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

If you have sold or transferred all your shares in Xinte Energy Co., Ltd., you should at once hand this circular and the accompanying form of proxy and reply slip to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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新特能源

XINTE ENERGY CO., LTD.

新特能源股份有限公司

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

(Stock Code: 1799)

**36,000-TON-PER-ANNUM HIGH-PURITY POLYSILICON
PRODUCTION UPGRADE PROJECT
ENTERING INTO NEW CONTINUING CONNECTED TRANSACTION
RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
REVISED NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 6 to 34 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 35 to 36 of this circular. A letter from the Independent Financial Adviser, TC Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 37 to 58 of this circular.

The first extraordinary general meeting (the "EGM") of 2018 of the Company to be held at the Conference Room, 21 Floor, TBEA Co., Ltd. at No.189, Beijing South Road, Changji, Xinjiang, the PRC at 11:00 a.m. on Monday, 16 April 2018. The Revised Notice of EGM is set out in this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For holders of H Shares, the form of proxy should be returned to Computershare Hong Kong Investor Services Limited and for holders of Domestic Shares, the form of proxy should be returned to the Company's Board secretary office not less than 24 hours before the time fixed for holding the EGM (i.e. no later than 11:00 a.m. on Sunday, 15 April 2018) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting should you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the accompanying reply slip to (for holders of H Shares) Computershare Hong Kong Investor Services Limited or to (for holders of Domestic Shares) the Company's Board secretary office, such that the reply slip shall be received by the Company 20 days before the EGM (i.e. on or before 27 March 2018).

27 March 2018

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DEFINITIONS

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

“36,000-ton-per-annum Polysilicon Project” or “the Project”	the investment into and construction of a 36,000-ton-per-annum high-purity polysilicon industrial upgrade project
“Articles” or “Articles of Association”	the articles of association adopted by the Company
“Board of Directors” or “Board”	the board of directors of the Company
“Company” or “our Company” or “we” or “us”	Xinte Energy Co., Ltd. (新特能源股份有限公司), a joint stock limited company incorporated in the PRC and its H Shares are listed on the Hong Kong Stock Exchange
“Connected Person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Connected Transaction(s)”	has the same meaning as ascribed to it under the Listing Rules
“Continuing Connected Transaction(s)”	has the same meaning as ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Domestic Shares”	ordinary shares in the Company’s share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“EGM”	the first extraordinary general meeting for the year 2018 to be held by the Company at the Conference Room, 21 Floor, TBEA Co., Ltd. at No. 189, Beijing South Road, Changji, Xinjiang, the PRC at 11:00 a.m. on Monday, 16 April 2018
“Executive Director(s)”	executive director(s) of the Company
“Existing Coal Procurement Framework Agreement (Type 2)”	the coal procurement framework agreement entered into by the Company and TBEA on 30 October 2015, and revised by the Board on 24 March 2016
“Existing Miscellaneous Services Framework Agreement (Type 4)”	the miscellaneous construction services framework agreement entered into by the Company and TBEA on 30 October 2015, and revised by the Board on 24 March 2016
“Existing Miscellaneous Services Framework Agreement (Type 5)”	the procurement of miscellaneous services framework agreement entered into by the Company and Xinjiang Tebian on 30 October 2015, and revised by the Board on 24 March 2016
“Existing Product Procurement Framework Agreement (Type 1)”	the product procurement framework agreement entered into by the Company and TBEA on 30 October 2015, and revised on the Board’s recommendation on 24 March 2016 and subsequently approved at the Shareholders’ annual general meeting of the Company on 16 June 2016

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“Existing Product Procurement Framework Agreement (Type 3)”	the product procurement framework agreement entered into by the Company and Xinjiang Tebian on 30 October 2015, and revised by the Board on 24 March 2016
“Existing TBEA Procurement Agreements ”	the Existing Product Procurement Framework Agreement (Type 1), Existing Coal Procurement Framework Agreement (Type 2) and Existing Miscellaneous Services Framework Agreement (Type 4)
“Existing TBEA Procurement Transactions ”	The continuing connected transactions contemplated under the Existing Product Procurement Framework Agreement (Type 1), Existing Coal Procurement Framework Agreement (Type 2) and Existing Miscellaneous Services Framework Agreement (Type 4)
“Existing Xinjiang Tebian Procurement Agreements”	the Existing Product Procurement Framework Agreement (Type 3) and Existing Miscellaneous Services Framework Agreement (Type 5)
“Existing Xinjiang Tebian Procurement Transactions”	The continuing connected transactions contemplated under the Existing Product Procurement Framework Agreement (Type 3) and Existing Miscellaneous Services Framework Agreement (Type 5)
“Framework Agreements”	TBEA Framework Agreements and Xinjiang Tebian Framework Agreements
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares in the Company’s share capital with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus, established to advise the Independent Shareholders on the TBEA Procurement Transactions, the TBEA Proposed Annual Caps, Xinjiang Tebian Procurement Transactions and the Xinjiang Tebian Proposed Annual Caps
“Independent Financial Adviser” or “TC Capital”	TC Capital International Limited, the independent financial adviser to the independent board committee of the Company and the independent Shareholders and a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Non-executive Director(s)”	independent non-executive director(s) of the Company

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“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules, and in relation to the Company means the Shareholders other than TBEA and its associates for Type 1 Transaction, Type 2 Transaction and Type 4 Transaction and the Shareholders other than Xinjiang Tebian and its associates for Type 3 Transaction, Type 5 Transaction and Type 6 Transaction
“Latest Practicable Date”	26 March 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“New Coal Procurement Framework Agreement (Type 2)” or “Type 2 Transaction”	the coal procurement framework agreement entered into by the Company and TBEA on 15 December 2017
“New Miscellaneous Services Framework Agreement (Type 4)” or “Type 4 Transaction”	the miscellaneous services framework agreement entered into by the Company and TBEA on 15 December 2017
“New Miscellaneous Services Framework Agreement (Type 5)” or “Type 5 Transaction”	the miscellaneous services framework agreement entered into by the Company and Xinjiang Tebian on 15 December 2017
“New Product Procurement Framework Agreement (Type 1)” or “Type 1 Transaction”	the product procurement framework agreement entered into by the Company and TBEA on 15 December 2017
“New Product Procurement Framework Agreement (Type 3)” or “Type 3 Transaction”	the product procurement framework agreement entered into by the Company and Xinjiang Tebian on 15 December 2017
“Non-executive Director(s)”	non-executive director(s) of the Company
“Revised Notice of EGM”	the revised notice convening the EGM
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Procurement Requirements”	requirements issued to the Company’s procurement department by the Group based on its business needs
“Qualified Supplier(s)”	supplier(s) assessed as qualified and listed as qualified supplier(s)

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“Qualified Supplier Application”	application as a Qualified Supplier submitted during the Company’s Qualified Supplier assessment process
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of Shares
“Shares”	shares in the share capital of the Company, with a nominal value of RMB1.00 each, including Domestic Shares and H Shares
“subsidiary” or “subsidiaries”	has the meaning as ascribed to it under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company
“TBEA”	TBEA Co., Ltd. (特變電工股份有限公司), a joint stock company incorporated in the PRC on 26 February 1993. TBEA is our controlling shareholder
“TBEA Framework Agreements”	Type 1 Transaction, Type 2 Transaction, and Type 4 Transaction
“TBEA Procurement Transactions”	transactions contemplated under Type 1 Transaction, Type 2 Transaction, and Type 4 Transaction
“TBEA Proposed Annual Caps”	the aggregated total annual cap of the TBEA Procurement Transactions
“Transportation Services Framework Agreement (Type 6)” or “Type 6 Transaction”	the transportation services framework agreement entered into between the Company and Xinjiang Tebian on 15 December 2017
“Xinjiang Tebian”	Xinjiang Tebian (Group) Co., Ltd. (新疆特變電工集團有限公司) held 5.57% equity interest in our Company as of the Latest Practicable Date. Xinjiang Tebian is a Connected Person of our Company as it is a controlled company with more than 30% of its equity interest being held, directly or indirectly, by Mr. Zhang Xin who is a Connected Person of our Company by virtue of his position as our Director
“Xinjiang Tebian Framework Agreements”	Type 3 Transaction, Type 5 Transaction, and Type 6 Transaction

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“Xinjiang Tebian Procurement Transactions”	transactions contemplated under Type 3 Transaction, Type 5 Transaction, and Type 6 Transaction
“Xinjiang Tebian Proposed Annual Caps”	the aggregated total annual cap of the Xinjiang Tebian Framework Agreements
“Xinjiang Tianchi”	Xinjiang Tianchi Energy Co., Ltd. (新疆天池能源有限責任公司), a company with limited liability incorporated in the PRC on 29 November 2002 and is a subsidiary of TBEA
“Zhongjiang Logistics”	Zhongjiang Logistics Co., Ltd. (中疆物流有限責任公司), a company with limited liability incorporated in the PRC on 4 May 2011 and is a subsidiary of Xinjiang Tebian

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新特能源股份有限公司

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

(Stock Code: 1799)

Executive Directors:

Mr. Zhang Jianxin (*Chairman*)
Mr. Ma Xuping
Mr. Yin Bo

Non-executive Directors:

Mr. Zhang Xin
Ms. Guo Junxiang
Mr. Tao Tao

Independent Non-executive Directors:

Mr. Qin Haiyan
Mr. Yang Deren
Mr. Wong, Yui Keung Marcellus

Registered office in the PRC:

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Ganquanpu Economic and
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High-tech Industrial Development Zone
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Principal place of business in Hong Kong:

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28 Queen's Road East
Wanchai, Hong Kong

27 March 2018

To the Shareholders

Dear Sir or Madam,

**36,000-TON-PER-ANNUM HIGH-PURITY POLYSILICON
PRODUCTION UPGRADE PROJECT
ENTERING INTO NEW CONTINUING CONNECTED TRANSACTION
RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
REVISED NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

References are made to (i) the announcement of the Company dated 15 December 2017 in relation to the entering into the New Product Procurement Framework Agreement (Type 1), the New Coal Procurement Framework Agreement (Type 2) and the New Miscellaneous Services Framework Agreement (Type 4) with TBEA and the New Product Procurement Framework Agreement (Type 3), the New Miscellaneous Services Framework Agreement (Type 5) and the Transportation Services Framework

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Agreement (Type 6) with Xinjiang Tebian; (ii) the Notice of EGM dated 27 February 2018; (iii) the announcement of the Company dated 27 February 2018 in relation to the 3,600-ton-per-annum Polysilicon Project; and (iv) the further announcement of the Company dated 1 March 2018 in relation to the entering and renewal of continuing connected transactions. As the Group intends to implement a 36,000-ton Polysilicon Project and to continue carrying out the continuing connected transactions with TBEA and Xinjiang Tebian respectively in the ordinary and usual course of business of the Group, the Board entered into the Framework Agreements on 15 December 2017 and proposed that the annual caps for TBEA Procurement Transactions and Xinjiang Tebian Procurement Transactions with TBEA and Xinjiang Tebian respectively in respect of the years ending 31 December 2018, 2019 and 2020.

The purpose of this circular is to give you the Revised Notice of EGM and provide you with relevant information to enable you to make informed decision on whether to vote for or against the resolutions (among others) to be proposed at the meeting for the following issues, to be approved by way of ordinary or resolutions:

- (i) the information in relation to 36,000-ton-per-annum Polysilicon Project;
- (ii) the information of continuing connected transactions with TBEA contemplated under the New Product Procurement Framework Agreement (Type 1), the New Coal Procurement Framework Agreement (Type 2) and the New Miscellaneous Services Framework Agreement (Type 4) and the proposed annual caps of the New Product Procurement Framework Agreement (Type 1), New Coal Procurement Framework Agreement (Type 2) and the New Miscellaneous Services Framework Agreement (Type 4);
- (iii) the information of continuing connected transactions with Xinjiang Tebian contemplated under the New Product Procurement Framework Agreement (Type 3), the New Miscellaneous Services Framework Agreement (Type 5) and the Transportation Services Framework Agreement (Type 6) and the proposed annual caps of the New Product Procurement Framework Agreement (Type 3), the New Miscellaneous Services Framework Agreement (Type 5) and the Transportation Services Framework Agreement (Type 6);
- (iv) a letter from TC Capital (containing its advice to the Independent Board Committee and the Independent Shareholders on the TBEA Procurement Transactions with TBEA contemplated under the TBEA Framework Agreements and the respective proposed annual caps and Xinjiang Tebian Procurement Transactions with Xinjiang Tebian contemplated under the Xinjiang Tebian Framework Agreements respectively and the respective proposed annual caps);
- (v) recommendation of the Independent Board Committee to the Independent Shareholders; and
- (vi) a revised notice convening an EGM for considering and, if thought fit, approving (i) the Project, which will increase the Company's total polysilicon production capacity to 66,000 tons per annum, (ii) the continuing connected transactions with TBEA contemplated under New Product Procurement Framework Agreement (Type 1) and the proposed annual caps of the New Product Procurement Framework Agreement (Type 1); (iii) the continuing connected transactions with TBEA contemplated under the New Coal Procurement Framework Agreement (Type 2) and the proposed annual caps of the New Coal Procurement Framework Agreement (Type 2); (iv) the continuing connected transactions with TBEA contemplated under the New Miscellaneous Services Framework Agreement (Type 4) and the proposed annual caps of the New Miscellaneous Services Framework Agreement; (v) the continuing connected transactions with Xinjiang Tebian contemplated under the New Product Procurement Framework Agreement (Type 3) and the proposed annual caps of the New Product Procurement Framework Agreement (Type 3); (vi) the continuing connected transactions with Xinjiang Tebian contemplated under the New Miscellaneous Services Framework Agreement (Type 5) and the proposed annual caps of the New Miscellaneous Services Framework Agreement (Type 5); and (vii) the continuing

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connected transactions with Xinjiang Tebian contemplated under the Transportation Services Framework Agreement (Type 6) and the proposed annual caps of the Transportation Services Framework Agreement (Type 6).

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders on the TBEA Framework Agreements and Xinjiang Tebian Framework Agreements at the EGM.

2. 36,000-TON-PER-ANNUM HIGH-PURITY POLYSILICON PRODUCTION UPGRADE PROJECT

2.1. Background of the Project

The Company is a globally leading producer of polysilicon. In order to enhance the Company's core competitiveness, implement its competitive resource conversion strategies, and fully utilise its scale effect to lower costs and increase profitability, the Company intends to invest in the construction of the Project, which, upon completion, will increase the Company's total annual polysilicon production capacity to 66,000 tons.

2.2. Details of the Project

To seize the market by taking the opportunity of the rapidly developing photovoltaic industry, as well as to meet the growing market demand for low-cost and high-quality polysilicon, the Company plans to implement the Project. This is to ensure and consolidate the Company's leading position in the industry by continuous improvement of its polysilicon production capacity and quality and further lowering of its costs.

The total investment of the Project amounts to RMB4,065 million, and the capital amount accounts approximately for 30% of the total investment (i.e. RMB1,200 million), which will be contributed by the proposed investor of the Company. The other construction funds required for the Project will be supported by other means such as bank loans and finance leases.

The Company intends to introduce investors and jointly establish a project company for the implementation of the Project. The planned registered capital of the project company is RMB1,200 million. The Company plans to contribute to approximately 70% of the registered capital of the project company. The proposed investors will contribute to approximately 30% of the registered capital of the project company. In the event that the proposed investors do not contribute sufficient capital, the remaining portion of the registered capital will be funded by the Company. As at the Latest Practicable Date, the Company has not yet selected any investor for the joint implementation of the Project, or reached an agreement with any investor on any substantive terms of cooperation. If the Company has finalised the terms with any investor in relation to the establishment of the project company, an announcement will be made by the Company as and when appropriate according to the Listing Rules.

2.3. Reasons for and Benefits of Implementing the Project

The cost of electricity accounts for a significant part of the production cost of polysilicon. At present, the Company has a 2×350MW self-owned power plant, and by taking advantage of the low-cost coal supply from coal resources-abundant Xinjiang, the low-cost electricity can reduce the Company's production costs and enhance the Company's competitiveness in the production of polysilicon. The Project could increase the production capacity, increase the power generation hours of the self-owned power plant and allow full utilisation of its power generated. These will further

LETTER FROM THE BOARD

drive down the unit production cost of polysilicon, enhance product competitiveness and maximise the Company's overall benefits. The Company has nearly ten years of polysilicon production and management experience, has mastered the improved polysilicon production technology and skills, and has trained up a team with good experience in technology transformation, project management, research and development, production and safety management. They play indispensable roles in the production management process. In addition, the implementation of the Project facilitates the interactive advantage of the Company's upstream and downstream industry chain, forming strategic cooperative relationship with enterprises in the industry and realising the effect of synergistic development of the upstream and downstream and enjoying a magnificent advantage in the industry chain.

The Directors (including independent non-executive Directors) consider the implementation of the Project will be beneficial for the Company to utilise its advantages in resources and in the industry chain, as a result enhancing its competitiveness, facilitating the transformation of its advantage in resources to economic advantage, enabling full utilisation of its scale effect to lower production costs and improved profitability, all of which are beneficial to a healthy, long-term and sustainable development of the Company's new energy businesses, and in the interest of the Company and the Shareholders as a whole.

2.4. Implications of the Listing Rules

As the Company's business includes mainly the production of polysilicon, and engineering and construction contracting service for photovoltaic and wind power projects, the Company's implementation of the Project is for the use in daily business operation of the Group. As a result, the 36,000-ton Polysilicon Project does not constitute a discloseable transaction under Chapter 14 of the Listing Rules, nor does it constitute a connected transaction under Chapter 14A of the Listing Rules. During the implementation of the Project, if the agreement signed between the Company and other suppliers or investors meets the disclosure requirements, announcement(s) will be made upon the entering into the relevant contracts in accordance with the Listing Rules (if required).

In accordance with the Articles of Association, where the investment amount accounts for or exceeds 10% of the Company's most recent audited net assets, the appropriation of investment is subject to the approval of the Shareholders in the general meeting of the Company. As the total investment amount in the Project exceeds 10% of the Company's audited net assets of the most recent financial year, a general meeting of the Company shall be convened and approval from the Shareholders should be obtained in accordance with the Articles of Association.

