Xinyi Solar

Immediately after completion pursuant to the Solar Farm (Group 2) Agreements, the Target Members (Group 2) will become non-wholly owned subsidiaries of YYS and their financial results will continue to be consolidated into that of the YYS Group. Any difference between the fair value of the Call Right Price (Group 2) and the amount by which the non-controlling interest of the Target Members (Group 2) is adjusted as a result of completion of the Solar Farm (Group 2) Agreements and is recognised in equity attributable to the Vendor. Based on the Call Right Price (Group 2) and the latest estimate of the total construction costs for the Call Right Assets (Group 2), an estimated increase of approximately HK\$184.4 million is expected to be recorded in the equity attributable to owners of the YYS. However, the actual financial impact will depend on the final amount of the Call Right Price (Group 2) and the carrying amount of the Target Members (Group 2) as of the respective completion date. The proceeds from disposal of the Call Right Assets (Group 2) are expected to be used in selected existing business of the YYS Group, i.e. solar glass production capacity expansion, development and construction of solar farm projects and general working capital.

The YYS Directors (including the independent non-executive YYS Directors) consider that the terms of the Solar Farm (Group 2) Agreements (including the amount of the Call Right Price (Group 2)) are fair and reasonable and that the disposal of the Call Right Assets (Group 2) and the entering into of the Solar Farm (Group 2) Agreements are beneficial to the YYS Group and the shareholders of Xinyi Solar as it provides a well-defined approach for the YYS Group to dispose of the construction completed and grid connected utility-scale ground-mounted solar farm projects developed or constructed by it at prices which are negotiated on an arm's length basis upon normal commercial terms. In addition, as Xinyi Energy is a non-wholly owned subsidiary of Xinyi Solar, this will enable Xinyi Solar to continue to share the revenue and profit from the electricity generated from the solar farm projects after the disposal.

INFORMATION OF XINYI ENERGY, XINYI SOLAR AND THE VENDOR

Xinyi Energy

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

Xinyi Solar and the Vendor

The XYS Group is principally engaged in the production and sale of solar glass products, which are carried out internationally, through its production complexes in the PRC and Malaysia. In addition, the XYS Group is also engaged in the development of solar farms and the engineering, procurement and construction services. The Vendor is a direct wholly-owned subsidiary of Xinyi Solar and is an investment holding company. As of the date of this joint announcement, Xinyi Solar is owned as to 48.8% by the XYS Controlling Shareholders and their respective associates and 51.2% by members of the public.

IMPLICATIONS UNDER THE LISTING RULES IN RELATION TO THE EXERCISE OF THE CALL OPTION (GROUP 2)

In relation to Xinyi Energy

As all of the Solar Farm (Group 1) Agreement and the Solar Farm (Group 2) Agreements were entered into by Xinyi Energy (as the purchaser) and a subsidiary of Xinyi Solar (as the vendor) and that the Solar Farm (Group 1) Agreement was completed within the previous 12-month period, the Solar Farm (Group 1) Transaction and the transactions contemplated under the exercise of Call Option (Group 2) should be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules for the purpose of determining the implications under the Listing Rules. The highest applicable percentage ratio (as defined under the Listing Rules) in relation to the exercise of the Call Option (Group 2) is (a) if aggregated with the exercise of the Call Option (Group 1) for the Listing Rules purposes, more than 5% but less than 25% and (b) more than 5% but less than 25% on a stand-alone basis. As such, the exercise of the Call Option (Group 2) would be subject to the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*, and Mr. LEE Yau Ching are currently XYS Directors, they are considered to be materially interested in the relevant board resolutions to approve the exercise of the Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements. Accordingly, Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* and Mr. LEE Yau Ching have abstained from voting on the said board resolutions at the meeting of the XYE Board. No other XYE Directors have abstained from voting on the relevant board resolutions of Xinyi Energy.

In relation to Xinyi Solar

Xinyi Energy is a non-wholly owned subsidiary of Xinyi Solar. As of the date of this joint announcement, the YYS Controlling Shareholders and their respective associates are interested in 48.8% of the YYS Shares and are also interested in 20.6% of the XYE Shares. Accordingly, Xinyi Energy is a connected subsidiary of Xinyi Solar under Chapter 14A of the Listing Rules.

