

29 November 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**MAJOR TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS:
RENEWAL OF AND NEW CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the IRICO Group Master Purchase Agreement, the Zhongdian IRICO Master Purchase Agreement and the Comprehensive Financial Cooperation Agreement in relation to the fund settlement services provided by CEC Finance to the Group (including the respective proposed annual caps), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 29 November 2024 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, the Company announced on 23 October 2024 that the Company entered into:

- (i) the IRICO Group Master Purchase Agreement with IRICO Group, to renew the Previous IRICO Group Master Purchase Agreement and regulate the purchase of raw materials, coating solution, ink and other materials of photovoltaic industry, and electricity, purchase of facilities and installation services, operation and maintenance services for photovoltaic production business by the Group from IRICO Group and its associates for the three years ending 31 December 2027;
- (ii) the Zhongdian IRICO Master Purchase Agreement with Zhongdian IRICO, to renew the Previous Zhongdian IRICO Master Purchase Agreement and regulate the purchase of production line facilities and installation services, and other utilities and ancillary services, operation and maintenance services, other services by the Company from Zhongdian IRICO and its associates for the three years ending 31 December 2027; and

- (iii) the Comprehensive Financial Cooperation Agreement with CEC Finance to regulate the provision of general credit, fund settlement and other services by CEC Finance to the Group for three years from the Effective Date.

As at the Latest Practicable Date, IRICO Group is the controlling Shareholder of the Company and thus is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the IRICO Group Master Purchase Agreement between the Company and IRICO Group constitute continuing connected transactions of the Company.

As at the Latest Practicable Date, Zhongdian IRICO, which is directly held as to approximately 14.30% of the issued share capital of the Company, is a substantial shareholder of the Company and thus a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Zhongdian IRICO Master Purchase Agreement between the Company and Zhongdian IRICO constitute continuing connected transactions of the Company.

As at the Latest Practicable Date, CEC Finance is a subsidiary of CEC, and thus is an associate of CEC and a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Comprehensive Financial Cooperation Agreement between the Company and CEC Finance constitute continuing connected transactions of the Company.

Since each of the highest applicable percentage ratios for the proposed annual caps for each of the three years ending 31 December 2027 in respect of the continuing connected transactions contemplated under each of the IRICO Group Master Purchase Agreement and the Zhongdian IRICO Master Purchase Agreement; and the proposed annual caps for each of the three years from the Effective Date in respect of the daily maximum deposit balance of the fund settlement services provided by CEC Finance to the Group contemplated under the Comprehensive Financial Cooperation Agreement exceeds 5%, the continuing connected transactions contemplated under the IRICO Group Master Purchase Agreement and the Zhongdian IRICO Master Purchase Agreement and the continuing connected transactions contemplated under the Comprehensive Financial Cooperation Agreement in relation to the fund settlement services provided by CEC Finance to the Group (including the respective proposed annual caps) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio for the proposed annual caps in respect of the continuing connected transactions contemplated under the Comprehensive Financial Cooperation Agreement in relation to the fund settlement services provided by CEC Finance to the Group exceeds 25%, the transactions thereunder constitute a major transaction and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

An Independent Board Committee comprising all of the independent non-executive Directors namely Mr. Su Kun, Mr. Li Yong, and Ms. Hao Meiping, has been formed to advise the Independent Shareholders in respect of the IRICO Group Master Purchase Agreement and the Zhongdian IRICO Master Purchase Agreement and the continuing connected transactions contemplated thereunder, and the continuing connected transactions contemplated under the Comprehensive Financial Cooperation Agreement in relation to the fund settlement services provided by CEC Finance to the Group (including the respective proposed annual caps). We, Octal Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we are not connected with the Group, IRICO Group, Zhongdian IRICO, CEC or CEC Finance or where applicable, any of their respective substantial shareholders, directors or chief executives, or any of their respective subsidiaries or associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. During the last two years, there has been no other engagement entered into between the Company and us. We are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders.

Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company, the Group, IRICO Group, Zhongdian IRICO, CEC or CEC Finance or any of their respective subsidiaries or associates that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the management of the Company regarding the Group, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice, among other things, (i) list of estimated purchases of materials, utilities and services for the three years ending 31 December 2027; (ii) samples of quotations or contracts of the comparable products and utilities and comparable services; (iii) the list of deposit services utilized by the Group for the nine months ended 30 September 2024; (iv) the reference interest rate of deposit services to be provided by CEC Finance to the Group; (v) the interim report of the Company for the six months ended 30 June 2024 (the “1H2024 Interim Report”); (vi) the annual report of the Company for the year ended 31 December 2023 (the “2023 Annual Report”); and (vii) internal control policies governing the connected transactions of the Company. We have no reason to suspect that

any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, IRICO Group, Zhongdian IRICO, CEC or CEC Finance and their respective controlling shareholder(s) and associates nor have we carried out any independent verification of the information supplied.

THE CONTINUING CONNECTED TRANSACTIONS AND THE PROPOSED ANNUAL CAPS

Principal factors and reasons considered

In arriving at our opinion regarding the IRICO Group Master Purchase Agreement and the Zhongdian IRICO Master Purchase Agreement and the continuing connected transactions contemplated thereunder, and the continuing connected transactions contemplated under the Comprehensive Financial Cooperation Agreement in relation to the fund settlement services provided by CEC Finance to the Group (including the respective proposed annual caps) (the “Continuing Connected Transactions”), we have considered the following principal factors and reasons:

1. Background of the Continuing Connected Transactions

General information of the parties of the Continuing Connected Transactions

As set out in the Letter from the Board, the Company is principally engaged in research and development, production and sales of solar photovoltaic glass.

IRICO Group is principally engaged in the research, development, manufacture and sale of colour display devices, colour television sets, monitors and their auxiliary products, electronic devices, electronic vacuum devices, electronic products, opto-electronic information materials, microelectronic materials, devices and components, solar photovoltaic cells and their components; solar photovoltaic system integration; and import and export business, etc.

Zhongdian IRICO is principally engaged in the research, development, service, transfer of electronic information technology; investment in information industry, real estate industry, commerce and trade business with self-owned capital and assets operation (non-monetary assets) and management services; purchase and sales of LCD glass substrate, glass products and raw materials, photovoltaic products, components and raw materials, electronic products and raw materials; and integration, research and development, manufacture of automation equipment and intelligent control systems, etc.

CEC Finance is principally engaged in absorbing deposits from member units; handling borrowing of member units; handling discounted notes of member units; handling fund settlement and payment of member units; providing the businesses of entrusted borrowings, bond underwriting, non-financing letters of guarantee, financial advisory, credit verification and consulting agency to member units; interbank lending; handling bill acceptance of member units; investments in fixed-income marketable securities.

