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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)

**FINAL FINANCIAL ACCOUNTS FOR THE YEAR 2018
REPORT OF BOARD OF DIRECTORS FOR THE YEAR 2018
REPORT OF BOARD OF SUPERVISORS FOR THE YEAR 2018
PROFIT DISTRIBUTION PLAN AND DECLARATION OF
A FINAL DIVIDEND FOR THE YEAR 2018
ANNUAL REPORT FOR THE YEAR 2018
RE-APPOINTMENT OF INTERNATIONAL AUDITOR FOR THE YEAR 2019 AND
GRANT OF AUTHORITY TO THE BOARD TO DETERMINE ITS REMUNERATION
DIRECTORS' AND SUPERVISORS' REMUNERATION PLAN FOR THE YEAR 2019
CONTINUING CONNECTED TRANSACTIONS UNDER
THE PRODUCT PROCUREMENT FRAMEWORK AGREEMENT
CONTINUING CONNECTED TRANSACTIONS UNDER THE FINANCIAL SERVICES
FRAMEWORK AGREEMENT
PROPOSED APPOINTMENT OF DIRECTOR
PROPOSED AMENDMENT TO THE ARTICLES
GENERAL MANDATE TO ISSUE SHARES
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice covering the annual general meeting (the "AGM") of the Company to be held at the Conference Room, 21st Floor, TBEA Co., Ltd. at No.189, South Beijing Road, Changji, Xinjiang, the PRC on Friday, 28 June 2019 at 11:00 a.m. is set out in this circular.

If you intend to appoint a proxy to attend the AGM, 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 AGM (i.e. no later than 11 a.m. on Thursday, 27 June 2019) 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 AGM or at any other adjourned meeting should you so wish.

If you intend to attend the AGM 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 on or before Saturday, 8 June 2019.

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DEFINITIONS

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

“AGM”	the annual general meeting for the year 2018 to be held by the Company at the Conference Room, 21st Floor, TBEA Co., Ltd. at No. 189, South Beijing Road, Changji, Xinjiang, the PRC on Friday, 28 June 2019 at 11:00 a.m.
“Approved Total Annual Cap”	the aggregated total annual cap of the TBEA Procurement Transactions approved at the EGM
“Articles”	the articles of association of the Company (as amended, modified or otherwise supplemented from time to time)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“BOO”	Build-Own-Operate, a contracting model whereby the contractor undertakes the construction, operations and maintenance of the project; and retains its ownership
“BT”	Build and Transfer, a contracting model in which the contractor serves as the project investor and undertakes the financing and development of the project. The BT contractor eventually transfers and sells the equity interest in the project company to a third-party purchaser, thereby recovering the construction, subcontracting and/or financing costs on the project
“CBIRC”	China Banking and Insurance Regulatory Commission
“Company”	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)”, “connected transaction(s)” or “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
“Deposit Services”	the deposit services to be provided by TBEA Finance to the Group under the Financial Services Framework Agreement
“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
“ECC”	Engineering and Construction Contracting, including the EPC and BT models

DEFINITIONS

“EGM”	the first extraordinary general meeting for the year 2018 held by the Company on 16 April 2018
“EPC”	Engineering-Procurement-Construction, a contracting model in which the contractor undertakes the entire process of designing, procuring, constructing and commissioning the project
“Effective Date”	the date on which the Deposit Services contemplated under the Financial Services Framework Agreement (including the Proposed Annual Caps) is approved by the Independent Shareholders
“Executive Director(s)”	executive director(s) of the Company
“Financial Services Framework Agreement”	the Financial Services Framework Agreement entered into between the Company and TBEA Finance on 30 April 2019
“Group”	the Company together with 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”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee comprising of all Independent Non-executive Directors established to advise the Independent Shareholders in respect of the Deposit Services (including the Proposed Annual Caps) contemplated under the Financial Services Framework Agreement
“Independent Non-executive Director(s)”	independent non-executive director(s) of the Company
“Independent Shareholders”	Shareholders other than TBEA and its associates
“Latest Practicable Date”	30 May 2019, 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
“Loan Services”	the loan services to be provided by TBEA Finance to the Group under the Financial Services Framework Agreement
“Major Cooperative Commercial Banks”	major state-owned commercial banks and national joint stock commercial banks of the PRC that operate and cooperate with the Group

DEFINITIONS

“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 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
“Non-executive Director(s)”	non-executive director(s) of the Company
“Notice of AGM”	the notice convening the AGM dated 14 May 2019
“Other Financial Services”	financial services other than the Deposit Services and Loan Services to be provided by TBEA Finance to the Group under the Financial Services Framework Agreement, including but not limited to bill acceptance services, discount services, settlement services, financial and financing advisory services, credit authentication related consultation and agency services which are approved by the CBIRC
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project” or “36,000-ton Polysilicon Project”	the investment into and construction of a 36,000-ton-per-annum high-purity polysilicon industrial upgrade project
“Proposed Annual Caps”	the proposed daily maximum deposit balance (including accrued interest) as determined between the Group and TBEA Finance for the Deposit Services
“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

DEFINITIONS

“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the 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 with limited liability on 26 February 1993, and the Company’s controlling shareholder
“TBEA Finance”	TBEA Group Finance Co., Ltd, a company incorporated in the PRC with limited liability on 29 November 2018 as well as a non-bank financial institution approved by CBIRC and a wholly-owned subsidiary of TBEA as at the Latest Practicable Date
“TBEA Framework Agreements”	New Product Procurement Framework Agreement (Type 1), New Coal Procurement Framework Agreement (Type 2), and New Miscellaneous Services Framework Agreement (Type 4)
“TBEA Group”	TBEA and its subsidiaries
“TBEA Procurement Transactions”	transactions contemplated under Type 1 Transaction, Type 2 Transaction, and Type 4 Transaction
“TBEA Total Actual Transaction Amount”	the actual transaction amount under the TBEA Framework Agreements as at 31 December 2018
“TC Capital” or “Independent Financial Adviser”	TC Capital International Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO) and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Deposit Services (including the Proposed Annual Caps) contemplated under the Financial Services Framework Agreement
“Type 1 Actual Transaction Amount”	the actual transaction amount under the New Product Procurement Framework Agreement (Type 1) for the year ended 31 December 2018
“Type 1 Estimated Transaction Amount”	the estimated transaction amount under the New Product Procurement Framework Agreement (Type 1) for the year ended 31 December 2018

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(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. Yin Bo
Mr. Xia Jinjing

Non-executive Directors:

Mr. Zhang Xin
Ms. Guo Junxiang

Independent Non-executive Directors:

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

Registered office:

No. 2499, Mianguangdong Street
Ganquanpu Economic and
Technological Development Zone
(Industrial Park)
High-tech Industrial Development Zone
(New Downtown)
Urumqi, Xinjiang, the PRC

Headquarters in the PRC:

No. 2499, Mianguangdong Street
Ganquanpu Economic and
Technological Development Zone
(Industrial Park)
High-tech Industrial Development Zone
(New Downtown)
Urumqi, Xinjiang, the PRC

Principal place of business in Hong Kong:

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

5 June 2019

To the Shareholders

Dear Sir or Madam,

**FINAL FINANCIAL ACCOUNTS FOR THE YEAR 2018
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LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the Notice of AGM issued on 14 May 2019. The purpose of this circular is to give you the 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 AGM for the following issues, to be approved by way of certain ordinary or special resolutions:

