

22 November 2022

The Independent Board Committee and the Independent Shareholders of Xinte Energy Co., Ltd.

Dear Sirs,

**FURTHER REVISION OF ANNUAL CAPS FOR
EXISTING CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Product Procurement Framework Agreement (TBEA), the Supplemental Miscellaneous Services Framework Agreement (TBEA), the Supplemental Product Procurement Framework Agreement (Xinjiang Tebian) and the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) (the **“Supplemental Framework Agreements”**) together with the proposed revised annual caps (the **“Revised Annual Caps”**), details of which are set out in the letter from the board (the **“Letter from the Board”**) contained in the circular of the Company dated 22 November 2022 (the **“Circular”**) to the Shareholders, of which this letter forms part. Unless specified otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

According to the Letter from the Board, as a result of the Group’s investment and construction of the 200,000-ton Polysilicon Project in Zhundong and the construction of wind power stations, the Group had an increased demand for the procurement of products and miscellaneous services from TBEA Group and Xinjiang Tebian Group. The Group expects that certain existing annual caps for the years ending 31 December 2022 and 2023 for Continuing Connected Transactions under the Existing Framework Agreements will not be able to satisfy the Group’s needs of the products and services from TBEA Group and Xinjiang Tebian Group. Therefore, the Group intends to further revise the corresponding annual caps and entered into the Supplemental Framework Agreements with TBEA Group and Xinjiang Tebian Group on 17 October 2022, respectively.

As at the Latest Practicable Date, TBEA is directly and indirectly interested in approximately 64.52% of the total issued share capital of the Company. Thus, TBEA is a Controlling Shareholder and Connected Person of the Company, and the transactions between the Group and TBEA Group constitute Connected Transactions of the Company.

As at the Latest Practicable Date, Mr. Zhang Xin directly and indirectly holds 64.12% of Xinjiang Tebian's equity interest, thus, Xinjiang Tebian is a 30%-controlled company of Mr. Zhang Xin, a Director. Therefore, Xinjiang Tebian is a Connected Person of the Company, and the transactions between the Group and Xinjiang Tebian Group constitute Connected Transactions of the Company.

Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the relevant requirements under Chapter 14A of the Listing Rules if it proposes to revise the annual caps under the Existing TBEA Framework Agreements and the Existing Xinjiang Tebian Framework Agreements. As the Existing TBEA Framework Agreements and the Existing Xinjiang Tebian Framework Agreements are entered into between the same parties, according to Rule 14A.81 of the Listing Rules, the respective transactions contemplated under them are required to be aggregated and treated as if they were one transaction. After aggregation, since the highest applicable percentage ratios in respect of the Revised Annual Caps under each of the Supplemental TBEA Framework Agreements and Supplemental Xinjiang Tebian Framework Agreements exceed 5%, each of them is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Cui Xiang, Mr. Chen Weiping and Mr. Tam, Kwok Ming Banny (all being the independent non-executive Directors), has been established to advise the Independent Shareholders as to whether (i) the terms of the Supplemental Framework Agreements have been determined on a fair and reasonable basis and entered into on normal commercial term and in the ordinary and usual course of business of the Company and in the interest of the Company and Shareholders as a whole; and (ii) to vote in favour of the resolutions to be proposed at the EGM. We, Kingsway Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are independent pursuant to Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Framework Agreements and their Revised Annual Caps. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Within the two years prior to the Latest Practicable Date, we have not been engaged as any financial adviser to the Company. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Framework Agreements together with the Revised Annual Caps.

BASIS OF OUR OPINION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible for are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so as at the date of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquires and careful consideration by the Directors and the management of the Company and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have also assumed that the information referred to in the Circular will continue to be true, accurate and complete as at the date of the Circular and if there is any material change of information in the Circular up to the date of the EGM, we will inform the Shareholders as soon as practicable. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company nor have we conducted any independent investigation into the business, financial conditions and affairs or the prospect of the Group or any of their associates.

The Directors have collectively and individually accepted full responsibility for all information given with regard to the Company including particulars given in compliance with the Listing Rules. The Directors have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, the information contained in the 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 the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the continuing connected transactions contemplated under the Supplemental Framework Agreements and their Revised Annual Caps, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information of the parties to the Supplemental Framework Agreements and Revised Annual Caps

Information of the Company

The Company is a global leading manufacturer of polysilicon as well as developer and operator of wind power and PV resources. Its main businesses include the production of polysilicon and the provision of engineering and construction contracting and operating services for PV and wind power projects. The Company is also engaged in the manufacturing of supporting equipment (mainly inverters, flexible direct current converter valve and static VAR generators), which are used for the engineering and construction contracting business of the Company or sold to independent third parties.

Information of TBEA

TBEA is a joint stock company incorporated in the PRC on 26 February 1993, and listed on the Shanghai Stock Exchange (stock code: 600089). As at the Latest Practicable Date, its registered capital is RMB3,873,825,826. TBEA and its close associates (excluding the Group) are mainly engaged in: (i) production and sales of transformers, inductors, wires, cables and other electrical and machinery equipment; (ii) construction and contracting of domestic and international power transmission and transformation projects, hydro and geothermal power projects; (iii) coal mining and sales; and (iv) generation and sales of electricity and heat.

Information of Xinjiang Tebian

Xinjiang Tebian is a company incorporated in the PRC with limited liability on 27 January 2003. As at the Latest Practicable Date, its registered capital is RMB75,000,000. The main business of Xinjiang Tebian is the production and sales of accessories for electrical and mechanical products and transformer, providing engineering services and industrial investment. As at the Latest Practicable Date, to the knowledge of the Company, Mr. Zhang Xin, Mr. Chen Weilin and the remaining 8 natural person shareholders holds 64.12%, 32.95% and 2.93% of Xinjiang Tebian's equity interest, respectively. Mr. Chen Weilin and the remaining 8 natural person shareholders are not Connected Persons of the Company nor connected with the Connected Persons of the Company.