Summary of the products and services offering under the Continuing Connected Transactions

Set out below is a summary of the nature of the transactions of the Continuing Connected Transactions:

Agreement	Description of transactions
The IRICO Group Master Purchase Agreement	Purchase raw materials, coating solution, ink and other materials of photovoltaic industry, electricity, purchase of facilities and installation services and maintenance services for photovoltaic production business from IRICO Group and its associates
The Zhongdian IRICO Master Purchase Agreement	Purchase production line facilities and installation services, other utilities and ancillary services, operation and maintenance services and other services from Zhongdian IRICO and its associates
The Comprehensive Financial Cooperation Agreement	Provide the Group with general credit, fund settlement and other services, including but not limited: receipt and payment of transaction amount, settlement and sale of foreign exchange, deposits taking, and handling term deposits, call deposits, agreement deposit, etc.

The Company entered into the IRICO Group Master Purchase Agreement and the Zhongdian IRICO Master Purchase Agreement so as to renew the Previous IRICO Group Master Purchase Agreement and the Previous Zhongdian IRICO Master Purchase Agreement, both of which will be expired on 31 December 2024.

Based on our review of the proposed product and service mix provided by the Group, we understood that the raw materials to be procured under the IRICO Group Master Purchase Agreement are mainly coating solution and ink which are used in the production of the solar photovoltaic glass products produced by the Group (the “**IRICO Group Materials**”). The facilities and ancillary services (the “**IRICO Group Services**”) and electricity (the “**IRICO Group Utilities**”) provided by IRICO Group under the IRICO Group Master Purchase Agreement are procured by the Group for the operation, upgrade and maintenance of production facilities in Hefei and Shangrao for the three years ending 31 December 2027.

On the other hand, the facilities and ancillary services (the “**Zhongdian IRICO Services**”) and electricity (the “**Zhongdian IRICO Utilities**”) provided by Zhongdian IRICO under the Zhongdian IRICO Master Purchase Agreement are procured by the Group for the operation and maintenance of production facilities located in Yan’an, Hefei, Shangrao and Xianyang for the three years ending 31 December 2027.

Furthermore, the fund settlement services (the “**CEC Fund Settlement Services**”) provided by CEC Finance under the Comprehensive Financial Cooperation Agreement are utilized by the Group for receipt and payment of transaction amount, settlement and sale of foreign exchange, deposits taking, and handling term deposits, call deposits, agreement deposit, etc for the three years from the Effective Date.

2. Industry overview

The latest developments in the photovoltaic energy sector in the PRC reflect a concerted effort towards achieving ambitious environmental goals outlined in national strategic plans. The “Fourteenth Five-Year Plan for Renewable Energy Development,” published by the National Development and Reform Commission, sets clear targets for PRC to peak its carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060. These objectives have been key drivers in propelling the growth of the solar photovoltaic industry. The National Energy Administration released the “2024 Energy Work Guidance” in March 2024, emphasize the optimization of the energy structure, aiming to increase the share of non-fossil energy generation capacity to around 55%.

In 2023, the PRC has made significant strides in solar energy capacity expansion, with the cumulative installed capacity of solar power reaching 610 million kilowatts-hours, representing a remarkable increase of approximately 55.2% compared to that of 2022. The solar photovoltaic sector witnessed a historic milestone with an addition of 216.88 gigawatts of new installed capacity, representing a 148% year-on-year growth. Moreover, data from the National Bureau of Statistics indicates that, large-scale industrial enterprises generated a cumulative solar power of 294 billion kilowatt-hours in 2023, representing an increase of approximately 17.2% compared to that of 2022.

However, the production capacity of photovoltaic glass manufacturing companies continue to expand, but the overall growth of the photovoltaic industry materially slowed down due to fluctuations in the demand of component manufacturers, resulting in continuous decline in the price of photovoltaic glass in 2024. According to the analysis issued by China Photovoltaic Industry Association, the risk of overcapacity in the photovoltaic industry will continuously increase in the future. The future development of the photovoltaic glass industry in the PRC is poised to undergo significant transformations driven by technological advancements and evolving production methods. As companies adopt new technologies and upgrade production lines, the industry chain is expected to experience increased volatility, leading to a more pronounced differentiation among players in terms of capacity utilization and profitability. Photovoltaic firms in the PRC will face intensified competition on both cost and technology fronts, amidst a backdrop of sluggish demand growth for photovoltaic products domestically.

3. Reasons and benefits of the Continuing Connected Transactions

Recent development and development plan of the Group

According to the 2023 Annual Report, the production and sales volume of thin, large-size and double-layer coating photovoltaic glass products remained at a steady increase. The production and operation of the Group's Hefei base maintained stable operation, the renovation and upgrading of Yan'an base progressed smoothly, and the new production capacity of the Shangrao base and Xianyang base was released rapidly, thus further enhancing the economies of scale and synergy among the Group's four major production bases.

Hefei base actively laid out the research and development of new photovoltaic glass products and technology reserves, achieving significant progress in the development of energy-saving technologies for photovoltaic glass furnaces and engineering application and made breakthroughs the research and development of colourless double-layer coating and 1.6mm thin photovoltaic glass products. Currently, it has the capacity for mass production.

Yan'an base carried out renovation and upgrading of photovoltaic glass furnaces and production lines to meet the demand for supply of ultra-thin and wide-width large-size products in the photovoltaic glass market. It has the production capacity of 210 large-size and thin products and 1.6mm thin photovoltaic glass products. The construction and installation of furnaces and production line equipment were progressed smoothly. The construction is expected to be completed and commence operation in first quarter of 2025 (the "Yan'an Construction Project").

The three photovoltaic glass furnaces of Phase I of Shangrao base and supporting deep-processing production lines for the production of 2.0mm photovoltaic glass products in Shangrao base have entered full-scale production and operation since March 2024.

Xianyang base completed and put into operation the five deep-processing production lines for ultra-thin, double-film, high-transmissivity and large-size photovoltaic glass. Xianyang base is focusing on all-steel products of less than 2.0mm. The construction of intelligent and digital factory in Xianyang base has been completed in December 2023.

In order to support the operation of the above four production bases, it is necessary for the Group to enter into the IRICO Group Master Purchase Agreement and the Zhongdian IRICO Master Purchase Agreement to continue the procurement of operation and maintenance services from IRICO Group and Zhongdian IRICO.

As advised by the management of the Company, Shangrao base has planned to construct a photovoltaic rooftop power plant with a total installed capacity of 24 megawatt peak and a total electricity generation of approximately 2,300 kilowatt-hours (the “**Rooftop Project**”) with the aim to support the electricity require for the operation and reduce the production cost. The construction of the Rooftop Project is expected to be commenced in 2025 and completed in 2027. IRICO Group possesses a number of national patents and has a professional team for the complete supply chain of electronic glass and smart manufacturing in the PRC and has the capacity to undertake large-scale construction projects which can provide services to the Company for the Rooftop Project.

Performance of the solar photovoltaic business of the Group

As set out in the 2023 Annual Report, the Group recorded operating revenue from its principal business of approximately RMB3,111.03 million for the year ended 31 December 2023, representing a year-on-year increase of approximately RMB674.09 million or 27.7%, which was mainly due to the Group continued to cultivate the main business and gradually released new production capacity. The Group recorded net loss of approximately RMB231.0 million for the year ended 31 December 2023 and a net profit of approximately RMB89.2 million of the year ended 31 December 2022. The Group turn from net profit to net loss was mainly due to (i) the decrease in prices of solar photovoltaic glass products; (ii) the increase in operating cost due to the increase in price of natural gas; and (iii) the provision for impairment of photovoltaic glass products.