Ordinary Resolutions

1. Final financial accounts for the year 2018;
2. Report of Board of Directors for the year 2018;
3. Report of Board of Supervisors for the year 2018;
4. Profit distribution plan and declaration of a final dividend for the year 2018;
5. Annual report for the year 2018;
6. Re-appointment of international auditor for the year 2019 and grant of authority to the Board to determine its remuneration;
7. Directors' and Supervisors' remuneration plan for the year 2019;
8. Continuing connected transactions under the Product Procurement Framework Agreement;
9. Continuing connected transactions under the Financial Services Framework Agreement; and
10. Proposed appointment of Director;

Special Resolutions

11. Proposed amendment to the Articles; and
12. General mandate to issue Shares.

1. FINAL FINANCIAL ACCOUNTS FOR THE YEAR 2018

An ordinary resolution will be proposed at the AGM to approve the final financial accounts for the year 2018. A summary of the report relating to the Company's 2018 final financial accounts prepared under the International Financial Reporting Standards is as follows:

1. Income and profit

In 2018, pursuant to the consolidated financial statements, the Company's operating revenue was RMB12,054 million and other income was RMB97 million. Cost of operation amounted to RMB9,642 million, while net finance expenses amounted to RMB355 million. Profit before tax was RMB1,208 million, and the profit attributable to owners of the Company was RMB1,108 million.

LETTER FROM THE BOARD

2. Cash flow

In 2018, pursuant to the consolidated financial statements, the Company's net cash generated from operating activities was RMB1,851 million, net cash used in investing activities was RMB3,292 million and net cash generated from financing activities was RMB2,964 million. Net cash and cash equivalents increased by RMB1,523 million.

3. Assets and liabilities

As at 31 December 2018, pursuant to the consolidated financial statements, the Company's total assets amounted to RMB35,700 million, of which current assets amounted to RMB16,441 million, non-current assets amounted to RMB19,258 million. Total liabilities amounted to RMB24,410 million. Equity attributable to owners of the Company amounted to RMB10,021 million.

2. REPORT OF BOARD OF DIRECTORS FOR THE YEAR 2018

An ordinary resolution will be proposed at the AGM to approve the report of Board of Directors for the year 2018, the full text of which is set out in the Company's annual report for the year 2018 dispatched.

3. REPORT OF BOARD OF SUPERVISORS FOR THE YEAR 2018

An ordinary resolution will be proposed at the AGM to approve the report of Board of Supervisors for the year 2018, the full text of which is set out in the Company's annual report for the year 2018 dispatched.

4. PROFIT DISTRIBUTION PLAN AND DECLARATION OF A FINAL DIVIDEND FOR THE YEAR 2018

Under the Articles, an ordinary resolution will be proposed at the AGM to approve the Company's profit distribution plan. The Board proposed the distribution of a final dividend of RMB0.15 per Share (tax inclusive) in an aggregate amount of approximately RMB180 million for the year ended 31 December 2018. Final dividend will be paid to holders of Domestic Shares in Renminbi and to holders of H Shares in Hong Kong dollars. The actual amount of H Share dividend attributable to holders of H Shares to be distributed and paid in Hong Kong dollars is calculated according to the average of closing mid-point conversion rate between Renminbi and Hong Kong dollars as published by PBOC for the five business days preceding the date of the declaration of dividends at the AGM. If the proposed profit distribution plan is approved at the AGM, the final dividend will be paid to Shareholders whose names are registered in the Company's register of members on Wednesday, 10 July 2019. The Company expects to pay the dividend no later than Wednesday, 28 August 2019. In order to determine the Shareholders who are entitled to receive the above-mentioned final dividend, the register of members of the Company will be closed from Friday, 5 July 2019 to Wednesday, 10 July 2019, both days inclusive. To be eligible to receive the final dividend for the year ended 31 December 2018 (subject to the approval of the Company's Shareholders at the AGM), holders of H Shares of the Company shall lodge all share transfer documents accompanied by the relevant H Share certificates with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 4 July 2019.

The Company hereby recommends Shareholders to authorize the Board to implement the above profit distribution plan, and recommends the Board to further grant its authority to the Company's management for implementing all relevant matters relating to the above profit distribution plan, having obtained the above authority.

LETTER FROM THE BOARD

Withholding and Payment of Enterprise Income Tax on Behalf of Overseas Non-Resident Enterprises

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementing rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes final dividend to non-resident enterprise holders of H Shares (including any H Shares registered in the name of HKSCC Nominees Limited).

Withholding and Payment of Individual Income Tax on Behalf of Overseas Individual Shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementing rules and the Tax Notice, the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of individual H Shares Shareholders:

- For individual H Shares Shareholders who are residents of Hong Kong or the Macau or whose country of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these individual H Shares Shareholders in the distribution of the Final Dividend;
- For individual H Shares Shareholders whose country of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these individual H Shares Shareholders in the distribution of the final dividend. If relevant individual H Shares Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice. Qualified Shareholders please submit in time a letter of entrustment and all application materials as required under the Tax Notice to the Company's H share registrar, Computershare Hong Kong Investor Services Limited. The Company will then submit the above documents to competent tax authorities and, after their examination and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;
- For individual H Shares Shareholders whose country of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these individual H Shares Shareholders in the distribution of the final dividend; and
- For individual H Shares Shareholders whose country of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these individual H Shares Shareholders in the distribution of the final dividend.

LETTER FROM THE BOARD

The Company will determine the resident status of the individual H Shares Shareholders based on the registered address as recorded in the register of members of the Company on Wednesday, 10 July 2019 (the “Registered Address”). If the resident status of any individual H Shares Shareholder is not in consistency with that indicated by the Registered Address, such individual H Shares Shareholder shall notify the Company’s H share registrar not later than 4:30 p.m. on Thursday, 4 July 2019, and provide relevant supporting documents to the Company’s H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. Any individual H Shares Shareholder who fails to provide relevant supporting documents within the time period stated above, may either personally or appoint an agent to attend to the relevant procedures in accordance with the requirements under the tax treaty notice.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Shares Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Shares Shareholders or any disputes over the withholding mechanism or arrangements.

5. ANNUAL REPORT FOR THE YEAR 2018

The Company’s annual report for the year 2018 will be proposed at the AGM to be approved by way of ordinary resolution. The Company’s annual report for the year 2018 has been dispatched to Shareholders and published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.xtnysolar.com).

6. RE-APPOINTMENT OF INTERNATIONAL AUDITOR FOR THE YEAR 2019 AND GRANT OF AUTHORITY TO THE BOARD TO DETERMINE ITS REMUNERATION

An ordinary resolution will be proposed at the AGM to approve the re-appointment of PricewaterhouseCoopers as the Company’s international auditor for the year 2019 and the grant of authority to the Board to determine its remuneration.