As all of the Solar Farm (Group 1) Agreement and the Solar Farm (Group 2) Agreements were entered into by Xinyi Energy (as the purchaser) and a subsidiary of Xinyi Solar (as the vendor) and that the Solar Farm (Group 1) Agreement was completed within the previous 12-month period, the Solar Farm (Group 1) Transaction and the transactions contemplated under the Solar Farm (Group 2) Agreements should be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules for the purpose of determining the implications under the Listing Rules. The highest applicable percentage ratio (as defined under the Listing Rules) in relation to the disposal of the Call Right Assets (Group 2) is (a) if aggregated with the disposal of the Call Right Assets (Group 1) for the Listing Rules purposes, more than 1% but less than 5% and (b) more than 1% but less than 5% on a stand-alone basis. As such, the disposal of the Call Right Assets (Group 2) is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Solar Farm Agreement has been approved at an extraordinary general meeting of Xinyi Solar held on 21 November 2018.

DESPATCH OF THE SHAREHOLDERS' CIRCULAR BY XINYI ENERGY AND THE XYE EGM

The XYE EGM will be convened for the purpose of considering and, if thought fit, approving the Solar Farm (Group 2) Agreements.

The XYE Controlling Shareholders have indicated that they would abstain from voting at the XYE EGM. Save as disclosed above, to the best of knowledge, information and belief having made all reasonable enquiries by the XYE Directors, no other shareholders of Xinyi Energy or any of its associates has a material interest in the Solar Farm (Group 2) Agreements and hence, no other shareholders of Xinyi Energy would be required to abstain from voting on the relevant resolutions to be proposed at the XYE EGM.

A shareholders' circular to be dispatched by Xinyi Energy containing, among other things (a) further information on the exercise of the Call Option (Group 2) pursuant to the Solar Farm Agreement and the Solar Farm (Group 2) Agreements; (b) a letter of recommendations from the XYE Independent Board Committee; (c) a letter of

advice from the XYE Independent Financial Adviser; and (d) a notice of the XYE EGM is expected to be dispatched to the shareholders of Xinyi Energy on or before 26 January 2021 in full compliance with the requirements under the Listing Rules.

DEFINITIONS USED IN THIS JOINT ANNOUNCEMENT

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

- “Adjustment Payment”** means the difference between the Call Right Price (Group 2) determined by reference to the Provisional Closing Accounts and the Call Right Price (Group 2) determined by reference to the Closing Accounts, further information on which is set forth in the principal terms of the “Solar Farm (Group 2A) Agreement” and the “Solar Farm (Group 2B) Agreement” in this joint announcement;
- “associate(s)”** has the meaning ascribed to it under the Listing Rules;
- “BVI”** means the British Virgin Islands;
- “Call Notices (Group 2)”, “Call Notice (Group 2A)” and “Call Notice (Group 2B)”** means the two notices dated 6 January 2021 delivered by Xinyi Energy to Xinyi Solar pursuant to the Solar Farm Agreement for the purpose of exercising the Call Option (Group 2A) and the Call Option (Group 2B), respectively;
- “Call Option”** means the call option granted by Xinyi Solar to Xinyi Energy pursuant to the Solar Farm Agreement, which allows Xinyi Energy to acquire the Call Right Assets from Xinyi Solar;
- “Call Option (Group 1)”** means the call option exercised by Xinyi Energy to acquire the Call Right Assets (Group 1) from Xinyi Solar, further information on which is set forth in the Solar Farm (Group 1) Joint Announcement and the XYE Solar Farm (Group 1) Circular;