The Company's Directors (including independent non-executive Directors) consider that the implementation of the Project is conducive to enhancing the profitability and competitiveness of the Company and in the interests of the Company and the Shareholders as a whole. None of the Directors has any material interest in the Project. The Board of the Company has convened an onsite meeting, at which the Directors (including the independent nonexecutive Directors) unanimously passed the resolution in relation to the Project.

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, none of the Shareholders has any material interests in the Project. As a result, none of the Shareholders will be required to abstain from voting at the general meeting convened by the Company for voting on the Project.

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3. THE CONTINUING CONNECTED TRANSACTIONS WITH TBEA

3.1. Background

References are made to the Company's announcement dated 24 March 2016, the annual general meeting circular dated 29 April 2016, the annual general meeting poll results announcement dated 16 June 2016, the announcements dated 15 December 2017 and 1 March 2018, in relation to, among other things, the Company's Continuing Connected Transactions with TBEA.

In view of the impending expiration of the continuing connected transaction framework agreements between the Company and TBEA on 31 December 2017, and as the Group intended to continue carrying out the transactions in the ordinary and usual course of business of the Group and in consideration of the developmental needs of the Company and TBEA as well as other factors, the Board announced that on 15 December 2017, the Company proposed to renew the following continuing connected transaction framework agreements and proposed to determine the annual caps for the three years ending 31 December 2018, 2019 and 2020. The Company announced that on 15 December 2017:

- (1) The Company and TBEA entered into the New Product Procurement Framework Agreement (Type 1) for a term of three years commencing from 1 January 2018;
- (2) The Company and TBEA entered into the New Coal Procurement Framework Agreement (Type 2) for a term of three years commencing from 1 January 2018; and
- (3) The Company and TBEA entered into the New Miscellaneous Services Framework Agreement (Type 4) for a term of three years commencing from 1 January 2018.

The TBEA Procurement Transactions entered between the Group and TBEA will be subject to the TBEA Proposed Annual Caps for the three years ending 31 December 2018, 2019 and 2020.

3.2. Product Procurement from TBEA

(a) Background

In view of the impending expiry of the Existing Product Procurement Framework Agreement (Type 1) on 31 December 2017, the Company entered into the New Product Procurement Framework Agreement (Type 1) with TBEA on 15 December 2017, under which the Company would procure from TBEA and/or its associates transformers (including ancillary equipment), wires, cables and other equipment. The New Product Procurement Framework Agreement (Type 1) has a term of three years, commencing from 1 January 2018 and expiring on 31 December 2020, and may be extended subject to mutual consent and in compliance with the Listing Rules. The relevant subsidiaries or associates of both parties will enter into separate agreements, which will set out specific terms and conditions (including pricing, settlement terms and quality standards) on the basis of normal commercial terms provided in the New Product Procurement Framework Agreement (Type 1).

(b) Reasons for the benefit of conducting the transaction

In view of past collaborating experience with TBEA, the quality of TBEA's products is good and enjoys a leading position in the transformers industry market. In recent years, the

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Company has used more of TBEA's products such as transformers, wires and cables in PV and wind power station construction. Products supplied by TBEA have played a key role in the construction quality and long-term stable operations of our PV and wind power stations. As such products are necessities of our business operations, we generally procure the relevant equipment through a competitive bidding tender process and market price comparisons. At the same time, in the Company's tender process, as TBEA possesses relative edge due to its product price, quality, delivery schedule and payment terms, TBEA and/or its associates participated and won parts of the tender.

(c) Pricing principles

To ensure that the terms and prices provided by TBEA and/or its associates are fair and reasonable and in line with market practices, as there is neither government-prescribed price nor government-guidance price available for the transactions, we have and will continue to adopt the following tender process and principles to determine the procurement prices of procurement from TBEA:

- The Company's business department and the Company's subsidiaries will on the basis of their business needs submit procurement requests to the Company's procurement department.
- Once the Company's Procurement Department receives the procurement requests from the business department and the Company's subsidiaries, the Company's procurement department will on the basis of the procurement requirements extend the tender invitation to Qualified Suppliers to invite them to participate in bidding. For further details on the Company's assessment standards for Qualified Suppliers, please refer to the section headed "Assessment of Qualified Suppliers".
- Based on the Company's internal procurement procedure requirements, it will invite no less than five suppliers to participate in bidding. When there are no less than three assessable tenders, the Company will start the assessment process.
- Once all tenders are received from bidders, the bid assessment committee (comprised of representatives from the procurement department (including the procurement and supply chain management department), the supervisory department (including the finance, legal and audit departments), the engineering department, the technical department and the tender management department, other senior management staff (including the deputy general manager(s), the chief accountant and the general manager (excluding Connected Persons or associates of Connected Persons of the management)) and representatives from the department which made the initial procurement request) will consider factors such as product features and quality requirements, in order to consider the tender which best fits the business needs and satisfies the tender requirements.
- Based on the foregoing factors, the bid assessment committee (focused only on bid assessment) will assess the tender and make a final decision to accept the tender. The winning bid of which will be the one with the lowest tender amount in accordance with the assessment factors and procedures on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability, specification and historical relationship) as set out in the bid invitation

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to satisfy the business needs of the Company. For further details on the assessment procedures, please refer to the section headed “Assessment Factors and Process” below.

Once a tender is chosen, the procurement department will contact the bidder and negotiate miscellaneous terms of the agreement. However, the price and quality terms of the products will not be further discussed, and the original bidding terms will be adopted in the final contract. Once the terms are finalised, the Company will enter into a contract with the supplier and arrange for delivery of the products. The entire tender process generally takes five to seven days.

3.3. Coal Procurement from TBEA

(a) Background

In view of the impending expiry of the Existing Coal Procurement Framework Agreement (Type 2) on 31 December 2017, the Company entered into the New Coal Procurement Framework Agreement (Type 2) with TBEA on 15 December 2017, under which TBEA and/or its associates would supply coal to the Company. According to the New Coal Procurement Framework Agreement (Type 2), Xinjiang Tianchi would provide coal to the Company (inclusive of part of the transportation costs) for the Company’s use in power generation and heat supply. The New Coal Procurement Framework Agreement (Type 2) has a term of three years, commencing from 1 January 2018 and expiring on 31 December 2020, and may be extended subject to mutual consent and in compliance with the Listing Rules. The relevant subsidiaries or associates of both parties will enter into separate agreements, which will set out specific terms and conditions (including pricing, settlement terms, and quality standards) on the basis of the normal commercial terms provided in the New Coal Procurement Framework Agreement (Type 2).

(b) Reasons for the benefit of conducting the transaction

Xinjiang Tianchi currently owns two open pit coal mines with a total coal reserve of 12 billion tons. The coal procured by the Company is mainly consumed in power generation and heating supply. In the past, we have procured coal from Xinjiang Tianchi. Xinjiang Tianchi’s coal has a low stripping ratio, and its mining scale is huge, which confers clear advantage in terms of cost price over its competitors. Xinjiang Tianchi’s coal is of good quality and is stably supplied, it has a clear edge in scale, and it can provide coal to us at lower transportation costs given the proximity of its coal mines to the Company.

(c) Pricing principles

As there is neither government-prescribed price nor government-guidance price available for the transaction, to ensure that the coal procurement terms and prices provided by TBEA and/or its associates are fair and reasonable and in line with market practices, we have and will continue to adopt the following measures and principles to determine the coal procurement prices:

- We will invite at least three coal suppliers in the market to provide quotes for similar quality of coal (with comparable conditions including but not limited quality of coal, delivery terms and available quality), among which two of the coal suppliers are independent third parties. The final coal supplier will be determined after considering multiple factors, including whether the coal supplied comply with the coal quality

LETTER FROM THE BOARD

requirements of the furnace used in our power plants, prices, supplier distance, transportation costs, supplier's scale, supplier's management level, and whether the supplier can provide sufficient and stable supplies.

- The Company will collect sales price data from different coal suppliers located in the same or neighbouring regions and whom are able to provide coal which meets the requirements of our standards.
- Through fair negotiations with the coal supplier (including independent third-parties), we can determine a reasonable procurement price for the procurement of coal.

3.4. Miscellaneous Services from TBEA

(a) Background

In view of the impending expiry of the Existing Miscellaneous Services Framework Agreement (Type 4) on 31 December 2017, the Company entered into the New Miscellaneous Services Framework Agreement (Type 4) with TBEA on 15 December 2017, under which TBEA and/or its associates will provide to the Company miscellaneous construction services (such as engineering construction, greenification services, installation of water, electricity, heating facilities). The engineering construction services under Type 4 miscellaneous services include the installation of equipment and products in the substation and step up station in the power plant under Engineering Procurement-Construction model, Procurement-Construction model and Build-Transfer model. Moreover, the engineering construction service, the greenification services, and installation of water, electricity and heating facilities services are mainly for the maintenance of the industrial sites office of the management officials, the corresponding dormitory and production manufacturing. These production sites are mainly used for the production of polysilicon, for electricity generation, inverter, static VAR generators and flexible direct current production. The greenification services, and installation of water, electricity and heating facilities services may also be used to maintain, assess and enhance the industrial sites office of the management officials, the corresponding dormitory and production manufacturing which also includes the self-owned power plants.

The New Miscellaneous Services Framework Agreement (Type 4) has a term of three years, commencing from 1 January 2018 and expiring on 31 December 2020, and may be extended subject to mutual consent and in compliance with Listing Rules. The relevant subsidiaries or associates of both parties will enter into separate agreements, which will set out specific terms and conditions (including pricing, settlement terms, and quality standards) on the basis of the normal commercial terms provided in the New Miscellaneous Services Framework Agreement (Type 4).

(b) Reasons for and benefit of conducting the transaction

TBEA has constructed many power transmission and transformation full-package projects overseas. TBEA's miscellaneous construction services mainly include provision of construction of transformers and step-up stations in PV and wind power stations, which are key for the connection of PV and wind power stations to the main power grid. TBEA has a relatively strong edge in aspects such as price, construction quality, and delivery period.

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The services consumed by the Company under Type 4 Transaction which is of supporting nature for its construction and maintenance of site area for the production sites and other ancillary construction work for all the ordinary course of business of the Group, including the installation services for production sites, substations for transformer and booster stations.

We believe that TBEA's construction quality, work period, and service capacity all meet the Company's requirements for Qualified Suppliers, and are more able to understand our needs and requirements for miscellaneous construction services compared to independent third parties.

(c) Pricing principles

To ensure that the terms and prices provided by TBEA and/or its associates are fair and reasonable and in line with market practices, as there is neither government-prescribed price nor government-guidance price available for the transaction, we have and will continue to adopt the following tender process and principles to determine the prices of miscellaneous services:

- The Company's business department and the Company's subsidiaries will on the basis of their business needs submit procurement requests to the Company's procurement department.
- Once the Company's procurement department receives the procurement requests from the business department and the Company's subsidiaries, the Company's procurement department will on the basis of the Procurement Requirements extend the tender invitation to Qualified Suppliers to invite them to participate in bidding. For further details on the Company's assessment standards for Qualified Suppliers, please refer to the section headed "Assessment of Qualified Suppliers".
- Based on the Company's internal procurement procedure requirements, it will invite no less than five suppliers to participate in bidding. When there are no less than three assessable tenders, the Company will start the assessment process.
- Once all tenders are received from bidders, the bid assessment committee (comprised of representatives from the procurement department (including the procurement and supply chain management department), the supervisory department (including the finance, legal and audit departments), the engineering department, the technical department and the tender management department, other senior management staff (including the deputy general manager(s), chief accountant and the general manager (excluding Connected Persons or associates of Connected Persons of the management)) and representatives from the department which made the initial procurement request) will consider factors such as product features and quality requirements, in order to consider the tender which best fits the business needs and satisfies the tender requirements.
- Based on the foregoing factors, the bid assessment committee (focused only on bid assessment) will assess the tender and make the final decision to accept the tender. The winning bid of which will be the one with the lowest tender amount in accordance with the assessment factors and procedures on the condition that the bidder conformed to all the essential requirements (including but not limited to relevant experience, capability, specification and historical relationship) as set out in the bid invitation to satisfy the business needs of the Company. For further details on the assessment procedures, please refer to the section headed "Assessment Factors and Process" below.

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Once a tender is chosen, the procurement department will contact the bidder and negotiate miscellaneous terms of the agreement. However, the price and quality terms of the products will not be further discussed, and the original bidding terms will be adopted in the final contract. Once the terms are finalised, the Company will enter into a contract with the supplier and arrange for delivery of the products. The entire tender process generally takes five to seven days.

4. HISTORICAL AMOUNTS AND THE EXISTING ANNUAL CAPS FOR TBEA FRAMEWORK AGREEMENTS

The table below sets out, in relation to TBEA, the historical transaction amounts paid by the company during the periods indicated below and the respective existing annual caps (as aggregated).

Existing Product Procurement Framework Agreement (Type 1)

	Year ended 31 December 2015 (RMB)	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)
Historical transaction amount	<u>389,533,636</u>	<u>231,440,000</u>	<u>338,827,545</u>

Existing Coal Procurement Framework Agreement (Type 2)

	Year ended 31 December 2015 (RMB)	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)
Historical transaction amount	<u>149,434,303</u>	<u>168,848,873</u>	<u>139,733,480</u>

Existing Miscellaneous Service Framework Agreement (Type 4)

	Year ended 31 December 2015 (RMB)	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)
Historical transaction amount	<u>22,095,190</u>	<u>29,106,566</u>	<u>59,723,325</u>

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Total of historical transactions of the Existing TBEA Procurement Transactions

	Year ended 31 December 2015 (RMB)	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)
Total	<u>561,063,129</u>	<u>429,395,439</u>	<u>538,284,350</u>

Existing annual caps of the Existing TBEA Procurement Transactions

	Year ended 31 December 2015 (RMB)	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)
Total	<u>265,000,000</u>	<u>900,000,000</u>	<u>1,050,000,000</u>

5. TBEA PROPOSED ANNUAL CAPS AND THE BASIS FOR CAPS

The Board proposes that the below proposed annual caps be set for the transactions with TBEA and/or its associates in respect of the years ending 31 December, 2018, 2019, 2020:

	Proposed Annual Caps For the year ending 31 December		
	2018 (RMB)	2019 (RMB)	2020 (RMB)
Type 1 Transaction	350,000,000	350,000,000	350,000,000
Type 2 Transaction	300,000,000	300,000,000	300,000,000
Type 4 Transaction	250,000,000	250,000,000	250,000,000
TBEA Proposed Annual Caps	<u>900,000,000</u>	<u>900,000,000</u>	<u>900,000,000</u>

5.1. Basis of determining the proposed annual caps for Type 1 Transaction

In response to the Company's actual business scale and transaction volumes, the Company entered into the New Product Procurement Framework Agreement (Type 1) and proposes to determine the annual caps for the three years ending 31 December 2018, 2019 and 2020 in order to cater to the Company's business development. According to the National Energy Administration's "Guidance and Comments on the Implementation of the "13th Five-Year" Plan for Renewable Energy Development" (《關於可再生能源發展“十三五”規劃實施的指導意見》), the PRC government will make a strong drive in energy structure adjustment, promoting the development of wind energy and solar energy, and raising planned on-grid installation targets, in order to tackle problems such as wind and PV power curtailment and insufficient subsidy funding, realising sustainable, healthy and ordered development of the renewable energy industry. Thus, the Company, with the benefit from the favourable national policy, is expected to sustain robust development of its businesses, and maintain stable demand of transformers (including ancillary equipment), wires, cables and other equipment.

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The Company intends to construct power station with capacity of at least 1.8GW, 1.8GW and 1.8GW in PRC for the three years ending 31 December 2020 respectively. The estimated total cost for transformers (including ancillary equipment), wires and cables are approximately RMB700 million for each of the year 2018 to 2020 for power station construction with 1.8GW. The proposed annual caps of the New Product Procurement Framework Agreement (Type 1) are based on the estimated total cost of approximately RMB700 million for transformers (including ancillary equipment), wires and cables for constructing power station with capacity of 1.8GW is reference to (i) the Group's business plan on the construction of power stations with at least 1.8GW for each of the year 2018 to 2020 in PRC and the estimated cost for the transformers (including ancillary equipment), wires and cables of approximately RMB700 million with reference to the historical transaction amount with similar capacity of construction; (ii) the highest historical successful bidding rate of TBEA with approximately 54.1%; (iii) the historical transaction amount between the group of TBEA and the Group were in line with the Group's construction plan; and (iv) the average of approximately RMB320 million for the three years ended 31 December 2017.

5.2. Basis of determining the proposed annual caps for Type 2 Transaction

The Company's polysilicon technological transformation project has been completed in the first half of 2017, and polysilicon production capacity will reach 30,000 tons annually. As the Company's polysilicon production capacity increases, demand for power supplied from self-owned power plants rises, operating hours of self-owned power plants increases, and the demand of coal used for power generation increases. Meanwhile, the PRC government has strengthened its effort on the reformation of environmental protection, eliminated outdated power generation plants and shut down a number of small coal mines that did not meet production conditions, resulting in reduced supply on the coal market and rise in coal prices. In determining the annual caps, the Company has taken into account factors including the increase in demand of coal for power generation and the increase in the price of coal.

The annual production for polysilicon increased from approximately 22,800 tons/year for the year ended 31 December 2016 to 27,000 tons/year for the year ended 31 December 2017 after the completion of the technological transformation project and the Company expects the annual production for polysilicon to be stable and maintain the annual production for polysilicon at approximately 33,000 tons/year. The proposed annual caps of the New Coal Procurement Framework Agreement (Type 2) are based on (i) the historical transaction amount of approximately RMB218.4 million for the total coal purchased of the Group for the year ended 31 December 2017; (ii) the coal consumption of the Group increased approximately 13.8% with reference to the increased annual production capacity; (iii) long term business relationship between the Xinjiang Tianchi; (iv) the stable supply of the coal in good quality from Xinjiang Tianchi; (v) increasing coal price in Xinjiang district from 2017 to 2018; (vi) the coal price restricted by the government body; and (vii) according to the quotation from independent third party for the coal price for 2017 and 2018, the coal price increased approximately 15.9% from 2017 to 2018.