7. DIRECTORS’ AND SUPERVISORS’ REMUNERATION PLAN FOR THE YEAR 2019

An ordinary resolution will be proposed at the AGM to approve the remuneration plan for Directors and Supervisors for the year ended 31 December 2019, which is formulated according to the Company’s internal policies as follows:

1. Independent Non-executive Directors will receive their remunerations from the Company. For the year 2019, the Company will pay each Independent Non-executive Director RMB120,000 (before tax, paid on a quarterly basis, the Company being responsible for withholding and paying personal income tax). Travel expenses incurred by Independent Non-executive Directors in attending Board meetings, general meetings of the Company and relevant activities organized by the Board will be borne by the Company;
2. Non-executive Directors without holding offices in the management of the Company will not receive any remuneration from the Company;

LETTER FROM THE BOARD

3. Executive Directors holding offices in the management of the Company will receive their remunerations from the Company. The remuneration of an Executive Director will be determined based on the management position held by such Executive Director, in accordance with rules relating to the management of remuneration of the Company;
4. Supervisors without holding offices in the management of the Company will not receive any remuneration from the Company; and
5. The employee representative Supervisors will receive their remunerations from the Company. The remuneration of an employee representative Supervisor will be determined with reference to the standard of management position held by such employee representative Supervisor, in accordance with rules relating to the management of remuneration of the Company.

8. CONTINUING CONNECTED TRANSACTIONS UNDER THE PRODUCT PROCUREMENT FRAMEWORK AGREEMENT

Reference is made to the Company's announcement dated 27 March 2019 in relation to the TBEA Framework Agreements entered into by the Company and TBEA, including the New Product Procurement Framework Agreement (Type 1).

During the year ended 31 December 2018, the Group had the following non-exempt continuing connected transactions with TBEA:

Type of transaction	Actual transaction amount for the year ended 31 December 2018 (RMB)	Estimated transaction amount for the year ended 31 December 2018 (RMB)
Type 1 Transaction	511,754,736	350,000,000
Type 2 Transaction	148,169,200	300,000,000
Type 4 Transaction	<u>230,285,599</u>	<u>250,000,000</u>
Total transaction amount/total annual cap	<u><u>890,209,535</u></u>	<u><u>900,000,000</u></u>

In the course of reviewing the underlying transaction data collected as part of the Company's annual review by the Company's management for the purpose of preparing the consolidated financial statements of the Company for the year ended 31 December 2018, it came to the Company's attention that for the year ended 31 December 2018, the Type 1 Actual Transaction Amount was RMB511,754,736, which is higher than the Type 1 Estimated Transaction Amount. However, the TBEA Total Actual Transaction Amount was lower and well within the Approved Total Annual Cap.

LETTER FROM THE BOARD

Difference in the Type 1 Actual Transaction Amount and Type 1 Estimated Transaction Amount

The Company started to carry out the 36,000-ton Polysilicon Project in April 2018 in order to consolidate the Company's leading position in the photovoltaic industry by continuously improving its polysilicon production capacity and quality and further reducing product costs. The Project was originally planned to be completed and put into operation in mid-2019. However, after considering the price trend of polysilicon and the production expansion of other companies in the same industry, the Company has decided to accelerate the construction of the Project in the last quarter of 2018. Its major work was preliminarily completed by the end of 2018 and production has commenced in May 2019. As a leading power transmission and transformation enterprise in the PRC, TBEA provides high quality products such as transformers, wires and cables. Therefore, through compliance procedures such as tendering or business negotiations, the Company signed specific procurement contracts with TBEA and its subsidiaries for the purchase of products used in the construction of the Project.

In 2018, the Company entered into Type 1 Transaction for the Project with a total amount of RMB284 million. The construction of the Project was accelerated in the last quarter of 2018, and in order to align with the progress of the Project, most of the products including transformers (including ancillary equipment), wires, cables and other equipment originally to be procured in the first half of 2019 were delivered earlier than scheduled and the relevant transactions were mainly conducted in November and December 2018.

During the preparation of the consolidated financial statements of the Company for the year ended 31 December 2018, the Company's management was made aware that the Type 1 Actual Transaction Amount has deviated and exceeded the Type 1 Estimated Transaction Amount stated in the announcement of the Company dated 15 December 2017 and the circular of the Company dated 27 March 2018. However, the Board has confirmed that the TBEA Total Actual Transaction Amount which deviates from the estimated transaction amount was due to the procurements for the construction of the Project and is lower than the Approved Total Annual Cap.

To the best knowledge of the Company, (i) when entering into Type 1 Transaction, Type 2 Transaction and Type 4 Transaction, all relevant percentage ratios of the annual estimated transaction amounts individually and separately calculated according to the Listing Rules are higher than 0.1% but lower than 5%, therefore, the original proposed annual caps for the Type 1 Transaction, Type 2 Transaction and Type 4 Transaction are subject to the annual reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular and shareholders' approval requirements; and (ii) after aggregation by the Hong Kong Stock Exchange, since at least one of the relevant percentage ratios under the Listing Rules in respect of the TBEA Procurement Transactions contemplated under the TBEA Framework Agreements as aggregated is more than 5%, the transactions contemplated under the TBEA Framework Agreements as aggregated are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The total annual cap as aggregated under the TBEA Framework Agreements has been approved at the EGM and the Company has been approved to conduct the TBEA Procurement Transactions in accordance with the Approved Total Annual Cap.

LETTER FROM THE BOARD

Since the Type 1 Actual Transaction Amount has deviated from the Type 1 Estimated Transaction Amount, the Board will submit an ordinary resolution at the AGM for the Independent Shareholders to review and confirm the Type 1 Actual Transaction Amount. Any Shareholder and his associates who have material interest in the Type 1 Transaction shall abstain from voting on such resolution at the AGM. Therefore, TBEA and its associates, which holds approximately 65.43% of the total issued shares of the Company as at the Latest Practicable Date, shall abstain from voting at the AGM in respect of the confirmation and approval of the Type 1 Actual Transaction Amount.

In order to avoid reoccurrence of similar cases in the future, the Company has reviewed the internal control system and would like to enhance the internal control system and enhance the supervision of the actual transaction amount of continuing connected transaction(s) to ensure that the scrutiny of continuing connected transaction is conducted in a more thorough and stringent way and to strengthen the reporting system of the Group. Details of the measures taken are as follow:

1. The Company has engaged an internal control consultant to review the internal control system in relation to the governance of the continuing connected transaction(s) and provide recommendations to the Company based on actual circumstances. Sampling will also be conducted afterwards to review whether the recommended procedures have been adopted and the deficiencies have been addressed.
2. To ensure the Company's conformity with the 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 various units 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 on each agreement 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 is also responsible for the data collection and monitoring of connected transactions, and 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 Board of Supervisors on the Group's connected transactions on a 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 the Listing Rules to issue an announcement, report to an independent board committee and/or seek independent Shareholders' approval after the Board's review and approval (as the case may be);
 - the Company will strengthen training provided to its employees in relation to the review and decision-making processes and information disclosure requirements of connected transactions, and further promote awareness among the relevant business departments in the corresponding compliance requirements; and

LETTER FROM THE BOARD

- the Independent Non-executive Directors have also reviewed and will continue to review the 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 continuing connected transactions.
3. To enhance the supervision of the actual transaction amount of subsequent continuing connected transaction(s):
- all connected transactions shall obtain approval from the headquarters of the Company before being entered into. Also, a team of senior members of the Company will collectively monitor the actual transaction amount of the Group's continuing connected transactions;
 - the Company will enhance the control on the actual transaction amount of the continuing connected transactions by expanding the scope of review and scrutiny for the continuing connected transactions, the control will also focus on (i) the aggregate amount of continuing connected transactions; and (ii) the individual amount of each type of continuing connected transaction;
 - the Company will strengthen the training provided to financial officers of the Group, require the heads of the financial departments to review the data and statistics to increase their accuracy and ensure the financial data of the Group will be duly circulated to the senior management of the Company for review in a timely manner; and
 - the secretary of the Board will collect the data of the continuing connected transactions of the preceding month from the finance officers of the Group at the beginning of each month and verify the aggregate amount of the continuing connected transactions of the preceding month with the finance officers of the relevant connected person in a timely manner in order to ensure timely discovery of any omission of data of the Company's finance department to avoid omissions or errors.