As set out in the 1H2024 Interim Report, the Group recorded operating revenue from its principal business of approximately RMB2,027.51 million for the six months ended 30 June 2024, representing an increase of approximately RMB752.05 million or 59.0% as compared to that for the six months ended 30 June 2023. Such increase was mainly due to the commencement of operation of the three photovoltaic glass furnaces of Phase I of Shangrao base. The operating of new furnaces also turns the Group’s loss position to profit. The Group recorded a net profit of approximately RMB4.2 million for the six months ended 30 June 2024.

Long-term cooperation relation and close proximity between the connected parties

Based on our discussion with the management of the Company, as the Group has established a long-term cooperative relationship with IRICO Group and Zhongdian IRICO since its incorporation, in particular, the cooperation in raw materials, services and utilities provided by IRICO Group and Zhongdian IRICO as set out in precedent continuing connected transactions among the Group, IRICO Group and Zhongdian IRICO. The long-term supply relationship has allowed IRICO Group and Zhongdian IRICO to develop thorough understanding of the business operations, quality control, technical requirements and specifications required by the Group and become familiar with the production cycle and operation needs of the Group, thereby ensuring the timely supply of the materials and utilities and quality supply of construction and ancillary services to be procured by the Group which (i) meets the necessary quality and standards as required by the Group; and (ii) minimizes any disruptions to the Group's existing business operations. The cooperation with the connected parties would provide extra options for stable and high quality supply/provision of utilities and products, as set forth in the Continuing Connected Transactions, for the Group's production of solar photovoltaic glass.

In addition, given the close proximity of the locations of the production lines, warehouses and power stations between the Group, IRICO Group and Zhongdian IRICO, we concur with the view of the management of the Company that the purchase of the raw materials and the procurement of the utilities from IRICO Group and Zhongdian IRICO will assist in minimizing the management and operational costs of the Group due to the close proximity between the production lines and power stations.

Financial position of the Group and the fund settlement services provided by CEC Finance

We noted that the Group has a high demand for fund settlement services. As at 30 June 2024, the Group total current assets was approximately RMB3,522.2 million, in which approximately RMB1,020.8 million was bank deposit, representing approximately 29.0% of the total current assets. During the six months ended 30 June 2024, the Group generated a net cash inflow from operating activities of approximately RMB20.8 million.

As advised by the management of the Company, interest rates on deposits and loans to be offered by CEC Finance to the Group will be equal to or more favorable than those offered by other major commercial banks in the PRC for similar deposits and loans. CEC Finance is a non-banking financial institution regulated by the People's Bank of China and the National Financial Regulatory Administration and provides services in accordance with the rules and operating requirements of such regulatory authorities. The Group is expected to benefit from CEC Finance's better knowledge of the Group's operations and its ability to provide more convenient and efficient services as compared to other commercial banks in the PRC.

Pursuant to the Comprehensive Financial Cooperation Agreement, the Group agrees to give maximum priority to the use of financial services provided by CEC Finance within the set caps. However, it is not an obligation to utilize the CEC Fund Settlement Services. The Group have the right to confirm whether the cooperation terms provided by CEC Finance are better or no less favorable than those provided by independent third parties. Such arrangement provides the flexibility for the Group to select its fund settlement services.

By entering into the Comprehensive Financial Cooperation Agreement with CEC Finance, the Group will be able to centralize the control and management of the Group's financial resources, thereby improving the utilization and efficiency of the use of funds and reducing its operational risks. This will also accelerate capital turnover, thereby reducing transaction costs and expenses, and further enhancing the level and effectiveness of the use of funds.

From the above, we understood that (i) the operation and maintenance services provided by IRICO Group and Zhongdian IRICO support the operation of the production bases of the Group; (ii) IRICO Group has extensive experience and capability to undertake the potential projects of the Group; (iii) the Group require a stable and timely supply of IRICO Group Materials in order to sustain the continuing sale growth; (iv) the long-term cooperation with the connected parties can ensure a stable and high quality provision of utilities and products for the Group's production of solar photovoltaic glass and provision of quality services which meet the Group's needs; and (v) CEC Finance could provide more flexible, convenient and efficient services as compared to other commercial banks in the PRC. Therefore, we are of the view that the Continuing Connected Transactions are in the interest of the Company and its shareholders as a whole.

4. The existing annual caps and historical transaction amounts

Based on information provided by the Company, we summarized in the following table (i) the existing annual caps of the Previous IRICO Group Master Purchase Agreement and the Previous Zhongdian IRICO Master Purchase Agreement for each of the three financial years ending 31 December 2024; and (ii) the historical transaction amounts for the two years ended 31 December 2023 and the nine months ended 30 September 2024.

		Historical transaction amounts			Existing annual caps		
		For the year ended	For the year ended	For the nine months ended	For the year ended	For the year ended	For the year ending
		31 December	31 December	30 September	31 December	31 December	31 December
Nature of transactions		2022	2023	2024	2022	2023	2024
		(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Fees paid by the Group to IRICO Group and its associates under the Previous IRICO Group Master Purchase Agreement	Purchase of packaging materials and raw materials, electricity and ancillary services by the Company from IRICO Group	53,337	27,771	17,620	160,309	185,559	191,432
Utilization rate					33.3%	15.0%	12.3%
						(Annualized)	(Note)
Fees paid by the Group to Zhongdian IRICO and its associates under the Previous Zhongdian IRICO Master Purchase Agreement	Purchase of materials and utilities necessary for the solar photovoltaic business and the new materials business, including materials, water, electricity, gas and other utilities and ancillary services by the Company from Zhongdian IRICO	45,591	175,426	35,355	334,902	467,156	515,103
Utilization rate					13.6%	37.6%	9.2%
						(Annualized)	(Note)

Note: Based on the historical transaction amount for the nine months ended 30 September 2024 divided by nine months and multiply by 12.

The fee paid by the Company to IRICO Group and Zhongdian IRICO under the Previous IRICO Group Master Purchase Agreement and the Previous Zhongdian IRICO Master Purchase Agreement for the two years ended 31 December 2023 and the nine months ended 30 September 2024 did not exceed their relevant annual caps. The Company is of the view that the transaction amounts under both agreements for the year ending 31 December 2024 by the Group are expected not to exceed the relevant annual caps.

Based on the above table, the utilization rates of the existing annual caps for the Previous IRICO Group Master Purchase Agreement were approximately 33.3%, 15.0% and 12.3% for the two years ended 31 December 2023 and the nine months ended 30 September 2024 on an annualized basis, respectively. The utilization rates of the existing annual caps for the Previous Zhongdian IRICO Master Purchase Agreement were approximately 13.6%, 37.6% and 9.2% for the two years ended 31 December 2023 and the nine months ended 30 September 2024 on an annualized basis, respectively. We noted that the existing annual caps in respect of the Previous IRICO Group Master Purchase Agreement and the Previous Zhongdian IRICO Master Purchase Agreement for the two years ended 31 December 2023 and the nine months ended 30 September 2024 was not fully utilized.