“Call Option (Group 2)”, “Call Option (Group 2A)” and “Call Option (Group 2B)”	mean the call option exercised by Xinyi Energy to acquire the Call Right Assets (Group 2A) and Call Right Assets (Group 2B) pursuant to the Call Notice (Group 2A) and the Call Notice (Group 2B), respectively;
“Call Right Assets”	means the substantially completed construction and grid-connected utility-scale ground-mounted solar farm projects developed or constructed by the XYS Group which include, as of the date of this joint announcement, Call Right Assets (Group 1), Call Right Assets (Group 2A) and Call Right Assets (Group 2B);
“Call Right Assets (Group 1)”	means the relevant Call Right Assets acquired by Xinyi Energy from the Vendor, further information on which is set forth in the Solar Farm (Group 1) Joint Announcement and the XYE Solar Farm (Group 1) Circular;
“Call Right Assets (Group 2)”, “Call Right Assets (Group 2A)” and “Call Right Assets (Group 2B)”	means Call Right Assets (Group 2A) (which include Huainan Solar Farm (Phase 2), Huaibei Solar Farm and Hebei Zaoqiang Solar Farm) and Call Right Assets (Group 2B) (which include Laohekou Solar Farm (Phase 2), Qingyang Solar Farm and Jiangmen Solar Farm (Phases 1 and 2));
“Call Right Price”	means the exercise price in relation to the exercise of Call Option;
“Call Right Price (Group 2)”, “Call Right Price (Group 2A)” and “Call Right Price (Group 2B)”	means the exercise price in relation to the exercise of the Call Option (Group 2A) and Call Option (Group 2B) for the acquisition of the Call Right Assets (Group 2A) and the Call Right Assets (Group 2B), respectively;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“East Shine”	means East Shine Investments Limited, a direct wholly-owned subsidiary of the Vendor as of the date of this joint announcement which will become a direct wholly-owned subsidiary of the Target Company (Group 2A) following completion of the reorganisation, is a company incorporated under the laws of Hong Kong;

“Feed-in-Tariff”	means the feed-in-tariff regime currently implemented by the PRC Government for the provision of subsidy, i.e. the tariff adjustment, to the solar farm operators in the PRC by way of tariff adjustment;
“Great Power”	means Great Power Investments Limited, a direct wholly-owned subsidiary of the Vendor as of the date of this joint announcement which will become a direct wholly-owned subsidiary of the Target Company (Group 2A) following completion of the reorganisation, is a company incorporated under the laws of Hong Kong;
“Heshan Renewable Energy”	means Heshan City Hongde Renewable Energy Limited* 鶴山宏得新能源有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC;
“Hong Kong”	means The Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Huaibei Xinyi”	means Xinyi Renewable Energy (Huaibei) Limited* 信義新能源(淮北)有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC;
“Huaibei Solar Farm”	means Huaibei Solar Farm 淮北光伏電站, the utility-scale ground-mounted solar farm project located in Huaibei City, Anhui Province, the PRC with an approved capacity of 100 MW, which is operated by and wholly-owned by Huaibei Xinyi directly;
“Huainan Xinyi”	means Huainan Xinyi Renewable Energy Limited* 淮南信義新能源有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC;

“Hebei Zaoqiang Solar Farm”	means Hebei Zaoqiang Solar Farm 河北棗強光伏電站, the utility-scale ground-mounted solar farm project located in Hengshui City, Hebei Province, the PRC with an approved capacity of 100 MW, which is operated by and wholly-owned by Zaoqiang Renewable Energy directly;
“Huainan Solar Farm (Phase 2)”	means Huainan Solar Farm (Phase 2) 淮南光伏電站(第2期), the utility-scale ground-mounted solar farm project located in Huainan City, Anhui Province, the PRC with an approved capacity of 50 MW, which is operated by and wholly-owned by Huainan Xinyi directly;
“Independent Third Party(ies)”	has the meaning ascribed to it under the Listing Rules;
“Jiangmen Solar Farm (Phases 1 and 2)”	means Jiangmen Solar Farm (Phases 1 and 2) 江門光伏電站(第1及2期), the utility-scale ground-mounted solar farm project located in Jiangmen City, Guangdong Province, the PRC with an approved capacity of 100 MW, which is operated by and wholly-owned by Heshan Renewable Energy directly;
“Laohekou Solar Farm (Phase 2)”	means Laohekou Solar Farm (Phase 2) 老河口光伏電站(第2期), the utility-scale ground-mounted solar farm project located in Laohekou City, Hubei Province, the PRC with an approved capacity of 100 MW, which is operated by and wholly-owned by Xiangyang Xinyi directly;
“Listing Rules”	means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long-stop Date (Group 2A)”	means 31 December 2021;
“Long-stop Date (Group 2B)”	means 28 February 2022;
“MW”	means unit of energy (power), megawatt;