9. CONTINUING CONNECTED TRANSACTIONS UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

An ordinary resolution will be proposed at the AGM to approve the continuing connected transactions contemplated under the Financial Services Framework Agreement entered into between the Company and TBEA Finance on 30 April 2019.

Background

Reference is made to the announcement of the Company dated 30 April 2019. On 30 April 2019, the Company entered into the Financial Services Framework Agreement with TBEA Finance in relation to the provision of various financial services by TBEA Finance to the Group, including but not limited to Deposit Services, Loan Services and Other Financial Services, for a period from the Effective Date up to 31 December 2020.

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Financial Services Framework Agreement

The principal terms of the Financial Services Framework Agreement are summarized as follows:

Parties: TBEA Finance, as the provider of the services; and
The Company including its subsidiaries, as the receiver of the services

Date: 30 April 2019

Transaction type: Provision of financial services such as Deposit Services, Loan Services and Other Financial Services approved by CBIRC

(1) Deposit Services

The Group shall open deposit accounts with TBEA Finance, and deposit funds into the deposit accounts on the principle of being free to deposit and withdraw. The deposit forms include current deposit, time deposit, call deposit, agreement deposit, etc;

TBEA Finance shall ensure the security of the funds deposited by the Group, and accept the fund demand of the Group in time and in full amount when the Group raises the relevant demand; and

The daily maximum deposit balance (including accrued interest) of the Group with TBEA Finance shall not exceed RMB1,000 million and RMB1,200 million for 2019 and 2020 respectively.

(2) Loan Services

Subject to the relevant PRC laws and regulations, TBEA Finance shall provide Loan Services for the Group based on the operation and development needs of the Group.

(3) Other Financial Services

TBEA Finance will provide the Group with Other Financial Services within its business scope according to the instructions and requirements of the Group, including but not limited to bill acceptance services, discount services, settlement services, financial and financing advisory services, credit authentication related consultation service and agency services which are approved by the CBIRC.

The fees for Other Financial Services payable to TBEA Finance by the Group for 2019 and 2020 shall not exceed RMB50 million and RMB60 million respectively.

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Term: From the Effective Date up to 31 December 2020

Pricing policies: **1. Deposit Services**

The deposits placed by the Group with TBEA Finance shall not bear an interest rate that is lower than (i) the benchmark interest rate of PBOC; (ii) the deposit interest rates offered by other major commercial banks in the PRC; and (iii) the deposit interest rates offered by TBEA Finance (the “**Deposit Interest Rate**”) to any member company of TBEA (excluding the Group) with same credit ratings for comparable deposits for the same term, if applicable. TBEA Finance has not provided the Deposit Interest Rate to the Company as TBEA Finance’s evaluation on members of the Group has not been completed as at the Latest Practicable Date, however, the basis of Deposit Interest Rate is determined based on (i) TBEA Finance’s internal benchmark interest rate applicable to the TBEA Group for different types of deposit (the “**Internal Benchmark**”); (ii) the quotations provided by TBEA Finance including the interest rates for different account balance under agreement deposit (if applicable); and (iii) pips increment which will be determined according to the TBEA Finance’s evaluation on several factors including credit status, profitability, credit rating and business scale. In light of the above, the expected Deposit Interest Rate will not be lower than the Internal Benchmark after the completion of TBEA Finance’s evaluation on the Group.

The Group only places demand deposits and agreement deposits due to their flexibility. Demand deposits consist of funds held in accounts whereby deposited funds can be withdrawn at any time from the depository institution; whereas agreement deposits are made pursuant to agreements entered into between depository institutions and corporate clients which have a substantial amount of deposits. Under such agreements, the client agrees to retain a certain amount of its funds at the depository institutions for daily settlement purposes which receives the normal interest rate for demand deposits; and the surplus funds at the depository institutions shall receive an interest rate which is agreed among the parties, which is usually higher than the normal interest rate for demand deposits. The interest rate for agreement deposits is subject to several factors including but not limited to monetary scale, negotiation, year of relationship and credit rating, and the interest rate for agreement deposit under the Internal Benchmark cannot be finalised until TBEA Finance completes its evaluation on the Group. Agreement deposits are preferred by the Group as it has the flexibility of demand deposits whereby the Group is able to freely withdraw and transfer its deposit at the depository institution, while receiving higher interest income at the same time.

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As the Deposit Services is on a voluntary and non-exclusive basis, the Group is able to place its deposits in other commercial banks if TBEA Finance's interest rate for demand deposits and agreement deposits is lower than any of the deposit interest rates stated under the pricing policy of the Deposit Services.

2. Loan Services

The loans granted to the Group by TBEA Finance shall not bear an interest rate that is higher than (i) the benchmark interest rate of PBOC; (ii) the lending rates offered by other major commercial banks in the PRC; and (iii) the lending rates offered by TBEA Finance to any other member companies of TBEA (excluding the Group) with same credit ratings for comparable loans for the same term, if applicable.

3. Other Financial Services

1. The services fees for bill acceptance services, discount services and settlement services shall not be higher than (i) the fees charged by other major commercial banks in the PRC; and (ii) the fees charged by TBEA Finance from any other member companies of TBEA (excluding the Group) with same credit ratings, if applicable. The standard guidance fee charged for such services by TBEA Finance are as follow: (1) Bill acceptance services: 0.05% to 0.1% of the face value of the bill, depending on the duration of the bill; (2) Discount services: an annual interest rate ranging from 3% to 6%, depending on the face value of the bill and the adjustment with reference to the fluctuation of the market interest rate of the bill; and (3) Settlement services: TBEA Finance will not charge member companies of the TBEA Group for settlement services.
2. The services fees for financial and financing advisory services, credit authentication related consultation and agency services shall not be higher than (i) the fees charged by other major commercial banks in the PRC; and (ii) the fees charged by TBEA Finance from any other member companies of TBEA (excluding the Group) with same or similar type of financial service with similar level of sophistication, if applicable. The standard guidance fee charged for such services by TBEA Finance are as follow: (1) Financial and financing advisory services: the pricing will be based on each advisory matter with reference to the nature, time spent and sophistication of the advisory services; (2) Credit authentication related consultation: the charge will be based on each authentication depending on the nature and categories of the authentication; and (3) Agency Services: TBEA Finance will not charge member companies of the TBEA Group for agency services.

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3. The service fees for Other Financial Services which are not specifically mentioned above shall not be higher than (i) the relevant standard charges set by PBOC (if applicable); (ii) the fees charged by other major commercial banks in the PRC; and (iii) the fees charged by TBEA Finance from any member company of TBEA (excluding the Group) with same credit ratings for comparable services for the same term, if applicable.

