
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 your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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

XINYI ELECTRIC STORAGE HOLDINGS LIMITED

信義儲電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08328)

CONTINUING CONNECTED TRANSACTIONS SALES FRAMEWORK AGREEMENTS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

BALLAS
C A P I T A L

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

A letter from the Board is set forth on pages 7 to 18 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set forth on page 19 of this circular. A letter from Ballas Capital, containing its advice to the Independent Board Committee and the Independent Shareholders, is set forth on pages 20 to 36 of this circular. The Extraordinary General Meeting is to be held at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 28 May 2021 at 12:00 noon and the Notice of Extraordinary General Meeting is set forth on pages 46 to 48 of this circular. A form of proxy for use at the Extraordinary General Meeting is also enclosed.

Whether or not you are able to attend the Extraordinary General Meeting, you are advised to read the Notice of Extraordinary General Meeting and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjourned meeting (as the case may be). Completion of the form of proxy and the return of which will not preclude you from subsequently attending, and voting in person at, the Extraordinary General Meeting or any adjourned meeting (as the case may be) if you so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

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

- **compulsory temperature checks**
- **compulsory health declarations**
- **compulsory wearing of surgical face masks**
- **no distribution of corporate gifts and refreshments**

Any person who does not comply with the precautionary measures may be denied entry into the Extraordinary General Meeting venue. The Company reminds all Shareholders that they may appoint the Chairman of the Extraordinary General Meeting as their proxy to vote on the relevant resolutions at the Extraordinary General Meeting as an alternative to attending the Extraordinary General Meeting in person.

This circular will remain on the GEM website (www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and the Company’s website (www.xyglass.com.hk).

Hong Kong, 7 May 2021

CHARACTERISTICS OF GEM

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

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

EXPECTED TIMETABLE

Latest time to lodge completed transfer forms
and the relevant share certificates to qualify
for attendance and voting at the
Extraordinary General Meeting 4:30 p.m. Monday, 24 May 2021

Book closure period to determine the
entitlement to attend and vote at the
Extraordinary General Meeting From Tuesday, 25 May 2021 to Friday, 28 May 2021
(both days inclusive)

Latest time for the lodging of form of proxy
for the Extraordinary General Meeting 12:00 noon Wednesday, 26 May 2021

Date and time of the Extraordinary General Meeting 12:00 noon Friday, 28 May 2021

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the ongoing novel coronavirus disease (COVID-19) pandemic and the quarantine and social distancing requirements for the prevention and control of its spread, the Company will implement the following preventive measures at the Extraordinary General Meeting to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (a) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the Extraordinary General Meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the Extraordinary General Meeting venue or be required to leave the Extraordinary General Meeting venue.
- (b) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the Extraordinary General Meeting venue a declaration form confirming their names and contact details and that they have not travelled to, or to their best of knowledge had physical contact with any person who has recently travelled to, any affected countries or areas outside Hong Kong (as per guidelines issued by the Hong Kong government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days. Any person who does not comply with this requirement may be denied entry into the Extraordinary General Meeting venue or be required to leave the Extraordinary General Meeting venue.
- (c) Attendees must wear surgical face masks inside the Extraordinary General Meeting venue at all times and maintain a safe distance between seats. Any person who does not comply with this requirement may be denied entry into the Extraordinary General Meeting venue or be required to leave the Extraordinary General Meeting venue.
- (d) No refreshments will be served at the Extraordinary General Meeting, and there will be no corporate gifts.

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

The Company reminds all Shareholders that attendance in person at the Extraordinary General Meeting is not necessary for the purpose of exercising their voting rights. As an alternative, by using form(s) of proxy with voting instructions inserted, Shareholders may appoint the Chairman of the Extraordinary General Meeting as their proxy to vote on the relevant resolutions at the Extraordinary General Meeting.

The form of proxy is attached to this circular. Alternatively, the form of proxy can be downloaded from the Company's website. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

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

Investor Relations
Email: ir@xyglass.com.hk
Tel: (852) 3919 2888
Fax: (852) 3919 2813

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

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Enquiries: www.computershare.com/hk/en/online_feedback
Tel: (852) 2862 8555
Fax: (852) 2865 0990

DEFINITIONS

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

“Annual Caps”	the XYG Annual Caps and the XYS Annual Caps;
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Board”	the board of Directors;
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Company” or “Xinyi Electric Storage”	Xinyi Electric Storage Holdings Limited (信義儲電控股有限公司), a company incorporated in the Cayman Islands with limited liability, all the shares of which are listed on GEM (stock code: 08328);
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules, and in the case of the Company, refers to 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. LEE Sing Din, Mr. LI Ching Wai, Mr. NG Ngan Ho, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. LI Ching Leung and their respective controlled corporations;
“Directors”	the directors of the Company;
“Effective Date”	the date on which the XYG Sales Framework Agreement and the XYS Sales Framework Agreement are approved by the Independent Shareholders at the Extraordinary General Meeting;
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 28 May 2021 at 12:00 noon for the purpose of seeking the approvals from the Independent Shareholders on the entering into of the Sales Framework Agreements and the Annual Caps;
“GEM”	The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;

DEFINITIONS

“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Board Committee”	an independent committee of the Board established with all independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, B.B.S., J.P., as members;
“Independent Financial Adviser” or “Ballas Capital”	Ballas Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Sales Framework Agreements and the Annual Caps;
“Independent Shareholders”	Shareholders who are not otherwise interested or involved in the entering into of the Sales Framework Agreements and are entitled to vote at the Extraordinary General Meeting on the resolutions to approve the entering into of the Sales Framework Agreements and the Annual Caps;
“Independent Third Party(ies)”	means an individual(s) or a company(ies) who or which is independent of and not connected (within the meaning of the GEM Listing Rules) with the Company as far as the Directors are aware after having made all reasonable enquiries;
“Joint Announcement”	the joint announcement issued by the Company and Xinyi Solar on 8 April 2021 on the Sales Framework Agreements;
“Latest Practicable Date”	4 May 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Notice of Extraordinary General Meeting”	means the notice convening the Extraordinary General Meeting as set forth on pages 46 to 48 of this circular;
“PRC”	The People’s Republic of China which for the purpose of this circular does not include Hong Kong, The Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sales Framework Agreements”	the XYG Sales Framework Agreement and the XYS Sales Framework Agreement;

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	the share of HK\$0.01 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Xinyi Glass”	Xinyi Glass Holdings Limited (信義玻璃控股有限公司), a company incorporated in the Cayman Islands with limited liability, all shares of which are listed on the Main Board of the Stock Exchange (stock code: 00868);
“Xinyi Glass (Hong Kong)”	Xinyi Group (Glass) Company Limited (信義集團(玻璃)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Xinyi Glass;
“Xinyi Solar”	Xinyi Solar Holdings Limited (信義光能控股有限公司), a company incorporated in the Cayman Islands with limited liability, all shares of which are listed on the Main Board of the Stock Exchange (stock code: 00968);
“XYG Annual Caps”	the maximum transaction amount under the XYG Sales Framework Agreement for the period from the Effective Date to 31 December 2021 and the two years ending 31 December 2023;
“XYG Director(s)”	the directors of Xinyi Glass;
“XYG Group”	Xinyi Glass and its subsidiaries;
“XYG Sales Framework Agreement”	the product sales framework agreement dated 8 April 2021 between Xinyi Glass (Hong Kong) and the Company for the sales of battery packs and energy storage systems by the Group to the XYG Group;
“XYS Annual Caps”	the maximum transaction amount under the XYX Sales Framework Agreement for the period from the Effective Date to 31 December 2021 and the two years ending 31 December 2023;
“XYS Director(s)”	the directors of Xinyi Solar;
“XYS Group”	Xinyi Solar and its subsidiaries;

DEFINITIONS

“XYS Sales Framework Agreement”	the product sales framework agreement dated 8 April 2021 between Xinyi Solar and the Company for the sales of battery packs and energy storage systems by the Group to the YYS Group; and
“%”	per cent.

Unless otherwise stated, the conversion of RMB into HK\$ is based on the exchange rate of HK\$1.00 = RMB0.8409 for reference only. No representation is made that any amount in RMB and HK\$ can be or could have been converted at the relevant dates at these rates or any other rates at all.