2. Reasons and benefits of entering into the Supplemental Framework Agreements and the Revised Annual Caps

As stated in the Letter from the Board and discussed with the management of the Company, under the global strategic background of "carbon emission peak and carbon neutrality" and polysilicon is an integral part of clean energy production, in order to grasp the rapid development opportunities in the new energy field, and speed up the industry layout, in 2022, the Group has confirmed to (1) implement the 200,000-ton Polysilicon Project in Zhundong with a total investment amount of RMB17.6 billion; (ii) increase its investment in the construction of the Substations; and (iii) develop and construct more wind power resources requiring additional towers for wind turbines to be purchased. The 200,000-ton Polysilicon Project in Zhundong will be constructed in two phases with a construction period of 24 months, which are expected to be put into operation successively in 2023 and 2024. As discussed with the management of the Company, in order to ensure the completion of the above project with guaranteed quality and quantity and to rapidly realise economic benefits, it is expected that the Group will purchase more transformers, cables, switch enclosures, electrical equipment, other products and miscellaneous services for 2022 to 2023 from TBEA Group and Xinjiang Tebian Group. We have reviewed the internal minutes in

relation to the construction of 200,000-ton Polysilicon Project in Zhundong from the senior management of the Company and noted that the Group intend to increase the polysilicon production in order to grasp the rapid development opportunities in the new energy field.

We also found certain PRC policies to support the develop of green power industry in PRC. According to 《關於完善能源綠色低碳轉型體制機制和政策措施的意見》(Opinions on Improving Institutional Mechanisms and Policy Measures for Green and Low-Carbon Energy Transformation*) issued by the National Development and Reform Commission and the National Energy Administration (“NEA”) on 30 January 2022, a complete basic system and policy system for green and low-carbon energy development will be basically established, a pattern of energy production and consumption will be formed in which non-fossil energy will both basically meet the incremental energy demand and replace the fossil energy stock on a large scale, and the capacity of energy security will be comprehensively enhanced by 2030. According to 《關於印發〈2022年能源工作指導意見〉的通知》(Notice on the Issuance of the Guiding Opinions on Energy Work in 2022*) issued by NEA on 17 March 2022, it is to promote green and low-carbon transformation of the energy, and speed up the achievement of carbon emissions peaking and carbon neutrality.

We also noted from the interim report of the Company for the six months ended 30 June 2022, the polysilicon segment recorded revenue of RMB10,360.86 million for the six months ended 30 June 2022, representing an increase of 193.34% over the corresponding period of 2021, and achieved gross profit of RMB6,833.72 million for the six months ended 30 June 2022, representing an increase of 337.29% over the corresponding period of 2021.

As stated in the Letter from the Board, TBEA’s power transmission and transformation products are of high quality and occupy the leading position in the industry. Transformers, cables and other products are essential for the Group’s daily production and operation. The Group has been continuously procuring transformers, cables and other products from TBEA Group for the polysilicon projects and wind power and PV power stations. TBEA has rich experience in engineering construction based on its large number of overseas power transmission and transformation full-package projects. Historically, the miscellaneous services provided by TBEA Group to the Group mainly included construction of substation and booster stations for polysilicon projects, PV and wind power projects, which were key to ensure the stable power supply of polysilicon production and the connection of PV and wind power stations to the main power grid. TBEA has a strong advantage in terms of service quality and price as well as delivery schedule.

As stated in the Letter from the Board, Xinjiang Tebian is the backbone manufacturing enterprise within the industry for producing products such as switch enclosures and other electrical equipment, and its products are very competitive. Switch enclosures and other electrical equipment are necessities for the ordinary production and operation of the Group. The Group has been

continuously purchasing switch enclosures and other electrical equipment from Xinjiang Tebian Group for the polysilicon projects, wind power and PV power stations. In addition, based on the rich experience in manufacturing, the Xinjiang Tebian Group has started to engage in the tower manufacturing business since 2021, with a tower production capacity of 80,000 tonnes per year. It has already delivered or won the bidding of the Group's tower order with a total amount of approximately RMB200 million. Xinjiang Tebian Group possesses rich experience in installation of civil works infrastructure construction and renovation, and consistently provides quality ancillary services in civil works infrastructure construction, renovation and installation. In recent years, Xinjiang Tebian Group provided miscellaneous services such as civil construction infrastructure, renovation and installation services to the Group's polysilicon projects, wind power and PV projects, and it has a strong advantage in service quality and price.

As further discussed with the management of the Company, the Group wants to achieve its annual business goal and the Group usually have more business planning during the first half of the year. As such, the Group usually have more business operation and purchases more products and miscellaneous services during the second half of the year, in particular the fourth quarter of the year. We have reviewed the historical transaction for the wind and PV power projects for the year ended 31 December 2021 and noted that the total purchases from TBEA Group or Xinjiang Tebian Group from October to December 2021 for products and miscellaneous services was over 60% to the total purchases for products and miscellaneous services from TBEA Group or Xinjiang Tebian Group for the year ended 31 December 2021.

As discussed with the management of the Company, the Group has maintained business with TBEA Group and Xinjiang Tebian Group of more than 16 years and did not have any material disputes or complaints against TBEA Group and Xinjiang Tebian Group in relation to the quality of products supplied or serviced provided by TBEA Group and Xinjiang Tebian Group. The entering into of the Supplemental TBEA Framework Agreements by the Company with TBEA and the Supplemental Xinjiang Tebian Framework Agreements by the Company with Xinjiang Tebian are in substance the extension of the established business relationship between the Company and TBEA and Xinjiang Tebian under the Existing TBEA Framework Agreements and the Existing Xinjiang Tebian Framework Agreements which will continue to benefit the Group, being the purchaser, by ensuring continuous provision of goods and services to and by the Group through leveraging on the extensive resources and well-developed technical services of TBEA Group and Xinjiang Tebian Group under the Supplemental TBEA Framework Agreements and the Supplemental Xinjiang Tebian Framework Agreements, which will continue to ensure the quality and reliability of the Group's products.