The fees charged for the Other Financial Services mentioned above by TBEA Finance from the Group shall comply with the fee standards promulgated by the regulatory authorities including PBOC or the CBIRC (if applicable), and make reference to the handling fee standards set by the Major Cooperative Commercial Banks for the Other Financial Services of the same type. Hence, the Other Financial Services shall be conducted on normal commercial terms or better. The handling fee standards shall be equivalent to or lower than those charged by the Major Cooperative Commercial Banks. Under the same conditions, the fee standards charged by TBEA Finance to the Group shall be the same as those charged by TBEA Finance to other member companies of the TBEA Group for the Other Financial Services of the same type.

For each of the specific transactions with TBEA Finance, TBEA Finance has been appointed as one of the financial institutions to provide financial services to the Group under the terms and conditions of the Financial Services Framework Agreement. Prior to entering into any transactions or agreements with TBEA Finance, the Group will seek the rates quotation from the Major Cooperative Commercial Banks in advance to compare the rates or fees and other relevant transaction terms (e.g. transaction approval conditions, sophistications, procedures or time limit) offered by TBEA Finance and the Major Cooperative Commercial Banks for services over the same period and type. Only when the rates or fees or the other relevant transaction terms offered by TBEA Finance are equivalent to or more favourable than those offered by the Major Cooperative Commercial Banks, the Group may enter into transactions with TBEA Finance at its discretion. Under circumstances which the Group considers appropriate, the Group may engage additional or other financial institutions other than TBEA Finance to provide the financial services required.

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Proposed Annual
Caps:

Unit: RMB

	Proposed Annual Caps as at 31 December	
	2019	2020
Deposit Services (Daily maximum deposit balance (including accrued interest))	1,000,000,000	1,200,000,000
Other Financial Services	50,000,000	60,000,000

Basis for
determining the caps:

1. Deposit Services Cap

The cap for the Deposit Services is arrived at after taking into account the followings:

- (i) the level and changes of the monetary funds (i.e. cash and cash equivalents and restricted cash) of the Group in the past. The Group's monetary funds amounted to approximately RMB4,150 million, RMB2,850 million, RMB3,820 million and RMB6,170 million as at 31 December 2015, 31 December 2016, 31 December 2017 and 31 December 2018, respectively, representing a compound annual growth rate of approximately 14.1% from 2015 to 2018 and the Group is of the view that the business of the Group will be sustainable for 2019 and 2020 and the operating cash flows will remain at a similar level and level of the monetary funds will further increase after considering the historical business performance of the Group;

As at 31 December 2018, the Group's monetary funds have been placed in over 20 commercial banks, approximately 66% of the Group's total cash were placed in 7 commercial banks and approximately 34% of the Group's total cash were placed in the remaining commercial banks (the "Other Banks"). Construction of power stations requires proprietary technology and are more capital-intensive as compared to other construction work, therefore, the amount of payments involved are relatively higher than that for other construction works and the diversification of deposits into a large number of banks may affect the time and transaction cost spent by the Group to collect the requisite cash. In order to improve the capital utilisation, the Group intends to centralise approximately 50% of its deposits in the Other Banks to TBEA Finance during 2019 for a higher interest return on its deposits and easier management. Meanwhile, to maintain the Group's relationship with Other Banks for future development, the remaining 50% of deposits in the Other Banks will not be transferred to the Group's account(s) at TBEA Finance in 2019.

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However, the Group may close some of its bank accounts and further transfer its deposits to TBEA Finance during 2020 if the Other Banks are no longer able to provide more competitive or attractive terms.

- (ii) the expected level of cash and deposit of the Group in the next two years as a result of the Group's business expansion. One of the principal businesses of the Group, i.e. ECC, was relatively stable in the past and is expected to maintain at a similar level in 2019. The Group completed installation of approximately 1.5GW, 1.5GW and 1.4GW of EPC and BT projects for each of the three years ended 31 December 2018 respectively. Moreover, for the BOO segment, the Group obtained more BOO projects from 2018 to 2020 with capacity of approximately 1,225MW. The Group completed approximately 200MW during 2018 and expects to complete approximately 600MW and approximately 425MW during 2019 and 2020 respectively. The Company expects that after completion of this year's ECC and BOO projects, the total installation capacity of the Group will increase from approximately 1.6GW in 2018 to approximately 1.9GW, representing an 18.8% increase in installation capacity.
- (iii) the anticipated increase in cash balances arising from the possible financing plans and financing scale of the Group for the coming two years, and in order to prevent liquidity risks due to the strict financing environment in the PRC, the Group will raise funds in advance and reserve such funds by placing them as deposits in financial institutions which will result in a corresponding increase in the demand for deposit services;
- (iv) the anticipated increase in deposit interest income from deposit balance placed with TBEA Finance for the coming two years, which is calculated with reference to the Group's historical interest rates for deposits, and the increase in deposits as a result of the Group's business growth; and
- (v) as TBEA Finance continuously improves its financial services capability, it will have greater competitive advantages over third party financial services providers by being capable to better fulfill the needs for the Group's future development. Accordingly, the Group's demand for Deposit Services to be provided by TBEA Finance will increase correspondingly.

Considering that the deposit interest rate offered by TBEA Finance shall be not lower than that offered by other major commercial banks in the PRC, the Group intends to deposit part of the monetary funds of the Group with TBEA Finance after taking into account its cash in bank and cash on hand. On the other hand, with a view to enhance risk management and liquidity management, the Group will not deposit all of its cash with TBEA Finance.

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Given the strong support and the resources to be allocated by TBEA to TBEA Finance, including (i) TBEA's undertaking to TBEA Finance that when TBEA Finance requires extra capital to fulfil its business development needs, TBEA shall provide capital injection to it at once; and (ii) TBEA's undertaking to the Company that TBEA shall use its best endeavours and all possible and reasonable means to ensure that TBEA Finance will fulfill its obligations under the Financial Services Framework Agreement by increasing the working capital of TBEA Finance when needed. TBEA will also encourage its member companies to enter into transactions with TBEA Finance for the provision of deposit services, loan services and other financial services. By increasing TBEA Finance's business scale, it will continuously improve its capability in the provision of financial services; and will have greater competitive advantages over third party financial services providers by being capable to better fulfill the needs for the Group's future development as it has a better understanding of the Group's needs.

Taking the above factors into account, the daily maximum deposit balance (including accrued interest) of the Group with TBEA Finance should not exceed RMB1,000 million and RMB1,200 million respectively for the years ending 31 December 2019 and 31 December 2020.

2. Loan Services Cap

As the Loan Services would be on normal commercial terms (or better to the Group) and will not be secured by the assets of the Group, it is exempt pursuant to Rule 14A.90 of the Listing Rules from all reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Other Financial Services Cap

The service fees for the Other Financial Services will be determined based on arm's length negotiation with reference to those charged by other financial institutions in the PRC for providing similar services. The Board estimated that the annual service fees payable by the Group to TBEA Finance for the years ending 31 December 2019 and 31 December 2020 shall not exceed RMB50 million and RMB60 million respectively. Such proposed annual cap was determined after arm's length negotiation with reference to the future business needs of the Group in relation to the Other Financial Services.

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During the ordinary course of business, the Group may require the Other Financial Services from time to time, and the corresponding cap was determined after considering the revenue, business operation and business scale of the Group.

Historical transaction amount: TBEA Finance was established on 29 November 2018. The Group did not enter into any transactions relating to financial services with TBEA Finance in the past. Therefore, no historical transaction amount is available.