“PRC”	means The People’s Republic of China, excluding Hong Kong, The Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this joint announcement;
“Qingyang Renewable Energy”	means Qingyang County Hewu Renewable Energy Technology Limited* 青陽縣禾五新能源科技有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC;
“Qingyang Solar Farm”	means Qingyang Solar Farm 池州青陽光伏電站, the utility-scale ground-mounted solar farm project located in Chizhou City, Anhui Province, the PRC with an approved capacity of 70 MW, which is operated by and wholly-owned by Qingyang Renewable Energy directly;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Solar Farm Agreement”	means the solar farm agreement dated 5 December 2018 entered by and between Xinyi Solar and Xinyi Energy;
“Solar Farm (Group 1) Agreement”	means the sale and purchase agreement entered into between Xinyi Power (BVI) Limited as the vendor and Xinyi Energy as the purchaser on 16 March 2020 regarding the purchase of the entire issued share capital of the Xinyi Solar Farm (Group 3) Limited, further information on which is set forth in the Solar Farm (Group 1) Joint Announcement and the XYE Solar Farm (Group 1) Circular;
“Solar Farm (Group 1) Joint Announcement”	means the joint announcement issued by Xinyi Energy and Xinyi Solar dated 16 March 2020;
“Solar Farm (Group 1) Transaction”	means the exercise of the Call Option (Group 1) for the acquisition of the Call Right Assets (Group 1);
“Solar Farm (Group 2) Agreements”	means the Solar Farm (Group 2A) Agreement and the Solar Farm (Group 2B) Agreement;

“Solar Farm (Group 2A) Agreement”	means the sale and purchase agreement entered into between Xinyi Power (BVI) Limited as the vendor and Xinyi Energy as the purchaser on 6 January 2021 of the equity interest in the Target Company (Group 2A);
“Solar Farm (Group 2B) Agreement”	means the sale and purchase agreement entered into between Xinyi Power (BVI) Limited as the vendor and Xinyi Energy as the purchaser on 6 January 2021 of the equity interest in the Target Company (Group 2B);
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Target Company (Group 2A)”	means Xinyi Solar Farm (Group 6) Limited, a company incorporated under the laws of the BVI and a direct wholly-owned subsidiary of the Vendor;
“Target Company (Group 2B)”	means Xinyi Solar Farm (Group 7) Limited, a company incorporated under the laws of the BVI and a direct wholly-owned subsidiary of the Vendor;
“Target PRC Subsidiaries (Group 2A)”	means Huainan Xinyi, Huaibei Xinyi and Zhaoqiang Renewable Energy;
“Target PRC Subsidiaries (Group 2B)”	means Xiangyang Xinyi, Qingyang Renewable Energy, Heshan Renewable Energy and Xinjie Renewable Energy;
“Target Members (Group 2)”	means the Target Members (Group 2A) and Target Members (Group 2B);
“Target Members (Group 2A)”	means the Target Company (Group 2A), the Target Subsidiaries (Group 2A) and the Target PRC Subsidiaries (Group 2A);
“Target Members (Group 2B)”	means the Target Company (Group 2B), the Target Subsidiary (Group 2B) and the Target PRC Subsidiaries (Group 2B);
“Target Shares (Group 2)”	means the Target Shares (Group 2A) and the Target Shares (Group 2B);

“Target Shares (Group 2A)”	means the 200 ordinary shares in the Target Company (Group 2A), representing all its shares in issue;
“Target Shares (Group 2B)”	means the 200 ordinary shares in the Target Company (Group 2B), representing all its shares in issue;
“Target Subsidiaries (Group 2A)”	means East Shine and Great Power;
“Target Subsidiary (Group 2B)”	means Wealthy Treasure Investment Limited, a direct wholly-owned subsidiary of the Vendor as of the date of this joint announcement, which will become a direct wholly-owned subsidiary of the Target Company (Group 2B) following completion of the reorganisation, is a limited liability company incorporated under the laws of Hong Kong;
“Vendor”	means Xinyi Power (BVI) Limited, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of Xinyi Solar as of the date of this joint announcement;
“Xiangyang Xinyi”	means Xinyi Solar (Xiangyang) Limited* 信義光能(襄陽)有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC;
“Xinjie Renewable Energy”	means Xinjie Renewable Energy (Wuhu) Limited* 信節新能源(蕪湖)有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC;
“Xinyi Energy”	means Xinyi Energy Holdings Limited (信義能源控股有限公司), a company incorporated under the laws of BVI with limited liability, the shares of which are listed on the Stock Exchange (stock code: 03868);
“Xinyi Solar”	means Xinyi Solar Holdings Limited (信義光能控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 00968);