Having considered that (i) the long-term business relationship with TBEA and Xinjiang Tebian contributing to a reliable and stable supply to the Group; (ii) the Supplemental Framework Agreements allow the Group to satisfy their business needs; (iii) the Supplemental Framework

Agreements do not restrict the Group to have limited selection of suppliers; and (iv) the other terms of the Supplemental Framework Agreements remain unchanged as the Existing Framework Agreements, we concur with the Directors' view that the entering into the Supplemental Framework Agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Principal basis of the Revised Annual Caps

As discussed with the management of the Company, the existing annual caps under the Existing Framework Agreements obtained in 2021 is enough for their original business plan. However, the Group has started to prepare to implement 200,000-ton Polysilicon Project in Zhundong in March 2022 due to further increase the market share of the Group's polysilicon products, echo the global developmental objective of "carbon emission peak and carbon neutrality", and enhance its core competitiveness and profitability and there is an additional demand for the procurement of products and miscellaneous services in relation to the construction of the 200,000-ton Polysilicon Project in Zhundong and the investment in more wind power construction projects, the Board expected that certain existing annual caps for the years ending 31 December 2022 and 2023 for the relevant Continuing Connected Transactions under the Existing Framework Agreements will not be able to satisfy the Group's needs for production and operation and its need for projects construction for the years ending 31 December 2022 and 2023. For the Revised Annual Caps, the Company has only taken into account of the additional demand for the procurement of products and miscellaneous services in relation to the construction of the 200,000-ton Polysilicon Project in Zhundong and the additional demand for tower for wind turbines arising from the construction of wind power and PV projects, which has triggered the increase in demand for the product procurement and procurement of miscellaneous services.

The increment of the annual caps under the Supplemental Framework Agreements is due to (i) the estimated transaction amount for the construction of the 200,000-ton Polysilicon Project in Zhundong; (ii) the construction of the 220kV substation and 10kV substation (the "**Substation**") under the design plan of the 200,000-ton Polysilicon Project in Zhundong in 2023 of approximately RMB400 million. As polysilicon production requires stable power supply, substation is a key facility to guarantee the power supply. In order to guarantee the stability of the power supply of the 200,000-ton Polysilicon Project in Zhundong and to ensure it to be put into production in an early manner, the Company decided to build the Substations under the design plan of the 200,000-ton Polysilicon Project in Zhundong by its own funds; and (iii) the addition tower for wind turbines procurement for wind power construction projects of approximately RMB200 million.

Given the products and services required for each phase of the 200,000-ton Polysilicon Project in Zhundong are substantially in line with that of the Group's completed 100,000-ton Polysilicon Project in Inner Mongolia, together with the partial upgrades and improvements made, the products required, such as transformers, cables, switch enclosures, electrical enclosures, as well as the need for engineering labour service are basically the same, as such, the Board considered that the estimated transaction amount for products and miscellaneous services under the 200,000-ton Polysilicon Project in Zhundong will be a double of transaction amount for products and miscellaneous services under the 100,000-ton Polysilicon Project in Inner Mongolia from TBEA Group and Xinjiang Tebian Group. We have reviewed the feasibility study reports of 100,000-ton Polysilicon Project in Inner Mongolia and 200,000-ton Polysilicon Project in Zhundong and the requirement for 200,000-ton Polysilicon Project in Zhundong is basically double to 100,000-ton Polysilicon Project in Inner Mongolia, such as production line, scale, production capacity. A summary of the historical transaction amount for the 100,000-ton Polysilicon Project in Inner Mongolia and the estimated amount for the 200,000-ton Polysilicon Project in Zhundong are set out below:

	100,000-ton Polysilicon Project in Inner Mongolia (Historical amount) (RMB' million)	200,000-ton Polysilicon Project in Zhundong (Estimated amount) (RMB' million)
Products purchased from TBEA Group	800	1,600
Products purchased from Xinjiang Tebian Group	200	400
Miscellaneous services provided by Xinjiang Tebian Group	200	400

For 100,000-ton Polysilicon Project in Inner Mongolia, the Group commenced the construction in March 2021 and substantially completed in June 2022. 100,000-ton Polysilicon Project in Inner Mongolia is under testing and expect to fully operate by the end of 2022. With the construction experience of 100,000-ton Polysilicon Project in Inner Mongolia, the Group commenced the first phrase of the 200,000-ton Polysilicon Project in Zhundong in June 2022 and it is expected to commence the operation in the first half year of 2023. The second phrase of the 200,000-ton Polysilicon Project in Zhundong will be started in June 2023 and it is expected to commence the operation in the first half year of 2024.

As further discussed with the management of the Company, the invitation of tender for the first phrase of 200,000-ton Polysilicon Project in Zhundong started in March 2022 and the time for invitation of tender for the second phrase will be started at first half year of 2023. The Group do not expect material fluctuation in the price of products and miscellaneous services as (i) there was not any material fluctuation in the price of products and miscellaneous services under the Existing Framework Agreements; and (ii) the time from Latest Practicable Date to the expected time for invitation of tender is not long. We have reviewed the monthly price of the products and the miscellaneous services fee from 2021 to September 2022 and noted that there was no material fluctuation in the price of products and miscellaneous services and concur the view that the price of products and miscellaneous services fee will not have material fluctuation under the Supplemental Framework Agreements given the time from Latest Practicable Date to the expected time for invitation of tender is not long.