To determine the interest rates and fees to be offered by TBEA Finance to the Group, TBEA Finance will consider the following factors, including amongst others: (i) the prevailing interest rates or standard charges promulgated by PBOC for the same period which are considered as the benchmark for commercial banks in the PRC which they will make reference to when determining their interest rates and fees offered to their customers; (ii) the interest rates and fees offered to companies with similar credit rating published by other major commercial banks in the PRC for the same period; and (iii) the scale and amount of funds involved in the particular transaction. Based on the above factors, the deposit interest rates to be offered by TBEA Finance will be in line with or no less favourable than the deposit interest rates offered by major commercial banks in the PRC for comparable deposits with same or similar amount for comparable periods pursuant to the Financial Services Framework Agreement.

TBEA's main purpose for setting up TBEA Finance is to facilitate TBEA Finance to take up the role of acting as a fund management platform of the TBEA Group. Therefore, its main objective is to centrally manage the funds that are held by each member company in the TBEA Group, to increase their fund utilization such that funds within the TBEA Group can be better allocated for the business development of each member company when needed. In order to achieve such purpose and to increase the amount of funds member companies of the TBEA Group deposit with TBEA Finance, it is necessary for TBEA Finance to offer interest rates that are not lower than those provided by other major commercial banks in the PRC.

Reasons and Benefits for Entering into the Financial Services Framework Agreement

TBEA Finance is regulated by PBOC and the CBIRC, and shall provide services in accordance with and in compliance with the rules and operational requirements of such regulatory authorities. TBEA Finance has adopted internal control and risk management measures to mitigate fund risks and guarantee fund safety, thereby protecting the overall interests of the Group. Pursuant to the regulatory requirements of the CBIRC, TBEA undertakes to increase the capital of TBEA Finance based on the actual needs of resolving payment difficulty upon the emergence of such difficulty, particularly including but not limited to, providing liquidity support to TBEA Finance when TBEA Finance has difficulty in making payment, and replenish the capital of TBEA Finance in a timely manner upon the occurrence of capital erosion as a result of operating losses of TBEA Finance.

The execution of the Financial Services Framework Agreement with TBEA Finance is favourable for the Group to enhance fund management and control, reduce and circumvent operation risks. With the continuous business expansion, the Group's size of borrowings has gradually increased, and it is particularly important to diversify financing channels, to reduce finance costs, and improve capital utilization rate. The interest rate or pricing standards offered by TBEA Finance to the Group for the Deposit Services, Loan Services and Other Financial Services will be the same or more favourable than those offered by other major commercial banks in the PRC to the Group. Compared to

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diversifying deposits with different financial institutions, the Company will enjoy a more competitive interest rate if the deposits are centralized and deposited with selected financial institutions, such as TBEA Finance, with an expectation of enjoying no less favourable terms than those offered by other financial institutions.

The Group may obtain the financial services from TBEA Finance on more favorable terms, satisfying the operation requirements to reduce finance costs and diversify financing channels, which helps improve the overall standard of fund operation of the Group, enhance its bargaining power for external financing, and enable the Group to secure higher deposit interest rates than those in the market thereby increasing interest income on deposits.

TBEA Finance, as a subsidiary of TBEA, has a more thorough understanding of the Group's operations as compared to the Major Cooperative Commercial Banks and other financial institutions, as (i) the core management team of TBEA Finance has previous working experience in TBEA or financial institutions; (ii) TBEA Finance only provides financial services to TBEA and its member companies (including the Group), it has more direct and in-depth knowledge of the industries including the polysilicon manufacturing industry and the development and operation of wind power and photovoltaic resources; and (iii) being member companies of TBEA, there shall be more communication in terms of daily operations and business management between the Group and TBEA Finance. As such, TBEA Finance is able to offer flexible, convenient, customized and cost-effective services to the Group. TBEA Finance, as an internal professional financial institution serving member companies of the TBEA Group, has a more manageable business scale and exposes to lower client risks as compared to external institutions that serve clients with a wide range of credit ratings in the market.

Due to the long-term relationship between the Group and TBEA as well as the qualification and experience of TBEA Finance's core management team, the Group expects that it will benefit from TBEA Finance's familiarity with the industry and operation of the Group. Through the cooperation between each other for many years, TBEA is familiar with the capital structure, business operation, financing needs, mode of cash flow and cash management of the Group, as well as the Group's entire financial management system, enabling it to communicate with the Group more efficiently to cater for its needs in a better way, as well as serving the Group in a more convenient and efficient manner than the other major commercial banks in the PRC. Therefore, TBEA Finance will be at an advantageous position to provide the Group with more appropriate, effective and flexible services when compared with the Major Cooperative Commercial Banks.

Furthermore, as a professional platform for centralized fund management, TBEA Finance will have stronger bargaining power with commercial banks after collecting the deposits of all member companies of TBEA Group and depositing them together at TBEA Finance's cooperative banks. The scale of collective deposit from the TBEA Group will be much larger than single deposit of any member company in the TBEA Group thus TBEA Finance is able to obtain a much higher interest rate for its deposit at banks. Hence, TBEA Finance will be able to provide the Group with more favorable terms, such as interest rates and charges, than those offered by the Major Cooperative Commercial Banks.

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The Financial Services Framework Agreement is non-exclusive with no restrictions on the Group's options to appoint any other commercial banks or financial institutions to meet its needs for financial services, and TBEA Finance is only one of the several financial institutions which offer financial services to the Group. The Group will consider entering into transactions with TBEA Finance at its discretion when the rates or fees or the other relevant transaction conditions offered by TBEA Finance are equivalent to or more favorable than those offered by the Major Cooperative Commercial Banks. Under circumstances which the Group considers appropriate, the Group may engage additional or other financial institutions other than TBEA Finance to provide financial services.

The Group can freely select financial services providers to meet their needs for financial services, and compare the rates and transaction conditions offered by TBEA Finance with those offered by Major Cooperative Commercial Banks in accordance with its actual business needs. Therefore, the transactions under the Financial Services Framework Agreement are based on the actual business needs and are entered into in the ordinary course of business of the Group, on normal commercial terms or better; and the terms and conditions of the Financial Services Framework Agreement are fair and reasonable, and do not restrict the Group to choose other financial services providers to meet its need for financial services. The Group will have one more choice of financial services provider which can encourage other financial services providers to provide more competitive terms for financial services. For the reasons stated above, the transactions under the Financial Services Framework Agreement are in the interest of the Company and Shareholders as a whole.