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

LETTER FROM THE BOARD

XINYI ELECTRIC STORAGE HOLDINGS LIMITED

信義儲電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08328)

Executive Directors:

Mr. NG Ngan Ho

Ms. LI Pik Yung

Non-executive Directors:

Tan Sri Datuk TUNG Ching Sai

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

Mr. LEE Shing Kan

Independent non-executive Directors:

Mr. WANG Guisheng

Mr. NG Wai Hung

Mr. CHAN Hak Kan, B.B.S., J.P.

Registered office:

Windward 3, Regatta Office Park

PO Box 1350, Grand Cayman

KY1-1108, Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit 2116-2117, 21/F

Rykadan Capital Tower

No. 135 Hoi Bun Road, Kwun Tong

Kowloon, Hong Kong

Hong Kong, 7 May 2021

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS SALES FRAMEWORK AGREEMENTS

INTRODUCTION

The Board refers to the Joint Announcement. As disclosed in the Joint Announcement, and pursuant to the Sales Framework Agreements, the Group has agreed to sell to:

- (a) the XYS Group (i) lithium battery packs; (ii) direct-current lithium battery systems; (iii) uninterruptible power supply lithium battery systems; (iv) lithium battery energy storage systems; and (v) other lithium battery products; and
- (b) the XYG Group the same products.

The Sales Framework Agreements were entered into as part of the ordinary course of business of the Group for a term commencing from the Effective Date and expiring on 31 December 2023.

LETTER FROM THE BOARD

This circular is intended to provide further information on the Sales Framework Agreements and contains the following:

- (a) the letter from the Board on the Sales Framework Agreements and the Annual Caps;
- (b) the recommendations of the Independent Board Committee on the Sales Framework Agreements and the Annual Caps;
- (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and
- (d) the Notice of Extraordinary General Meeting.

SALES FRAMEWORK AGREEMENTS

The purpose of the entering into the Sales Framework Agreements is to provide a mutually agreed contractual arrangement for the sales and purchase transactions of rechargeable battery packs and energy storage systems. The terms of the XYS Sales Framework Agreement and the XYG Sales Framework Agreement are identical except for the transaction amounts under each of the agreements.

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

Date: 8 April 2021 (after trading hours).

Parties: *For the XYS Sales Framework Agreement:*

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

For the XYG Sales Framework Agreement:

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

Term: From the Effective Date to 31 December 2023.

- Subject matter:.....
- (a) Lithium battery packs;
 - (b) direct-current lithium battery systems;
 - (c) uninterruptible power supply lithium battery systems;
 - (d) lithium battery energy storage systems; and
 - (e) other lithium battery products,

which are produced according to the technical specifications and requirements of the purchasers.

LETTER FROM THE BOARD

- After-sale service: The Group will provide repair and replacement services free of charge on quality issues during the following warranty period:
- (a) lithium battery packs: five years;
 - (b) direct-current lithium battery systems: one year to three years;
 - (c) uninterruptible power supply lithium battery systems: one year to three years;
 - (d) lithium battery energy storage systems: (i) three years for the core equipment such as power conversion systems and batteries and (ii) one year for other equipment and accessories; and
 - (e) other lithium battery products: case-by-case basis pursuant to terms of the purchase order.
- Condition precedent: Approval by the Independent Shareholders at the Extraordinary General Meeting by way of poll.
- Payment: The purchase will be conducted by way of purchase orders which set forth the detailed information on the products to be ordered, including the product models, technical specifications, quantity, unit price, payment terms and delivery terms.
- For (a) lithium battery packs, the purchase prices will be payable within 15 days after delivery.
- For (b) direct-current lithium battery systems; (c) uninterruptible power supply lithium battery systems; and (d) lithium battery energy storage systems,
- (a) 30% of the purchase prices will be payable within 10 days immediately after the date of the acceptance of the purchase order;
 - (b) 40% of the purchase prices will be payable within 10 days after the purchaser being satisfied of the result of the preliminary inspection on quality; and
 - (c) 30% of the purchase prices will be payable within 10 days after the final inspection on the quality of the products and the receipt of the full amount value add tax invoice by the purchaser.
- For (e) other lithium battery products, the purchase prices will be payable in accordance with such payment schedule to be mutually agreed by the parties.

LETTER FROM THE BOARD

PRICING BASIS

The selling prices are to be determined between the Company and Xinyi Solar (*under the YYS Sales Framework Agreement*) and Xinyi Glass (Hong Kong) (*under the YYG Sales Framework Agreement*) on arm's length basis and on normal commercial terms, which shall be no less favourable than the prices for comparable products offered by the Company to Independent Third Parties, or by Independent Third Parties to Xinyi Solar or Xinyi Glass (Hong Kong) (as the case may be).

Given that products under the Sales Framework Agreements are tailor-made according to the required technical specifications and capacity of the products, there is no fixed or standard unit price, or published reference price. In determining the selling prices, the Group will charge on a "cost-plus" basis. Based on the required technical specifications and capacity of the products, the Group will assess the scope of the relevant order and prepare a cost estimate, which mainly includes the materials cost, labour cost, and delivery and installation cost, with respect to the supply of the products. Such cost estimate will be used as the basis of the selling price of the products. The selling prices will be determined with reference to the production costs incurred by the Group plus a markup in the range of 18% to 35%. The percentage will be determined with reference to (a) the average profit margin earned in supplying the products of similar type and features to Independent Third Parties; (b) the additional costs in producing the products in accordance with the specific technical requirements and advanced features; (c) customers' view; and (d) competitors' pricing information (if available). The selling prices and markup percentage under the Sales Framework Agreements are subject to review by the management of the relevant department of the Group and the YYS Group (*under the YYS Sales Framework Agreement*) and the YYG Group (*under the YYG Sales Framework Agreement*) on a regular basis.

ANNUAL CAPS

The table below sets forth the Annual Caps:

	For the period from the Effective Date to 31 December		
	Year ending 31 December		
	2021	2022	2023
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
XYS Annual Caps	30.0	82.0	74.0
XYG Annual Caps	<u>7.5</u>	<u>6.0</u>	<u>5.0</u>
Total	<u><u>37.5</u></u>	<u><u>88.0</u></u>	<u><u>79.0</u></u>

LETTER FROM THE BOARD

Basis for calculating the XYS Annual Caps

In estimating the XYS Annual Caps of RMB30.0 million, RMB82.0 million and RMB74.0 million for the period from the Effective Date to 31 December 2021 and the two years ending 31 December 2023, respectively, the Directors, having discussed with the XYS Directors, have considered, among others, the current market prices of battery packs and energy storage systems, and energy storage systems as may be required under the XYS Sales Framework Agreement as provided by the XYS Directors and the historical prices and profit margins of the Company for sales of similar products to Independent Third Parties.

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

- (a) Based on the “*Guiding Opinions on Promoting the Development of Energy Storage Technology and Industry*” (關於促進儲能技術與產業發展的指導意見) (the “**Guiding Opinions**”) published by the PRC government in 2017, the PRC government targets to promote the energy storage industry in the following decade, which includes, among others, the use of energy storage technology to improve the level of renewable energy utilisation and the flexibility and stability of the renewable power systems. Pursuant to the “*Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035*” (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要) passed by the National People’s Congress in March 2021, solar farms in certain provinces/municipalities in the PRC, where some of the solar farm projects of the XYS Group are situated, are encouraged to install energy storage systems. The XYS Directors therefore expect that the policies requiring installation of energy storage systems will be gradually implemented by the PRC government at selected provinces/municipalities and that the XYS Group would be required to install the energy storage systems at its solar farm projects. As of the date of the Joint Announcement, no energy storage systems have been installed at any solar farm projects of the XYS Group as all electricity can be sold to the local grid companies without any curtailment. Out of the XYS Annual Caps, the XYS Directors estimated that an aggregate amount of RMB20.4 million, RMB75.4 million and RMB67.5 million would be attributable to the estimated purchase and installation costs of such energy storage systems and battery packs for the solar farm projects currently owned and newly constructed by the XYS Group for the period from the Effective Date to 31 December 2021 and the two years ending 31 December 2023, respectively.
- (b) According to the Guiding Opinions, the XYS Directors expect that complete installation would not be required within a short period of time. Hence, the XYS Directors assumed, in the process of determining the XYS Annual Caps, that the XYS Group is expected to be required to increase the installation percentage of energy storage system gradually in the next few years from the second half of 2021 and that 5.0% to 20.0% (depending on the requirements on different provinces/municipalities) of the total electricity generation capacity (in terms of megawatt, “**MW**”) of the pre-grid connected solar farm projects of the XYS Group would be required to install the energy storage systems. On this basis, the XYS Directors expect that solar farm projects with the electricity generation capacity of 11.8MW, 47MW and 47MW for the period from the Effective Date to 31 December 2021 and the two years ending 31 December 2023 (the “**Relevant Periods**”), respectively, would be installed with the energy storage systems. Based on

LETTER FROM THE BOARD

the cost per watt of the energy storage systems of RMB1.659, RMB1.576 and RMB1.410 for the Relevant Periods, respectively, the estimated cost involved in the installation of the energy storage systems at the solar farm projects of the XYS Group would therefore be RMB19.6 million, RMB74.1 million and RMB66.3 million, for the Relevant Periods, respectively.