Taking into account of (i) the estimated transaction amount of the 200,000-ton Polysilicon Project in Zhundong; (ii) the construction of Substations under the design plan of the 200,000-ton Polysilicon Project in Zhundong in 2023 of approximately RMB400 million; (iii) the aggregate addition tower for wind turbines procurement for wind power construction projects of approximately RMB200 million for two years ending 31 December 2023; and (iv) the construction schedule of the 200,000-ton Polysilicon Project in Zhundong, a summary of the proposed annual cap under the Supplemental Framework Agreements for the two years ending 31 December 2023 by different types of projects are set out in the table below:

	Proposed annual caps	
	Year ending	Year ending
	31 December	31 December
	2022	2023
	<i>(RMB' million)</i>	<i>(RMB' million)</i>
Supplemental Product Procurement Framework Agreement (TBEA)		
— 100,000-ton Polysilicon Project in Inner Mongolia	337	—
— 200,000-ton Polysilicon Project in Zhundong	700	900
— Wind power and PV projects	563	700
Total	1,600	1,600

	Proposed annual caps	
	Year ending	Year ending
	31 December 2022 (RMB' million)	31 December 2023 (RMB' million)
Supplemental Miscellaneous Services Framework		
Agreement (TBEA)		
— 100,000-ton Polysilicon Project in Inner Mongolia	98	—
— 200,000-ton Polysilicon Project in Zhundong	40	30
— Wind power and PV projects	362	470
— Substations	—	400
Total	<u>500</u>	<u>900</u>
Supplemental Product Procurement Framework		
Agreement (Xinjiang Tebian)		
— 100,000-ton Polysilicon Project in Inner Mongolia	117	—
— 200,000-ton Polysilicon Project in Zhundong	200	200
— Wind power and PV projects	183	400
Total	<u>500</u>	<u>600</u>
Supplemental Miscellaneous Services Framework		
Agreement (Xinjiang Tebian)		
— 100,000-ton Polysilicon Project in Inner Mongolia	52	—
— 200,000-ton Polysilicon Project in Zhundong	200	200
— Wind power and PV projects	448	500
Total	<u>700</u>	<u>700</u>

1. *The Supplemental Product Procurement Framework Agreement (TBEA)*

Annual caps and its basis of determination

A summary of the existing annual caps under the Existing Product Procurement Framework Agreement (TBEA) and the proposed annual cap under the Supplemental Product Procurement Framework Agreement (TBEA) for the two years ending 31 December 2023 are set out in the table below:

Existing annual caps		Proposed annual caps	
Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)	Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)
900,000	700,000	1,600,000	1,600,000

As stated in the Letter from the Board, the actual transaction amount of approximately RMB802 million recorded for the nine months ended 30 September 2022 has already utilized approximately 89.1% of the existing annual cap under the Existing Products Procurement Framework Agreement (TBEA) for the year ending 31 December 2022. Among the actual transaction amount of approximately RMB802 million, approximately RMB245 million was utilized for the 200,000-ton Polysilicon Project in Zhundong, approximately RMB337 million was utilized for the 100,000-ton Polysilicon Project in Inner Mongolia and approximately RMB221 million was utilized for wind power and PV projects.

As advised by the management of the Company, there will be some potential procurement transactions of approximately RMB800 million which have been and to be entered (under final negotiation) between the Group and the TBEA Group from October to December 2022 and the potential procurement transactions mainly include the products procurement for the 200,000-ton Polysilicon Project in Zhundong of approximately RMB455 million and the construction of wind power and PV projects of approximately RMB342 million. As such, the existing annual caps for the year ending 31 December 2022 will be not sufficient to satisfy the need for the construction of the 200,000-ton Polysilicon Project in Zhundong and there is a need to increase the annual caps for the product procurement from TBEA Group in order to avoid any delay of the Group's project construction and operation.

We have (i) reviewed the breakdown of the investment of 100,000-ton Polysilicon Project in Inner Mongolia and noted the estimated transaction for the product procurement for the 200,000-ton Polysilicon Project in Zhundong is in proportion to 100,000-ton Polysilicon

Project in Inner Mongolia; (ii) reviewed the construction schedule of 200,000-ton Polysilicon Project in Zhundong and noted that the purchase of the products under 200,000-ton Polysilicon Project is expected to be completed by 2023, therefore, excluding the potential transaction of RMB700 million for the year ending 31 December 2022, there will be potential transaction of RMB900 million for the year ending 31 December 2023; (iii) reviewed the breakdown of the actual and potential transaction of the purchase of products for wind power and PV projects for year ending 31 December 2022 with aggregate transaction amount of approximately RMB563 million; (iv) discussed with the management of the Company for the proposed transaction for wind power and PV projects for year ending 31 December 2023 which is based on the historical actual transaction amount for wind power and PV projects with TBEA Group; and (v) reviewed the historical transaction for wind power and PV projects of the purchase of products from 2020 to 2022 and noted that the transaction amount from 2020 to 2022 is with a CAGR of approximately 21.1%.

Having taken into consideration of the above, in particular, (i) the construction schedule of the 200,000-ton Polysilicon Project in Zhundong which is expected to be completed within 24 months; (ii) the historical transaction amount for the transformers (including ancillary equipment, wires and cables) for the 100,000-ton Polysilicon Project in Inner Mongolia; (iii) the potential transaction of RMB800 million for the year ending 31 December 2022; (iv) the estimated transaction amount for wind power and PV projects for year ending 31 December 2023 with reference to the CAGR of the historical fluctuation; and (v) prevention of any potential incompliance with the Listing Rules for the connected transaction, we are of the view that the proposed annual caps under the Supplemental Products Procurement Framework Agreement (TBEA) are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other than above consideration, we have also conducted the below works in relation to access the historical transactions during the period for nine months ended 30 September 2022 under the Existing Product Procurement Framework Agreement (TBEA):

- for transformers, wires and cables, we have randomly obtained three invoices between the Group and TBEA Group for the nine months ended 30 September 2022 and three invoices between the Group and the independent third parties of similar products under each of the (i) 100,000-ton Polysilicon Project in Inner Mongolia; (ii) 200,000-ton Polysilicon Project in Zhundong; and (iii) PV and wind power construction projects. We noted that the prices of the products purchased from TBEA Group were not less favourable than that of the product purchased from independent third parties;