5.3. Basis of determining the proposed annual caps for Type 4 Transaction

In response to the Company's actual business needs, the Company proposed to determine the annual caps for the three years ending 31 December 2018, 2019 and 2020 for the proposed transactions under the New Miscellaneous Services Framework Agreement (Type 4), in order to cater to the Company's business development. According to the National Energy Administration's "Guidance and Comments on the Implementation of the "13th Five-Year" Plan for Renewable Energy Development" (《關於可再生能源發展“十三五”規劃實施的指導意見》), the PRC government will make a strong drive in energy structure adjustment, promoting the development of wind energy and solar energy, and raising planned on-grid installation targets, in order to tackle problems such as wind and PV power curtailment and insufficient subsidy funding, realising sustainable healthy and

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ordered development of the renewable energy industry. Thus, the Company, with the benefit from the favourable national policy, is expected to sustain robust development of its businesses, and possess a certain demand of engineering construction, greenification services, and installations.

The Company intends to construct power station with capacity of at least 0.2GW, 0.2GW and 0.2GW in oversea and at least 1.8GW for each of the year 2018 to 2020 in PRC for each of the three years ending 31 December 2020 respectively. The estimated total cost for miscellaneous construction services, such as engineering construction, greenification services, installation of water, electricity, heating facilities are approximately RMB500 million for each of the three years ending 31 December 2020 for power station construction with 1.8GW in PRC and approximately RMB100 million for each of the three years ending 31 December 2020 for power station construction with 0.2GW in oversea. The proposed annual caps of the New Miscellaneous Services Framework Agreement (Type 4) are based on (i) the Group's business plan on the construction of power stations with at least 2GW for each of the year 2018 to 2020 in PRC and oversea and the estimated cost for the miscellaneous construction services of approximately RMB500 million and RMB100 million for miscellaneous service for constructing power station with capacity of 1.8GW in PRC and 0.2GW in oversea respectively with reference to the historical transaction amount with similar capacity of construction; (ii) the highest successful bidding rate of TBEA with approximately 30%; and (iii) most of the miscellaneous service in the oversea project completed by TBEA in the past due to their manpower and credentials.

In determining the proposed annual caps, the Company has also taken into account historical transaction amounts between the Company and TBEA and that the Company will invest resources to develop PV and wind power generation installation capacity in future.

However, pursuant to the TBEA Framework Agreements, if an independent third party provides similar services with more favourable terms, conditions or prices than those provided by TBEA, then the Company's procurement department will on the basis of the Company's internal guidelines and bid assessment standards select the bid and source the miscellaneous services from the independent third party. Thus, the actual amount and value of TBEA Procurement Transactions may be lower than the proposed annual caps.

6. THE CONTINUING CONNECTED TRANSACTIONS WITH XINJIANG TEBIAN

6.1. Background

References are made to the Company's announcement dated 24 March 2016, the annual general meeting circular dated 29 April 2016, the annual general meeting poll results announcement dated 16 June 2016, and the announcements dated 15 December 2017 and 1 March 2018, in relation to, among other things, the Company's Continuing Connected Transactions with Xinjiang Tebian.

In view of the impending expiration of the continuing connected transaction framework agreements between the Company and Xinjiang Tebian on 31 December 2017, and as the Group intended to continue carrying out the transactions in the ordinary and usual course of business of the Group and in consideration of the developmental needs of the Company and Xinjiang Tebian as well as other factors, the Board announced that on 15 December 2017, the Company proposed to renew the following continuing connected transaction framework agreements and proposed to determine the annual caps for the three years ending 31 December 2018, 2019 and 2020. On 15 December 2017 the Company announced that:

- (1) The Company and Xinjiang Tebian entered into the New Product Procurement Framework Agreement (Type 3) for a term of three years commencing from 1 January 2018; and

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- (2) The Company and Xinjiang Tebian entered into the New Miscellaneous Services Framework Agreement (Type 5) for a term of three years commencing from 1 January 2018.

In consideration of the developmental needs of the Company and Xinjiang Tebian as well as other factors, the Board announced that on 15 December 2017, the Company proposed to renew the following continuing connected transaction framework agreements and proposed to determine the annual caps for the three years ending 31 December 2018, 2019 and 2020. The Company announced that on 15 December 2017, the Company and Xinjiang Tebian entered into Transportation Services Framework Agreement (Type 6) for a term of three years commencing from 1 January 2018.

The Xinjiang Tebian Procurement Transactions entered between the Group and Xinjiang Tebian will be subject to the Xinjiang Tebian Proposed Annual Caps for the three years ending 31 December 2018, 2019 and 2020.

6.2. Product Procurement from Xinjiang Tebian

(a) Background

In view of the impending expiry of the Existing Product Procurement Framework Agreement (Type 3) on 31 December 2017, the Company entered into the New Product Procurement Framework Agreement (Type 3) with Xinjiang Tebian on 15 December 2017, under which the Company would procure from Xinjiang Tebian and/or its associates equipment and enclosures (such as high-low voltage switch enclosures, control enclosures, and power distribution enclosures). The New Product Procurement Framework Agreement (Type 3) has a term of three years, commencing from 1 January 2018 and expiring on 31 December 2020, and may be extended subject to mutual consent and compliance with the Listing Rules. The relevant subsidiaries or associates of both parties will enter into separate agreements, which will set out specific terms and conditions (including pricing, settlement terms, and quality standards) on the basis of the normal commercial terms provided in of the New Product Procurement Framework Agreement (Type 3).

(b) Reasons for the benefit of conducting the transaction

Our business operations require products including high-low voltage switch enclosures, control enclosures, and power distribution enclosures. We will procure such products through a competitive tender invitation procedure. By virtue of the high quality of supplied products and competitive prices, Xinjiang Tebian and its associates have participated and won the bidding in the past. At the same time, Xinjiang Tebian is the backbone manufacturing enterprise within the industry for producing products such as high-low voltage switch enclosures, control enclosures and power distribution enclosures, as well as the largest manufacturing enterprise in the Xinjiang region. Xinjiang Tebian's products are thus competitive relative to other suppliers on the market.

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(c) Pricing principles

To ensure that the terms and prices provided by Xinjiang Tebian and/or its associates are fair and reasonable and in line with market practices, as there is neither government-prescribed price nor government-guidance price available for the transaction, we have and will continue to adopt the following tender process and principles to determine the product procurement prices:

- The Company's business department and the Company's subsidiaries will on the basis of their business needs submit procurement requests to the Company's procurement department.
- Once the Company's procurement department receives the procurement requests from the business department and the Company's subsidiaries, the Company's procurement department will on the basis of the Procurement Requirements extend the tender invitation to Qualified Suppliers to invite them to participate in bidding. For further details on the Company's assessment standards for Qualified Suppliers, please refer to the section headed "Assessment of Qualified Suppliers".
- Based on the Company's internal procurement procedure requirements, it will invite no less than five suppliers to participate in bidding. When there are no less than three assessable tenders, the Company will start the assessment process.
- Once all tenders are received from bidders, the bid assessment committee (comprised of representatives from the procurement department (including the procurement and supply chain management department), the supervisory department (including the finance, legal and audit departments), the engineering department, the technical department and the tender management department, other senior management staff (including the deputy general manager(s), the chief accountant and the general manager (excluding Connected Persons or associates of Connected Persons of the management)) and representatives from the department which made the initial procurement request) will consider factors such as product features and quality requirements, in order to consider the tender which best fits the business needs and satisfies the tender requirements.
- Based on the foregoing factors, the bid assessment committee (focused only on bid assessment) will assess the tender and make the final decision to accept the tender. For further details on the assessment procedures, please refer to the section headed "Assessment Factors and Process" below.

Once a tender is chosen, the procurement department will contact the bidder and negotiate miscellaneous terms of the agreement. However, the price and quality terms of the products will not be further discussed, and the original bidding terms will be adopted in the final contract. Once the terms are finalised, the Company will enter into a contract with the supplier and arrange for delivery of the products. The entire tender process generally takes five to seven days.

6.3. Miscellaneous Service Procurement from Xinjiang Tebian

(a) Background

In view of the impending expiry of the Existing Miscellaneous Services Framework Agreement (Type 5) on 31 December 2017, the Company entered into the New Miscellaneous Services Framework Agreement (Type 5) with Xinjiang Tebian on 15 December 2017, under which the Company would procure from Xinjiang Tebian and/or its associates miscellaneous services (including engineering labour services, installation of electricity and gas facilities). The New Miscellaneous Services Framework Agreement (Type 5) has a term of three years, commencing from 1 January 2018 and expiring on 31 December 2020, and may be extended subject to mutual consent and compliance with Listing Rules. The relevant subsidiaries or associates of both parties will enter into separate agreements, which will set out specific terms and conditions (including pricing, settlement terms, and quality standards) on the basis of the normal commercial terms provided in the New Miscellaneous Services Framework Agreement (Type 5).

(b) Reasons for the benefit of conducting the transaction

Xinjiang Tebian possesses rich experience in installations of civil works infrastructure construction and renovation, and consistently provides quality ancillary services in civil works infrastructure construction, renovation and installation. Our business operations require various types of miscellaneous services such as civil works infrastructure construction, renovation and installation services, and we will procure the miscellaneous services through competitive tender invitation procedures. The Company consumed services under Type 5 Transactions for its construction and maintenance of site area and other ancillary construction work which is of supporting nature for all the ordinary course of business and segments of the Group. By virtue of the high quality of provided services and competitive prices, Xinjiang Tebian and its associates have participated in and won the bidding in the past.

(c) Pricing principles

To ensure that the terms and prices provided by Xinjiang Tebian and/or its associates are fair and reasonable and in line with market practices, as there is neither government-prescribed price nor government-guidance price available for the transaction, we have and will continue to adopt the following tender process and principles to determine the prices of miscellaneous services:

- The Company's business department and the Company's subsidiaries will on the basis of their business needs submit procurement requests to the Company's procurement department.
- Once the Company's procurement department receives the procurement requests from the business department and the Company's subsidiaries, the Company's procurement department will on the basis of the Procurement Requirements extend the tender invitation to Qualified Suppliers to invite them to participate in bidding. For further details on the Company's assessment standards for Qualified Suppliers, please refer to the section headed "Assessment of Qualified Suppliers".

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- Based on the Company's internal procurement procedure requirements, it will invite no less than five suppliers to participate in bidding. When there are no less than three assessable tenders, the Company will start the assessment process.
- Once all tenders are received from bidders, the bid assessment committee (comprised of representatives from the procurement department (including the procurement and supply chain management department), the supervisory department (including the finance, legal and accounting departments), the engineering department, the technical department and the tender management department, other senior management staff (including the deputy general manager(s), the chief accountant and the general manager (excluding Connected Persons or associates of Connected Persons of the management) and representatives from the department which made the initial procurement request) will consider factors such as product features and quality requirements, in order to consider the tender which best fits the business needs and satisfies the tender requirements.
- Based on the foregoing factors, the bid assessment committee (focused only on bid assessment) will assess the tender and make the final decision to accept the tender. For further details on the assessment procedures, please refer to the section headed "Assessment Factors and Process" below.

Once a tender is chosen, the procurement department will contact the bidder and negotiate miscellaneous terms of the agreement. However, the price and quality terms of the products will not be further discussed, and the original bidding terms will be adopted in the final contract. Once the terms are finalised, the Company will enter into a contract with the supplier and arrange for delivery of the products. The entire tender process generally takes five to seven days.

6.4. Transportation Service Procurement from Xinjiang Tebian

(a) Background

On 15 December 2017, the Company entered into the Transportation Services Framework Agreement (Type 6) with Xinjiang Tebian, under which Xinjiang Tebian and/or its associates would provide transportation services to the Company. According to the Transportation Services Framework Agreement (Type 6), Zhongjiang Logistics, a subsidiary of Xinjian Tebian, will provide coal, equipment and raw materials transportation services to the Company for its polysilicon production as well as PV and wind power project construction. The Transportation Services Framework Agreement (Type 6) has a term of three years, commencing from 1 January 2018 and expiring on 31 December 2020, and may be extended subject to mutual consent and compliance with the Listing Rules. The relevant subsidiaries or associates of both parties will enter into separate agreements, which will set out specific terms and conditions (including pricing, settlement terms, and quality standards) on the basis of the normal commercial terms provided in the Transportation Services Framework Agreement (Type 6).

(b) Reasons for the benefit of conducting the transaction

Zhongjiang Logistics mainly provides services related to railroad, road cargo transportation and trading business, while possessing good transportation capacity and logistics management. Zhongjiang Logistics offers competitive prices for transportation services, and at the same time can respond to the Company's demand of coal, equipment and raw materials and make arrangements for coal transportation timely and sufficiently.

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Under limited circumstances, for some procurement of equipment and raw materials which would involve high amount of transportation costs and stringent transportation requirements, including coal procurement, high quality large scale machine for polysilicon production and high precision equipment for inverter, static VAR generators and flexible direct current, the independent third parties may not be able to provide transportation services or competitive transportation charge, thus separate engagement of transportation services may be needed.

Furthermore, coal may be procured from independent third parties or TBEA for the coal-fired power plants subject to the quality and price of the coal offered by independent third parties and TBEA. The cost of procurement of coal from independent third parties would exclude the transportation service and the supplier of coal would not arrange transportation and the cost of procurement of coal from TBEA would include part of the transportation service will be provided by TBEA and TBEA will arrange part of the transportation from the original mining site to the railway station.

(c) Pricing principles

As there is neither government-prescribed price nor government-guidance price available for the transaction, the prices for the provision of transportation services for coal, equipment and raw materials under the Transportation Services Framework Agreement (Type 6) were arrived at after arm's length negotiations and are based on normal commercial terms and prevailing market conditions. In determining the prices, the Company has also taken into consideration the following factors:

- The coal transportation costs for Zhongjiang Logistics, including: fuel costs, impairment, financial expenses, transportation staff salaries, management fees, maintenance costs, insurance fees, transportation management costs, main operations business taxes and other expenses.
- Annual transportation prices determined by the Company's regular working conference and procurement special conference, based on the transportation costs for Zhongjiang Logistics, the Company's transportation needs, historical transportation prices of Zhongjiang Logistics, potential price fluctuation conditions and comments of specialist departments.

The estimated transportation price between their coal store and the stations which need coal for production is approximately RMB63 per ton with reference to the quotations from Xinjiang Tebian and independent transportation services provider and the number of coal purchased will be stable from 2018 to 2020. The estimated transportation price for equipment and raw materials which will be transferred under ad hoc situation contains pre-agreed factors for determining the transportation price per equipment and raw materials between the origin at which equipment and raw materials are loaded, the transportation price would be determined by the Xinjiang Tebian and independent transportation services provider based on:

- (i) the average equipment and raw materials transportation price per kilometres (depending on the location);

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- (ii) the weight of the equipment and raw materials being carried;
- (iii) The nature of equipment and raw materials and the degree of complexity and the stringency transportation requirements; and
- (iv) the total distance between the origin and destination.

7. HISTORICAL AMOUNTS AND THE EXISTING ANNUAL CAPS FOR EXISTING XINJIANG TEBIAN PROCUREMENT AGREEMENTS

The table below sets out, in relation to Xinjiang Tebian, the historical transaction amounts paid by the Company during the periods indicated below and the respective existing annual caps (as aggregated).

Existing Product Procurement Framework Agreement (Type 3)

	Year ended 31 December 2015 (RMB)	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)
Historical transaction amount	<u>17,720,001</u>	<u>13,059,673</u>	<u>12,037,639</u>

Existing Miscellaneous Services Framework Agreement (Type 5)

	Year ended 31 December 2015 (RMB)	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)
Historical transaction amount	<u>2,736,371</u>	<u>40,114,424</u>	<u>44,912,711</u>

Total of historical transaction of the Existing Xinjiang Tebian Procurement Transactions

	Year ended 31 December 2015 (RMB)	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)
Total	<u>20,456,372</u>	<u>53,174,097</u>	<u>56,950,350</u>

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Existing annual caps of the Existing Xinjiang Tebian Procurement Transactions

	Year ended 31 December 2015 (RMB)	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)
Total	20,000,000	300,000,000	300,000,000

8. XINJIANG TEBIAN PROPOSED ANNUAL CAPS AND THE BASIS FOR CAPS

The Board proposes that the below proposed annual caps be set for the transactions with Xinjiang Tebian and/or its associates in respect of the years ending 31 December 2018, 2019, 2020:

	Proposed Annual Caps		
	For the year ending 31 December		
	2018 (RMB)	2019 (RMB)	2020 (RMB)
Type 3 Transaction	50,000,000	50,000,000	50,000,000
Type 5 Transaction	250,000,000	250,000,000	250,000,000
Type 6 Transaction	150,000,000	150,000,000	150,000,000
Xinjiang Tebian Proposed Annual Caps	450,000,000	450,000,000	450,000,000

8.1. Basis of determining the proposed annual caps for Type 3 Transaction

In response to the Company's actual business needs, the Company proposes to determine the annual caps for the three years ending 31 December 2018, 2019 and 2020 under the New Product Procurement Framework Agreement (Type 3), in order to cater to the Company's business development. According to the National Energy Administration's "Guidance and Comments on the Implementation of the "13th Five-Year" Plan for Renewable Energy Development" (《關於可再生能源發展“十三五”規劃實施的指導意見》), the PRC government will make a strong drive in energy structure adjustment, promoting the development of wind energy and solar energy, and raising planned on-grid installation targets, in order to tackle problems such as wind and PV power curtailment and insufficient subsidy funding, realising sustainable, healthy and ordered development of the renewable energy industry. Thus, the Company, with the benefit from favourable national policy, is expected to sustain robust development of its businesses, and maintain stable demand of high-low voltage switch enclosures, control enclosures, and power distribution enclosures.

The Company intends to construct power station with capacity of at least 1.8GW, 1.8GW and 1.8GW in PRC for the three years ending 31 December 2020 respectively. The estimated total cost for equipment and enclosures (such as high-low voltage switch enclosures, control enclosures, power distribution enclosures) are approximately RMB144 million for each of the year ending 31 December 2020. The proposed annual caps of the New Product Procurement Framework Agreement (Type 3) are based on (i) the Group's business plan on the construction of the power stations with capacity of at least 1.8GW in PRC for each of the year 2018 to 2020 and the estimated cost for the equipment and enclosures (such as high-low voltage switch enclosures, control enclosures and power distribution enclosures) of approximately RMB144 million for enclosures for constructing power station with

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capacity of 1.8GW in PRC with reference to the historical transaction amount with similar capacity of construction; and (ii) the highest historical successful bidding rate of Xinjiang Tebian with approximately 36.8%.