- (c) The expected increase of approximately 483MW per annum in the solar farm projects to be constructed by the XYS Group during the term of the XYS Sales Framework Agreement is based on the historical increases in such capacity during the period from 2014 to 2020, of which the XYS Directors consider to be reasonable taking into consideration the prevailing regulatory environment in the PRC for renewable energy and the planned construction progress of the solar farm projects.
- (d) The amount of the XYS Annual Cap for the period from the Effective Date to 31 December 2021 is expected to be significantly less than the full year amount for the year ending 31 December 2022 as the installation of the energy storage systems is expected not to commence until the second half of 2021.
- (e) The production costs of the energy storage systems are expected to decrease with time and hence, the amount of the XYS Annual Cap for the year ending 31 December 2023 is estimated to be less than the amount of the XYS Annual Cap for the year ending 31 December 2022. The XYS Directors confirm that the number of units of the energy storage systems proposed to be installed for those two years is assumed to remain unchanged.
- (f) The remaining balance under each of the XYS Annual Caps, i.e. RMB9.6 million, RMB6.6 million and RMB6.5 million, for the period from the Effective Date to 31 December 2021 and the two years ending 31 December 2023, respectively, represents the estimated amount of purchase and the related installation costs of (i) lithium battery packs, (ii) uninterruptible power supply lithium battery systems and (iii) other lithium battery products. These products are mainly to be used/installed in the XYS Group's solar glass production facilities. The increase in the purchase amount of these products is to be driven by (x) the increasing use of chargeable lithium battery products for a number of plant and machinery (including the loading machines) for production purpose; (y) the replacement of the less efficient and less environmental-friendly power systems with the latest generations of power supply products; and (z) the increased sourcing from the Group as the Group has been developed with the required production technology and production facilities that can provide in-time supply of these products.

Basis for calculating the XYG Annual Caps

In estimating the XYG Annual Caps of RMB7.5 million, RMB6.0 million and RMB5.0 million for the period from the Effective Date to 31 December 2021 and the two years ending 31 December 2023, respectively, the Directors, having discussed with the XYG Directors, have considered, among others, the current market prices of battery packs and energy storage systems, and energy storage systems as may be required under the XYG Sales Framework Agreement as provided by the XYG Directors and the historical prices and profit margins of the Company for sales of similar products to Independent Third Parties. As informed by the XYG Directors, the purchase amount of lithium battery

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packs, direct-current lithium battery systems, uninterruptible power supply lithium battery systems and lithium battery energy storage systems for the period is estimated based on the following:

- (a) the need for installation of uninterruptible power supply lithium battery systems in a data centre to be set up by the XYG Group during 2021;
- (b) the need for installation of uninterruptible power supply lithium battery systems in the production lines to be set up by the XYG Group during 2022 and/or 2023;
- (c) the increasing use of chargeable lithium battery products for a number of plant and machinery (including the loading machines) for production purpose;
- (d) the replacement of the less efficient and less environmental-friendly power systems with the latest generations of power supply products; and
- (e) the increased sourcing from the Group as the Group has been developed with the required production technology and production facilities that can provide in-time supply of these products.

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

HISTORICAL TRANSACTION AMOUNTS

The table below sets forth the historical transaction amounts paid/payable by the XYS Group and the XYG Group to the Group in respect of the battery packs and energy storage systems for the three years ended 31 December 2020:

	Year ended 31 December		
	2018	2019	2020
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Processing and supply of battery packs and energy storage systems by the Group to the XYS Group	2.5	2.0	0.6
Processing and supply of battery packs and energy storage systems by the Group to the XYG Group	<u>40.2</u>	<u>24.8</u>	<u>1.2</u>
Total	<u><u>42.7</u></u>	<u><u>26.8</u></u>	<u><u>1.8</u></u>

LETTER FROM THE BOARD

Decreasing historical transaction amounts with the XYS Group

During the two years ended 31 December 2019, the Group was engaged by the XYS Group for the provision of processing services of the battery packs and energy storage systems. Hence, the amounts during such period largely represented the service fees charged by the Group. The transaction amount during the year ended 31 December 2020 represented a small amount of purchase and the related installation costs of battery packs and energy storage systems from the Group for the XYS Group's solar glass production facilities, as the XYS Group also purchased from other third party suppliers taking into consideration the specifications and requirements for the relevant products needed. This resulted in the decreasing amounts of such transactions for the three years ended 31 December 2020. As the Group currently has the required production facilities with enhanced production equipment, technology and manpower, the XYS Directors consider that it would be more efficient, cost-effective and commercially viable to engage the Group for the supply and provision of these battery packs and energy storage systems. Hence, the amounts of such transactions during the term of the XYS Sales Framework Agreement are expected to increase.

Decreasing historical transaction amounts with the XYG Group

During the two years ended 31 December 2019, the Group was only engaged by the XYG Group for the provision of processing services of the battery packs and energy storage systems. The amounts during the two years ended 31 December 2019 mainly represented the battery packs and lithium battery energy storage systems installed by the XYG Group for its various production facilities during the period. As the planned installation of the lithium battery energy storage systems in the production facilities had completed in 2018 and 2019 and they have long service life, the XYG Group had not installed any new lithium battery energy storage systems and only purchased from the Group certain uninterruptible power supply lithium battery systems and battery packs for maintenance and replacement purposes during the year ended 31 December 2020. This resulted in the decreasing amounts of such transactions for the three years ended 31 December 2020.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE SALES FRAMEWORK AGREEMENTS

Part of the ordinary course of business of the Group is the production and sales of different types of battery packs and energy storage systems, and it has production facilities in Zhangjiagang, Jiangsu Province, the PRC. The Group has the required production capacity and technologies to produce such battery packs and energy storage systems as required by its customers, including the XYS Group and the XYG Group. The Board considers that the Sales Framework Agreements will provide a steady business flow to the Group.

The XYS Group and the XYG Group currently use loading machines for transportation and transfer of a wide range of glass products. These machines are electric powered and equipped with chargeable battery systems. Battery packs can be used to replace less environmental-friendly and less durable lead acid power supply systems in their loading machines. In addition, uninterruptible supply power systems can provide immediate backup power in their respective production facilities in case of power disruption from local power grids. On the other hand, in response to the PRC government policy for the renewable energy generation facilities to equip with energy storage systems, the XYS

LETTER FROM THE BOARD

Group also plans to install energy storage systems in the solar farm projects developed and constructed by it. Hence, environmental-friendly and cost-efficient lithium battery packs, direct-current lithium battery systems, uninterruptible power supply lithium battery systems and lithium battery energy storage systems are required.

In light of the foregoing, the Sales Framework Agreements have been entered into for the purpose of providing a framework for the ongoing purchases by the XYS Group and the XYG Group from the Group.

INFORMATION ON THE COMPANY, XINYI SOLAR AND XINYI GLASS

The Company is an investment holding company. The Group is principally engaged in the business of the provision of automobile glass repair and replacement services in Hong Kong, the production and sales of lithium battery products, production and sales of as well as provision of contract processing services for different types of battery packs and energy storage systems. In addition, the Group is also engaged in the provision of engineering, procurement and construction services for solar energy projects.