Considering that the invitation to the Qualified Supplier for tender that was and will be adopted by the Group which allow the Group to identify the most competitive price from the Qualified Supplier, given (i) the three invoices for each type of products under the Existing Product Procurement Framework Agreement (TBEA) and will fall into the product category stipulated in the Supplemental Product Procurement Framework Agreement (TBEA) after the effective of the Supplemental Product Procurement Framework Agreement (TBEA) and the three invoice from third parties as aforementioned and our observation that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the nine months ended 30 September 2022 under each of the (a) 100,000-ton Polysilicon Project in Inner Mongolia; (b) 200,000-ton Polysilicon Project in Zhundong; and (c) PV and wind power construction projects; (ii) the Group have not been entered into other agreement with TBEA Group in relation to the products under Supplemental Product Procurement Framework Agreement (TBEA); and (iii) the auditor of the Company has issued an unqualified letter mentioned that nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the Company's pricing policies as mentioned in the annual report of the Company for the year ended 31 December 2021, we consider that the samples obtained were sufficient and representative and it is reasonably fair and the terms offered by TBEA Group had no less favourable than the terms offered by independent third parties.

2. *The Supplemental Miscellaneous Services Framework Agreement (TBEA)*

Annual caps and its basis of determination

A summary of the existing annual caps under the Existing Miscellaneous Services Framework Agreement (TBEA) and the proposed annual cap under the Supplemental Miscellaneous Services Framework Agreement (TBEA) for the year ending 31 December 2023 are set out in the table below:

Existing annual caps	Proposed annual caps
Year ending 31 December 2023	Year ending 31 December 2023
<i>(RMB'000)</i>	<i>(RMB'000)</i>
500,000	900,000

As discussed with the management of the Company, the additional demand for the procurement of miscellaneous services is mainly due to the construction of the Substations under the design plan of the 200,000-ton Polysilicon Project in Zhundong in 2023 and the construction budget for the aforesaid substations of approximately RMB400 million. As

advised by the management of the Company, although the Group will invite TBEA and several suppliers for the tender of the abovementioned substation construction, TBEA still have relatively high possibility to award in the tender because (i) TBEA has experience in the Group's other similar projects; and (ii) TBEA usually offer competitive price in other similar project, as such, the Group prefer to increase the annual cap for 2023 in order to prevent any delay in the 200,000-ton Polysilicon Project in Zhundong if TBEA awards the tender later.

We have (i) reviewed the breakdown for annual cap for the year ending 31 December 2023 and noted that the expected utilization of the annual cap for the Substation is RMB400 million and the remaining annual cap is for the construction of PV and wind power station projects and the operation of Polysilicon production; (ii) reviewed the budget of the Substations and noted that it mainly includes the design fee, equipment, installation fee and other construction fee and the fee is in line with the 100,000-ton Polysilicon Project in Inner Mongolia and we have compared the budget of the Substations and the reference of the total investment amount of approximately RMB391 million that TBEA Group was selected by Tumed Right Banner Government as the general contractor for the construction of the substations for the 100,000-ton Polysilicon Project in Inner Mongolia by way of public bid (<https://ggzyjy.nmg.gov.cn/jyxx/jsgcZbhxrgsDetail?guid=05fcfc64-25b8-4fa9-9b07-0c5540deb7ac&isOther=false>); and (iii) reviewed the breakdown of the actual and potential transaction of the miscellaneous services for wind power and PV projects for year ending 31 December 2022 with aggregate transaction amount of approximately RMB362 million ; and (iv) discussed with the management of the Company for the proposed transaction for year ending 31 December 2023 which is based on the historical actual transaction amount for wind power and PV projects with TBEA Group; and (v) reviewed the historical transaction for wind power and PV projects of the purchase of miscellaneous services from 2020 to 2022 and noted that the actual transaction amount from 2020 to 2022 is with a CAGR of approximately 24.2%. As discussed with the management of the Company, considering (a) the historical transaction amount for wind power and PV projects between the Group and the TBEA Group from 2020 to 2022 was not relatively stable; and (b) prevention of any inadequate use of the annual cap, the Company would take a relative precautious approach for accessing the annual cap for the year ending 31 December 2023 with an increment of approximately 30%.

Having taken into consideration of the above, in particular, (i) the construction schedule of the Substations under the design plan of the 200,000-ton Polysilicon Project in Zhundong which is expected to be completed in 2023; (ii) the construction experience of other similar project and competitive price offered by TBEA; (iii) the estimated transaction amount for wind power and PV projects for year ending 31 December 2023 with reference to the CAGR of the historical fluctuation; and (iv) prevention of any potential incompliance with the Listing Rules for the connected transaction, we are of the view that the proposed annual caps under the Supplemental Miscellaneous Services Framework Agreement (TBEA) are

determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other than above consideration, we have also conducted the below works in relation to access the historical transactions during the period for nine months ended 30 September 2022 under the Existing Miscellaneous Services Framework Agreement (TBEA):

- we have randomly obtained three invoices between the Group and TBEA Group for the nine months ended 30 September 2022 and three invoices between the Group and the independent third parties of similar services under each of the (i) 100,000-ton Polysilicon Project in Inner Mongolia; and (ii) PV and wind power construction projects. We noted that the prices of the services provided by TBEA Group were not less favourable than that of the services provided by independent third parties;

Considering that the invitation to the Qualified Supplier for tender that was and will be adopted by the Group which allow the Group to identify the most competitive price from the Qualified Supplier, given (i) the three invoices for miscellaneous services under the Existing Miscellaneous Services Framework Agreement (TBEA) and will fall into the service category stipulated in the Supplemental Miscellaneous Services Framework Agreement (TBEA) after the effective of the Supplemental Miscellaneous Services Framework Agreement (TBEA) and the three invoices from third parties as aforementioned and our observation that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the nine months ended 30 September 2022 under each of the (a) 100,000-ton Polysilicon Project in Inner Mongolia; and (b) PV and wind power construction projects; (ii) the Group have not been entered into other agreement with TBEA Group in relation to the miscellaneous services under Supplemental Miscellaneous Framework Agreement (TBEA); and (iii) the auditor of the Company has issued an unqualified letter mentioned that nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the Company's pricing policies as mentioned in the annual report of the Company for the year ended 31 December 2021, we consider that the samples obtained were sufficient and representative and it is fair and reasonable and the terms offered by TBEA Group had no less favourable than the terms offered by independent third parties.