Internal Control and Capital Risk Management Measures of TBEA Finance

1. TBEA Finance undertakes to the Company that:
 - (i) it shall be obliged to ensure the safe and normal use of the funds placed with it by the Group when providing Deposit Services and Other Financial Services to the Group. TBEA Finance shall comply with the Measures for the Administration of Finance Companies of Enterprise Groups (企業集團財務公司管理辦法) issued by PBOC, which does not allow finance companies of enterprise groups to use majority of their funds for high risk investments. Furthermore, based on the Company's understanding, TBEA Finance is adopting a risk-averse aptitude and is prohibited to engage in high risk investment, and the funds placed with TBEA Finance for safe and ordinary course of business shall either be used for the loan services to be provided to the TBEA Group which will be granted only after TBEA Finance is satisfied with the repayment ability of the borrower or placed at major commercial banks in the PRC that cooperate with TBEA Finance. Where TBEA Finance fails to pay to the Group its deposits for any reason, the Group has the right to deduct the same amount from the loans that TBEA Finance has provided to the Group, and to terminate the Financial Services Framework Agreement unilaterally; in case of loss of funds due to the fault of TBEA Finance, TBEA Finance shall fully compensate the Group for the loss, and the Company has the right to terminate the Financial Services Framework Agreement unilaterally;
 - (ii) when any event arises that may prejudice the safety of the Group's deposits or other matters that may pose a potential safety hazard to the funds deposited by the Group, it shall inform the Company immediately; and

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- (iii) it shall ensure the secure and stable operation of its fund management information system, all of which has passed the security test in respect of the interface of online banking of commercial banks and has reached the security standards for commercial banks in the PRC. The system has adopted the CA digital security certification system, electronic signature system, bank-finance direct link system and a core business system for financial institutions provided by a mainstream software vendor in order to ensure the safety and security of the Group's funds.
2. As a non-banking financial institution established with the approval of the CBIRC, TBEA Finance is subject to the routine supervision by the CBIRC. It abides by all applicable regulatory requirements, including requisite capital adequacy ratio and capital risk guidelines. As required by the Measures for the Administration of Finance Companies of Enterprise Groups, non-bank financial institutions similar to TBEA Finance are subject to more stringent requirements than commercial banks, whereby the capital adequacy ratio shall not be lower than 10%, and is higher than the ratio applicable to PRC commercial banks which is 8%, thereby providing more assurance to the Group for the safety of its funds at TBEA Finance. Meanwhile, TBEA Finance is also subject to the direct supervision of PBOC to pay deposit reserve in full in a timely manner.
 3. TBEA Finance will ensure that it operates in strict compliance with the risk monitoring indicators for financial institutions issued by the CBIRC and that its major regulatory indicators such as capital adequacy ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC.
 4. TBEA Finance will provide sufficient information to the finance department of the Company (including copies of all regulatory reports required to be submitted to the CBIRC). The finance department of the Company will closely monitor the transactions under the Financial Services Framework Agreement to ensure that the relevant amounts will not exceed the annual caps.
 5. TBEA Finance will forthwith notify the Company if, among other things,
 - (i) it is in contravention or fails to comply with relevant rules or requirements of CBIRC;
 - (ii) any material event occurs such as a bank run, failure to pay any debt;
 - (iii) there is a significant sum of overdue loan or payment for guarantee made, serious malfunction of the computer system, robbery, fraud or any serious breach or criminal case involving the directors or senior management of TBEA Finance;
 - (iv) there is any material change in its shareholding or equity structure, or its operation which may affect the normal operation of TBEA Finance;
 - (v) there is any loan due from the shareholder of TBEA Finance to TBEA Finance which is overdue for over one year and unpaid;
 - (vi) it has been imposed with administrative penalty or ordered for restructuring by supervisory body such as CBIRC; or
 - (vii) it has a serious financial crisis or any event occurs which may affect the funds placed by the Group with TBEA Finance.

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6. TBEA Finance has set up a comprehensive and stringent internal control and monitoring system, such that it will conduct investigations on the borrower before, during and after credit facilities are granted. Being a member company of TBEA, as compared to other commercial banks, it shall be more convenient for TBEA Finance to collect and have access to the necessary information, thereby facilitating and enabling it to monitor and be acquainted with any changes in the credit profile of the borrowers within the TBEA Group, and control its risk exposure.
7. The core business system of TBEA Finance has passed the safety test for connecting online commercial banks, and has met the national safety standard for commercial banks, which assures fund safety by providing requisite facilities in respect of information technology and assuring functions and performance of the system, thereby ensuring that the operation of TBEA Finance is safe and stable.

As at 31 March 2019, the capital adequacy ratio of TBEA Finance was 34.65% which is better than the regulatory requirement of not lower than 10% and the non-performing loan ratio of TBEA Finance was 0% which is better than the regulatory requirement of not higher than 5% under the Measures for the Administration of Finance Companies of Enterprise Groups. Taking all of the above factors into consideration, the Directors (including the independent non-executive Directors) consider that the risk exposure of the deposit in TBEA Finance is no higher than the Major Cooperative Commercial Banks.

Internal Control

The Company has adopted the following measures to monitor the pricing and terms of the transactions contemplated under the Financial Services Framework Agreement:

1. Internal control procedures for pricing and terms of Deposit Services

- (i) Before entering into any deposit arrangements with TBEA Finance, the Company will negotiate with TBEA Finance on an arm's length basis in respect of the deposit interest rate of the Deposit Services, and ensure that the deposit interest rate is determined (1) with reference to and is not lower than the benchmark deposit interest rate then published by PBOC for comparable deposits for the same term and in case of any change in the benchmark deposit interest rate, the interest rate payable by TBEA Finance shall be determined with reference to and not lower than such benchmark deposit interest rate; and (2) with reference to the interest rates offered by two to three other independent commercial banks in the PRC for comparable deposit services on normal commercial terms. In that way, the Company will be able to ensure the deposit interest rate of the Deposit Services will not be less favourable than that published by PBOC and that offered by two to three other independent commercial banks in the PRC for comparable deposits for the same term.
- (ii) The finance department of the Company is responsible for cross-checking the interest rates when the Group has deposit needs to ensure that TBEA Finance will comply with the interest rates regulation of PBOC and will also compare the interest rates and terms offered by two to three Major Cooperative Commercial Banks. Accordingly, the Company is able to ensure that the interest rates and terms for the deposits placed by the Group with TBEA Finance are on normal commercial terms or better.

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- (iii) TBEA Finance will provide the finance department of the Company with the relevant information, and the finance department will independently review such information. If there is any change on the regulation of interest rates promulgated by PBOC, the finance department of the Company will communicate and discuss with TBEA Finance to ensure that TBEA Finance will correspondingly adjust the deposit interest rates in accordance with the relevant new regulation on applicable interest rates as promulgated by PBOC and in compliance with the pricing policies of the Financial Services Framework Agreement.

Any balance of the Group's funds (after deducting the Group's deposits with TBEA Finance) will be deposited into one or more commercial banks in the PRC as interbank deposits.

2. *Loan Services*

The internal control procedures adopted by the Company in relation to the Loan Services include, among others, during a certain period of time before the financing, the Company will identify independent commercial banks, inquire about the financing costs, undergo a comprehensive comparison according to the conditions, interest rates and financing procedures given by each independent commercial bank in the PRC to similar credit rating companies in the negotiation process to determine the optimal choice to ensure that the financing obtained is the most cost-effective.

3. *Other Financial Services*

The finance department of the Company will check the relevant interest rates and fees for Other Financial Services every month to ensure that the interest rates and the terms are strictly in compliance with the pricing policies under the Financial Services Framework Agreement.

4. *Internal control procedures for complying with the Proposed Annual Caps*

- (i) The finance department of the Company and the secretary of the Board are responsible for the day-to-day management of the transactions under the Financial Services Framework Agreement, including:
 - (a) formulating administrative measures and fundamental procedures for such connected transactions;
 - (b) determining the caps in respect of the relevant transactions;
 - (c) leading the preparation, adjustment and dissemination of the budget for such connected transactions;
 - (d) organizing accounting, checking, analysis and report of such connected transactions;
and
 - (e) supervising, reviewing and assessing the execution of such connected transactions.