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

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

INTERNAL CONTROL MEASURES ADOPTED BY THE COMPANY

The Group has established the following internal control measures to monitor the transactions contemplated under the Sales Framework Agreements:

- (a) The senior management and relevant departments of the Group will review and assess whether the terms set forth in a specific purchase order are consistent with each of the Sales Framework Agreements, no less favourable than those offered to Independent Third Parties, and adhere to the respective pricing basis of the transactions by implementing the following checking procedures:
 - (i) collect updated information on the prevailing market prices of the products on a quarterly basis to ensure that the selling prices of the products are no less favourable to those offered to Independent Third Parties;

LETTER FROM THE BOARD

- (ii) compare the markup percentage for each sales to the XYS Group and the XYG Group under the Sales Framework Agreements with the markup percentage used by the Group in the sales transactions to Independent Third Parties of products with similar features for the purpose of ensuring that the markup percentage would be comparable with the markup percentage used by the Group in the sales transactions to Independent Third Parties; and
 - (iii) review other terms of the sales transactions under the Sales Framework Agreements for the purpose of ensuring that they are no less favourable to the Group than that of the Group's sales transactions to Independent Third Parties and that the selling prices are calculated on a cost-plus basis.
- (b) Specifically assigned personnel from the relevant departments of the Group will monitor the actual transaction amounts on a regular basis to ensure that the Annual Caps would not be exceeded and due compliance with the respective pricing basis of the transactions.
 - (c) The finance department of the Group will monitor the transaction amounts contemplated under each of the Sales Framework Agreements on a regular basis and will prepare a summary of the transaction amounts on a monthly basis.
 - (d) The internal audit function will review and conduct sample checks on the sale amounts under each of the Sales Framework Agreements, which constitute continuing connected transactions for the Company during the course of its annual review to ensure that the pricing basis and internal control procedures under each of the Sales Framework Agreements are complied with.
 - (e) The independent non-executive Directors will review the continuing connected transactions on an annual basis and report their opinion to the Board.
 - (f) The auditors of the Company will conduct annual review on the transactions contemplated by the Sales Framework Agreements and report their findings and conclusions to the Board.

IMPLICATIONS UNDER THE GEM LISTING RULES

Continuing connected transactions

As of the Latest Practicable Date, the Controlling Shareholders and their respective associates are interested in 59.87% of the share capital of Xinyi Glass and 25.97% of the share capital of Xinyi Solar (disregarding the indirect interest being held through Xinyi Glass). Xinyi Glass is also interested in 22.86% of the share capital of Xinyi Solar. The Controlling Shareholders thus control and exercise more than 30% voting power at general meetings of each of Xinyi Glass and Xinyi Solar. Accordingly, Xinyi Glass, Xinyi Solar and each of their respective subsidiaries are connected persons of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.80(1) of the GEM Listing Rules, the XYS Annual Caps and the XYG Annual Caps shall be aggregated as they were entered into by the Company with parties connected with one another. As the aggregated maximum Annual Caps exceeds HK\$10,000,000 and one or more of the applicable percentage ratios for the aggregated maximum Annual Caps is greater than 5.0% for the Company, the entering into of each of the Sales Framework Agreements constitutes a continuing

LETTER FROM THE BOARD

connected transaction for the Company under Chapter 20 of the GEM Listing Rules. Each of the Sales Framework Agreements and the Annual Caps will be subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to advise and give recommendation to the Independent Shareholders on the entering into of the Sales Framework Agreements and the Annual Caps. Ballas Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to (a) the letter from the Independent Board Committee set forth on page 19 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders regarding the entering into of the Sales Framework Agreements and the Annual Caps and (b) the letter from Ballas Capital set forth on pages 20 to 36 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the entering into of the Sales Framework Agreements and the Annual Caps.

THE EXTRAORDINARY GENERAL MEETING AND BOOK CLOSURE

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

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

The Extraordinary General Meeting will be held at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 28 May 2021 at 12:00 noon for the purpose of considering and, if thought fit, approving the entering into of the Sales Framework Agreements and the Annual Caps. The Notice of Extraordinary General Meeting is set forth on pages 46 to 48 of this circular.

The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive), during which period no transfer of the Shares will be registered.

LETTER FROM THE BOARD

In order to qualify for attending and voting at the Extraordinary General Meeting, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Monday, 24 May 2021 for such purpose.

A form of proxy for use at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend the Extraordinary General Meeting, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjourned meeting (as the case may be). Completion of the form of proxy and its return will not preclude you from attending, and voting at, the Extraordinary General Meeting or any adjourned meeting (as the case may be) should you so wish.

As of the Latest Practicable Date, the Controlling Shareholders and their respective associates are interested in 59.87% of the share capital of Xinyi Glass and 25.97% of the share capital of Xinyi Solar (disregarding the indirect interest being held through Xinyi Glass). The Controlling Shareholders were also interested in approximately 71.16% of the voting rights of the Company as of the Latest Practicable Date, and will be required to abstain from voting at the Extraordinary General Meeting on the resolutions approving the entering into of the Sales Framework Agreements and the Annual Caps.

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

GENERAL INFORMATION

Your attention is drawn to the appendix headed "General information" to this circular.

RECOMMENDATIONS OF THE BOARD

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

XINYI ELECTRIC STORAGE HOLDINGS LIMITED

信義儲電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08328)

Hong Kong, 7 May 2021

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS SALES FRAMEWORK AGREEMENTS

We refer to the circular of the Company dated 7 May 2021 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders in respect of the entering into of the Sales Framework Agreements and the Annual Caps, details of which are set forth in the letter from the Board contained in the Circular.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set forth on pages 20 to 36 of the Circular and the letter from the Board as set forth on pages 7 to 18 of the Circular.

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

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. WANG Guisheng

*Independent non-executive
Director*

Mr. NG Wai Hung

*Independent non-executive
Director*

**Mr. CHAN Hak Kan,
B.B.S., J.P.**

*Independent non-executive
Director*

LETTER FROM BALLAS CAPITAL

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

BALLAS
C A P I T A L

Unit 1802, 18/F
1 Duddell Street
Central
Hong Kong

7 May 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO SALES FRAMEWORK AGREEMENTS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sales Framework Agreements and the transactions contemplated thereunder (the “**Continuing Connected Transactions**”) with the proposed Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular of the Company (the “**Circular**”) dated 7 May 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As disclosed in the Joint Announcement, the Company entered into (i) the XYS Sales Framework Agreement with Xinyi Solar; and (ii) the XYG Sales Framework Agreement with Xinyi Glass (Hong Kong), pursuant to which the Group has agreed to sell to the XYS Group and the XYG Group, (a) lithium battery packs; (b) direct-current lithium battery systems; (c) uninterruptible power supply lithium battery systems; (d) lithium battery energy storage systems; and (e) other lithium battery products (collectively, the “**CCT Products**”) as part of the ordinary course of business of the Group for a term commencing from the Effective Date and expiring on 31 December 2023 (both dates inclusive).

As set out in the Letter from the Board, as at the Latest Practicable Date, the Controlling Shareholders and their respective associates are interested in 59.87% of the share capital of Xinyi Glass and 25.97% of the share capital of Xinyi Solar (disregarding the indirect interest being held through Xinyi Glass). Xinyi Glass is also interested in 22.86% of the share capital of Xinyi Solar. The Controlling Shareholders thus control and exercise more than 30% voting power at general

LETTER FROM BALLAS CAPITAL

meetings of each of Xinyi Glass and Xinyi Solar. Therefore, Xinyi Glass, Xinyi Solar and each of their respective subsidiaries are connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the transactions contemplated under the Sales Framework Agreements constitute continuing connected transactions of the Company.

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

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

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparties of the Sales Framework Agreements or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for this appointment as the independent financial adviser in relation to the Continuing Connected Transactions, we did not have any other relationship with or interests in the Company, the counterparties of each of the Sales Framework Agreements or their respective core connected persons or associates nor had we acted as an independent financial adviser to other transactions of the Company that could be reasonably regarded as a hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions. Accordingly, we consider we are eligible to give independent advice on the Sales Framework Agreements and the Annual Caps.

BASIS OF OUR OPINION

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

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the

LETTER FROM BALLAS CAPITAL

representations made by the Directors and the Management as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the Extraordinary General Meeting. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

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

The Group

The Group is principally engaged in the business of the provision of automobile glass repair and replacement services in Hong Kong, the production and sales of lithium battery products, production and sales of as well as provision of contract processing services for different types of battery packs and energy storage systems. In addition, the Group is also engaged in the provision of engineering, procurement and construction services for solar energy projects.

According to the published financial reports of the Company, the revenue from its electric storage business, which includes development, processing and sale of battery pack and energy storage system facilities with lithium batteries, amounted to approximately HK\$100 million, HK\$119 million and HK\$94 million, representing approximately 58.7%, 58.7% and 43.3% of the total revenue of the Group for the financial years ended 31 December 2018, 2019 and 2020, respectively.