3. The Supplemental Product Procurement Framework Agreement (Xinjiang Tebian)

Annual caps and its basis of determination

A summary of the existing annual caps under the Existing Product Procurement Framework Agreement (Xinjiang Tebian) and the proposed annual caps under the Supplemental Products Procurement Framework Agreement (Xinjiang Tebian) for the two years ending 31 December 2023 are set out in the table below:

Existing annual caps		Proposed annual caps	
Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)	Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)
250,000	250,000	500,000	600,000

As stated in the Letter from the Board, the actual transaction amount of approximately RMB108 million recorded for the nine months ended 30 September 2022 has already utilized approximately 43.2% of the existing annual cap under the Existing Products Procurement Framework Agreement (Xinjiang Tebian) for the year ending 31 December 2022. Among the actual transaction amount of approximately RMB108 million, approximately RMB1 million was utilized for the 200,000-ton Polysilicon Project in Zhundong, RMB67 million was utilized for the 100,000-ton Polysilicon Project in Inner Mongolia and RMB40 million was utilized for wind power and PV projects.

As advised by the management of the Company, there will be some potential procurement transactions of approximately RMB400 million which have been and to be entered (under final negotiation) between the Group and the Xinjiang Tebian Group from October to December 2022 and the potential procurement transactions mainly include the products procurement for the 100,000-ton Polysilicon Project in Inner Mongolia of approximately RMB50 million, the 200,000-ton Polysilicon Project in Zhundong of approximately RMB199 million and the construction of wind power and PV projects of approximately RMB143 million. We have reviewed the breakdown of such transactions. As such, the existing annual caps for the year ending 31 December 2022 will be not sufficient to satisfy the need for the construction of the 200,000-ton Polysilicon Project in Zhundong and there is a need to increase the annual caps for the product procurement from Xinjiang Tebian in order to avoid any delay of the Group's project construction and operation.

As further advised by the management of the Company, to echo the global developmental objective of “carbon emission peak and carbon neutrality”, the Group has further strengthened the construction and operation for wind power and PV power stations since 2022. It is expected that the installed capacity of the wind power and PV power stations constructed each year will be approximately 3GW–4GW, thus the Group will obtain more contracts and invest more in wind power construction projects. As discussed with the management of the Company, having considered the large size and weight of towers for wind turbines, the transportation cost is an important factor in selecting supplier of towers for wind turbines. Xinjiang Tebian’s production bases of towers for wind turbines are situated in Xinjiang and Inner Mongolia and has the advantage for the transportation of wind turbines and supply capacity. Therefore, Xinjiang Tebian is more likely to win the bid for the wind stations construction projects. The Group estimate to install approximately 800MW of the wind power stations with tower purchased of approximately RMB600 million of which approximately 20% to 30% of the total tower purchased from Xinjiang Tebian Group in 2022. Since the Group expected to increase the installed capacity of the wind power to approximately 1GW-1.5GW in 2023, the purchase of tower is expected to increase proportionally. As such, it is expected that the addition tower procurement amount of the Group from Xinjiang Tebian Group from October to December 2022 and full year of 2023 would be approximately RMB50 million and RMB150 million, respectively. We have reviewed the historical installation record and the purchase amount of tower and noted the same.

We have (i) reviewed the breakdown of the investment of 100,000-ton Polysilicon Project in Inner Mongolia and noted the estimated transaction for the product procurement for the 200,000-ton Polysilicon Project in Zhundong is in proportion to the 100,000-ton Polysilicon Project in Inner Mongolia; (ii) the construction schedule of 200,000-ton Polysilicon Project in Zhundong and noted that the purchase of the products under 200,000-ton Polysilicon Project is expected to be completed by 2023, therefore, excluding the potential transaction of approximately RMB200 million for the year ending 31 December 2022, there will be potential transaction of RMB200 million for the year ending 31 December 2023; (iii) reviewed the breakdown of the actual and potential transaction of the purchase of products for wind power and PV projects for year ending 31 December 2022 with aggregate transaction amount of approximately RMB183 million (including approximately RMB50 million for additional tower procurement); and (iv) discussed with the management of the Company for the proposed transaction for wind power and PV projects for year ending 31 December 2023 which is based on the historical actual transaction amount for wind power and PV projects with Xinjiang Tebian Group; and (v) reviewed the historical transaction for wind power and PV projects of the purchase of products from 2020 to 2022 and noted that the actual transaction amount from 2020 to 2022 is with a CAGR of approximately 165.3%. As discussed with the management of the Company, considering (a) the high increment of the

change of the transaction amount from the year ended 31 December 2021 to the year ending 31 December 2022 due to the procurement of tower from Xinjiang Tebian Group; (b) the increasing capacity of the tower from Xinjiang Tebian Group; and (c) the capacity of the production of tower from Xinjiang Tebian Group, the Company would take a relative conservative approach for accessing the annual cap for the year ending 31 December 2023 with an increment of approximately 120%.