However, pursuant to the Existing Product Procurement Framework Agreement (Type 3) and the New Product Procurement Framework Agreement (Type 3), if an independent third party provides similar products with more favourable terms, conditions or prices than those provided by Xinjiang Tebian, then the Company's procurement department will on the basis of the Company's internal guidelines and bid assessment standards select the bid and source the products from the independent third party. Thus, the actual amount and value of product procurement may be lower than the proposed annual caps.

In determining the annual caps, the Company has also taken into account the historical transaction amounts between the Company and Xinjiang Tebian and that the Company will invest more resources to operate and develop PV and wind power generation installation capacity in future.

8.2. Basis of determining the proposed annual caps for Type 5 Transaction

In response to the Company's actual business needs, the Company proposes to determine the annual caps for the three years ending 31 December 2018, 2019 and 2020 for the proposed transactions under the New Miscellaneous Services Framework Agreement (Type 5), in order to cater to the Company's business development. According to the National Energy Administration's "Guidance and Comments on the Implementation of the "13th Five-Year" Plan for Renewable Energy Development" (《關於可再生能源發展“十三五”規劃實施的指導意見》), the PRC government will make a strong drive in energy structure adjustment, promoting the development of wind energy and solar energy, and raising planned on-grid installation targets, in order to tackle problems such as wind and PV power curtailment and insufficient subsidy funding, realising sustainable healthy and ordered development of the renewable energy industry. Thus, the Company, with the benefit from the favourable national policy, is expected to sustain robust development of its businesses, and possess a certain demand of engineering construction, greenification services, and installations.

The Company intends to construct power station with capacity of at least 0.2GW, 0.2GW and 0.2GW in oversea and at least 1.8GW for each of the year 2018 to 2020 in PRC for the three years ending 31 December 2020 respectively. The estimated total cost for miscellaneous construction services (such as engineering labour services, installation of electricity and gas facilities) are approximately RMB2,205 million for each of the three years ending 31 December 2020 for power station construction with 1.8GW in PRC and approximately RMB500 million for each of the three years ending 31 December 2020 for power station construction with 0.2GW in oversea. The proposed annual caps of the New Miscellaneous Services Framework Agreement (Type 5) are based on (i) the Group's business plan on the construction of power stations with 2GW for each of the year 2018 to 2020 and the estimated cost for the miscellaneous construction services of approximately RMB2,205 million and RMB500 million for miscellaneous construction services (such as engineering labour services, installation of electricity and gas facilities) for constructing power station with capacity of 1.8GW in PRC and 0.2GW in oversea with reference to the historical transaction amount with similar capacity of construction; (ii) the pre-tender result which Xinjiang Tebian won 4 projects for 2018 with the total transaction amount of approximately RMB100 million for assessment on the targeted construction project for 2018; and (iii) the highest successful bidding rate of Xinjiang Tebian with approximately 4.1%; (iv) the expected higher bidding successful rate after the adjustment of the bidding strategy of Xinjiang Tebian; and (v) the limitation of the tenders won by Xinjiang Tebian according to the assessment on the Qualified Suppliers.

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However, pursuant to the Existing Miscellaneous Services Framework Agreement (Type 5) and the New Miscellaneous Services Framework Agreement (Type 5), if an independent third party provides similar services with more favourable terms, conditions or prices than those provided by Xinjiang Tebian, then the Company's procurement department will on the basis of the Company's internal guidelines and bid assessment standards select the bid and source the miscellaneous services from the independent third party. Thus, the actual amount and value of miscellaneous services procurement may be lower than the proposed annual caps.

In determining the proposed annual caps, the Company has also taken into account historical transaction amounts between the Company and Xinjiang Tebian and that the Company will invest resources to develop PV and wind power generation installation capacity in future.

8.3. Basis of determining the proposed annual caps for Type 6 Transaction

In response to the Company's actual business needs, the Company proposes to determine the annual caps for the three years ending 31 December 2018, 2019 and 2020 for the proposed transactions under the Transportation Services Framework Agreement (Type 6), in order to cater to the Company's business development. The amounts of such annual caps are determined with reference to (i) the expected volume of coal, equipment and raw materials to be transported by Zhongjiang Logistics for the three years ending 31 December 2018, 2019 and 2020; (ii) the Company will take into account of the transportation costs to hire other independent third party transportation services providers, and the proposed annual caps represent the projected maximum possible cost for services arising from the transportation transaction; (iii) estimated coal, equipment and raw materials transportation expenses; and (iv) the Company's business operation strategies.

The Group expected to maintain annual production for polysilicon at approximately 33,000 tons per year and the expected consumption of coal is approximately 2.4 million tons per year. The estimated transportation price between their coal store and the stations which need coal for production is approximately RMB63 per ton with reference to the quotation from Xinjiang Tebian and independent transportation services provider and the number of coal purchased will be stable from 2018 to 2020.

However, pursuant to the Transportation Framework Agreement (Type 6), if an independent third party provides similar services with more favourable terms, conditions or prices than those provided by Xinjiang Tebian, then the Company's procurement department will on the basis of the Company's internal guidelines opt for the transportation services provided by the independent third party. Thus, the actual price of transportation services may be lower than the proposed annual caps.

In determining the proposed annual caps, the Company has also taken into account the projected price for the Company's coal, equipment and raw materials procurement and transportation demand in future.

LETTER FROM THE BOARD

9. INTERNAL CONTROL

To ensure the Company's conformity with the above pricing policy from time to time, the Company has adopted a series of internal controls for its daily operations. Such internal review measures will be conducted and supervised by the relevant business departments, Directors, Supervisors, secretary of the Board and the Audit Committee of the Company:

- the Company has adopted a further enhanced transaction management system on Connected Transactions. According to the system, business departments of the Company are required to conduct updates of separate agreements for the Continuing Connected Transactions, and report on a regular basis to the secretary of the Board in respect of the execution status of such Connected Transactions. The secretary of the Board will then inform the Board of any important information thereof;
- the Audit Committee of the Company is also responsible for the data collection and monitoring of Connected Transactions, and for conducting evaluation on the fairness of the transaction terms and the pricing terms. It will discuss with our subsidiaries and business departments to determine the annual caps and execution of the Company's Connected Transactions. It will also report to the Board and the Supervisors on the Group's Connected Transactions on quarterly basis. If based on the monitoring report 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 for independent Shareholders' approval after the Board's review and approval (as the case may be);
- the Company will, based on the regulations of the Listing Rules, strengthen 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; and
- the independent non-executive Directors of the Company have also 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 pricing and annual caps of such non-exempt Continuing Connected Transactions.

Pursuant to the TBEA Framework Agreements, if an independent third party provides similar services with more favourable terms, conditions or prices than those provided by TBEA, then the Company's procurement department will on the basis of the Company's internal guidelines opt for the services and products provided by the independent third party. Thus, the actual transaction volume of the TBEA Procurement Transactions may be lower than the proposed annual caps.

10. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, TBEA is directly and indirectly interested in approximately 60.30% of the total issued share capital of the Company, and is thus a Controlling Shareholder of the Company. Accordingly, TBEA is a Connected Person of the Company.

Mr. Zhang Xin and Ms. Guo Junxiang, Directors of the Company, both hold positions at or hold interests in TBEA, and they are deemed to have material interest and have abstained from voting at the Board meeting with respect to the review and approval of the transactions with TBEA contemplated under

LETTER FROM THE BOARD

the New Product Procurement Framework Agreement (Type 1), the New Coal Procurement Framework Agreement (Type 2) and the New Miscellaneous Services Framework Agreement (Type 4).

Pursuant to rule 14A.83 of the Listing Rules, the Stock Exchange may aggregate all continuing connected transactions with a connected person. Since (i) TBEA and its associates are Connected Persons of the Company by virtue of the Controlling Shareholder relationship and the TBEA Procurement Transactions with TBEA are of similar nature as they all involved the procurement of products and services for the Company's energy related business, and (ii) the TBEA Framework Agreements are entered on the same date with the same party, the Stock Exchange has aggregated and treated the TBEA Procurement Transactions as if one transaction pursuant to rules 14A.81, 14A.82 and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the TBEA Procurement Transactions with TBEA are aggregated and used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

Since at least one of the relevant percentage ratios under the Listing Rules in respect of the TBEA Procurement Transactions, as contemplated under the TBEA Framework Agreements as aggregated is expected to be more than 5.0% on an annual basis, the transactions as contemplated under the TBEA Framework Agreements are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhang Xin is a Connected Person of the Company by virtue of his position as a Director of the Company. Xinjiang Tebian, being the company in which Mr. Zhang Xin holds 30% or more interest, is a Connected Person of the Company by virtue of it being an associate of Mr. Zhang Xin as defined under Chapter 14A of the Listing Rules.

Mr. Zhang Xin, the Director of the Company, holds interest in Xinjiang Tebian, and he is deemed to have material interest and have abstained from voting at the Board meeting with respect to the review and approval of the transactions with Xinjiang Tebian contemplated under the new Product Procurement Framework Agreement (Type 3), the New Miscellaneous Services Framework Agreement (Type 5) and the Transportation Services Framework Agreement (Type 6).

Pursuant to rule 14A.83 of the Listing Rules, the Stock Exchange may aggregate all continuing connected transactions with a connected person. Since (i) Xinjiang Tebian and its associates are Connected Persons of the Company as Mr. Zhang Xin is a Connected Person of the Company by virtue of his position as a Director of the Company. Xinjiang Tebian, being the company in which Mr. Zhang Xin holds 30% or more interest, is a Connected Person of the Company by virtue of it being an associate of Mr. Zhang Xin as defined under Chapter 14A of the Listing Rules, the Group's Xinjiang Tebian Procurement Transactions with Xinjiang Tebian and its associates are of similar nature as they all involved the procurement of products and services for the Company's energy related business, and (ii) the Xinjiang Tebian Framework Agreements are entered on the same date with the same party, the Stock Exchange has aggregated and treated the Xinjiang Tebian Procurement Transactions as if one transaction pursuant to rules 14A.81, 14A.82 and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the Xinjiang Tebian Procurement Transactions with Xinjiang Tebian are aggregated and used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. For the avoidance of doubt, the TBEA Framework Agreements and the Xinjiang Tebian Framework Agreements are not inter-conditional upon each other.

Since at least one of the relevant percentage ratios under the Listing Rules in respect of Xinjiang Tebian Procurement Transactions as contemplated under the Xinjiang Tebian Framework Agreements as aggregated, is expected to be more than 5.0% on an annual basis, the transactions as contemplated under the

LETTER FROM THE BOARD

Xinjiang Tebian Framework Agreements are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board will closely monitor the actual aggregated transaction amount under the TBEA Procurement Transactions and the Xinjiang Tebian Procurement Transactions to ensure the actual aggregated transaction amount under the TBEA Procurement Transactions and the Xinjiang Tebian Procurement Transactions prior to the EGM do not exceed 5%. As at the Latest Practicable Date, the actual transaction amount under Transaction 1, Transaction 2 and Transaction 4 are RMB14,586,015, RMB39,921,473 and nil respectively, which are lower than 5% of the relevant percentage ratio under the Listing Rules. As of the Latest Practicable Date, the actual amount under Transaction 3, Transaction 5 and Transaction 6 are nil, RMB1,648,967 and nil respectively, which are lower than 5% of the relevant percentage ratio under the Listing Rules.

As at the Latest Practicable Date, TBEA and/or its associates are Connected Persons of the Company which directly and indirectly holds 630,127,249 Shares, representing approximately 60.30% of the total issued capital of the Company, shall abstain from voting or exercising control over the voting right of the Shares at the EGM for resolutions in relation to (1) Type 1 Transaction, Type 2 Transaction and Type 4 Transaction, and the TBEA Proposed Annual Caps as contemplated under the TBEA Framework Agreements pursuant to Rule 14A.36 of the Listing Rules as they have material interests in the said transactions.

As at the Latest Practicable Date, Xinjiang Tebian and/ or its associates are Connected Persons of the Company which directly and indirectly holds 58,246,308 Shares, representing approximately 5.57% of the total issued capital of the Company, shall abstain from voting or exercising control over the voting right of the Shares at the EGM for resolutions in relation to Type 3 Transaction, Type 5 Transaction and Type 6 Transaction and the Xinjiang Tebian Proposed Annual Caps as contemplated under the Xinjiang Tebian Framework Agreements, pursuant to Rule 14A.36 of the Listing Rules as they have material interests in the said transactions.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save and except TBEA and/ or its associates and Xinjiang Tebian and/ or its associates, who will abstain from voting at the EGM, no other Shareholder is required to abstain from voting on the resolutions in relation to the (1) TBEA Framework Agreements, (2) Xinjiang Tebian Framework Agreements, (3) TBEA Proposed Annual Caps, and (4) Xinjiang Tebian Proposed Annual Caps at the EGM.

11. Assessment of Qualified Suppliers

In order to determine Qualified Suppliers, the Qualified Suppliers assessment committee of the Company's procurement department will conduct regular assessments of the suppliers on the Qualified Suppliers list. The Company's procurement department is responsible for seeking Qualified Suppliers according to the Company's needs, and collect market data (including price trends of raw materials of the relevant products) from the Qualified Suppliers for conducting industrial studies. New suppliers may approach us with a Qualified Supplier Application to be a Qualified Supplier, which would put their company on the qualified list for tender and bidding considerations. Upon receiving a Qualified Supplier Application, the procurement department will send a requirement list and collect background information of the applicant. Suppliers shall submit their applications through the information platform according to supplier management regulations, including product specifications and price range for new applicants.

The relevant supplier assessment department (including the procurement department, the safety and quality department, the engineering management department and the works monitoring department), the

LETTER FROM THE BOARD

bidding management department and the technical department will consider applications on the basis of technical level and standards assessments, and will arrange on-site inspections, to conduct further due diligence, and suppliers who satisfy such conditions will be added to the Company's Qualified Suppliers list. We will from the Qualified Suppliers list invite not less than five Qualified Suppliers to participate in bidding. The Company in selecting the five Qualified Suppliers to participate in bidding will consider the following factors, including, the geographical location of such Qualified Suppliers, whether such Qualified Suppliers are able to satisfy specific requirements, transportation costs and time, and production capacity of procurement orders, in order to determine whether procurement volumes can be satisfied on time, so as to avoid risks with delays.

At the end of each year, the Company will conduct an assessment of existing Qualified Suppliers and new suppliers who made successful bids in the tender process. The Qualified Suppliers assessment committee will ensure that all Qualified Suppliers and suppliers on the Qualified Suppliers list possess the necessary bidding qualifications.

12. Assessment Factors and Process

In order to assess the best tender that can satisfy the business needs of the Company, the bid assessment committee of the Company will assess the tenders according to internal guidelines and bid assessment weights. The Company will consider the bid prices to maintain actual cost control. If bid prices of similar ranges are made by different suppliers, the Company will also consider a host of other factors such as product quality, supplier background, warranty conditions and period, product rate of return, timely delivery and payment. Please refer to the following for the Company's internal guidelines and bid assessment weights.

Factor	Weight	Assessment standards and procedures
Price	70%	<ul style="list-style-type: none">• The Company sets the price assessment benchmark;• Benchmark price is set by sampling not less than three tenders and taking the mean price discounted by 10%;• If the bid price is set at over 2% of benchmark price, 4 points shall be deducted from the bid;• If the bid price is set at over 1% of benchmark price, 2 points shall be deducted from the bid;• If the bid price is set at over 30% of benchmark price, the bid will be cancelled; and• If the bid price is set at under 30% of the benchmark price, the assessment committee will also take into account the estimated costs of the product and the following factors to consider whether the price provided by the bidder is reasonable.

LETTER FROM THE BOARD

Factor	Weight	Assessment standards and procedures
Technical level, safety and quality	20%	<ul style="list-style-type: none">• Whether product standards and major constituents satisfy technical requirements;• Whether major constituents of products are produced by reputable brands and are of superior quality;• Whether the bidder has obtained the necessary quality accreditation;• Whether the bidder had previously supplied the Company with defective products and the Company's rate of return with the products; and• Whether the supplier can timely discover and resolve the Company's questions and difficulties.
Business operations	10%	<ul style="list-style-type: none">• Whether the tender satisfies delivery requirements;• Historical records of delayed delivery; and• Payment terms provided by the bidder.

13. General Information

13.1. Information relating to our Company

The Company's main business includes polysilicon production and provision of PV and wind power projects construction and contractual services. The Company is also engaged in the manufacturing of supporting equipment (mainly inverters, flexible DC and static VAR compensation equipment), which are used for our construction and contractual services or sold to third-parties.

13.2. Information relating to TBEA

TBEA is a joint stock company incorporated in the PRC on 26 February 1993. As of the date of this circular, its registered capital is RMB3,718,647,789. TBEA and its close associates (excluding the Group) is mainly engaged in: (i) production and sales of transformers, inductors, wires, cables and other electrical and machinery equipment; and (ii) construction and contracting of domestic and international power transmission projects, hydro and geothermal power projects.

13.3. Information on Xinjiang Tebian

Xinjiang Tebian is a company with limited liability incorporated in the PRC on 27 January 2003. As of the date of this circular, 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 industrial investment.

LETTER FROM THE BOARD

13.4. Information on Xinjiang Tianchi

Xinjiang Tianchi is a company with limited liability incorporated in the PRC on 29 November 2002 and is a subsidiary of TBEA. As of the date of this circular, its registered capital is RMB1,298,000,000. The main business of Xinjiang Tianchi is the mining and sales of coal.

13.5. Information on Zhongjiang Logistics

Zhongjiang Logistics is a company with limited liability incorporated in the PRC on 4 May 2011 and is a subsidiary of Xinjiang Tebian. As of the date of this circular, its registered capital is RMB287,000,000. The main business of Zhongjiang Logistics is the provision of services related to railroad cargo transportation in the PRC.