The XYS Group

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

LETTER FROM BALLAS CAPITAL

The XYG Group

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

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

As set out in the Letter to the Board, the XYS Group and the XYG Group currently use loading machines for transportation and transfer of a wide range of glass products. These machines are electric powered and equipped with chargeable battery systems. Battery packs can be used to replace less environmental-friendly and less durable lead acid power supply systems in their loading machines. In addition, uninterruptible supply power systems can provide immediate backup power in their respective production facilities in case of power disruption from local power grids. On the other hand, in response to the PRC government policy for the renewable energy generation facilities to equip with energy storage systems, the XYS Group also plans to install energy storage systems in the solar farm projects developed and constructed by it. Hence, environmental-friendly and cost-efficient lithium battery packs, direct-current lithium battery systems, uninterruptible power supply lithium battery systems and lithium battery energy storage systems are required. As part of the ordinary course of business of the Group, the Group has the required production capacity and technologies to produce the battery packs and energy storage systems as required by the XYS Group and the XYG Group.

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

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

LETTER FROM BALLAS CAPITAL

C. Major terms of the Sales Framework Agreements

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

Date: 8 April 2021

Parties: *For the XYS Sales Framework Agreement:*

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

For the XYG Sales Framework Agreement:

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

Term: From the Effective Date to 31 December 2023 (both dates inclusive)

Subject matter: Sale and supply of the CCT Products, including:

- (a) lithium battery packs;
- (b) direct-current lithium battery systems;
- (c) uninterruptible power supply lithium battery systems;
- (d) lithium battery energy storage systems; and
- (e) other lithium battery products,

by the Group to the XYS Group and the XYG Group, which are produced according to the technical specifications and requirements of the purchasers.

Condition: Approval by the Independent Shareholders at the Extraordinary General Meeting by way of poll.

LETTER FROM BALLAS CAPITAL

After-sale service (the “Warranties”)

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

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

Payment terms (the “Payment Terms”)

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

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

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

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

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

LETTER FROM BALLAS CAPITAL

Pricing basis

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

Given that the CCT Products are tailor-made according to the specifications and the capacity of the technical specifications and requirements of the purchasers, there is no fixed or standard unit price, or a published reference price. In determining the selling prices of the CCT Products, the Group will charge on a "cost-plus" basis. Based on the specifications and the energy capacity of the products, the Group will assess the scope of the relevant order and prepare a cost estimate, which mainly includes the materials cost, labour cost, and delivery and installation cost, with respect to the supply of the CCT Products. Such cost estimate will be used as the basis of the selling price of the CCT Products. The selling prices will be determined with reference to the production costs incurred by the Group plus a markup in the range of 18% to 35%. Such percentage will be determined with reference to (i) the average profit margin earned in supplying the products of similar type and features to Independent Third Parties; (ii) the additional costs in producing the CCT Products in accordance with the specific technical requirements and advanced features; (iii) customers' view; and (iv) competitors' pricing information (if available). The selling prices and markup percentage under the Sales Framework Agreements are subject to review by the management of the relevant department of the Group and the XYS Group (*under the XYS Sales Framework Agreement*) and the XYG Group (*under the XYG Sales Framework Agreement*) on a regular basis.

Internal control measures

As set out in the Letter from the Board, other than the requirements by the GEM Listing Rules regarding the Continuing Connected Transactions, the Group has established the following internal control measures to monitor the Continuing Connected Transactions contemplated under the Sales Framework Agreements:

- (a) The senior management and relevant departments of the Group will review and assess whether the terms set forth in a specific purchase order are consistent with each of the Sales Framework Agreements, no less favourable to the Group than those offered to Independent Third Parties, and adhere to the respective pricing basis of the transactions by implementing the following checking procedures:
 - (i) collect updated information on the prevailing market prices of the products on a quarterly basis to ensure that the selling prices of the products are no less favourable to the Group to those offered to Independent Third Parties;

LETTER FROM BALLAS CAPITAL

- (ii) compare the markup percentage for each sales to the XYS Group and the XYG Group under the Sales Framework Agreements with the markup percentage used by the Group in the sales transactions to Independent Third Parties of products with similar features for the purpose of ensuring that the markup percentage would be comparable with the markup percentage used by the Group in the sales transactions to Independent Third Parties; and
 - (iii) review other terms of the sales transactions under the Sales Framework Agreements for the purpose of ensuring that they are no less favourable to the Group than that of the Group's sales transactions to Independent Third Parties and that the selling prices are calculated on a cost-plus basis.
- (b) Specifically assigned personnel from the relevant departments of the Group will monitor the actual transaction amounts on a regular basis to ensure that the Annual Caps would not be exceeded and due compliance with the respective pricing basis of the transactions.
 - (c) The finance department of the Group will monitor the transaction amounts contemplated under each of the Sales Framework Agreements on a regular basis and will prepare a summary of the transaction amounts on a monthly basis.
 - (d) The internal audit function will review and conduct sample checks on the sale amounts under each of the Sales Framework Agreements, which constitute continuing connected transactions for the Company during the course of its annual review to ensure that the pricing basis and internal control procedures under each of the Sales Framework Agreements are complied with.

Our work done

We have obtained from the Management the full historical transaction list of the sales of the CCT Products by the Group to the XYS Group and the XYG Group during the three years ended 31 December 2020. We have selected, on sample basis, nine sample transactions from the aforesaid historical transaction list and obtained the relevant transaction documents, including the cost sheets in calculating the markup, of (i) the selected sample transactions between the Group and the XYS Group and the XYG Group, and (ii) transactions of similar products between the Group and Independent Third Parties. From our review and understanding from the Management, the cost sheet of each transaction has listed out all costs in relation to the production of the CCT Products to be sold, including but not limited to, cost of materials, installation costs, delivery costs, design costs and testing costs. As each of the tailor-made CCT Product has been produced in accordance with the specifications and requirements of the purchaser, and all costs in producing such CCT Product have been included in the cost sheet before applying the markup, the Management advised that all costs in relation to any specifications and requirements of the purchasers, whether connected or independent to the Group, have been properly accounted for in the selling prices and an overall markup was charged to all costs involved in the transaction. Based on our review, we note that (i) the markup charged by the Group to the XYS Group and the XYG Group were comparable with those charged by the Group to Independent Third Party customers for products of similar type and features; and (ii) the Payment Terms and Warranties offered by the Group to the XYS Group and the XYG Group were comparable to those payment terms and warranties offered by the Group to Independent Third Parties.

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Furthermore, we have obtained and reviewed, the internal approval documents of the abovementioned nine sample transactions. We noted that the Company had adhered to the aforementioned internal control measures when considering the sales and supply of the CCT Products. Taking into account the aforementioned internal control measures as well as the requirements by the GEM Listing Rules regarding the Continuing Connected Transactions (as explained in the section below), we consider that there are adequate internal control measures to ensure the Continuing Connected Transactions will be transacted in accordance with the terms of the Sales Framework Agreements.

Our view

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

D. Historical transaction amounts and the proposed Annual Caps

Set out below are the details of the historical transaction amounts of the processing and supply of battery packs and energy storage systems from the Group to the XYS Group and the XYG Group for each of the three years ended 31 December 2020 and the proposed Annual Caps for the transactions contemplated under each of the Sales Framework Agreements for each of the three years ending 31 December 2023:

Historical transaction amounts

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'</i>	<i>RMB'</i>	<i>RMB'</i>
	<i>million</i>	<i>million</i>	<i>million</i>
<i>Processing and supply of battery packs and energy storage systems to:</i>			
The XYS Group	2.5	2.0	0.6
The XYG Group	<u>40.2</u>	<u>24.8</u>	<u>1.2</u>
<i>Total</i>	<u>42.7</u>	<u>26.8</u>	<u>1.8</u>

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Proposed Annual Caps

	For the period from the Effective Date to 31 December	For the year ending 31 December	
	2021	2022	2023
	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>
<i>Supply of the CCT Products to:</i>			
The XYS Group	30.0	82.0	74.0
The XYG Group	7.5	6.0	5.0
<i>Total</i>	37.5	88.0	79.0

As stated in the Letter from the Board, in determining the proposed Annual Caps during the term of the Sales Framework Agreements, the Directors, having discussed with the XYS Directors and the XYG Directors, have considered, among others:

- (i) the current market price of battery packs and energy storage systems;
- (ii) the CCT Products as may be required under the Sales Framework Agreements as provided by the XYS Directors and the XYG Directors; and
- (iii) the historical prices and profit margins of the Company for the sales of similar products to Independent Third Parties.