With reference to the basis of determination of existing annual caps under the Previous IRICO Group Master Purchase Agreement as set out in the circular of the Company dated 15 December 2021 (the “2021 Circular”), we noted that the existing annual caps under the Previous IRICO Group Master Purchase Agreement for the three years ending 31 December 2024 comprise of (i) purchase of packaging materials and raw materials; (ii) purchase of electricity; and (iii) purchase of facilities and ancillary services. Majority of the existing annual caps under the Previous IRICO Group Master Purchase Agreement has been allocated to the purchase of packaging materials and raw materials, representing approximately 73.8%, 79.5% and 80.1% of the total existing annual caps for the three years ending 31 December 2024, respectively. As advised by the management of the Company, the existing annual caps under the Previous IRICO Group Master Purchase Agreement for the year ended 31 December 2022 had not utilized mainly due to the Group has introduced the recyclable packaging materials during the second half of 2022. Thus, the purchase of packaging materials transaction under the Previous IRICO Group Master Purchase Agreement for the year ended 31 December 2022 has been reduced and only approximately 26.2% of the existing annual caps for the purchase of packaging materials for the year ended 31 December 2022 has been utilized. Furthermore, the member of IRICO Group which supply the packaging materials and raw materials to the Group has been disposed by IRICO Group in January 2023. Thus, the transactions were no longer classified as the Group’s continuing connected transactions thereafter and the related annual caps for the two years ending 31 December 2024 have not been utilized.

On the other hand, with reference to the basis of determination of existing annual caps under the Previous Zhongdian IRICO Master Purchase Agreement as mentioned in the 2021 Circular and the circular of the Company dated 26 September 2022, we noted that the existing annual caps under the Previous Zhongdian IRICO Master Purchase Agreement for the three years ending 31 December 2024 comprise of (i) purchase of raw materials; (ii) purchase of production line facilities and installation services; (iii) purchase of kinetic facilities operation and maintenance services; and (iv) purchase of medical examination services and others. Majority of the existing annual caps under the Previous Zhongdian IRICO Master Purchase Agreement has been allocated to the purchase of production line facilities and installation services, representing approximately 77.0%, 59.9% and 53.6% of the total existing annual caps for the three years ending 31 December 2024, respectively. The utilization rates of the existing annual caps for the purchase of production line facilities and installation services under the Previous Zhongdian IRICO Master Purchase Agreement were approximately 4.3%, 48.1% and 2.4% for the two years ended 31 December 2023 and the nine months ended 30 September 2024, respectively. As advised by the management of the Company, the low utilization rates of the existing annual caps for the purchase of production line facilities and installation service under the Previous Zhongdian IRICO Master Purchase Agreement were mainly due to (i) the outbreak of COVID-19 resulting in delay in construction projects, thus several production line facilities and installation services scheduled in 2022 had been postponed to 2023, and the amount of the related services amounting to approximately RMB47 million has been included in the existing annual caps for the year ended 31 December 2023; (ii) the members of Zhongdian IRICO did not win or participate in the bidding process of several production line facilities and installation services with estimated cost included in the existing annual caps amounting to approximately RMB192 million, RMB180 million and RMB6 million for the two years ended 31 December 2023 and the nine months ended 30 September 2024, respectively; and (iii) several production line facilities and installation services scheduled in 2024 amounting to approximately RMB270 million had been delay and not yet commenced. These factors have also reduced the purchase amount of kinetic facilities operation and maintenance services from Zhongdian IRICO. For the existing annual caps for the purchase of raw materials from Zhongdian IRICO for the three years ending 31 December 2024, accounted for approximately 16.3%, 23.4% and 25.8% of the total existing annual caps for the respective year. The utilization rates of the existing annual caps for the purchase of raw materials under the Previous Zhongdian IRICO Master Purchase Agreement for the two years ended 31 December 2023 and the nine months ended 30 September 2024 were approximately 52.3%, 33.1% and 24.3%, respectively. The low utilization rates were mainly due to change in customers' requirement for the raw materials. The existing annual caps for the medical examination services under the Previous Zhongdian IRICO Master Purchase Agreement accounted for approximately 0.1% of the total existing annual caps for each of the three years ending 31 December 2024. The management advised that the number of medical examination services provided by the member of Zhongdian IRICO through the medical programme of member of the Group was less than the estimation, thus the medical examination services fee was not settled by the member of the Group. Hence, the utilization rates for purchase of medical examination services under the Previous Zhongdian IRICO Master Purchase Agreement were approximately 29.7%, 0.5% and 3.7% for the two years ended 31 December 2023 and the nine months ended 30 September 2024, respectively.

5. The proposed annual caps

In order to assess the fairness and reasonableness of the proposed annual caps in respect of the Continuing Connected Transactions, we have obtained a detail breakdown which listed all IRICO Group Materials, IRICO Group Utilities, IRICO Group Services, Zhongdian IRICO Services and Zhongdian IRICO Utilities required by the Group for the three years ending 31 December 2027 (the “Annual Caps Breakdown”).

The proposed annual caps under the IRICO Group Master Purchase Agreement

The proposed annual caps under the IRICO Group Master Purchase Agreement for the three years ending 31 December 2027 as set out below:

	Proposed annual caps		
	For the year	For the year	For the year
	ending	ending	ending
	31 December	31 December	31 December
	2025	2026	2027
	(RMB'000)	(RMB'000)	(RMB'000)
Maximum Fees payable by the Group to IRICO Group and its associates under the IRICO Group Master Purchase Agreement	117,180	144,240	149,220

Based on the Annual Caps Breakdown, we noted that the proposed annual caps under the IRICO Group Master Purchase Agreement for the three years ending 31 December 2027 comprise of (i) purchase of IRICO Group Materials; (ii) purchase of IRICO Group Utilities; and (iii) purchase of IRICO Group Services. For the purchase of IRICO Group Materials, the estimated transaction amount are approximately RMB57.4 million, RMB66.3 million and RMB71.3 million for the three years ending 31 December 2027, respectively. For the purchase of IRICO Group Utilities, the estimated transaction amount are the same for the three years ending 31 December 2027 amounted to approximately RMB25.2 million. For the purchase of IRICO Group Services, the estimated transaction amount are approximately RMB34.6 million, RMB52.7 million and RMB52.7 million for the three years ending 31 December 2027, respectively.