14. EGM

The Company will convene the EGM at 11:00 a.m. on Monday, 16 April 2018 at the Conference Room, 21 Floor, TBEA Co., Ltd. at No.189, Beijing South Road, Changji, Xinjiang, the PRC. Notice of EGM was published on 27 February 2018. The Revised Notice of EGM is set out in this circular.

In order to determine the holders of shares who are eligible to attend and vote at the EGM, the register of members of the Company will be closed from Saturday, 17 March 2018 to Monday, 16 April 2018, both days inclusive, during which no transfer of shares will be effected. Shareholders whose names appear on the registers of members of the Company on Friday, 16 March 2018 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Board secretary office (in case of holders of domestic shares), at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC, or the Company's H share registrar (in case of holders of H shares), Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 16 March 2018 for registration.

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For holders of H Shares, the form of proxy should be returned to Computershare Hong Kong Investor Services Limited and for holders of Domestic Shares, the form of proxy should be returned to the Company's Board secretary office in person or by post not less than 24 hours before the time fixed for holding the EGM (i.e. no later than 11 a.m. on Sunday, 15 April) or any adjourned meeting thereof.

Shareholders who intend to attend the EGM in person or by proxy shall complete and return the accompanying EGM reply slip to the Company's Board secretary office by hand or by post to No. 399, South Changchun Road, New Downtown, Urumqi Xinjiang, the PRC (for holders of Domestic Shares); or return the EGM reply slip to the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by hand or by post (for holders of H Shares) on or before Tuesday, 27 March 2018.

LETTER FROM THE BOARD

15. VOTING BY POLL AT EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of shareholders of a listed issuer at the issuer's general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Chairman of the EGM will therefore demand a poll for every resolution put to the vote at the EGM pursuant to Articles of the Association.

On a poll, every Shareholder present in person or by proxy to attend the EGM (or being a corporation by its duly authorized representative) shall have one vote for each Share registered in his/her/its name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/its uses in the same manner.

16. RECOMMENDATION

The Board considers that all resolutions set out in the Notice of EGM for Shareholders' consideration and approval are in the best interests of the Company and its Shareholders. As such, the Board recommends the Shareholders to vote in favour of the said resolutions set out in the Notice of EGM which are to be proposed at the EGM.

By order of the Board
Xinte Energy Co., Ltd.
Zhang Jianxin
Chairman

新特能源

XINTE ENERGY CO., LTD.

新特能源股份有限公司

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

(Stock Code: 1799)

27 March 2018

To the Independent Shareholders

Dear Sirs or Madams,

ENTERING INTO NEW CONTINUING CONNECTED TRANSACTION RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

We refer to the circular to all shareholders (the “**Circular**”) dated 27 March 2018 of the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board as members of the Independent Board Committee, in light of the position of Independent Shareholders of the Company and in the interests of the Company and Shareholders as a whole, we have provided advices to Independent Shareholders in respect of (i) whether the continuing connected transactions contemplated under the TBEA Framework Agreements are fair and reasonable during the three year ending 31 December 2018, 2019, 2020, and entered into on normal commercial terms in the ordinary and usual course of business of the Group and in the interest of the Company and Shareholders as a whole; (ii) whether the continuing connected transactions contemplated under the Xinjiang Tebian Framework Agreements are fair and reasonable during the three year ending 31 December 2018, 2019, 2020, and entered into on normal commercial terms in the ordinary and usual course of business of the Group and in the interest of the Company and Shareholders as a whole. TC Capital has been appointed as the Independent Financial Adviser to advise the Independent Board committee and the Independent Shareholders of the Company on the same. Your attention is drawn to the Letter from TC Capital set out in the Circular.

Having considered the information set out in the Letter from the Board as well as the recommendation of the Independent Financial Adviser stated in the letter from TC Capital, we are of the view that (i) the continuing connected transactions contemplated under the TBEA Framework Agreements are fair and reasonable during the three year ending 31 December 2018, 2019, 2020, and entered into on normal commercial terms in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole; (ii) the continuing connected transactions contemplated under the Xinjiang Tebian Framework Agreements are fair and reasonable during the three year ending 31 December 2018, 2019, 2020, and entered into on normal commercial terms in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole. Our view related to fairness and reasonableness is necessarily based on information, facts and circumstances currently available.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we advise the Independent Shareholders to vote in favor of the relevant ordinary resolutions to be proposed at the EGM.

Independent Board Committee

Independent non-executive Directors

Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong Yui Keung, Marcellus

LETTER FROM TC CAPITAL

The following is the letter of advice from TC Capital to the Independent Board Committee and the Independent Shareholders prepared related to the continuing connected transactions for the purpose of inclusion in this circular.



27 March 2018

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

Dear Sirs,

ENTERING INTO NEW CONTINUING CONNECTED TRANSACTION RENEWAL OF 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 New Product Procurement Framework Agreement (Type 1), the New Coal Procurement Framework Agreement (Type 2) and the New Miscellaneous Services Framework Agreement (Type 4) with TBEA and the New Product Procurement Framework Agreement (Type 3), the New Miscellaneous Services Framework Agreement (Type 5) and the Transportation Services Framework Agreement (Type 6) with Xinjiang Tebian and their respective proposed 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 27 March 2018 (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.

As set out in the Letter from the Board, the Existing Product Procurement Framework Agreement (Type 1), the Existing Coal Procurement Framework Agreement (Type 2) and the Existing Miscellaneous Services Framework Agreement (Type 4) between the Company and TBEA (the “**Existing TBEA Framework Agreements**”) were expired on 31 December 2017, and in consideration of the developmental needs of the Company and TBEA as well as other factors, the Company proposed to renew the Existing TBEA Framework Agreements. The Existing Product Procurement Framework Agreement (Type 3) and the Existing Miscellaneous Services Framework Agreement (Type 5) between the Company and Xinjiang Tebian (the “**Existing Xinjiang Tebian Framework Agreements**”) were expired on 31 December 2017, and in consideration of the developmental needs of the Company and Xinjiang Tebian as well as other factors, the Company proposed to renew the Existing Xinjiang Tebian Framework Agreements. The Company further entered into the Transportation Services Framework Agreement (Type 6) with Xinjiang Tebian, pursuant to which Xinjiang Tebian and/or its associates will provide transportation services to the Group.

LETTER FROM TC CAPITAL

As at the Latest Practicable Date, TBEA is directly and indirectly interested in approximately 60.30% of the total issued share capital of the Company, and is thus a Controlling Shareholder of the Company. Accordingly, TBEA is a Connected Person of the Company.

Pursuant to Rule 14A.83 of the Listing Rules, the Stock Exchange may aggregate all continuing connected transactions with a connected person. Since (i) TBEA and its associates are Connected Persons of the Company by virtue of the Controlling Shareholder relationship and the TBEA Procurement Transactions with TBEA are of similar nature as they all involved the procurement of products and services for the Company's energy related business, and (ii) the TBEA Framework Agreements are entered on the same date with the same party, the Stock Exchange has aggregated and treated the TBEA Procurement Transactions as if one transaction pursuant to Rules 14A.81, 14A.82 and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the TBEA Procurement Transactions with TBEA are aggregated and used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

Since at least one of the relevant percentage ratios under the Listing Rules in respect of the TBEA Procurement Transactions, as contemplated under the TBEA Framework Agreements as aggregated is expected to be more than 5.0% on an annual basis, the transactions as contemplated under the TBEA Framework Agreements are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhang Xin is a Connected Person of the Company by virtue of his position as a Director of the Company. Xinjiang Tebian, being the company in which Mr. Zhang Xin holds 30% or more interest, is a Connected Person of the Company by virtue of it being an associate of Mr. Zhang Xin as defined under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.83 of the Listing Rules, the Stock Exchange may aggregate all continuing connected transactions with a connected person. Since (i) Xinjiang Tebian and its associates are Connected Persons of the Company as Mr. Zhang Xin is a Connected Person of the Company by virtue of his position as a Director of the Company. Xinjiang Tebian, being the company in which Mr. Zhang Xin holds 30% or more interest, is a Connected Person of the Company by virtue of it being an associate of Mr. Zhang Xin as defined under Chapter 14A of the Listing Rules, the Group's Xinjiang Tebian Procurement Transactions with Xinjiang Tebian and its associates are of similar nature as they all involved the procurement of products and services for the Company's energy related business, and (ii) the Xinjiang Tebian Framework Agreements are entered on the same date with the same party, the Stock Exchange has aggregated and treated the Xinjiang Tebian Procurement Transactions as if one transaction pursuant to Rules 14A.81, 14A.82 and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the Xinjiang Tebian Procurement Transactions with Xinjiang Tebian are aggregated and used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. For the avoidance of doubt, the TBEA Framework Agreements and the Xinjiang Tebian Framework Agreements are not inter-conditional upon each other.

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Since at least one of the relevant percentage ratios under the Listing Rules in respect of Xinjiang Tebian Procurement Transactions as contemplated under the Xinjiang Tebian Framework Agreements as aggregated, in each case is expected to be more than 5.0% on an annual basis, the transactions as contemplated under the Xinjiang Tebian Framework Agreements are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, TBEA and/or its associates are Connected Persons of the Company, which directly and indirectly holds 630,127,249 Shares, representing approximately 60.30% of the total issued capital of the Company shall abstain from voting or exercising control over the voting right of the Shares at the EGM for resolutions in relation to Type 1 Transaction, Type 2 Transaction and Type 4 Transaction, and the TBEA Proposed Annual Caps as contemplated under the TBEA Framework Agreements pursuant to Rule 14A.36 of the Listing Rules as they have material interests in the said transactions.

As at the Latest Practicable Date, Xinjiang Tebian and/or its associates are Connected Persons of the Company, which directly and indirectly holds 58,246,308 Shares, representing approximately 5.57% of the total issued capital of the Company shall abstain from voting or exercising control over the voting right of the Shares at the EGM for resolutions in relation to Type 3 Transaction, Type 5 Transaction and Type 6 Transaction and the Xinjiang Tebian Proposed Annual Caps as contemplated under the Xinjiang Tebian Framework Agreements, pursuant to Rule 14A.36 of the Listing Rules as they have material interests in the said transactions.

The Independent Board Committee comprising Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus (all being the Independent Non-executive Directors), has been established to advise the Independent Shareholders as to whether (i) the terms of the TBEA Framework Agreements with TBEA and the Xinjiang Tebian Framework Agreements with Xinjiang Tebian 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, TC Capital International 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 TBEA Framework Agreements and the Xinjiang Tebian Framework Agreements. 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 acted as independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to a continuing connected transaction of the Company, details of which are set out in the circular of the Company dated 29 April 2016. Apart from normal professional fees paid to us in connection with the aforesaid appointment, no arrangements exist whereby we have received any fees or benefits from the Company or any other party to the transactions during the two years prior to the Latest Practicable Date, therefore we consider such relationship would not affect our independence.

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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, 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 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, TBEA, Xinjiang Tebian 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 TBEA Framework Agreements and the Xinjiang Tebian Framework Agreements and the respective proposed 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 TBEA Framework Agreements and the Xinjiang Tebian Framework Agreements

Information of the Company

The Company's main business includes polysilicon production and provision of PV and wind power projects construction and contractual services. The Company is also engaged in the manufacturing of supporting equipment (mainly inverters, flexible DC and static VAR compensation equipment), which are used for its construction and contractual services or sold to third-parties.

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Information of TBEA

TBEA is a joint stock company incorporated in the PRC on 26 February 1993. As at the Latest Practicable Date, its registered capital is RMB3,718,647,789. TBEA and its close associates (excluding the Group) is mainly engaged in: (i) production and sales of transformers, inductors, wires, cables and other electrical and machinery equipment; and (ii) construction and contracting of domestic and international power transmission projects, hydro and geothermal power projects.

Information of Xinjiang Tebian

Xinjiang Tebian is a company with limited liability incorporated in the PRC 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 industrial investment.

2. Reasons for the TBEA Proposed Annual Caps

Background of the TBEA Framework Agreements

As disclosed in the Letter from the Board, on 30 October 2015, the Company entered into (i) the Existing Product Procurement Framework Agreement (Type 1), pursuant to which the Group agreed to procure from TBEA and/or its associates for transformers (including ancillary equipment), wires, cables and other equipment; (ii) the Existing Coal Procurement Framework Agreement (Type 2), pursuant to which TBEA and/or its associates agreed to supply coal to the Group; and (iii) the Existing Miscellaneous Services Framework Agreement (Type 4), pursuant to which TBEA and/or its associates agreed to provide to the Group miscellaneous construction services (such as engineering construction, greenification services, installation of water, electricity, heating facilities).

As the Existing TBEA Framework Agreements were expired on 31 December 2017, the Company renewed the Existing TBEA Framework Agreements under the same terms by entering into the TBEA Framework Agreements on 15 December 2017.

Reasons for and benefits of entering into the TBEA Framework Agreements

The Group has maintained a long-term relationship with TBEA and/or its subsidiaries of more than 10 years and did not have any material disputes or complaints against TBEA and/or its subsidiaries in relation to the quality of products supplied or services provided by TBEA and/or its subsidiaries. The entering into of each of the TBEA Framework Agreements by the Company with TBEA are in substance the extension of the established business relationship between the Company and TBEA under the Existing TBEA 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 and/or its subsidiaries under the TBEA Framework Agreements, which will continue to ensure the quality and reliability of the Group's products. The Company is generally satisfied with the quality of the products and services rendered by TBEA and/or subsidiaries under the Existing TBEA Framework Agreements and believe that the long term relationship between the Group and TBEA and/or its subsidiaries and their familiarisation with the Group's business operations would continue to benefit the Group.

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Principal terms of the TBEA Framework Agreements

1. The New Product Procurement Framework Agreement (Type 1)

The principal terms of the New Product Procurement Framework Agreement (Type 1) have been set out in the Letter from the Board and are summarized below:

Date	:	15 December 2017
Parties	:	(i) the Company; and (ii) TBEA
Term	:	Commencing from 1 January 2018 and expiring on 31 December 2020
Nature of transaction	:	TBEA and/or its subsidiaries agreed to supply transformers (including ancillary equipment), wires, cables and other equipment to the Group.

Pricing basis:

The pricing or consideration under the New Product Procurement Framework Agreement (Type 1) will be determined with reference to:

- i) the government-prescribed prices (if applicable);
- ii) the government-guidance prices if aforementioned basis are inapplicable;
- iii) the prevailing market price (including by tender) if aforementioned basis are inapplicable;
or
- iv) if none of the above is applicable, cost plus a reasonable percentage mark-up, whereas the mark-up is determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties.

As confirmed by the Directors, most of the products sold to the Group are fully competitive products open to the market. Therefore, the pricing basis (i) and (ii) were and will be not generally adopted for most of the products under the Existing Product Procurement Framework Agreement (Type 1) and the New Product Procurement Framework Agreement (Type 1). The pricing basis (iii) by invitation to the Qualified Supplier for tender was and will be adopted for the transformers (including ancillary equipment), wires, cables and other equipment to the Group.

We have conducted the below works in relation to the pricing basis of the transformers (including ancillary equipment), wires, cables and other equipment under the New Product Procurement Framework Agreement (Type 1):

- for transformers, we have obtained the top 10 invoices between the Group and TBEA and/or its subsidiaries which conducted the largest amount of this type of products for each of the three years ended 31 December 2017 and 10 invoices between the Group and the independent third parties of similar products. We noted that the prices of the products purchased from TBEA and/or its subsidiaries were not less favourable than those of the similar products purchased from independent third parties; and

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- for wires and cables, we have obtained the top 10 invoices between the Group and TBEA and/or its subsidiaries which conducted the largest amount of this type of products for each of the three years ended 31 December 2017 and 10 invoices between the Group and the independent third parties of similar products. We noted that the prices of the products purchased from TBEA and/or its subsidiaries were not less favourable than that of the products purchased from independent third parties.

With reference to the invitation to the Qualified Supplier for tender that was and will be adopted by the Group, given (i) the 10 invoices for each type of products under the Existing Product Procurement Framework Agreement (Type 1) represented the top 10 transactions in the Group which conducted the largest amount of this type of products for each of the three years ended 31 December 2017; (ii) the total amount of the above selected products represented approximately 16.3%, 22.5% and 8.5% of the total historical transaction amount under the Existing Product Procurement Framework Agreement (Type 1) for each of the three years ended 31 December 2017 respectively; and (iii) the auditor of the Company has issued an unqualified letter mentioning 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 2016, we consider that it is fairly representative and the terms offered by TBEA and/or its subsidiaries were no less favourable than the terms offered by independent third parties.

Annual caps and its basis of determination

A summary of the historical amount under the Existing Product Procurement Framework Agreement (Type 1) for the three years ended 31 December 2017 and the TBEA Proposed Annual Caps under the New Product Procurement Framework Agreement (Type 1) for the three years ending 31 December 2020 are set out in the table below:

Historical transaction amount			Proposed annual caps		
2015	2016	2017	2018	2019	2020
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
389,534	231,440	338,828	350,000	350,000	350,000

As shown in the above table, the overall purchase from TBEA and/or its subsidiaries decreased from approximately RMB389.5 million for the year ended 31 December 2015 to approximately RMB231.4 million for the year ended 31 December 2016 and increased to approximately RMB338.8 million for the year ended 31 December 2017. As discussed with the management of the Company, the decrease during the year ended 31 December 2016 was mainly due to the number of construction projects of the Group was lower with total capacity of approximately 1.47GW for the year ended 31 December 2016.

As stated in the Letter from the Board and discussed with the management of the Company, the Company intends to construct power station with capacity of at least 1.8GW, 1.8GW and 1.8GW in PRC for each of the three years ending 31 December 2020 respectively and construct power station with capacity of at least 0.2GW, 0.2GW and 0.2GW in oversea for each of the three years ending 31 December 2020 respectively. Since most of the oversea power station only allows the equipment purchased from local, the above TBEA Proposed Annual Caps under the New Product Procurement Framework Agreement (Type 1) is not included for the oversea power station construction.