Additional factors considered for the XYS Annual Caps

In addition to the factors above, as set out in the Letter from the Board, the following sets forth the factors considered in determining the XYS Annual Caps:

- (a) Based on the Guiding Opinions published by the PRC government in 2017, the PRC government targets to promote the energy storage industry in the following decade, which includes, among others, the use of energy storage technology to improve the level of renewable energy utilisation and the flexibility and stability of the renewable power systems. Pursuant to the “Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035” (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要) passed by the National People’s Congress in March 2021, solar farms in certain provinces/municipalities in the PRC, where some of the solar farm projects of the XYS Group are situated, are encouraged to install energy storage systems. The XYS

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Directors therefore expect that the policies requiring installation of energy storage systems will be gradually implemented by the PRC government at selected provinces/municipalities and that the YYS Group would be required to install the energy storage systems at its solar farm projects. As of the date of the Joint Announcement, no energy storage systems have been installed at any solar farm projects of the YYS Group as all electricity can be sold to the local grid companies without any curtailment. Out of the YYS Annual Caps, the YYS Directors estimated that an aggregate amount of RMB20.4 million, RMB75.4 million and RMB67.5 million would be attributable to the estimated purchase and installation costs of such energy storage systems for the solar farm projects currently owned and newly constructed by the YYS Group for the period from the Effective Date to 31 December 2021 and the two years ending 31 December 2023, respectively.

- (b) According to the Guiding Opinions, the YYS Directors expect that complete installation would not be required within a short period of time. Hence, the YYS Directors assumed, in the process of determining the YYS Annual Caps, that the YYS Group is expected to be required to increase the installation percentage of energy storage system gradually in the next few years from the second half of 2021 and that 5.0% to 20.0% (depending on the requirements on different provinces/municipalities) of the total electricity generation capacity (in terms of MW) of the pre-grid connected solar farm projects of the YYS Group would be required to install the energy storage systems. On this basis, the YYS Directors expect that solar farm projects with the electricity generation capacity of 11.8MW, 47MW and 47MW for the Relevant Periods, respectively, would be installed with the energy storage systems. Based on the cost per watt of the energy storage systems of RMB1.659, RMB1.576 and RMB1.410 for the Relevant Periods, respectively, the estimated cost involved in the installation of the energy storage systems at the solar farm projects of the YYS Group would therefore be RMB19.6 million, RMB74.1 million and RMB66.3 million, for the Relevant Periods, respectively.
- (c) The expected increase of approximately 483MW per annum in the solar farm projects to be constructed by the YYS Group during the term of the YYS Sales Framework Agreement is based on the historical increases in such capacity during the period from 2014 to 2020, of which the YYS Directors consider to be reasonable taking into consideration the prevailing regulatory environment in the PRC for renewable energy and the planned construction progress of the solar farm projects.
- (d) The amount of the YYS Annual Cap for the period from the Effective Date to 31 December 2021 is expected to be significantly less than the full year amount for the year ending 31 December 2022 as the installation of the energy storage systems is expected not to commence until the second half of 2021.
- (e) The production costs of the energy storage systems are expected to decrease with time and hence, the amount of the YYS Annual Cap for the year ending 31 December 2023 is estimated to be less than the amount of the YYS Annual Cap for the year ending 31 December 2022. The YYS Directors confirm that the number of units of the energy storage systems proposed to be installed for those two years is assumed to remain unchanged.

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- (f) The remaining balance under each of the XYS Annual Caps, i.e. RMB9.6 million, RMB6.6 million and RMB6.5 million, for the period from the Effective Date to 31 December 2021 and the two years ending 31 December 2023, respectively, represents the estimated amount of purchase and the related installation costs of (i) lithium battery packs, (ii) uninterruptible power supply lithium battery systems and (iii) other lithium battery products. These products are mainly to be used/installed in the XYS Group's solar glass production facilities. The increase in the purchase amount of these products is to be driven by (x) the increasing use of chargeable lithium battery products for a number of plant and machinery (including the loading machines) for production purpose; (y) the replacement of the less efficient and less environmental-friendly power systems with the latest generations of power supply products; and (z) the increased sourcing from the Group as the Group has been developed with the required production technology and production facilities that can provide in-time supply of these products.

Additional factors considered in determining the XYG Annual Caps

In addition to the factors above, as set out in the Letter from the Board, the following sets forth the factors considered in determining the XYG Annual Caps:

- (a) the need for installation of uninterruptible power supply lithium battery systems in a data centre to be set up by the XYG Group during 2021;
- (b) the need for installation of uninterruptible power supply lithium battery systems in the production lines to be set up by the XYG Group during 2022 and/or 2023;
- (c) the increasing use of chargeable lithium battery products for a number of plant and machinery (including the loading machines) for production purpose;
- (d) the replacement of the less efficient and less environmental-friendly power systems with the latest generations of power supply products; and
- (e) the increased sourcing from the Group as the Group has been developed with the required production technology and production facilities that can provide in-time supply of these products.

Our work done

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

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(a) Projected average selling price of the CCT Products

We noted from the underlying calculation of the proposed Annual Caps that the Company has made reference to the current selling prices of the CCT Products when determining the average cost per watt of the energy storage systems and the average selling prices of other CCT Products for the Annual Caps. We noted that the Company has estimated that the average selling prices of the CCT Products (including the energy storage systems) to drop by about 15.0% during the term of the Sales Framework Agreements as a result of the expected reduction in production cost of the CCT Products.

We have reviewed and noted that the expected average cost per watt of the energy storage systems and the average selling prices of other CCT Products for the period from the Effective Date to 31 December 2021 are estimated based on the average selling price of the energy storage systems and average selling prices of other CCT Products of the Group for the year ended 31 December 2020, respectively. We have also obtained and reviewed the historical average selling prices of the CCT Products (including the energy storage systems) of the Group from 2018 to 2020 and noted that the average selling prices of the CCT Products have decreased by approximately 11.4% from 2018 to 2020. According to the Bloomberg New Energy Finance, the average market price of lithium-ion battery pack showed a decreasing trend from 2010 to 2019 and recorded a decrease of approximately 12.7% in 2020 as a result of the better and cheaper lithium-ion battery technology. Also, the adoption of new cell and pack designs, higher energy-density cathodes, and more efficient manufacturing are expected to continue to drive the per-kilowatt hour (“kWh”) cost down in the future. According to the Energy Storage Technology and Cost Characterization Report published by the United States Department of Energy in July 2019, the price of setting up a lithium-ion battery energy storage facility is also expected to have a decreasing trend as a result of the maturity of technology.

Having considered that (i) the historical average selling prices of the CCT Products of the Group decreased by approximately 11.4% from 2018 to 2020, and (ii) the industry prices of the lithium-ion battery and lithium-ion battery energy storage facility are expected to decrease as a result of better and cheaper technology and more efficient manufacturing process, it is reasonable for the Group to factor in a drop in the average selling prices of the CCT Products (including the average cost per watt of the energy storage systems) during the term of the Sales Framework Agreements. Hence, we consider that the projected average selling prices of the CCT Products (including the average cost per watt of the energy storage systems) in formulating the proposed Annual Caps are determined on a fair and reasonable basis.

(b) Expected demand of the CCT Products

The XYS Group

The proposed XYS Annual Caps for the period from the Effective Date to 31 December 2021, and each of the two years ending 31 December 2023 amount to approximately RMB30.0 million, RMB82.0 million and RMB74.0 million, respectively, which are significantly higher than the historical sales amount of the CCT Products from the Group to the XYS Group for each of the three years ended 31 December 2018, 2019 and 2020 of approximately RMB2.5 million, RMB2.0 million and RMB0.6 million, respectively. As advised by the Management, such significant increase was mainly driven by the expected demand for energy storage systems by the solar farms to be constructed by the XYS Group in view of the implementation of the government policy in promoting the utilisation of energy storage systems as further elaborated below.