For the proposed annual caps for the purchase of IRICO Group Materials for the three years ending 31 December 2027, based on the Annual Caps Breakdown, we noted that the IRICO Group Materials required by the Group are mainly coating solution and ink. The proposed annual caps for the purchase of IRICO Group Materials was determined based on the quantity of IRICO Group Materials required by the Group and the estimated unit price of the IRICO Group Materials for the three years ending 31 December 2027. We discussed with the management of the Company and understand that they estimated the quantity of the IRICO Group Materials for the three years ending 31 December 2027 based on (i) the expected production volume of the four production bases of the Group for the three years ending 31 December 2027; and (ii) the expected increase in the procurement volume from IRICO Group for the purpose of obtaining lower unit price. We have obtained and reviewed the annual production volume of the four production bases of the Group for the three years ending 31 December 2027, and noted that it is the same as the estimated production volume adopted in the estimation. As discussed in the section headed “Recent development and development plan of the Group”, the Yan’an Construction Project is expected to be completed and commence operation in the first quarter of 2025. The management of the Company expected that the total production volume of solar photovoltaic glass would be approximately 4,000 million square meters in 2025 upon completion of the Yan’an Construction Project and would further increase to approximately 4,574 million square meters in each of the 2026 and 2027 when Yan’an base entered full-scale production. We further noted that furnace II in Hefei base will undergo an upgrade in 2025 (the “Hefei Upgrade Project”). Upon completion of the Hefei Upgrade Project, the production volume of Hefei base will be increased by approximately 2,400 million square meters per year. Other furnaces in Hefei base are expected to operate in full-scale with a total production volume of solar photovoltaic glass of approximately 9,000 million square meters for each of the three years ending 31 December 2027. There are no scheduled upgrade and maintenance in Shangrao base and Xianyang base for the three years ending 31 December 2027, thus the management of the Company expected Shangrao base and Xianyang base will be operated in full-scale during the three years. The total production volume of solar photovoltaic glass in Shangrao base is approximately 15,000 million square meters per year and that in Xianyang base is approximately 4,800 million square meters per year. We have further reviewed the monthly production volume of the four production bases for the nine months ended 30 September 2024 and noted that (i) there are no production in Yan’an base due to the Yan’an Construction Project are still in progress; (ii) the monthly production volume of Hefei base ranged from approximately 630 million to 1,030 million square meters; (iii) the monthly production volume of Shangrao base ranged from approximately 600 million to 1,300 million square meters; and (iv) the monthly production volume of Xianyang base ranged from approximately 120 million to 510 million square meters. The estimated monthly production volume of for the year ending 31 December 2025 are within the range of the actual monthly production volume of Hefei base, Shangrao base and Xianyang base for the nine months ended 30 September 2024. Based on the expected production volume, the estimated quantity of coating solution under the IRICO Group Materials adopted in the Annual Caps Breakdown for the three years ending 31 December 2027 was approximately 720 tonnes, 900 tonnes and 1,050 tonnes, respectively, while the estimated quantity of ink under the IRICO Group Materials adopted in the Annual Caps Breakdown

for the three years ending 31 December 2027 was approximately 960 tonnes, 1,080 tonnes and 1,120 tonnes, respectively. Save for the expected increase in production volume in Yan'an base and Hefei base as discussed above, the management of the Company expected to increase the procurement volume from IRICO Group for the purpose to obtain better bargaining power for lower unit price. As advised by the management of the Company, it is the Group's target to reduce the materials cost by approximately 2% annually. Thus, the management of the Company expected to purchase an additional of approximately 7% and 9% of the total estimated procurement volume of coating solution from IRICO Group in 2026 and 2027 respectively, and an additional of approximately 2% and 3% of the total estimated procurement volume of ink from IRICO Group in 2026 and 2027, respectively. For the unit price of the IRICO Group Materials, we noted that the unit price adopted in the Annual Caps Breakdown represents a year to year decrease of approximately 2% for each of the IRICO Group Materials which align with the Group's target. In order to access the unit price adopted in the Annual Caps Breakdown for the year ending 31 December 2025, we have obtained the monthly average unit price of coating solution and ink for the nine months ended 30 September 2024 and noted that the unit price of IRICO Group Materials adopted in the Annual Caps Breakdown for the year ending 31 December 2025 is within the range of the monthly average unit price for the nine months ended 30 September 2024. We have further obtained five contracts for each of the purchase of coating solution and ink between the Group and the IRICO Group Materials suppliers during the nine months ended 30 September 2024 which representing the top five largest contracts for each of the purchase of coating solution and ink. We considered the top five largest contracts during the nine months ended 30 September 2024 are adequate and representative since it provides a general understanding on market price of the IRICO Group Materials. Based on our analysis of these contracts, we noted that the unit price of IRICO Group Materials adopted in the Annual Caps Breakdown is within the range of the unit price offered by the IRICO Group Materials suppliers.

For the proposed annual caps for the purchase of IRICO Group Utilities for the three years ending 31 December 2027, we noted from the Annual Caps Breakdown that it is determined based on the estimated quantity of electricity to be purchase from IRICO Group and the estimated unit price of electricity. We discussed with the management of the Company and understand that the electricity facility of IRICO Group is in the Hefei base and it uses the waste heat produced during the operation of the Group's furnaces in Hefei base which help to steam water for the electricity generation. Thus, the quantity of the electricity to be generated by IRICO Group from the waste heat power generation facilities depend on the operation plan of the furnaces of the Group in the Hefei base. However, in December 2023, IRICO Group began selling steam generated from its waste heat power generation facilities to third parties, resulting in limited electricity generation. IRICO Group has notified the Group which estimated approximately 46.7 million kilowatt-hours of electricity could supply to the Group for the three years ending 31 December 2027. Based on the correspondence between the Group and the IRICO Group, the management of the Company estimated approximately 46.7 million kilowatt-hours of electricity will be purchased from IRICO Group for the three years ending 31 December 2027. We have reviewed the correspondence and discussed with the management of

the Company and noted that IRICO Group estimated the electricity generates based on the demand of IRICO Group's steam customers and the production capacity of Hefei base assuming Hefei base operated in full-scale. As disclosed in the Letter from the Board, the unit price of electricity shall be negotiated based on arm's length negotiations between the relevant parties with reference to (i) the "Government-prescribed Price"; and (ii) reduction from the government incentives offered by Anhui Provincial Government to IRICO Group. "Government-prescribed Price" means the prices of electricity in Anhui Province as prescribed by the State Grid Corporation of the PRC as updated and amended from time to time. According to the "Notice of Anhui Province Development and Reform Commission on Matters Relating to the Adjustment of Price of Electricity Sales in the Province (Wan Fa Jia Ge [2020] No. 654)" (《安徽省發展改革委關於調整我省銷售電價有關事項的通知(皖發價格[2020]654)號》) (the "Notice") which took effect since 1 January 2021. Based on the Notice, we noted that the unit price of electricity ranged from approximately RMB0.33 to RMB0.93 with an average of approximately RMB0.61. As advised by the management of the Company, IRICO Group provided a 10.5% discount on unit price of electricity to the Group due to the government incentives they have received. The unit price of electricity adopted in the Annual Caps Breakdown of approximately RMB0.54 was calculated based on the average unit price in the Notice multiplied by the discount given by IRICO Group. We have further obtained the monthly electricity bills from state grid to Hefei base for the nine months ended 30 September 2024. We considered that the monthly electricity bills from state grid to Hefei base for the nine months ended 30 September 2024 are adequate and representative since it provide a general understanding on market price of the electricity in Hefei. Based on our analysis of the monthly electricity bills of Hefei base, we noted that the average unit price of electricity offered by the state grid ranged from approximately RMB0.66 to RMB0.74 which is higher than RMB0.54 adopted in the Annual Caps Breakdown for the three years ending 31 December 2027. Thus, the unit price of electricity adopted in the Annual Caps Breakdown is expected to be no less favorable than that obtained from the state grid.