As stated in the Letter from the Board, the estimated total cost for transformers (including ancillary equipment), wires and cables are approximately RMB700 million for each of the year 2018 to 2020 for power station construction with 1.8GW. As confirmed with the management of the

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Company, the estimated total cost of approximately RMB700 million for transformers (including ancillary equipment), wires and cables for constructing power station with capacity of 1.8GW is reference to the historical transaction amount with similar capacity of construction. As the Group have and will continue to adopt tender process to select the better price for the transformers (including ancillary equipment), wires and cables, we have considered the number of the tenders offered by the Group and invited TBEA and/or its subsidiaries for bidding in 2015, 2016 and 2017. There were 172, 175 and 173 tenders which invited TBEA and/or its subsidiaries for bidding in 2015, 2016 and 2017, respectively, among which TBEA and/or its subsidiaries won 93, 69 and 66 tenders, representing approximately 54.1%, 39.4% and 38.2% successful bidding rate respectively.

Having taken into consideration of the above, in particular, (i) the Group's business plan on the construction of power stations with at least 1.8GW for each of the year 2018 to 2020 in PRC and the estimated cost for the transformers (including ancillary equipment), wires and cables of approximately RMB700 million with reference to the historical transaction amount with similar capacity of construction; (ii) the highest historical successful bidding rate of TBEA and/or its subsidiaries of approximately 54.1%; (iii) the historical transaction amount between TBEA and/or its subsidiaries and the Group were in line with the Group's construction plan; and (iv) the average transaction amount of approximately RMB320.0 million for the three years ended 31 December 2017, we are of the view that the proposed annual caps under the New Product Procurement Framework Agreement (Type 1) 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.

2. The New Coal Procurement Framework Agreement (Type 2)

The principal terms of the New Coal Procurement Framework Agreement (Type 2) have been set out in the Letter from the Board and are summarized below:

Date	:	15 December 2017
Parties	:	(i) the Company; and (ii) TBEA
Term	:	Commencing from 1 January 2018 and expiring on 31 December 2020
Nature of transaction	:	TBEA and/or its subsidiaries agreed to supply coal to the Group.

Pricing basis:

The pricing or consideration under the New Coal Procurement Framework Agreement (Type 2) will be determined with reference to:

- i) the government-prescribed prices (if applicable);
- ii) the government-guidance prices if aforementioned basis are inapplicable;
- iii) the prevailing market price (including by tender) if aforementioned basis are inapplicable;
or

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- iv) if none of the above is applicable, cost plus a reasonable percentage mark-up, whereas the mark-up is determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties.

As confirmed by the Directors, coal sold to the Group is fully competitive products open to the market. Therefore, the pricing basis (i) and (ii) were and will be not generally adopted for most of the products under the Existing Coal Procurement Framework Agreement (Type 2) and the New Coal Procurement Framework Agreement (Type 2). The pricing basis (iii) by collection of sale price data from different coal suppliers located in the same or neighbouring regions and whom are able to provide coal which meets the requirements of the Group's standard was and will be adopted for the coal to the Group.

We have conducted the below works in relation to the pricing basis of the coal under the New Coal Procurement Framework Agreement (Type 2):

- we have obtained (i) top 10 invoices between the Group and TBEA and/or its subsidiaries which conducted the largest amount of purchasing the coal for each of the three years ended 31 December 2017; (ii) the coal procurement contracts between TBEA and/or its subsidiaries and their customers for each of the two years ended 31 December 2016; and (iii) 10 invoices between the Group and the independent third parties of coal for the year ended 31 December 2017. We noted that the price of the coal offered from TBEA and/or its subsidiaries to the Group were not less favourable than that of the coal offered from TBEA and/or its subsidiaries to their customers and the prices of the products purchased from TBEA and/or its subsidiaries were not less favourable than that of the products purchased from independent third parties for the year ended 31 December 2017.

By considering the limit of Qualified Suppliers for coal, given (i) the 10 invoices under the Existing Coal Procurement Framework Agreement (Type 2) represented the top 10 transactions of the Group which conducted the largest amount of purchasing the coal for each of the three years ended 31 December 2017; (ii) the total amount of the above selected products represented approximately 7.6%, 6.9% and 7.6% of the total historical transaction amount under the Existing Coal Procurement Framework (Type 2) for each of the three years ended 31 December 2017 respectively; and (iii) the auditor of the Company has issued an unqualified letter mentioning 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 2016, we consider that it is fairly representative and the prices offered by TBEA and/or its subsidiaries were no less favourable than the prices offered by independent third parties.

Annual caps and its basis of determination

A summary of the historical amount under the Existing Coal Procurement Framework Agreement (Type 2) for the three year ended 31 December 2017 and the Proposed Annual Caps under the New Coal Procurement Framework Agreement (Type 2) for the three years ending 31 December 2020 are set out in the table below:

Historical transaction amount			Proposed annual caps		
2015	2016	2017	2018	2019	2020
(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
149,434	168,849	139,733	300,000	300,000	300,000

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As discussed with the management of the Company, the total coal purchased of the Group for the two years ended 31 December 2016 were all from TBEA and/or its subsidiaries due to the good quality of coal and the coal mine scale and the coal purchased from TBEA and/or its subsidiaries to the total coal purchased of the Group was approximately 66% to the total coal purchased of the Group for the year ended 31 December 2017. According to the notice regarding the safety of coal mining *(關於加強煤礦產能釋放期間安全生產工作的通知) issued by State Administration of Coal Mine Safety on 25 October 2016 (the “**Notice**”), it stated that the illegal coal mining or coal mining which do not meet the safety and production standard are not allowed. As discussed with the Company, most of the small coal mining did not supply any coal after the issuance of the Notice, therefore, the supply of coal in Xinjiang district in 2017 was limited. Since TBEA and/or its subsidiaries also supply coal to their customers, the coal supply to the Group was limited and the Group needed to purchase from other supplier for the year ended 31 December 2017. As confirmed by the management of the Company, the total coal purchased of the Group for the year ended 31 December 2017 was approximately RMB218.4 million and the Company expect that the coal purchase of the Group will be mainly from TBEA and/or its subsidiaries as (i) TBEA and/or its subsidiaries currently owns two open pit coal mines with a total coal reserve of 12 billion tons; (ii) the quality of coal from TBEA and/or its subsidiaries is relatively better; and (iii) the coal price from TBEA and/or its subsidiaries is very competitive.

As stated in the Letter from the Board and discussed with the management of the Company, the coal procured by the Group was mainly consumed in power generation and heating supply for their production on polysilicon. The Group commenced a technological transformation project for polysilicon production on August 2016 and completed during the second quarter of 2017. As confirmed by the management of the Company, the annual production for polysilicon increased from approximately 22,800 tons/year for the year ended 31 December 2016 to 29,000 tons/year for the year ended 31 December 2017 after the completion of the technological transformation project and they expected the annual production for polysilicon to be stable and maintain the annual production for polysilicon at approximately 33,000 tons/year. As confirmed with the management of the Company, the Group produced approximately 29,000 tons for polysilicon during the year ended 31 December 2017. Therefore, the annual production capacity is expected to increase approximately 13.8% from 29,000 tons for polysilicon for the year ended 31 December 2017 to 33,000 tons for polysilicon for the year ending 31 December 2018 due to (i) completion of the technological transformation project and fully utilize the production line in 2018; and (ii) the increase of coal consumption is in line with the increase of annual production.

As stated in the Letter from the Board, Xinjiang Tianchi’s coal are of good quality and is stably supplied and their mining scale is huge for supporting the production needed for the Group.

According to the notice regarding the control on the coal price *(自治區發展改革委關於重申煤炭價格干預措施的通知*) issued by XinJiang Uygur Autonomous Region Development and Reform Commission on 28 August 2017, it stated that the coal price increased rapidly since 2017 and the price of coal produced in South Xinjiang is restricted to be below RMB110 per ton and the price of coal produced in North Xinjiang is restricted to be below RMB120 per ton. Furthermore, according to the quotation from independent third party for the coal price for 2017 and 2018, the coal price increased approximately 15.9% from 2017 to 2018.

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Having taken into consideration of the (i) the historical transaction amount of approximately RMB218.4 million for the total coal purchased of the Group for the year ended 31 December 2017; (ii) the coal consumption of the Group increased approximately 13.8% with reference to the increased annual production capacity; (iii) long term business relationship between the Xinjiang Tianchi; (iv) the stable supply of the coal with good quality from Xinjiang Tianchi; (v) increasing coal price in Xinjiang district from 2017 to 2018; and (vi) the coal price restricted by the governmental body, we are of the view that the proposed annual caps under the New Coal Procurement Framework Agreement (Type 2) 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.

3. The New Miscellaneous Services Framework Agreement (Type 4)

The principal terms of the New Miscellaneous Services Framework Agreement (Type 4) have been set out in the Letter from the Board and are summarized below:

Date	:	15 December 2017
Parties	:	(i) the Company; and (ii) TBEA
Term	:	Commencing from 1 January 2018 and expiring on 31 December 2020
Nature of transaction	:	TBEA and/or its subsidiaries agreed to supply miscellaneous construction services (such as engineering construction, greenification services, installation of water, electricity, heating facilities) to the Group.

Pricing basis:

The pricing or consideration under the New Miscellaneous Services Framework Agreement (Type 4) will be determined with reference to:

- (i) the prevailing market price which is determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties; or
- (ii) if the above is not applicable, determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties

As confirmed by the Directors, most of the services provided to the Group are not fully competitive services open to the market. Therefore, the pricing basis (i) by invitation to Qualified Suppliers for tender was and will be adopted for the miscellaneous construction services (such as engineering construction, greenification services, installation of water, electricity, heating facilities) to the Group.

We have conducted the below works in relation to the pricing basis of the miscellaneous construction services under the New Miscellaneous Services Framework Agreement (Type 4):

- we have obtained the top 10 invoices between the Group and TBEA and/or its subsidiaries which conducted the largest amount of this type of services for each of the three years ended 31 December 2017 and 10 invoices between the Group and the independent third parties of similar services. We noted that the prices of the services purchased from TBEA and/or its subsidiaries were not less favourable than that of the services purchased from independent third parties.

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With reference to the invitation to the Qualified Supplier for tender that was and will be adopted by the Group, given (i) the 10 invoices for the miscellaneous construction services of the annual caps under the Existing Miscellaneous Services Framework Agreement (Type 4) represented the top 10 transactions in the Group which conducted the largest amount of this type of services for each of the three years ended 31 December 2017; (ii) the total services amount represented approximately 51.9%, 65.3% and 46.8% of the total historical transaction amount under the Existing Miscellaneous Services Framework Agreement (Type 4) for each of the two years ended 31 December 2017 respectively; and (iii) the auditor of the Company has issued an unqualified letter mentioning 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 2016, we consider that it is fairly representative and the terms offered by TBEA and/or its subsidiaries were no less favourable than the terms offered by independent third parties.

Annual caps and its basis of determination

A summary of the historical amount under the Existing Miscellaneous Services Framework Agreement (Type 4) for the three year ended 31 December 2017 and the proposed annual caps under the New Miscellaneous Services Framework Agreement (Type 4) are set out in the table below:

Historical transaction amount			Proposed annual caps		
2015	2016	2017	2018	2019	2020
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
22,095	29,107	59,723	250,000	250,000	250,000

As shown in the above table, the miscellaneous services provided from TBEA and/or its subsidiaries increased from approximately RMB22.1 million for the year ended 31 December 2015 to approximately RMB29.1 million for the year ended 31 December 2016 and further increased to approximately RMB59.7 million for the year ended 31 December 2017. As discussed with the management of the Company, the increase was mainly due to more competitive price offered by TBEA and/or its subsidiaries during 2017 and the faster construction progress of the construction project of the Group.

As stated in the Letter from the Board, the Company intends to construct power station with capacity of at least 0.2GW, 0.2GW and 0.2GW in oversea and at least 1.8GW for each of the year 2018 to 2020 in PRC for each of the three years ending 31 December 2020 respectively. The estimated total cost for miscellaneous construction services, such as engineering construction, greenification services, installation of water, electricity, heating facilities are approximately RMB500 million for each of the three years ending 31 December 2020 for power station construction with 1.8GW in PRC and approximately RMB100 million for each of the three years ending 31 December 2020 for power station construction with 0.2GW in oversea. As confirmed with the management of the Company, the estimated total cost of approximately RMB500 million and RMB100 million for miscellaneous service for constructing power station with capacity of 1.8GW in PRC and 0.2GW in oversea are reference to the historical transaction amount with similar capacity of construction. As the Group have and will continue to adopt tender process to select the better price for the miscellaneous construction services, we have consider the number of the tenders offered by the Group and invited TBEA and/or its subsidiaries for bidding in 2015, 2016 and 2017. There were 67, 30 and 69 tenders which invited TBEA and/or its subsidiaries for bidding in 2015, 2016 and 2017, respectively, among which TBEA and/or its subsidiaries won 6, 9 and 5 tenders, representing approximately 9.0%, 30.0% and 7.3% successful bidding rate respectively. As advised by the management of the Company, the higher successful bidding rate of TBEA and/or its subsidiaries during 2016 was due to the number of construction project decreased and the price offered by TBEA and/or its subsidiaries was competitive and most of the construction project in oversea were completed by TBEA and/or its subsidiaries due to their manpower and credential in oversea project.

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Having taken into consideration of the above, in particular, (i) the Group's business plan on the construction of power stations with at least 2GW for each of the year 2018 to 2020 in PRC and oversea and the estimated cost for the miscellaneous construction services of approximately RMB500 million and RMB100 million for miscellaneous service for constructing power station with capacity of 1.8GW in PRC and 0.2GW in oversea with reference to the historical transaction amount with similar capacity of construction; (ii) the highest successful bidding rate of TBEA and/or its subsidiaries with approximately 30%; and (iii) most of the miscellaneous service in the oversea project completed by TBEA and/or its subsidiaries in the past due to their manpower and credential, we are of the view that the proposed annual caps under the New Miscellaneous Services Framework Agreement (Type 4) 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.

3. Reasons for the Xinjiang Tebian Proposed Annual Caps

Background of the Xinjiang Tebian Framework Agreements

As disclosed in the Letter from the Board, on 30 October 2015, the Company entered into (i) the Existing Product Procurement Framework Agreement (Type 3), pursuant to which the Company agreed to procure from Xinjiang Tebian and/or its associates for equipment and enclosures (such as high-low voltage switch enclosures, control enclosures, power distribution enclosures); and (ii) the Existing Miscellaneous Services Framework Agreement (Type 5), pursuant to which Xinjiang Tebian and/or its associates agreed to provide the Company miscellaneous construction services (such as engineering labour services, installation of electricity and gas facilities).

As the Existing Product Procurement Framework Agreement (Type 3) and the Existing Miscellaneous Services Framework Agreement (Type 5) were expired on 31 December 2017, the Company renewed the Existing Product Procurement Framework Agreement (Type 3) and the Existing Miscellaneous Services Framework Agreement (Type 5) under the same terms by entered into the New Product Procurement Framework Agreement (Type 3) and the New Miscellaneous Services Framework Agreement (Type 5) on 15 December 2017. In addition, the Company entered the Transportation Services Framework Agreement (Type 6) with Xinjiang Tebian on 15 December 2017.

Reasons for and benefits of entering into the Xinjiang Tebian Framework Agreements

The Group has maintained a long-term relationship with Xinjiang Tebian and/or its subsidiaries of more than 10 years and did not have any material disputes or complaints against Xinjiang Tebian and/or its subsidiaries in relation to the quality of products supplied or services provided by Xinjiang Tebian. The entering into of each of the Xinjiang Tebian Framework Agreements by the Company with Xinjiang Tebian are in substance the extension of the established business relationship between the Company and Xinjiang Tebian under 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 the Group through leveraging on the extensive resources and well-developed technical skills of Xinjiang Tebian and/or its subsidiaries under the Xinjiang Tebian Framework Agreements, which will continue to ensure the quality and reliability of the Group's products. The Company is generally satisfied with the quality of the products and services rendered by Xinjiang Tebian and/or subsidiaries under the Existing Xinjiang Tebian Framework Agreement and believe that the long term relationship between the Group and Xinjiang Tebian and/or its subsidiaries and their familiarisation with the Group's business operations would continue to benefit the Group.

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Principal terms of the Xinjiang Tebian Framework Agreements

1. The New Product Procurement Framework Agreement (Type 3)

The principal terms of the New Product Procurement Framework Agreement (Type 3) have been set out in the Letter from the Board and are summarized below:

Date	:	15 December 2017
Parties	:	(i) the Company; and (ii) Xinjiang Tebian
Term	:	Commencing from 1 January 2018 and expiring on 31 December 2020
Nature of transaction	:	Xinjiang Tebian and/or its subsidiaries agreed to supply high-low voltage switch enclosures, control enclosures and power distribution enclosures.

Pricing basis:

The pricing or consideration under the New Product Procurement Framework Agreement (Type 3) will be determined with reference to:

- i) the government-prescribed prices (if applicable);
- ii) the government-guidance prices if aforementioned basis are inapplicable;
- iii) the prevailing market price (including by tender) if aforementioned basis are inapplicable;
or
- iv) if none of the above is applicable, cost plus a reasonable percentage mark-up, whereas the mark-up is determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties.

As confirmed by the Directors, most of the products sold to the Group are fully competitive products open to the market. Therefore, the pricing basis (i) and (ii) were and will be not generally adopted for most of the products under the Existing Product Procurement Framework Agreement (Type 3) and the New Product Procurement Framework Agreement (Type 3). The pricing basis (iii) by invitation to Qualified Suppliers for tender was and will be adopted for the equipment and enclosures (such as high-low voltage switch enclosures, control enclosures, power distribution enclosures).

We have conducted the below works in relation to the pricing basis of the enclosures under the New Product Procurement Framework Agreement (Type 3):

- we have obtained the top 10 invoices between the Group and Xinjiang Tebian and/or its subsidiaries which conducted the largest amount of enclosures for each of the three years ended 31 December 2017 and 10 invoices between the Group and the independent third parties of similar products. We noted that the prices of the products purchased from Xinjiang Tebian and/or its subsidiaries were not less favourable than that of the products purchased from independent third parties.