Having taken into consideration of the above, in particular, (i) the construction schedule of the 200,000-ton Polysilicon Project in Zhundong which is expected to be completed within 24 months; (ii) the historical transaction amount for the switch enclosures, electrical equipment and other products for 100,000-ton Polysilicon Project in Inner Mongolia; (iii) the potential transaction of RMB400 million for the year ending 31 December 2022; (iv) the estimated transaction amount for wind power and PV projects for year ending 31 December 2023 with reference to the CAGR of the historical fluctuation; (v) the continuous need for tower for wind turbine; (vi) the increment on the annual installation of wind power projects; and (vii) prevention of any potential incompliance with the Listing Rules for the connected transaction, we are of the view that the proposed annual caps under the Supplemental Products Procurement Framework Agreement (Xinjiang Tebian) are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other than above consideration, we have also conducted the below works in relation to access the historical transactions during the period for nine months ended 30 September 2022 under the Existing Product Procurement Framework Agreement (Xinjiang Tebian):

- for switch enclosures and electrical equipment, we have randomly obtained three invoices between the Group and Xinjiang Tebian for the nine months ended 30 September 2022 and three invoices between the Group and the independent third parties of similar products under each of the (i) 100,000-ton Polysilicon Project in Inner Mongolia; (ii) 200,000-ton Polysilicon Project in Zhundong; and (iii) PV and wind power construction projects. We noted that the prices of the products purchased from Xinjiang Tebian Group were not less favourable than that of the product purchased from independent third parties;
- for tower, we have randomly obtained three invoices between the Group and Xinjiang Tebian for the nine months ended 30 September 2022 and three invoices between the Group and the independent third parties of similar products under wind power construction projects. We noted that the prices of the products purchased from Xinjiang Tebian Group were not less favourable than that of the product purchased from independent third parties.

Considering that the invitation to the Qualified Supplier for tender that was and will be adopted by the Group which allow the Group to identify the most competitive price from the Qualified Supplier, given (i) the three invoices for each type of products under the Existing Product Procurement Framework Agreement (Xinjiang Tebian) and will fall into the product category stipulated in the Supplemental Product Procurement Framework Agreement (Xinjiang Tebian) after the effective of the Supplemental Product Procurement Framework Agreement (Xinjiang Tebian) and the three invoice from third parties as aforementioned and our observation that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the nine months ended 30 September 2022 under each of the (a) 100,000-ton Polysilicon Project in Inner Mongolia; (b) 200,000-ton Polysilicon Project in Zhundong; and (c) PV and wind power construction projects; (ii) the three invoices for tower under the Existing Product Procurement Framework Agreement (Xinjiang Tebian) and the three invoice from third parties as aforementioned and our observation that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the nine months ended 30 September 2022 under wind power construction projects; (iii) the Group have not been entered into other agreement with Xinjiang Tebian Group in relation to the products under Supplemental Product Procurement Framework Agreement (Xinjiang Tebian); and (iii) the auditor of the Company has issued an unqualified letter mentioned that nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the Company's pricing policies as mentioned in the annual report of the Company for the year ended 31 December 2021, we consider that the samples obtained were sufficient and representative and it is reasonably fair and the terms offered by Xinjiang Tebian Group had no less favourable than the terms offered by independent third parties.

4. *The Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian)*

Annual caps and its basis of determination

A summary of the existing annual caps under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian) and the proposed annual caps under the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) for the two years ending 31 December 2023 are set out in the table below:

Existing annual caps		Proposed annual caps	
Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)	Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)
500,000	500,000	700,000	700,000

As stated in the Letter from the Board, the actual transaction amount of approximately RMB205 million recorded for the nine months ended 30 September 2022 has already utilized approximately 41.0% of the existing annual cap under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian) for the year ending 31 December 2022. Among the actual transaction amount of approximately RMB205 million, approximately RMB97 million was utilized for the 200,000-ton Polysilicon Project in Zhundong, RMB15 million was utilized for the 100,000-ton Polysilicon Project in Inner Mongolia and RMB93 million was utilized for wind power and PV projects.

As advised by the management of the Company, there will be some potential transaction for miscellaneous services of approximately RMB500 million which have been and to be entered (under final negotiation) between the Group and the Xinjiang Tebian Group from October to December 2022 and the potential transaction for miscellaneous services include the miscellaneous services for the 100,000-ton Polysilicon Project in Inner Mongolia of approximately RMB37 million, the 200,000-ton Polysilicon Project in Zhundong of approximately RMB103 million and the construction of wind power and PV projects of approximately RMB355 million. As such, the existing annual caps for the year ending 31 December 2022 will be not sufficient to satisfy the need for the construction of the 200,000-ton Polysilicon Project in Zhundong and there is a need to increase the annual caps for the miscellaneous services from Xinjiang Tebian in order to avoid any delay of the Group's project construction and operation.

We have (i) reviewed the breakdown of the investment of 100,000-ton Polysilicon Project in Inner Mongolia and noted the estimated transaction for the miscellaneous services for the 200,000-ton Polysilicon Project in Zhundong is in proportion to the 100,000-ton Polysilicon Project in Inner Mongolia; (ii) reviewed the construction schedule of 200,000-ton Polysilicon in Zhundong and noted that the purchase of the miscellaneous services under the 200,000-ton Polysilicon Project in Zhundong is expected to be completed by 2023, therefore, excluding the potential transaction of RMB200 million for the year ending 31 December 2022, there will be potential transaction of RMB200 million for the year ending 31 December 2023; (iii) reviewed the breakdown of the actual and potential transaction of the miscellaneous services for wind power and PV projects for year ending 31 December 2022 with aggregate transaction amount of approximately RMB448 million; (iv) discussed with the management of the Company for the proposed transaction for wind power and PV projects for year ending 31 December 2023 which is based on the historical actual transaction amount for wind power and PV projects with Xinjiang Tebian Group; and (v) reviewed the historical transaction for wind power and PV projects of the purchase of miscellaneous services from 2020 to 2022 and noted that the actual transaction amount from 2020 to 2022 is with a CAGR of approximately 66.8%. As discussed with the management of the Company, considering (a) the high increment of the change of the transaction amount from the year ended 31 December 2021 to the year ending 31 December 2022; (b) the availability of the manpower from Xinjiang Tebian Group as a portion of their manpower will be allocated to the 200,000-ton Polysilicon Project in Zhundong, the Company would take a relative conservative approach for accessing the annual cap for the year ending 31 December 2023 with an increment of approximately 10%.