For the proposed annual caps for the purchase of IRICO Group Services for the three years ending 31 December 2027, we noted from the Annual Caps Breakdown that it is determined based on the installation services and operation and maintenance services required by the Group including the production lines and ancillary facilities installation services and the operation and maintenance service for the kinetic facilities. As discussed with the management of the Company, the Group has planned to (i) undergo the Hefei Upgrade Project in 2025 with an estimated expenses of approximately RMB3 million; and (ii) construct the Rooftop Project with an estimated expenses of approximately RMB119.6 million (collectively the "**Potential Projects**"). The Rooftop Project is expected to commence in 2025 and complete in 2027 and the payment of the expenses would be according to the construction progress under the construction plan in which approximately RMB23.9 million is expected to be paid in 2025 and approximately RMB47.8 million is expected to be paid in each year of 2026 and 2027. As advised by the management of the Company, the estimated expenses for the Potential Projects are estimated based on the similar projects of the Group and

with reference to the preliminary quotations obtained by the Group from other suppliers. We have reviewed the document of the Group's similar project for phase III production line in Hefei base and a preliminary quotation provided by IRICO Group for the installation of manufacturing execution system of phase II production line in Hefei base. The construction cost in both of the documents match with that adopted in the Annual Caps Breakdown. For the Rooftop Project, we have reviewed the document provided by an independent supplier to the Group for similar project and noted that the amount roughly sum up the estimated expenses for the Rooftop Project. We considered that the above documents are adequate and representative as the services are similar to the Potential Projects. We also noted from the Annual Caps Breakdown that the final payment of the contract sum of (i) the electricity distribution facilities construction project in Hefei base; and (ii) the digitalization construction project in of Hefei base has been included in the proposed annual caps for the purchase of IRICO Group Services for the year ending 31 December 2025 with an aggregate amount of approximately RMB4.8 million. These two projects has been completed and pending for settlement of the final payment according to the relevant contracts. We have obtained and reviewed the contracts between the Group and the IRICO Group for these projects and noted that the contract sum and payment schedule match with those adopted in the Annual Caps Breakdown. For the operation and maintenance services, the management of the Company expected to use an operation and maintenance service for the existing kinetic facilities in Hefei base with an annual expense of approximately RMB0.9 million and an operation and maintenance service for the Rooftop Project with an expected expense of approximately RMB2 million in 2025 and approximately RMB4 million in each year of 2026 and 2027. The management of the Company has made reference to the contract for the existing service provided by IRICO Group during the year ending 31 December 2024 and the preliminary quotation from an independent supplier. We have reviewed the contract for the existing services provided by IRICO Group and the preliminary quotation from an independent supplier and noted that the amount roughly sum up the estimated expenses for the operation and maintenance services.

Based on the above, we are of the view that the estimations adopted by the management of the Company for the relevant proposed annual caps under the IRICO Group Master Purchase Agreement are fair and reasonable.

The proposed annual caps under the Zhongdian IRICO Master Purchase Agreement

The proposed annual caps under of the Zhongdian IRICO Master Purchase Agreement for the three years ending 31 December 2027 as set out below:

	Proposed annual caps		
	For the year	For the year	For the year
	ending	ending	ending
	31 December	31 December	31 December
	2025	2026	2027
	(RMB'000)	(RMB'000)	(RMB'000)
Maximum Fees payable by the Group to Zhongdian IRICO and its associates under the Zhongdian IRICO Master Purchase Agreement	140,514	140,184	146,709

Based on the Annual Caps Breakdown, we noted that the proposed annual caps under the Zhongdian IRICO Master Purchase Agreement for the three years ending 31 December 2027 comprise of (i) purchase of Zhongdian IRICO Utilities; and (ii) purchase of Zhongdian IRICO Services. For the purchase of Zhongdian IRICO Utilities, the estimated transaction amount are the same for the three years ending 31 December 2027 amounted to approximately RMB120.4 million. For the purchase of Zhongdian IRICO Services, the estimated transaction amount are approximately RMB20.1 million, RMB19.8 million and RMB26.3 million for the three years ending 31 December 2027, respectively.

For the proposed annual caps for the purchase of Zhongdian IRICO Utilities for the three years ending 31 December 2027, we noted from the Annual Caps Breakdown that it comprises of purchase of electricity and purchase of liquefied natural gas ("LNG") from Zhongdian IRICO. The estimated transaction amount is determined based on the estimated quantity of electricity and LNG to be purchased from Zhongdian IRICO and the estimated unit price of electricity and LNG. We discussed with the management of the Company and understand that the electricity required for operation of Yan'an base is purchase from the state grid and independent third parties suppliers prior to the commencement of the Yan'an Construction Project. The electricity facility of Zhongdian IRICO are under construction in the Yan'an base of the Group and is expected to commence operation in 2025. The electricity facility of Zhongdian IRICO is an electricity substation which convert electricity from 110 kilovolt to 10 kilovolt. Upon completion of the construction of Zhongdian IRICO's electricity facility, the management of the Company expected that all electricity required for the operation of Yan'an base previous purchased from the state grid will be purchased from Zhongdian IRICO. Thus, the quantity of electricity to be purchased by the Group from Zhongdian IRICO was made reference to the total electricity required by the Yan'an base. The management of the Company expected approximately 156.8 million kilowatt-hours of electricity will be purchased