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With reference to the invitation to the Qualified Supplier for tender that was and will be adopted by the Group, given (i) the 10 invoices for the enclosures under the Existing Product Procurement Framework Agreement (Type 3) represented the top 10 transactions in the Group which conducted the largest amount of this type of products for the year ended 31 December 2017; (ii) the total amount of the above selected products represented approximately 45.7%, 69.8% and 21.3% of the total historical transaction amount under the Existing Product Procurement Framework Agreement (Type 3) for each of the three years ended 31 December 2017 respectively; and (iii) the auditor of the Company has issued an unqualified letter mentioning 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 2016, we consider that it is fairly representative and the terms offered by Xianjiang Tebian and/or its subsidiaries were no less favourable than the terms offered by independent third parties.

Annual caps and its basis of determination

A summary of the historical amount under the Existing Product Procurement Framework Agreement (Type 3) for the three year ended 31 December 2017 and the Xinjiang Tebian Proposed Annual Caps under the New Product Procurement Framework Agreement (Type 3) for the three years ended 31 December 2020 are set out in the table below:

Historical transaction amount			Proposed annual caps		
2015	2016	2017	2018	2019	2020
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
17,720	13,060	12,038	50,000	50,000	50,000

As shown in the above table and discussed with the management of the Company, the overall purchase from Xinjiang Tebian and/or its subsidiaries decreased from approximately RMB17.7 million for the year ended 31 December 2015 to approximately RMB13.1 million for the year ended 31 December 2016 and further decreased to approximately RMB12.0 million for the year ended 31 December 2017 due to the number of construction projects of the Group was lower with total capacity of approximately 1.47GW for the year ended 31 December 2016 and the successful bidding rate was lower for the year ended 31 December 2017.

As discussed with the management of the Company, the Company intends to construct power station with capacity of at least 1.8GW, 1.8GW and 1.8GW in PRC for the three years ending 31 December 2020 respectively. The estimated total cost for equipment and enclosures (such as high-low voltage switch enclosures, control enclosures, power distribution enclosures) are approximately RMB144 million for each of the year ending 31 December 2020. As confirmed with the management of the Company, the estimated total cost of approximately RMB144 million for enclosures for constructing power station with capacity of 1.8GW in PRC is reference to the historical transaction amount with similar capacity of construction. As the Group have and will continue to adopt tender process to select the better price for the equipment and enclosures (such as high-low voltage switch enclosures, control enclosures and power distribution enclosures), we have consider the number of the tenders offered by the Group and invited Xinjiang Tebian and/or its subsidiaries for bidding in 2015, 2016 and 2017. There were 57, 38 and 58 tenders which invited Xinjiang Tebian and/or its subsidiaries for bidding in 2015, 2016 and 2017, respectively, among which Xinjiang Tebian and/or its subsidiaries won 9, 14 and 7 tenders, representing approximately 15.8%, 36.8% and 12.1% successful bidding rate respectively. As advised by the management of the Company, the higher successful bidding rate of Xinjiang Tebian and/or its subsidiaries during 2016 was due to the number of construction project decreased and the price offered by Xinjiang Tebian and/or its subsidiaries was competitive.

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Having taken into consideration of the above, in particular, (i) the Group's business plan on the construction of the power stations with capacity of at least 1.8GW in PRC for each of the year 2018 to 2020 and the estimated cost for the equipment and enclosures (such as high-low voltage switch enclosures, control enclosures and power distribution enclosures) of approximately RMB144 million for enclosures for constructing power station with capacity of 1.8GW in PRC with reference to the historical transaction amount with similar capacity of construction; and (ii) the highest historical successful bidding rate of Xinjiang Tebian and/or its subsidiaries with approximately 36.8%, we are of the view that the TBEA Proposed Annual Caps under the New Product Procurement Framework Agreement (Type 4) 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.

2. The New Miscellaneous Services Framework Agreement (Type 5)

The principal terms of the New Miscellaneous Services Framework Agreement (Type 5) have been set out in the Letter from the Board and are summarized below:

Date	:	15 December 2017
Parties	:	(i) the Company; and (ii) Xinjiang Tebian
Term	:	Commencing on 1 January 2018 and expiring on 31 December 2020
Nature of transaction	:	Xinjiang Tebian and/or its subsidiaries agreed to provide miscellaneous construction services (such as engineering labour services, installation of electricity and gas facilities) to the Group.

Pricing basis:

The pricing or consideration under the New Miscellaneous Services Framework Agreement (Type 5) will be determined with reference to:

- i) the prevailing market price which is determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties; or
- ii) if the above is not applicable, determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties

As confirmed by the Directors, most of the services provided to the Group are not fully competitive services open to the market. Therefore, the pricing basis (i) by invitation to Qualified Suppliers for tender was and will be adopted for the miscellaneous construction services (such as engineering labour services, installation of electricity and gas facilities).

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We have conducted the below works in relation to the pricing basis of the miscellaneous services under the New Miscellaneous Services Framework Agreement (Type 5):

- we have obtained the top 10 invoices between the Group and Xinjiang Tebian and/or its subsidiaries which conducted the largest amount of this type of services for each of the three years ended 31 December 2017 and 10 invoices between the Group and the independent third parties of similar services. We noted that the prices of the services provided by Xinjiang Tebian and/or its subsidiaries were not less favourable than that of the services purchased from independent third parties.

With reference to the invitation to the Qualified Supplier for tender that was and will be adopted by the Group, given (i) the 10 invoices for of the miscellaneous services under the Existing Miscellaneous Services Framework Agreement (Type 5) represented the top 10 transactions in the Group which conducted the largest amount of this type of services for each of the three years ended 31 December 2017; (ii) the total services amount represented approximately 85.4%, 20.5% and 22.9% of the total historical transaction amount under the Existing Miscellaneous Services Framework Agreement (Type 5) for each of the three years ended 31 December 2017; and (iii) the auditor of the Company has issued an unqualified letter mentioning 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 2016, we consider that it is fairly representative and the terms offered by TBEA and/or its subsidiaries were no less favourable than the terms offered by independent third parties.

Annual caps and its basis of determination

A summary of the historical amount under the Existing Miscellaneous Services Framework Agreement (Type 5) for the three year ended 31 December 2017 and the Xinjiang Tebian Proposed Annual Caps under the New Miscellaneous Services Framework Agreement (Type 5) for the three years ending 31 December 2020 are set out in the table below:

Historical transaction amount			Proposed annual caps		
2015	2016	2017	2018	2019	2020
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
2,736	40,114	44,913	250,000	250,000	250,000

As shown in the above table, the miscellaneous services provided from Xinjiang Tebian and/or its subsidiaries increased from approximately RMB2.7 million for the year ended 31 December 2015 to approximately RMB40.1 million for the year ended 31 December 2016 and increased to approximately RMB44.9 million for the year ended 31 December 2017. As discussed with the management of the Company, part of the tenders which won by Xinjiang Tebian and/or its subsidiaries during 2015 were for the construction projects for 2016 and the bidding successful rate of Xinjiang Tebian and/or its subsidiaries during 2014 was lower than that during 2015.

According to the construction plan of the Group, the Company intends to construct power station with capacity of at least 0.2GW, 0.2GW and 0.2GW in oversea and at least 1.8GW for each of the year 2018 to 2020 in PRC for the three years ending 31 December 2020 respectively. The estimated total cost for miscellaneous construction services (such as engineering labour services, installation of electricity and gas facilities) are approximately RMB2,205 million for each of the three years ending 31 December 2020 for power station construction with 1.8GW in PRC and approximately RMB500 million for each of the three years ending 31 December 2020 for power station construction

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with 0.2GW in oversea. As confirmed with the management of the Company, the estimated total cost of approximately RMB2,205 million and RMB500 million for miscellaneous construction services (such as engineering labour services, installation of electricity and gas facilities) for constructing power station with capacity of 1.8GW in PRC and 0.2GW in oversea are reference to the historical transaction amount with similar capacity of construction. As the Group have and will continue to adopt tender process to select the better price for the miscellaneous construction services, we have consider the number of the tenders offered by the Group and invited Xinjiang Tebian and/or its subsidiaries for bidding in 2015, 2016 and 2017. There were 203, 74 and 179 tenders which invited Xinjiang Tebian and/or its subsidiaries for bidding in 2015, 2016 and 2017, respectively, among which Xinjiang Tebian and/or its subsidiaries won 6, 3 and 4 tenders, representing approximately 3.0%, 4.1% and 2.2% successful bidding rate respectively.

As advised by the management of the Company, the Group did a pre-tender during the end of 2017 for their internal assessment on the targeted construction projects in 2018. According to the pre-tender result, Xinjiang Tebian and/or its subsidiaries won 4 projects for 2018 with the total transaction amount of approximately RMB100 million and the management of the Company expect that the result for 2019 and 2020 will be similar to the result for 2018 as the price offered by the Qualified Suppliers are general stable. As discussed with the management of the Company, the pre-tender won by Xinjiang Tebian and/or its subsidiaries is not binding yet, however, given that (i) the targeted construction projects are under the Group's construction plan for 2018; (ii) the Group will invite the same list of the Qualified Suppliers to the tender; and (iii) the services price offered from the Qualified Suppliers for bidding are general stable, the management of the Company consider that the result will not be material difference.

As discussed with the management of the Company, the Group expects the bidding successful rate of Xinjiang Tebian and/or its subsidiaries will be higher as the Group observed that the bidding strategy of Xinjiang Tebian and/or its subsidiaries on the miscellaneous services was more aggressive since the end of 2017 with reference to the pre-tender result. However, according to the regular assessment on the Qualified Suppliers on quality control and background such as manpower, the Group consider the successful bidding rate of Xinjian Tebian and/or its subsidiaries on the miscellaneous services will be limited due to the current capacity of the miscellaneous services of Xinjiang Tebian and/or its subsidiaries although Xinjiang Tebian and/or its subsidiaries may offer a more competitive price for the tender.

Having taken into consideration of the above, in particular, (i) the Group's business plan on the construction of power stations with 2GW for each of the year 2018 to 2020 and the estimated cost for the miscellaneous construction services of approximately RMB2,205 million and RMB500 million for miscellaneous construction services (such as engineering labour services, installation of electricity and gas facilities) for constructing power station with capacity of 1.8GW in PRC and 0.2GW in oversea with reference to the historical transaction amount with similar capacity of construction; (ii) the pre-tender result which Xinjiang Tebian and/or its subsidiaries won 4 projects for 2018 with the total transaction amount of approximately RMB100 million for assessment on the targeted construction project for 2018; (iii) the highest successful bidding rate of Xinjiang Tebian and/or its subsidiaries with approximately 4.1%; (iv) the expected higher bidding successful rate after the adjustment of the bidding strategy of Xinjiang Tebian and/or its subsidiaries; and (v) the limitation of the tenders honored to Xinjiang Tebian and/or its subsidiaries according to the assessment on the Qualified Suppliers, we are of the view that the Xinjiang Tebian Proposed Annual Caps under the New Miscellaneous Services Framework Agreement (Type 5) 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.

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3. The Transportation Services Framework Agreement (Type 6)

The principal terms of the Transportation Services Framework Agreement (Type 6) have been set out in the Letter from the Board and are summarized below:

Date	:	15 December 2017
Parties	:	(i) the Company; and (ii) Xinjiang Tebian
Term	:	Commencing on 1 January 2018 and expiring on 31 December 2020
Nature of transaction	:	Xinjiang Tebian and/or its subsidiaries agreed to provide transportation services to the Group.

Pricing basis:

The pricing or consideration under the Transportation Services Framework Agreement (Type 6) will be determined with reference to:

- i) the prevailing market price which is determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties; or
- ii) if the above is not applicable, determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties

As confirmed by the Directors, transportation services provided to the Group is determined by the pricing basis (i) by collection of sale price data from different transportation services providers located in the same or neighbouring was and will be adopted for the transportation services to the Group.

We have conducted the below works in relation to the pricing basis of the transportation services under the Transportation Services Framework Agreement (Type 6):

- we have obtained the quotation between the Group and Xinjiang Tebian and/or its subsidiaries and the quotation between the Group and the independent third parties of similar transportation services.

Taking into account that (i) the location of the factory of the Company is in Xinjian which limited the method of transportation; and (ii) limit Quality Suppliers in Xinjiang with capability to carry out the transportation of the high volume of the coal, the transportation services fee charged by Xinjiang Tebian and/or its subsidiaries are no less favourable than that of the fees with independent third parties by comparing the quotation from Xinjiang Tebian and/or its subsidiaries and independent third parties. We are of the view that the above pricing policies are fair and reasonable so far as the Independent Shareholders are concerned.

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Annual caps and its basis of determination

The Xinjiang Tebian Proposed Annual Caps under the Transportation Services Framework Agreement (Type 6) for the three years ending 31 December 2020 are set out in the table below:

Proposed annual caps		
2018	2019	2020
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
150,000	150,000	150,000

As stated in the Letter from the Board and discussed with the management of the Company, the Group expected to maintain annual production for polysilicon at approximately 33,000 tons/year and the expected consumption of coal is approximately 2.4 million tons per year. As confirmed by the management of the Company, the coal consumption for the year ended 31 December 2017 was approximately 2.1 million tons. The expected increase on coal consumption for the year ended 31 December 2018 will be in line with the expected increase on the annual production. As confirmed by the management of the Company, the estimated transportation fee between their coal store and the stations which needs coal for production is RMB63 per ton which is valid until 31 December 2018 according to the quotation from Xinjiang Tebian and/or its subsidiaries and the number of coal purchased will be stable from 2018 to 2020.

As discussed with the management of the Company, the purchase price for equipment and raw material other than coal mostly include the transportation costs. The opportunity to relocate the equipment and raw material other than coal is less and it is not in recurring nature if needed. Therefore, the use of the transportation services for aforementioned products will not be significant.

In light of the above, we are of the view that the Xinjiang Tebian Proposed Annual Caps under the Transportation Services Framework Agreement (Type 6) for the three years ending 31 December 2020 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.

4. Internal control measures within the Group

As disclosed in the Letter from the Board, to ensure the Company's conformity with the above pricing policy from time to time, the Company has adopted a series of internal controls for its daily operations. Such internal review measures will be conducted and supervised by the relevant business departments, Directors, Supervisors, secretary of the Board and the Audit Committee of the Company:

- the Company has adopted a further enhanced transaction management system on Connected Transactions. According to the system, business departments of the Company are required to conduct updates of separate agreements for the Continuing Connected Transactions, and report on a regular basis to the secretary of the Board in respect of the execution status of such Connected Transactions. The secretary of the Board will then inform the Board of any important information thereof;
- the Audit Committee of the Company is also responsible for the data collection and monitoring of Connected Transactions, and for conducting evaluation on the fairness of the transaction terms and the pricing terms. It will discuss with the Company's subsidiaries and business departments to determine the annual caps and execution of the Company's Connected Transactions. It will also report to the Board and the supervisors on the

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Group's Connected Transactions on quarterly basis. If based on the monitoring report 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 for independent Shareholders' approval after the Board's review and approval (as the case may be);

- the Company will, based on the regulations of the Listing Rules, strengthen 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; and
- the independent non-executive Directors have also 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 pricing and annual caps of such non-exempt Continuing Connected Transactions.

Pursuant to the TBEA Framework Agreements, if an independent third party provides similar services with more favourable terms, conditions or prices than those provided by TBEA and/or its subsidiaries, then the Company's procurement department will on the basis of the Company's internal guidelines opt for the services and products provided by the independent third party. Thus, the actual transaction volume of the TBEA Procurement Transactions may be lower than the proposed annual caps.

Pursuant to the Xinjiang Tebian Framework Agreements, if an independent third party provides similar services with more favourable terms, conditions or prices than those provided by Xinjiang Tebian and/or its subsidiaries, then the Company's procurement department will on the basis of the Company's internal guidelines opt for the services and products provided by the independent third party. Thus, the actual transaction volume of the Xinjiang Tebian Procurements Transactions may be lower than the proposed annual caps.

Taking into account (i) the above internal control measures, in particular, the ongoing monitoring and internal evaluation on the pricing terms under the TBEA Framework Agreements and Xinjiang Tebian Framework Agreements to ensure that the prices set will be no less favourable to the Company than those offered by independent third parties; (ii) the respective annual review by the independent non-executive Directors regarding the compliance of the terms under the TBEA Framework Agreements and Xinjiang Tebian Framework Agreements; and (iii) the respective annual review by the auditors of the Company regarding the pricing and annual caps of the terms under the TBEA Framework Agreements and Xinjiang Tebian Framework Agreements, we are of the view that appropriate and adequate measures will be in place to ensure compliance with the terms of the TBEA Framework Agreements and Xinjiang Tebian Framework Agreements in order to safeguard the interest of the Independent Shareholders.