“XYE Acquisition Committee”	means the acquisition committee of the XYE Board established for the purpose of considering and if appropriate, approving acquisitions of Call Right Assets;
“XYE Board”	means the board of directors of Xinyi Energy;
“XYE Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the case of Xinyi Energy, refers to Xinyi Solar, Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i> , Mr. LI Man Yin, Mr. NG Ngan Ho, Mr. LI Ching Leung, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. SZE Nang Sze and their respective controlled corporations;
“XYE Directors”	means the directors of Xinyi Energy;
“XYE EGM”	means the extraordinary general meeting of Xinyi Energy to be convened to consider and if thought fit, approve, among others, the Solar Farm (Group 2) Agreements, at which the XYE Controlling Shareholders will abstain from voting;
“XYE Group”	means Xinyi Energy and its subsidiaries;
“XYE Independent Financial Adviser”	means the independent financial adviser to be appointed by the XYE Independent Board Committee to advise the XYE Independent Board Committee and the independent shareholders of Xinyi Energy in relation to the exercise of Call Option (Group 2) pursuant to the Solar Farm (Group 2) Agreement and the Solar Farm Agreement;
“XYE Independent Shareholders”	means shareholders of XYE other than the XYE Controlling Shareholders;
“XYE Prospectus”	means the prospectus issued by Xinyi Energy dated 15 May 2019;
“XYE Shares”	means the issued shares of Xinyi Energy;
“XYE Solar Farm (Group 1) Circular”	means the circular issued by Xinyi Energy dated 16 March 2020;
“XYS Board”	means the board of directors of Xinyi Solar;

“XYS Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the case of Xinyi Solar, refers to Xinyi Glass Holdings Limited (stock code: 00868) and its subsidiaries, Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P., Mr. LI Man Yin, Mr. NG Ngan Ho, Mr. LI Ching Leung, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. SZE Nang Sze, and their respective controlled corporations;
“XYS Directors”	means the directors of Xinyi Solar;
“XYS Group”	means Xinyi Solar and its subsidiaries (other than members of the XYS Group);
“XYS Shares”	means the issued shares of Xinyi Solar;
“XYS Solar Farm Announcement”	means the announcement dated 2 November 2018 issued by Xinyi Solar;
“XYS Solar Farm Circular”	means the shareholders’ circular dated 2 November 2018 issued by Xinyi Solar;
“Zaoqiang Renewable Energy”	means Zaoqiang County Huisheng Renewable Energy Limited* 棗強縣輝盛新能源有限公司, an indirect wholly-owned subsidiary of the Vendor, is a company established under the laws of the PRC; and
“%”	denotes as per cent.

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

By order of the board of directors of
Xinyi Solar Holdings Limited
LEE Yau Ching
Executive Director and
Chief Executive Officer

Hong Kong, 6 January 2021

The translation of RMB into HK\$ in this joint announcement is based on the rate of RMB0.8423 = HK\$1.0.

No representation is made that any amount in RMB and HK\$ can be or could have been converted at the relevant dates at this rate or any other rates at all.

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

As of the date of this joint announcement, the XYS Board comprises four executive XYS Directors, namely Dr. LEE Yin Yee, B.B.S. (Chairman of the XYS Board), Mr. LEE Yau Ching, Mr. LI Man Yin, and Mr. CHEN Xi, two non-executive XYS Directors, namely Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P. and Mr. LEE Shing Put, B.B.S., and three independent non-executive XYS Directors, namely Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent, and Mr. KAN E-ting, Martin.

This joint announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk, Xinyi Energy at www.xinyienergy.com, and Xinyi Solar at www.xinyisolar.com.

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