from Zhongdian IRICO for each of the three years ending 31 December 2027. As advised by the management of the Company, such estimated quantity has made reference to (i) the total electricity consumed by Yan'an base in 2022, being the last year which Yan'an base operated prior to the Yan'an Construction Project; (ii) the additional electricity required to operate the new production facilities upon completion of the Yan'an Construction Project; and (iii) the electricity generated from waste heat power generator in the Yan'an base. We have obtained document which contains a summary of monthly electricity purchased by Yan'an base for the year ended 31 December 2022 and the additional electricity required to operate the new production facilities and noted that the quantity of electricity match with that adopted in the Annual Caps Breakdown. For the unit price of electricity, the management of the Company adopted an estimated unit price of approximately RMB0.704 for the three years ending 31 December 2027 which has made reference to the price of electricity purchased from the state grid. We have obtained and reviewed the monthly electricity bills from state grid to Yan'an base for the nine months ended 30 September 2024 and noted that the monthly average unit price ranged from approximately RMB0.583 to approximately RMB1.023 with an average of approximately RMB0.713. We considered that the monthly electricity bills from state grid to Yan'an base for the nine months ended 30 September 2024 are adequate and representative since it provide a general understanding on market price of electricity in Yan'an. The estimated unit price adopted in the Annual Caps Breakdown is within the range and lower than the average unit price provided by state grid. For the estimated transaction amount for the purchase of LNG, the management of the Company has considered the historical usage of LNG in Hefei base and the reference price of LNG announced by the Development and Reform Commission of Hefei City. As advised by the management of Company, Hefei base needs to purchase LNG for heat generation to maintain the operation of the production lines in winter. However, due to the peak of LNG usage in November and December each year, the government imposes restrictions on the supply of LNG to industrial facilities to ensure sufficient LNG supply for the residential residents, and these restrictions affect the operation of the production lines in Hefei base. The management of the Company has also learned that the construction of Zhongdian IRICO's LNG facilities has been completed and will commence production in 2025. In view of this, the Company will purchase LNG from Zhongdian IRICO to ensure smooth operation of the production lines in Hefei base in winter. The management of the Company expects to purchase approximately 1,514 tonnes of LNG from Zhongdian IRICO for each of the three years ending 31 December 2027, representing approximately 10% of the total LNG usage of Hefei base in November and December 2023, being the peak of LNG usage. We have obtained the LNG consumption data for the Hefei base in November and December 2023, and noted that the quantity adopted in the Annual Caps Breakdown for each of the three years ending 31 December 2027, represent approximately 10% of the total LNG consumption in November and December 2023. The management of the Company estimated the unit price of LNG to be approximately RMB6,581 per tonne for the three years ending 31 December 2027 based on the reference price of LNG announced by the Development and Reform Commission of Hefei City in December 2022 of approximately RMB4.57 per cubic meter (equivalent to approximately RMB6,581 per tonne). We have further reviewed the reference price of LNG announced by the Development and Reform Commission of Hefei City in December 2023, being the latest published

reference price by the Development and Reform Commission of Hefei City and noted that the reference price of LNG was approximately RMB4.56 per cubic meter (equivalent to approximately RMB6,566 per tonne) which is similar to the unit price of LNG adopted in the Annual Caps Breakdown.

For the proposed annual caps for the purchase of Zhongdian IRICO Services for the three years ending 31 December 2027, we noted from the Annual Caps Breakdown that it comprises of purchase of installation and construction services and kinetic facilities operation and maintenance services for kinetic facilities of the Group, including the electricity facilities, waste water facilities, waste heat power generation facilities, LNG facilities and oxygen facilities. As discussed with the management of the Company, the price of Zhongdian IRICO Services was determined based on the price comparison with at least two independent suppliers and the Company did not have any transaction made reference to reasonable costs incurred plus reasonable profit during the past three years.

For the installation and construction services, we noted that there was approximately RMB5 million of the proposed annual caps are for the repair and upgrade the kinetic facilities for each of the year 2025, 2026 and 2027. As advised by the management of the Company, the estimate cost has made reference to the preliminary quotations provided by the other independent suppliers for similar projects. We have reviewed the document of the preliminary quotations provided by the other independent suppliers and the amount roughly sum up the estimated expenses for the repair and upgrade the kinetic facilities. We also noted that there are two construction and installation projects in Xianyang base have been completed and the final bill is expected to be settled in 2025 and included in the proposed annual caps for the purchase of Zhongdian IRICO Services for the year ending 31 December 2025. We have obtained and reviewed the contracts between the Group and Zhongdian IRICO for the above projects and noted that the contract sum and payment schedule match with those adopted in the Annual Caps Breakdown. For the kinetic facilities operation and maintenance services, the management of the Company estimated approximately RMB14.8 million, RMB14.8 million and RMB21.3 million would be purchased from Zhongdian IRICO for the three years ending 31 December 2027, respectively. As advised by the management of the Company, the estimated operation and maintenance services expenses for seven existing kinetic facilities amounting to approximately RMB9.1 million for each of the three years ending 31 December 2027 has made reference to the historical contract sum with Zhongdian IRICO for the existing services and the estimated new operation and maintenance services expense for the LNG facilities and the electricity facilities in Yan'an base amounting to approximately RMB3.5 million for each of the three years ending 31 December 2027 has made reference to the preliminary quotation provided by the other independent supplier and the expense for Group's similar project. We have obtained and reviewed the existing services contracts between the Group and Zhongdian IRICO, document provided by an independent supplier for the LNG facilities and the contract for the Group's similar project and noted that the amount is in line with those adopted in the Annual Caps Breakdown. We also noted that the management of the Company estimated an additional expense

for the consumables cost for the operation and maintenance of the kinetic facilities provided by Zhongdian IRICO amounting to approximately RMB2.2 million, RMB2.2 million and RMB8.7 million for the three year ending 31 December 2027, respectively. As advised by the management of the Company, the consumables is currently purchased by the Group from various independent suppliers and then supplied to Zhongdian IRICO to carry out the operation and maintenance services of the Group's kinetic facilities. In order to increase the efficiency, Zhongdian IRICO will purchase part of the consumables from independent suppliers themselves. Thus, the management of the Company estimated approximately 10% of the total procurement of consumables will be purchased by Zhongdian IRICO themselves in 2025 and 2026 for trial purposes and later increase the transaction amount, once the operation runs smooth and becomes mature, to approximately 40% in 2027. We have obtained a summary of the Group's procurement amount of consumables for the period from October 2023 to September 2024, being a rolling 12 months period and noted that the total procurement amount of consumables for the rolling 12 months ended 30 September 2024 amounting to approximately RMB22.9 million. We further noted that the additional expense for the consumables cost adopted in the Annual Caps Breakdown for the three years ending 31 December 2027 is approximately 9.5%, 9.5% and 38.0% to the total procurement amount of consumables for the rolling 12 months ended 30 September 2024, respectively, which is similar to the proportion expected by the management of the Company.

Based on the above, we are of the view that the estimations adopted by the management of the Company for the relevant proposed annual caps of the Zhongdian IRICO Master Purchase Agreement are fair and reasonable.

The proposed annual caps under the Comprehensive Financial Cooperation Agreement

The proposed annual caps under the Comprehensive Financial Cooperation Agreement for the three years from the Effective Date as set out below:

	Proposed annual caps		
	For the first	For the second	For the third
	year from the	year from the	year from the
	Effective Date	Effective Date	Effective Date
	(RMB'000)	(RMB'000)	(RMB'000)
Proposed maximum daily balance of the Group's deposits with CEC Finance (including any accrued interest thereon)	1,000,000	1,000,000	1,000,000

Pursuant to the Comprehensive Financial Cooperation Agreement, CEC Finance shall pay interest on the deposits at a rate not lower than the deposit rates of domestic commercial banks for the same period and the payment terms shall be entered into on market terms which are no less favorable than those available from independent third parties.