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

As set out in the Letter from the Board, in view of the aforesaid policies, it is expected that solar farm projects of the YYS Group would be installed with the energy storage systems with total electricity generation capacity of approximately 11.8MW, 47MW and 47MW for the Relevant Periods, respectively. From our review of the underlying calculations and assumptions, we noted that the lower expected demand for the period from the Effective Date to 31 December 2021 as compared to that for each of the two years ending 31 December 2023 was mainly due to the fact that the YYS Group will only commence its purchase of energy storage systems from the Group in second half of 2021. For the annual demand of energy storage systems with electricity generation capacity of approximately 47MW for each of the two years ending 31 December 2023, we noted that such demand was mainly driven by the assumption of the expected increase in electricity generation capacity of the YYS Group of approximately 483MW per annum. Such expected increase was based on the historical increases in electricity generation capacity of the YYS Group during the period from 2014 to 2020, taking into consideration the prevailing regulatory environment in the PRC for renewable energy and the planned construction progress of the solar farm projects. We consider such expected increase in electricity generation capacity is reasonable as we noted that it is in line with the average historical increases in electricity generation capacity of the YYS Group during the period from 2014 to 2020. It is assumed that 5.0% to 20.0% (depending on the requirements on different provinces/municipalities) of such annual capacity of the pre-grid connected solar farm projects of the YYS Group would be required to install with the energy storage systems, representing an annual demand of energy storage systems with electricity generation of around 40MW. Taking into account the aforesaid expected demand together with the possible demand for installation of energy storage systems of the currently owned solar farms of the YYS Group, the Management expects that energy storage systems with total energy storage capacity of approximately 47MW will be required by the YYS Group annually. Based on the cost per watt of the energy storage systems of RMB1.659, RMB1.576 and RMB1.410 for the Relevant Periods, respectively, the estimated cost involved in the installation of the energy storage systems at the solar farm projects of the YYS Group would therefore be approximately RMB19.6 million, RMB74.1 million and RMB66.3 million, for the Relevant Periods, respectively.

In addition to the energy storage systems which are expected to be installed by the solar farms of the YYS Group as explained above, the YYS Annual Caps also include (a) battery packs amounted to approximately RMB1 million, expected to be required by the solar farm projects of the YYS Group in each period of the Relevant Periods; and (b) estimated demand for other CCT Products, including (i) lithium battery packs, (ii) uninterruptible power supply lithium battery systems, and (iii) other lithium battery products, by the YYS Group to be used/installed in the YYS Group’s solar glass production facilities amounting to approximately RMB9.6 million, RMB6.6 million and RMB6.5

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million for the period from the Effective Date to 31 December 2021 and the two years ending 31 December 2023, respectively. The estimated demand for other CCT Products is based on the assumptions of (i) the increasing use of chargeable lithium battery products for a number of plant and machinery (including the loading machines) for production purpose; (ii) the replacement of the less efficient and less environmental-friendly power systems with the latest generations of power supply products; and (iii) the increase sourcing by the XYS Group as the Group has developed with the required production technology and production facilities that can provide in-time supply of these products. We understand from the Management that such estimations and assumptions have taken into account the expected replacement of the CCT Products for the existing production lines of the XYS Group and the demand for the CCT Products for the expected production lines to be set up by the XYS Group with reference to the historical business growth of the XYS Group. Based on the respective financial reports of the XYS Group, the revenue of XYS Group recorded a 5-year compounded annual growth rate of approximately 21.0% from 2015 to 2020.

Taking into account (i) the expected demand for energy storage systems by the XYS Group due to the implementation of the government policy in promoting utilisation of renewable energy; and (ii) the estimated demand for other CCT Products for the production facilities of the XYS Group based on the estimated business growth of the XYS Group, we consider that the estimated purchase volume of the CCT Products in calculating the XYS Annual Caps is determined on a fair and reasonable basis.

The XYG Group

The proposed XYG Annual Caps for the period from the Effective Date to 31 December 2021, and each of the two years ending 31 December 2023 amount to approximately RMB7.5 million, RMB6.0 million and RMB5.0 million, respectively, which are significantly lower than of the historical sales amount of the CCT Products from the Group to the XYG Group for each of the two years ended 31 December 2018 and 2019 of approximately RMB40.2 million and RMB24.8 million, respectively. As advised by the Management, such significant decrease was mainly due to the expected decrease in demand for the CCT Products by the XYG Group as the XYG Group has already equipped/replaced significant amount of the CCT Products in its production facilities during 2018 and 2019.

As advised by the Company, the proposed XYG Annual Caps were determined taking into account (i) the demand for the CCT Products by the XYG Group for its new data centre, which is expected to be set up in 2021; and (ii) the demand for the CCT Products by the XYG Group's potential new production lines, which are under the plan to be set up in 2022 and/or 2023. We have obtained from the Company and reviewed the estimated energy consumption volumes required by the new data centre and the new production lines of the XYG Group and noted that the projected potential sales amounts of the CCT Products to the XYG Group were mainly determined based on the estimated requirement from the aforesaid data centre and the new production lines. The remaining amount of the XYG Annual Caps represents the estimated demand for the CCT Products during the normal course of business of the XYG Group arising from products replacement and improvement.

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

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Our view

Having considered the above and our review of the underlying calculations of the proposed Annual Caps, we concur with the view of the Management and consider that the proposed XYX Annual Caps and XYG Annual Caps are fair and reasonable as far as the Independent Shareholders are concerned. However, as the proposed Annual Caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2023, we express no opinion as to how closely the supply of the CCT Products pursuant to the Sales Framework Agreements shall correspond to the proposed Annual Caps.

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

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

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

- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the transactions contemplated under the Sales Framework Agreements:
 - have received the approval of the Board;
 - are, in all material respects, in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
 - have been entered into, in all material respects, in accordance with the relevant agreement governing the transactions contemplated under the Sales Framework Agreements; and
 - have not exceeded the Annual Caps.

RESPONSIBILITY STATEMENT

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

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

As of the Latest Practicable Date, the interests and short positions of each Director 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 required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the shares of the Company

Director/ Chief Executive	Capacity	Name of the controlled corporation	Number of issued ordinary Shares held	Approximate percentage of the issued share capital of the Company (%)
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i> <i>(Non-executive Director and chairman)</i>	Interest in a controlled corporation	Copark ⁽¹⁾ (as defined below)	37,039,885	5.71
		Full Guang ⁽³⁾ (as defined below)	4,436,100	0.68
	Personal interest/Spouse interest ⁽¹⁾		99,573,100	15.36
	Interest in persons acting in concert ⁽²⁾		461,393,649	71.16
Mr. NG Ngan Ho <i>(Executive Director)</i>	Interest in a controlled corporation	Linkall ⁽⁴⁾ (as defined below)	20,654,086	3.19
		Full Guang ⁽³⁾ (as defined below)	4,436,100	0.68
	Personal interest		1,110,000	0.17
	Interest in persons acting in concert ⁽²⁾		461,393,649	71.16
Ms. LI Pik Yung <i>(Executive Director and chief operation officer)</i>	Personal interest		41,088	0.01

Notes:

- (1) Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* is the beneficial owner of all the issued share capital of Copark Investment Limited (“**Copark**”), a company incorporated in the British Virgin Islands (the “**BVI**”) and wholly-owned by Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*, which is the registered owner of 37,039,885 Shares. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* also has personal interest in 436,200 Shares held in his own name, 99,028,900 Shares are held through his spouse, Puan Sri Datin SZE Tan Hung and 108,000 Shares are held jointly with his spouse.
- (2) Pursuant to the shareholders’ agreement dated 25 June 2016 entered into amongst the Controlling Shareholders (the “**Shareholders’ Agreement**”), the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under the Xinyi Glass Distribution (as defined in the prospectus of the Company dated 28 June 2016).
- (3) The interests in Shares are held through Full Guang Holdings Limited (“**Full Guang**”), a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.
- (4) Mr. NG Ngan Ho is the beneficial owner of all the issued share capital of Linkall Investment Limited (“**Linkall**”), a company incorporated in the BVI and wholly-owned by Mr. NG Ngan Ho, which is the registered owner of 20,654,086 Shares.

(b) Share options of the Company

Director/ Chief Executive	Capacity	Number of share options outstanding	Number of issued ordinary Shares held	Approximate percentage of the number of share options outstanding in the issued share capital of the Company (%)
Ms. LI Pik Yung <i>(Executive Director and chief operation officer)</i>	Personal interest	132,000	41,088	0.02
Mr. ZHA Xue Song <i>(Chief executive officer)</i>	Personal interest	1,000,000	Nil	0.15

Save as disclosed above, as of the Latest Practicable Date, to the knowledge of the Company, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including

interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

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

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

Directors' service contracts

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

Directors' interests in assets, contracts or arrangement

Save as disclosed above, as of the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which had, since 31 December 2020, being the date of the latest published audited accounts of the Company were made up, been acquired or disposed of by, or leased to, the Company or any member of the Group or were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group.