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RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that (i) the terms of TBEA Framework Agreements and Xinjiang Tebian Framework Agreements are entered in the ordinary and usual course of business of the Company; (ii) the terms of TBEA Framework Agreements and the TBEA Proposed 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; and (iii) the terms of Xinjiang Tebian Framework Agreements and the Xinjiang Tebian Proposed 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

TC Capital International Limited

Edward Wu

Stanley Chung

Chairman

Managing Director

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Both Mr. Wu and Mr. Chung have participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

* *For identification purposes only*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS AND CONFIRMATIONS

- (a) As at the Latest Practicable Date, as far as the Company's awareness, the following individuals had interest and short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules:

Name	Nature of Interest	The Company/ relevant corporation (including associated corporation)	Number/class of shares of the Company/ relevant corporation (including associated corporation) held	Approximate percentage of shareholdings in the total share capital of the Company/ relevant corporation (including associated corporation) ⁽¹⁾	Approximate percentage of shareholdings in the relevant class of Shares of the Company ⁽²⁾	Long position/short position
Director						
Mr. Zhang Xin	Interest in a controlled corporation ⁽³⁾	The Company	58,246,308 Domestic Shares	5.57%	7.96%	Long position
	Beneficial Owner	TBEA ⁽⁴⁾	406,403 shares	0.01%	N/A	Long position
	Interest in a controlled corporation ⁽⁵⁾	TBEA ⁽⁴⁾	446,982,637 shares	12.02%	N/A	Long position
Mr. Ma Xuping	Beneficial Owner	TBEA ⁽⁴⁾	312,516 shares	0.01%	N/A	Long position
Ms. Guo Junxiang	Beneficial Owner	TBEA ⁽⁴⁾	346,880 shares	0.01%	N/A	Long position
Supervisor						
Ms. Wu Wei	Beneficial Owner	TBEA ⁽⁴⁾	404,694 shares	0.01%	N/A	Long position
Mr. Hu Shujun	Beneficial Owner	TBEA ⁽⁴⁾	69,376 shares	0.00%	N/A	Long position

- (1) The calculation is based on the total number of 3,718,647,789 shares of TBEA and 1,045,005,162 Shares of the Company in issue as of the Latest Practicable Date.
 - (2) The calculation is based on the total number of 731,529,532 Domestic Shares of the Company in issue as of the Latest Practicable Date.
 - (3) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, and as of the Latest Practicable Date, Xinjiang Tebian directly holds 5.57% equity interest of the Company.
 - (4) TBEA is our Company's controlling shareholder and therefore is an "associated corporation" of our Company within the meaning of Part XV of the SFO. As of the Latest Practicable Date, TBEA held 628,926,449 Domestic Shares and TBEA (HONGKONG) CO., LIMITED, a wholly-owned subsidiary of TBEA, held 1,200,800 H Shares (approximately 0.38% of the relevant class of shares), which accounted for approximately 60.30% of the total share capital of the Company.
 - (5) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, which directly holds 446,982,637 shares of TBEA.
- (b) none of the Directors, Supervisors, chief executives of the Company and their respective spouses or children under the age of 18 were granted any rights to subscribe equity securities or debt securities;
 - (c) apart from Mr. Zhang Xin and Ms. Guo Junxiang, who have management positions in TBEA, are deemed by the Listing Rules as connected Directors and have abstained from voting at the board meeting held on 15 December 2017 in respect of the continuing connected transactions in relation to TBEA and apart from Mr. Zhang Xin, who has interest in Xinjiang Tebian, is deemed by the Listing Rules as connected Directors and have abstained from voting at the board meeting held on 15 December 2017 in respect of the continuing connected transactions in relation to Xinjiang Tebian, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2016, being the date to which the latest published audited annual financial statements of the Company were made up, and which was subsisting as at the Latest Practicable Date and significant in relation to the business of the Group;
 - (d) none of the Directors had any direct or indirect interest in any assets which have been since 31 December 2016, being the date to which the latest published audited annual financial statements of the Company were made up acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
 - (e) save as disclosed in the section "Interest of Directors in Competing Business" of the Appendix of this circular, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder);
 - (f) the Directors are not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2016, being the date to which the latest published audited annual financial statements of the Company were made up; and
 - (g) none of the Directors had entered into any service contract with the Company or any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)).

3. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group:

Name of Directors	Position in the Company	Other Interests
Mr. Zhang Xin	Non-executive Director	Chairman of the board of directors and executive director of TBEA
Ms. Guo Junxiang	Non-executive Director	Secretary of the board of directors and executive director of TBEA

4. SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, so far as known to the Directors of the Company after reasonable enquiry, the following persons (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and has been entered in the register required to be kept by the Company according to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares of the Company ⁽¹⁾	Approximate percentage of balance of shareholding in total share capital of the Company ⁽¹⁾	Long position/ short position
TBEA	Beneficial owner	Domestic Shares	628,926,449	85.97%	60.18%	Long position
Xinjiang Tebian	Beneficial owner	Domestic Shares	58,246,308	7.96%	5.57%	Long position
Mr. Chen Weilin ⁽²⁾	Interest in a controlled corporation	Domestic Shares	58,246,308	7.96%	5.57%	Long position
L.R. Capital Asia Markets Limited ⁽³⁾	Beneficial owner	H Shares	47,894,956	15.28%	4.58%	Long position
CM International Capital Limited	Beneficial owner	H Shares	43,859,649	13.99%	4.20%	Long position
Keystone Group Ltd. ⁽⁴⁾	Beneficial owner	H Shares	26,420,400	8.43%	2.53%	Long position
Ms. Ouyang Xinxiang ⁽⁴⁾	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.53%	Long position
LRC. Belt and Road Investment Limited ⁽⁵⁾	Beneficial owner	H Shares	26,420,400	8.43%	2.53%	Long position

Name of Shareholder	Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares of the Company ⁽¹⁾	Approximate percentage of balance of shareholding in total share capital of the Company ⁽¹⁾	Long position/ short position
Strategic Global Investment Corporation Limited ⁽⁵⁾	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.53%	Long position
Union Sky Holding Group Limited ⁽⁶⁾	Beneficial owner	H Shares	17,618,800	5.62%	1.69%	Long position
Abhaya Limited ⁽⁶⁾	Interest in a controlled corporation	H Shares	17,618,800	5.62%	1.69%	Long position
Wickhams Cay Trust Company Limited ⁽⁶⁾	Trustee	H Shares	17,618,800	5.62%	1.69%	Long position
Ms. Shi Jing ⁽⁶⁾	Settlor	H Shares	17,618,800	5.62%	1.69%	Long position
GF Securities Co., Ltd. ⁽⁷⁾	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Holdings (Hong Kong) Corporation Limited ⁽⁷⁾	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Investment (Hong Kong) Company Limited ⁽⁷⁾	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Energy Investment Limited ⁽⁷⁾	Beneficial owner	H Shares	29,239,766	9.33%	2.80%	Long position
Fubon Financial Holding Co., Ltd. ⁽⁸⁾	Interest in a controlled corporation	H Shares	17,613,600	5.62%	1.69%	Long position
Fubon Life Insurance Co., Ltd. ⁽⁸⁾	Beneficial owner	H Shares	17,613,600	5.62%	1.69%	Long position
Perfect Splendour Limited	Beneficial owner	H Shares	15,943,702	5.09%	1.53%	Long position

Notes:

- (1) The calculation is based on the total number of 1,045,005,162 Shares of the Company in issue as at the Latest Practicable Date in which 731,529,532 are Domestic Shares and 313,475,630 are H Shares.
- (2) Mr. Chen Weilin holds 33.61% of the equity interest of Xinjiang Tebian, which directly holds 5.57% interest of the Company. Accordingly, Mr. Chen Weilin is deemed to be interested in the Shares held by Xinjiang Tebian for the purpose of the SFO.
- (3) According to the Company's current information, as at the Latest Practicable Date, L.R. Capital Asia Markets Limited holds 47,894,956 H Shares.

- (4) Keystone Group Ltd. is 100% owned by Ms. Ouyang Xinxiang. Therefore, Ms. Ouyang Xinxiang is deemed or taken to be interested in all Shares held by Keystone Group Ltd. for the purpose of the SFO.
- (5) Chan Mei Ching and Chan Min Chi hold 47% and 51% equity interest in Strategic Global Investment Corporation Limited, respectively. Strategic Global Investment Corporation Limited holds 99% equity interest in LRC. Belt and Road Investment Limited. Therefore, each of Chan Mei Ching, Chan Min Chi and Strategic Global Investment Corporation Limited is deemed or taken to be interested in all Shares held by LRC. Belt and Road Investment Limited for the purpose of the SFO.
- (6) Union Sky Holding Group Limited is 100% owned by Abhaya Limited. Abhaya Limited is 100% owned by Wickhams Cay Trust Company Limited, and Ms. Shi Jing is the settlor of the trust and Wickhams Cay Trust Company Limited is the trustee. Therefore, Ms. Shi Jing, Wickhams Cay Trust Company Limited and Abhaya Limited are deemed or taken to be interested in all Shares held by Union Sky Holding Group Limited for the purpose of the SFO.
- (7) GF Investment (Hong Kong) Company Limited holds 81% of the equity interest of GF Energy Investment Limited, and GF Investment (Hong Kong) Company Limited is 100% owned by GF Holdings (Hong Kong) Company Limited, and GF Holdings (Hong Kong) Corporation Limited is 100% owned by GF Securities Co., Ltd.. Accordingly, GF Securities Co., Ltd., GF Holdings (Hong Kong) Corporation Limited and GF Investment (Hong Kong) Company Limited are deemed to be interested in the 29,239,766 H Shares held by GF Energy Investment Limited for the purpose of the SFO.
- (8) Fubon Life Insurance Co., Ltd. is 100% owned by Fubon Financial Holding Co., Ltd.. Therefore, Fubon Financial Holding Co., Ltd. is deemed to be interested in the Shares held by Fubon Life Insurance Co., Ltd. for the purpose of the SFO.

Save as disclosed in this circular, the Directors are not aware that there is any other person (other than the Directors, Supervisors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote at a general meeting under all circumstances.

5. SERVICES AGREEMENT

The Company has entered into service agreements with all of its Directors and Supervisors. None of the Directors or Supervisors has entered into or proposed to enter into any service agreements with the Company which cannot be terminated by the Company within one year without any compensation (other than the statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, as is known to Directors of the Company, there is one material litigation, which was disclosed in prospectus:

Jiangsu Zhongneng Case:

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (“**Jiangsu Zhongneng**”) initiated a civil lawsuit against us with the People’s Court in Jiangsu for alleged infringements by us of certain intellectual property rights and trade secrets which claimed to be owned by Jiangsu Zhongneng, including STC hydrochlorination technology, high-efficiency and energy saving CVD reactor and silanebased FBR technology. Jiangsu Zhongneng sought a compensatory

damage of RMB60 million against us. In December 2014, after our appeals, the Supreme People's Court in China ruled in our favor that the People's Court in Jiangsu lacked of jurisdiction and this case should be heard in a court based in Xinjiang. In addition, Jiangsu Zhongneng has withdrawn its claim against us in relation to the infringement of intellectual property rights in December 2014.

Given that (i) we have never applied the silane-based FBR technology in our Polysilicon Production business; and (ii) the STC hydrochlorination technology and high-efficiency and energy saving CVD reactor which we used in our production were both purchased from legitimate third-party suppliers under valid purchase agreements, we believe that we did not infringe upon the intellectual property rights and trade secrets of Jiangsu Zhongneng. As of the Latest Practicable Date, this legal proceeding is being transferred to a court based in Xinjiang and therefore has not been initiated, and Jiangsu Zhongneng has not submitted any substantive evidence for the court to review and judge the case on the merits.

Except for the complaints disclosed above, as at the Latest Practicable Date, the Group was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Group so far as the Directors are aware.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. QUALIFICATION OF EXPERT AND CONSENT

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

Name	Qualification
TC Capital International Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

- (a) As at the Latest Practicable Date, TC Capital did not hold any beneficial interest in the share capital of any member of the Group, nor did it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) As at the Latest Practicable Date, TC Capital has given, and has not withdrawn their written consent to the issue of this circular with inclusion of their letter and the reference to their name included herein in the form and context in which they respectively appear.
- (c) As at the Latest Practicable Date, TC Capital did not have any interest in any assets which have been since 31 December 2016 (being the date to which the latest published audited annual accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. OTHER INFORMATION

- (a) The joint company secretaries of the Company are Ms. Zhang Juan and Ms. Ng Wing Shan.
- (b) The registered office of the Company is at No. 2499, Mianguangdong Street, Ganquanpu Economic and Technological Development Zone (Industrial Park), High-tech Industrial Development Zone (New Downtown), Urumqi, Xinjiang, the PRC.
- (c) H share registrar of the Company is Computershare Hong Kong Investor Serviced Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the offices of King & Wood Mallesons at 13/F Gloucester Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong from the date of this circular up to and including the date of EGM:

- (a) New Product Procurement Framework Agreement (Type 1);
- (b) New Coal Procurement Framework Agreement (Type 2);
- (c) New Product Procurement Framework Agreement (Type 3);
- (d) New Miscellaneous Services Framework Agreement (Type 4);
- (e) New Miscellaneous Services Framework Agreement (Type 5);
- (f) Transportation Services Framework Agreement (Type 6);
- (g) the consent referred to in the paragraph of “Qualification of Expert and Consent” of this Appendix;
- (h) the Letter from the Board, full text of which is set out on page 1 to page 34 of this circular;
- (i) the Letter from the Independent Board Committee, full text of which is set out on page 35 to page 36 of this circular; and
- (j) the letter from TC Capital, full text of which is set out on page 37 to page 58 of this circular.

新特能源

XINTE ENERGY CO., LTD.

新特能源股份有限公司

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

(Stock Code: 1799)

REVISED NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2018

Reference is made to the notice dated 27 February 2018 of Xinte Energy Co., Ltd. (the “**Company**”) in relation to the Notice of the First Extraordinary General Meeting in 2018 (the “**EGM**”) of the Company to be held on Monday, 16 April 2018.

REVISED NOTICE IS HEREBY GIVEN that the EGM will be held at the Conference Room, 21 Floor, TBEA Co., Ltd. at No. 189, Beijing South Road, Changji, Xinjiang, the People's Republic of China (the “**PRC**”) at 11:00 a.m. on Monday, 16 April 2018 to consider and approve the following matters:

ORDINARY RESOLUTIONS

1. To consider and approve a 36,000-ton-per-annum high-purity polysilicon industrial production upgrade project (the “**Project**”), which will increase the Company's total polysilicon production capacity to 66,000 tons per annum be and are hereby generally and unconditionally approved and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the Project.”;
2. To consider and approve the continuing connected transactions entered with TBEA Co., Ltd. (the “**TBEA**”) contemplated under the below framework agreements be and are hereby generally and unconditionally approved and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions.:

2.1. The New Product Procurement Framework Agreement (Type 1)

The New Product Procurement Framework Agreement (Type 1) entered into between TBEA and the Company on 15 December 2017, and the proposed annual caps of the New Product Procurement Framework Agreement (Type 1);

2.2. The New Coal Procurement Framework Agreement (Type 2)

The New Coal Procurement Framework Agreement (Type 2) entered into between TBEA and the Company on 15 December 2017, and the proposed annual caps of the New Coal Procurement Framework Agreement (Type 2);

REVISED NOTICE OF EXTRAORDINARY GENERAL MEETING

2.3. The New Miscellaneous Services Framework Agreement (Type 4)

The New Miscellaneous Services Framework Agreement (Type 4) entered into between TBEA and the Company on 15 December 2017, and the proposed annual caps of the TBEA Framework Agreements;

3. To consider and approve the continuing connected transactions entered with Xinjiang Tebian (Group) Co., Ltd. (the “**Xinjiang Tebian**”) contemplated under the below framework agreements be and are hereby generally and unconditionally approved and the directors of the Company acting together or by committee, or any director of the Company acting individually, be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his/her/their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions:

3.1. The New Product Procurement Framework Agreement (Type 3)

The New Product Procurement Framework Agreement (Type 3) entered into between Xinjiang Tebian and the Company on 15 December 2017, and the proposed annual caps of the New Product Procurement Framework Agreement (Type 3);

3.2. The New Miscellaneous Services Framework Agreement (Type 5)

The New Miscellaneous Services Framework Agreement (Type 5) entered into between Xinjiang Tebian and the Company on 15 December 2017, and the proposed annual caps of the New Miscellaneous Services Framework Agreement (Type 5); and

3.3. The Transportation Services Framework Agreement (Type 6)

The Transportation Services Framework Agreement (Type 6) entered into between Xinjiang Tebian and the Company on 15 December 2017, and the proposed annual caps of the Transportation Services Framework Agreement (Type 6).

By order of the Board
Xinte Energy Co., Ltd.
Zhang Jianxin
Chairman

Xinjiang, the PRC, 27 March 2018

Notes:

1. In order to determine the holders of shares who are eligible to attend and vote at the EGM, the register of members of the Company will be closed from Saturday, 17 March 2018 to Monday, 16 April 2018, both days inclusive, during which no transfer of shares will be effected. Shareholders whose names appear on the registers of members of the Company on Friday, 16 March 2018 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Board secretary office (in case of holders of domestic shares), at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC, or the Company’s H share registrar (in case of holders of H shares), Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 16 March 2018 for registration.

REVISED NOTICE OF EXTRAORDINARY GENERAL MEETING

2. A shareholder of the Company (“Shareholder”) entitled to attend and vote at the EGM may appoint one or more proxies (whether he/she is a Shareholder) to attend and vote at the EGM on his, her or its behalf. A proxy need not be a shareholder of the Company.
3. Shareholders must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant Shareholder of the Company or by a person duly authorized by the relevant Shareholder of the Company in writing (“power of attorney”). If the form of proxy is signed by the person authorized by the relevant Shareholder of the Company as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarized. If a corporate Shareholder of the Company appoints a person other than its legal representative to attend the EGM (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate Shareholder of the Company or duly signed by its director or any other person duly authorized by that corporate Shareholder of the Company as required by the articles of association of the Company.
4. To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorisation (if any) as mentioned in note 4 above must be lodged with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H shares of the Company) or the Company’s Board secretary office (for holders of domestic shares of the Company) not less than 24 hours prior to the holding of the EGM (i.e. no later than 11:00 a.m. on Sunday, 15 April 2018).
5. A Shareholder of the Company or his proxy should produce proof of identity when attending the EGM (or any adjournment thereof). If a corporate shareholder’s legal representative or any other person duly authorized by such corporate shareholder attends the EGM (or any adjournment thereof), such legal representative or other person shall produce his proof of identity, and proof of designation as legal representative or the valid authorization document (as the case may be).
6. Shareholders who intend to attend the EGM (or any adjournment thereof) should complete and return the reply slip for attending the EGM (or any adjournment thereof) personally or by post. The reply slip should be completed and returned to the Company’s Board secretary office by post to (or by depositing it at) No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC, for holders of domestic shares; or to the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, by facsimile (fax number: +852 2865 0990) or by post to (or by depositing it at) 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for holders of H shares, such that the reply slip shall be received by the Company 20 days before the EGM (i.e. on or before 27 March 2018).
7. The EGM is expected to take less than half a day. Shareholders or their proxies who attend the EGM shall be responsible for their own travel and accommodation expenses.
8. The contact of the Board Secretary office of the Company is as follows:

Address: No. 399, South Changchun Road, New Downtown, Urumqi,
Xinjiang, the PRC

Contact person: Ms. Zhang Juan

Telephone number: +86-991-3665888

As of the date of this announcement, the Board of the Company consists of Mr. Zhang Jianxin, Mr. Ma Xuping and Mr. Yin Bo as executive Directors; Mr. Zhang Xin, Ms. Guo Junxiang and Mr. Tao Tao as non-executive Directors; Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus as independent non-executive Directors.