We have researched the current benchmark deposit interest rates promulgated by eight domestic commercial banks (“**Commercial Bank Rates**”) among of which, six of the commercial banks have transactions with the Group. Upon compare the Commercial Bank Rates with the deposit interest rates currently offered by CEC Finance, we noted that the deposit interest rates for call deposits, agreement deposits and demand deposits offered by CEC Finance is higher than the Commercial Bank Rates. We were advised by the management of the Company that the interest rates offered by CEC Finance will always make reference to the Commercial Bank Rates and the deposit interest rates published by other major commercial banks in the PRC. The finance department of the Company will compare the deposit interest rates quoted from other independent third parties (including at least three financial institutions and commercial banks in the PRC) and from the People’s Bank of China to make sure the interest rates receivable by the Company for the Company’s deposits with CEC Finance shall not be lower than the interest rates receivable from those offered by other independent commercial banks for comparable deposits during the same period.

We have discussed with the management of the Company regarding the bases and assumptions in determining the proposed annual caps for the fund settlement services under the Comprehensive Financial Cooperation Agreement, and we understand that the proposed annual caps are determined with reference to the following factors:

- (i) the proposed annual caps for the general credit limit granted to the Group by CEC Finance for each of the three years from the Effective Date;
- (ii) the expected deposit requirements of the Group for each of the three years from the Effective Date, including the Group is principally engaged in photovoltaic glass, the market demand for photovoltaic glass will increase in the future is in line with the increase in environmental protection policies and the development of the new energy industry in the PRC, the Group, as a leading enterprise in the industry, the volume of orders is expected to continue to increase, and the monetary funds of the Group will increase accordingly; and
- (iii) taking into account the amount of interest income expected to be earned from CEC Finance and with reference to the interest income earned from placing similar amount of deposits with other major commercial banks in the PRC, the return on the deposits with CEC Finance is expected to be higher than the market level.

Having considered that (i) the financial position as discussed in the section headed “*Financial position of the Group and the fund settlement services provided by CEC Finance*”, in particular, the Group has approximately RMB1,020.8 million bank deposit as at 30 June 2024 and has generated a net cash inflow from operating activities of approximately RMB20.8 million; and (ii) the Group’s steady and continuous growth in revenue, we are of the view that the proposed annual caps for the CEC Fund Settlement Services under the Comprehensive Financial Cooperation Agreement for the three years from the Effective Date are fair and reasonable.

6. Internal control

To safeguard the interests of the Shareholders as a whole, including the minority Shareholders, the Company has put in place internal approval and monitoring procedures relating to the continuing connected transactions, which include the following:

1. The business planning executives will be responsible for the pricing management and will guide various departments and units to establish the procedures and mechanism of professional price management, so as to ensure that the pricing standard is fair and reasonable, and conform with the market principle. Market prices will be obtained through, among other things, open tenders/quotations from independent third party suppliers and service providers, recent transaction prices of the Company with independent third parties, pricing information obtained through subscription service and researches on industry websites. The market price information will be circulated by the procurement department to other departments of the Company to enable them to determine the prices for the continuing connected transactions.
2. The Company will regularly review the transactions to be entered into with each of IRICO Group, Zhongdian IRICO and CEC Finance to identify any transactions that may be at risk of exceeding the annual caps and any measures to be introduced in response to such transactions. The finance department of the Company is responsible for the counting and monitoring of the actual amount of continuing connected transactions at the end of each month, reporting to the Board regarding, among other things, implementation of the continuing connected transactions and the actual monetary amount of the continuing connected transactions conducted during each quarter from January to September and at the end of each month from October to December (or more frequently if necessary). In the event that the transaction amount reaches 80% of the annual cap at any point of the year, the management would seek advice from the audit committee of the Company and the Board would consider follow-up measures, including making announcements and seeking Independent Shareholders’ approval for the increase in the annual cap (where applicable).

3. The Company has formulated a series of internal measures and policies to ensure that the continuing connected transactions will be carried out in accordance with the terms of each of the IRICO Group Master Purchase Agreement, the Zhongdian IRICO Master Purchase Agreement and the Comprehensive Financial Cooperation Agreement and the relevant pricing principles.
4. The independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the continuing connected transactions every year in accordance with the requirements of the Listing Rules.

In addition, the Company has strict internal control policies over financial services transactions, including the following:

Before each new deposit, the relevant personnel of the finance department of the Company will, based on the Group's demand for deposits, compare the deposit interest rates quoted from other independent third parties (including at least three financial institutions and commercial banks in the PRC) and from the People's Bank of China, and such research and comparison results will be reported by the relevant personnel of the finance department to the head of the finance department of the Company. Based on the aforementioned research and comparison results, the head of the finance department of the Company will make sure the interest rates receivable by the Company for the Company's deposits with CEC Finance shall not be lower than the interest rates receivable from those offered by other independent commercial banks for comparable deposits during the same period. Moreover, pursuant to the Comprehensive Financial Cooperation Agreement, CEC, the substantial shareholder of CEC Finance, undertakes to increase the capital accordingly in accordance with the actual needs for resolving the payment difficulties in case of an emergency situation where CEC Finance has difficulties in making payments, and the Group's deposits under the Comprehensive Financial Cooperation Agreement are guaranteed to a certain extent.

As advised by the management of the Company, in order to monitor the Group's deposits will not exceed the maximum daily balance of the Group's deposits with CEC Finance, the finance department will prepare the daily bank account report which list all bank account of the Group, the currency and the balance. Such report will then be reviewed by the head of the finance department of the Company to ensure the daily balance of the Group's deposits with CEC Finance do not exceed the proposed annual caps.

In assessing whether the Company has put in place effective internal control procedures for the Continuing Connected Transactions, we have obtained and reviewed the following documents: (i) the internal control policies governing the continuing connected transactions of the Company provided by the management of the Company in order to understand the design of the Company's internal control system; (ii) the document prepared by the finance department for the reporting to the Board in relation to the historical continuing connected transactions; (iii) quotations from independent third parties obtained by the business planning executives and relevant assessment records by the head of procurement department of the Group; (iv) the board resolutions concerning the Continuing Connected Transactions; (v) the independent non-executive Directors' letter of confirmation concerning the continuing connected transactions for the year ended 31 December 2023; and (vi) the auditors' letter concerning the continuing connected transactions for the year ended 31 December 2023. We note that the above documents were prepared in accordance with the internal control policies of the Company and they were in compliance with the relevant requirements under the Listing Rules. Therefore, we are of the view that the Company has put in place effective internal control procedures for the Continuing Connected Transactions.

Taking into account the conditions attached to the Continuing Connected Transactions, in particular (i) the restriction by way of setting the respective proposed annual caps; and (ii) the compliance with all other relevant requirements under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the Continuing Connected Transactions), we consider that the Company has taken appropriate measures to govern the Group in carrying out the Continuing Connected Transactions thereby safeguarding the interests of the Shareholders thereunder.

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the terms of the Continuing Connected Transactions (including the respective proposed annual caps) are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favor of the ordinary resolutions to be proposed at the EGM for approving the terms of the Continuing Connected Transactions (including the respective proposed annual caps).

Yours faithfully,
For and on behalf of
Octal Capital Limited



Alan Fung
Managing Director



Louis Chan
Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 30 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.