Having taken into consideration of the above, in particular, (i) the construction schedule of the 200,000-ton Polysilicon Project in Zhundong which is expected to be completed within 24 months; (ii) the historical transaction amount for miscellaneous services for the 100,000-ton Polysilicon Project in Inner Mongolia; (iii) the potential transaction of RMB500 million for the year ending 31 December 2022; (iv) the estimated transaction amount for wind power and PV projects for year ending 31 December 2023 with reference to the historical amount and the availability of the manpower of Xinjiang Tebian; and (v) prevention of any potential incompliance with the Listing Rules for the connected transaction, we are of the view that the proposed annual caps under the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other than above consideration, we have conducted the below works in relation to access the historical transactions during the period for nine months ended 30 September 2022 under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian):

- we have randomly obtained the three invoices between the Group and Xinjiang Tebian Group for the nine months ended 30 September 2022 and three invoices between the Group and the independent third parties of similar services under each of the (i) 100,000-ton Polysilicon Project in Inner Mongolia; (ii) 200,000-ton Polysilicon Project in Zhundong; and (iii) PV and wind power construction projects. We noted that the prices of the services provided by Xinjiang Tebian Group were not less favourable than that of the services provided by independent third parties;

Considering that the invitation to the Qualified Supplier for tender that was and will be adopted by the Group which allow the Group to identify the most competitive price from the Qualified Supplier, given (i) the three invoices for miscellaneous services under the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) and will fall into the service category stipulated in the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) after the effective of the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) and the three invoice from third parties as aforementioned and our observation that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the nine months ended 30 September 2022 under each of the (i) 100,000-ton Polysilicon Project in Inner Mongolia; (ii) 200,000-ton Polysilicon Project in Zhundong; and (iii) PV and wind power construction projects; (ii) the Group have not been entered into other agreement with Xinjiang Tebian Group in relation to the Xinjiang Tebian under Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian); and (iii) the auditor of the Company has issued an unqualified letter mentioned that nothing has come to their attention that causes them to believe that the pricing of the connected transactions, on a sample basis, are not in accordance with the Company's pricing policies as mentioned in the annual report of the Company for the year ended 31 December 2021, we consider that the samples obtained were sufficient and representative and it is reasonably fair and the terms offered by Xinjiang Tebian Group had no less favourable than the terms offered by independent third parties.

3. Internal control measures within the Group

Internal control for the Supplemental Framework Agreements

As disclosed in the Letter from the Board, to ensure the Company's conformity with the above pricing policy, the Company has adopted a series of internal control measures for its daily operations. Such measures will be conducted and supervised by various units of the Company:

- the Group has adopted a transaction management system on connected transactions. Business departments of the Group are required to conduct updates of separate agreements for the Continuing Connected Transactions, and regularly report the execution status of each connected transaction to the secretary of the Board. The secretary of the Board will then inform the Board of any important information thereof;
- the Audit Committee is also responsible for the data collection and monitoring of connected transactions, and for conducting evaluation on the fairness of the transaction terms and pricing terms. It will discuss with subsidiaries and business departments to review the execution status of the connected transactions and determine the annual caps. It will also report to the Board and the board of supervisors on the Group's connected transactions on a quarterly basis. If it is anticipated that there is a need to revise the annual caps, the Company will comply with the relevant requirements under Listing Rules to issue an announcement, report to the Independent Board Committee and/or seek Independent Shareholders' approval after the Board's review and approval (as the case may be);
- the Group has strengthened training in relation to the review and decision-making processes and information disclosure requirements of connected transactions, further promoting awareness among the relevant business departments in the corresponding compliance requirements;
- the independent non-executive Directors have reviewed and will continue to review the non-exempt Continuing Connected Transactions to ensure such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditors of the Company will also conduct an annual review on the transaction amount and annual caps of such non-exempt Continuing Connected Transactions;

- all individual connected transactions agreements shall obtain approval from the headquarters of the Company before being entered into. Also, members of the senior management of the Company will collectively monitor the actual transaction amount of the Group's Continuing Connected Transactions;
- the Company will impose control on the actual transaction amount of Continuing Connected Transactions, and focus on controlling the individual amount of each type of Continuing Connected Transactions; and
- the secretary of the Board will collect data on Continuing Connected Transactions at the beginning of each month, and cross-check the consolidated amount of Continuing Connected Transactions in the previous month with the financial staff of the relevant Connected Person.

We have assessed the internal control policy for continuing connected transactions of the Group by (i) reviewing the internal control policy document and the flowchart of the connected transaction approval process; (ii) reviewing the meeting record regarding the continuing connected transaction for the first half year of 2022; and (iii) discussing with the representative of the Group in relation to the internal control policy. In addition, we also understand from the representative of the Company that the audit committee (including independent non-executive Directors) was and will review and supervise the effective implementation of the internal control system annually. Also, the auditor of the Company would review each of the continuing connected transactions of the Company and confirm to the Board that (i) the transactions have received the approval by the Board on an annual basis; (ii) the transactions have been entered into in accordance with the pricing policies as set out in the relevant agreements governing such transactions; and (iii) the transactions have been performed in accordance with the terms of the relevant agreements governing such transactions. We believe that such internal control procedure abided by the internal control policy document and the abovementioned monitoring system can effectively ensure that the existing and possible future transactions entered/to be entered with any connected parties are/will be on normal commercial terms and not prejudicial to the interests of the Group and the Independent Shareholders.

Having considered, in particular, (i) the internal control measures will be in place to ensure all connected transactions of the Company are properly controlled and monitored; and (ii) the ongoing review by, the Audit Committee and the auditors of the Company of the terms of the continuing connected transactions and the relevant annual caps not being exceeded, we are of the view that the Company has established effective internal control procedures to ensure the Supplemental Framework Agreements will be conducted on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that (i) the Supplemental Framework Agreements are entered into in the ordinary and usual course of business of the Company; and (ii) the Supplemental Framework Agreements and their respective Revised Annual Caps are on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions in this regard.

Yours faithfully,
For and on behalf of
Kingsway Capital Limited


Rabo Leung
Chief Operating Officer

Note: Mr. Rabo Leung is licensed under the Securities and Futures Ordinance as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Leung has over 20 years of experience in the corporate finance industry in Hong Kong.