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

Substantial shareholders' interests and short positions in the Shares and underlying Shares of the Company

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

Long positions in the Shares and underlying Shares of the Company

<u>Name of the Shareholder</u>	<u>Capacity</u>	<u>Number of issued ordinary Shares held</u>	<u>Approximate percentage of the issued share capital of the Company (%)</u>
Dr. LEE Yin Yee, B.B.S.	Interest in controlled corporation ⁽³⁾	108,781,432	16.78
	Interest in controlled corporation ⁽⁴⁾	936,000	0.14
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest ⁽³⁾	34,141,500	5.27
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16
Mr. TUNG Ching Bor	Interest in a controlled corporation ⁽⁵⁾	40,014,968	6.17
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest ⁽⁵⁾	8,863,200	1.37
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16
Mr. LEE Sing Din	Interest in a controlled corporation ⁽⁶⁾	37,739,263	5.82
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest	3,115,500	0.48
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16

Name of the Shareholder	Capacity	Number of issued ordinary Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. LI Ching Wai	Interest in a controlled corporation ⁽⁷⁾	17,487,129	2.70
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16
Mr. LI Man Yin	Interest in a controlled corporation ⁽⁸⁾	11,856,285	1.83
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest ⁽⁸⁾	1,551,000	0.24
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16
Mr. SZE Nang Sze	Interest in a controlled corporation ⁽⁹⁾	17,140,616	2.64
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest	1,002,000	0.15
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16
Mr. LI Ching Leung	Interest in a controlled corporation ⁽¹⁰⁾	11,678,085	1.80
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest/Spouse interest ⁽¹⁰⁾	4,273,500	0.66
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16

Notes:

- (1) The interests in the Shares are held through Full Guang. Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M., J.P.* as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

- (2) Pursuant to the Shareholders' Agreement, each of the parties has agreed to grant a right of first offer to the other parties if any of them intends to sell their Shares allotted to them under the Xinyi Glass Distribution (as defined in the prospectus of the Company dated 28 June 2016).
- (3) Dr. LEE Yin Yee, B.B.S.'s interests in 108,781,432 Shares are held through Realbest Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Dr. LEE Yin Yee, B.B.S.. Dr. LEE Yin Yee, B.B.S.'s interests in 34,141,500 Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.
- (4) Dr. LEE Yin Yee, B.B.S.'s interests in the 936,000 Shares are held through Xin Yuen Investment Limited, a company incorporated in the BVI with limited liability on 17 January 2019, which was wholly-owned by Xin Wong Investment Limited ("**Xin Wong**"). Xin Wong is 50% owned by Dr. LEE Yin Yee, B.B.S. and 50% owned by his spouse, Madam TUNG Hai Chi.
- (5) Mr. TUNG Ching Bor's interests in 40,014,968 Shares are held through High Park Technology Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor. Mr. TUNG Ching Bor's interests in 8,863,200 Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.
- (6) Mr. LEE Sing Din's interest in Shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din.
- (7) Mr. LI Ching Wai's interests in Shares are held through Goldbo International Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai.
- (8) Mr. LI Man Yin's interests in 11,856,285 Shares are held through Perfect All Investments Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Man Yin. Mr. LI Man Yin's interests in 1,551,000 Shares are held through a joint account with his spouse, Madam LI Sau Suet.
- (9) Mr. SZE Nang Sze's interests in Shares are held through Goldpine Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.
- (10) Mr. LI Ching Leung's interests in 11,678,085 Shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung has personal interests in 4,213,500 Shares held in his own name and 60,000 Shares held through his spouse, Madam DY Maria Lumin.

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

MATERIAL ADVERSE CHANGE

The Directors confirmed that as of the Latest Practicable Date, there was no material adverse change in the financial or trading position or prospects of the Group since 31 December 2020, being the date of the latest published audited accounts of the Company were made up.

QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
Ballas Capital Limited	A corporation licensed by the Securities and Futures Commission to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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

As of the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any asset which have been acquired, or disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up.

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

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

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

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

GENERAL

- (a) The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is located at Unit 2116-2117, 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.
- (c) The company secretary of the Company is Mr. CHEUNG Siu On Victor, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The Company's branch share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) In case of any discrepancy, the English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR PUBLIC INSPECTION IN HONG KONG

Copies of the following documents will be available for inspection at Unit 2116-2117, 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, during normal business hours from 9:00 a.m. to 6:00 p.m. on any business day from the date of this circular up to and including the date which is 14 days from the date of this circular (except public holidays):

- (a) the letter from the Board to the Shareholders, the text of which is set forth on pages 7 to 18 of this circular;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set forth on page 19 of this circular;
- (c) the written consent given by the Independent Financial Adviser referred to in the section headed "Qualification and consent of expert" in this appendix;
- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set forth on pages 20 to 36 of this circular;
- (e) the Sales Framework Agreements; and
- (f) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

XINYI ELECTRIC STORAGE HOLDINGS LIMITED

信義儲電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08328)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**Extraordinary General Meeting**”) of Xinyi Electric Storage Holdings Limited (the “**Company**”) will be held at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Friday, 28 May 2021 at 12:00 noon for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company. Unless the context requires otherwise, capitalised terms used in this notice will have the same meanings as defined in the circular of the Company dated 7 May 2021 (the “**Circular**”).

ORDINARY RESOLUTIONS

XYS Sales Framework Agreement

1. “THAT:

- (a) the entering into of the *XYS Sales Framework Agreement* (as defined in the *Circular*, and a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the meeting (the “**Chairman**”) for identification purpose) be and is hereby confirmed, ratified and approved;
- (b) the *XYS Annual Caps* (as defined in the *Circular*) for the period commencing from the effective date of the *XYS Sales Framework Agreement* and ending on 31 December 2023 as set forth in the *Circular* be and are hereby approved; and
- (c) any director of the Company be and is hereby authorised to take such actions (including executing all such documents, instruments and agreements as may be required) as are in his or her opinion may consider necessary, appropriate, desirable or expedient or in the interest of the Company to implement and to carry out or give effect to or otherwise in connection with the *XYS Sales Framework Agreement*.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

XYG Sales Framework Agreement

2. “THAT:

- (a) the entering into of the XYG Sales Framework Agreement (as defined in the Circular, and a copy of which has been produced to the meeting and marked “B” and initialed by the Chairman for identification purpose) be and is hereby confirmed, ratified and approved;
- (b) the XYG Annual Caps (as defined in the Circular) for the period commencing from the effective date of the XYG Sales Framework Agreement and ending on 31 December 2023 as set forth in the Circular be and are hereby approved; and
- (c) any director of the Company be and is hereby authorised to take such actions (including executing all such documents, instruments and agreements as may be required) as are in his or her opinion may consider necessary, appropriate, desirable or expedient or in the interest of the Company to implement and to carry out or give effect to or otherwise in connection with the XYG Sales Framework Agreement.”

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

Hong Kong, 7 May 2021

Notes:

- 1. A form of proxy for the Extraordinary General Meeting to be held on Friday, 28 May 2021 is enclosed.
- 2. For the purpose of determining members who are qualified for attending and voting at the Extraordinary General Meeting, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive), during which period no transfer of shares of the Company (“Share(s)”) will be registered. In order to qualify for attending and voting at the Extraordinary General Meeting, instruments of transfer accompanied by share certificates’ and other appropriate documents must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by 4:30 p.m. on Monday, 24 May 2021.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. Any holder of Shares (“**Shareholder(s)**”) entitled to attend and vote at the Extraordinary General Meeting convened by this notice is entitled to appoint in written form one or more proxies to attend and vote at the Extraordinary General Meeting on his/her/its behalf. A proxy is not required to be a Shareholder.
4. In order to be valid, the form of proxy must be signed under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorised, and must be deposited with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the Extraordinary General Meeting or any adjournment thereof.
5. In the case of joint holders of Shares, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose, seniority will be determined by the order in which names stand in the register of members.
6. Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the Extraordinary General Meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
7. References to time and dates in this notice are to Hong Kong time and dates.
8. Bad weather arrangements

The Extraordinary General Meeting will be held on Friday, 28 May 2021 as scheduled regardless of whether or not an amber or red rainstorm warning signal is in force in Hong Kong at any time on that day. However, if a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 8:00 a.m. on Friday, 28 May 2021, the Extraordinary General Meeting will be automatically postponed to a later date. The Company will post an announcement on the websites of The Stock Exchange of Hong Kong Limited and the Company to notify Shareholders of the date, time and location of the rescheduled meeting. Shareholders should make their own decision as to whether they would attend the Extraordinary General Meeting under bad weather conditions having regard to their own situation and if they should choose to do so, they are advised to exercise care and caution.

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