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It is also responsible for closely monitoring the transaction status under the Financial Services Framework Agreement on a daily basis, including the deposit balance placed by the Group with TBEA Finance, so as to ensure that the scale of the transactions do not exceed the Proposed Annual Caps, and immediately review relevant information in the regulatory reports, monthly financial statements and monthly deposit statements provided by TBEA Finance. Follow-up measures will be taken immediately when issues are identified and they will be reported to the Company's management in due course.

In order to ensure that the annual cap set for Other Financial Services is not exceeded, the finance department of the Company will:

- (a) collect the data of such transactions of the preceding month at the beginning of each month and verify the aggregate amount of such transactions of the preceding month with the finance officers of TBEA Finance in a timely manner in order to ensure timely discovery of any omission of data of the Company's finance department to avoid omissions or errors;
 - (b) follow up and pay attention to the records of relevant transaction data with TBEA Finance on the ERP system at the beginning of each month and pay attention to the relevant costs, make predictions on businesses that may generate relevant costs in each month and ensure the implementation of annual cap set for Other Financial Services; and
 - (c) plan for the possible transactions with TBEA Finance and suspend the relevant transactions which may possibly exceed the annual cap set for Other Financial Services.
- (ii) The legal department, audit department and finance department of the Company analyses and oversees the execution of connected transactions timely to ensure that they are implemented in accordance with the terms of the relevant connected transactions agreements. The finance department of the Company regularly conducts reconciliation with TBEA Finance and consolidate the status of the implementation of connected transactions with the secretary of the Board.
 - (iii) The Company will regularly report the status of the implementation of continuing connected transactions under the Financial Services Framework Agreement to the Audit Committee.
 - (iv) The auditors of the Company review each of the continuing connected transactions of the Company and confirm to the Board that (a) the transactions have received the approval by the Board on an annual basis; (b) the transactions have been entered into in accordance with the pricing policies as set out in the relevant agreements governing such transactions; and (c) the transactions have been performed in accordance with the terms of the relevant agreements governing such transactions. Meanwhile, the auditors of the Company would confirm that the annual caps applicable to the respective continuing connected transactions entered into between the Company and its connected persons have not been exceeded.
 - (v) The independent non-executive Directors will conduct annual review on the continuing connected transactions and confirm that the transactions and the agreements governing those transactions were entered into, by the Group in the ordinary and usual course of business; the transactions are on normal commercial terms or better; and have been entered into in accordance with the relevant terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

- (vi) The Board oversees the Company's risk management and internal control systems, including internal control systems of connected transactions on an ongoing basis and the Board will, through the Audit Committee, conduct an annual review of the risk management and internal control systems for each financial year of the Company. After receiving the reports from the internal audit department and the confirmation from the management of the Company on the effectiveness of these systems, the Board would confirm that the Company's risk management and internal control systems are solid, well established, effective and sufficient.
- (vii) The finance department of TBEA Finance will set cap alert for the transactions. The cap alert will be set at 80% of the annual caps for the transactions under the Financial Services Framework Agreement, so as to effectively avoid the risk of exceeding the annual caps. The core business system of TBEA Finance also facilitates and supports the Company to monitor relevant transaction information, thereby ensuring the transaction amounts will not exceed the relevant annual caps. The Company's finance department will liaise with TBEA Finance and check the implementation status of the cap alert on a daily basis.

Opinions of the Directors

Given the above reasons and benefits, the Directors (excluding the Independent Board Committee, the opinion of which, after taking into account the recommendations of the Independent Financial Adviser, is included in the section headed "Letter from the Independent Board Committee" in this circular) believe that, the terms of the Deposit Services contemplated under the Financial Services Framework Agreement (including the Proposed Annual Caps) are fair and reasonable, 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, which are not less favourable than those provided by independent third parties under the prevailing market conditions.

The Directors (including the Independent Non-executive Directors) also believe that, the terms of the Loan Services and Other Financial Services contemplated under the Financial Services Framework Agreement are fair and reasonable, 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, which are not less favourable than those provided by independent third parties under the prevailing market conditions.

Since each of Mr. Zhang Xin and Ms. Guo Junxiang is a director of TBEA and TBEA Finance, each of them has abstained from voting on the Board resolutions approving the Financial Services Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps). Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Financial Services Framework Agreement.

Listing Rules Implications

As at the Latest Practicable Date, TBEA holds approximately 65.43% in the total issued shares of the Company, including 783,921,287 Domestic Shares and 1,223,200 H Shares held through TBEA (Hong Kong) Co., Ltd., and is the controlling shareholder of the Company.

As at the Latest Practicable Date, TBEA directly and indirectly holds 100% of the equity interests in TBEA Finance. Therefore, TBEA Finance, being a subsidiary of TBEA, is a connected person of the Company, and the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

1. *Deposit Services*

As one or more applicable percentage ratios (as defined in the Listing Rules) in respect of the Deposit Services under the Financial Services Framework Agreement exceed 5% but are all less than 25%, the Deposit Services constitutes a discloseable transaction and a non-exempt continuing connected transaction of the Company, and is subject to the announcement requirement under Chapter 14 of the Listing Rules and the reporting, announcement, shareholders' approval and annual review requirements under Chapters 14A of the Listing Rules.

2. *Loan Services*

The provision of Loan Services to the Group by TBEA Finance under the Financial Services Framework Agreement will constitute financial assistance received by the Group from a connected person. Since the Loan Services are on normal commercial terms or are no less favourable than those offered by independent third parties to the Group, and will not be secured by the assets of the Group, the transactions in respect of the Loan Services are exempt pursuant to Rule 14A.90 of the Listing Rules from all reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. *Other Financial Services*

As one or more applicable percentage ratios in respect of the fees payable (on an annualized basis) by the Group to TBEA Finance for Other Financial Services contemplated under the Financial Services Framework Agreement exceed 0.1% but are all less than 5%, the Other Financial Services constitutes a non-exempt continuing connected transaction of the Company, and is subject to the announcement and annual review requirements, but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the Financial Services Framework Agreement will be disclosed by the Company in the following annual report and accounts in accordance with the requirements as set out in the Listing Rules.

Pursuant to the Listing Rules, any shareholder with a material interest in the continuing connected transactions contemplated under the Financial Services Framework Agreement is required to abstain from voting on the relevant resolution at the AGM. Accordingly, the TBEA and its associates are required to abstain from voting on the resolution in respect of the relevant continuing connected transactions at the AGM.

TBEA and its associates which hold approximately 65.43% of the total issued shares of the Company as at the Latest Practicable Date shall abstain from voting on the resolution to be proposed at the AGM to approve the Financial Services Framework Agreement and the Proposed Annual Caps.

LETTER FROM THE BOARD

Information on the Parties

1. *The Company*

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

2. *TBEA Finance*

TBEA Finance is a company incorporated in the PRC with limited liability on 29 November 2018, with registered capital of RMB1,000 million as at the Latest Practicable Date. TBEA contributed RMB800 million directly, and RMB100 million each through two of its wholly-owned subsidiaries, Shenyang TBEA Transformer Group Co., Ltd. (特變電工瀋陽變壓器集團有限公司) and Hengyang TBEA Transformer Co., Ltd. (特變電工衡陽變壓器有限公司). Accordingly, TBEA holds, directly and indirectly, the entire equity interests in TBEA Finance. TBEA Finance is a non-bank financial institution approved by the CBIRC with various qualifications for the provision of financial services to members of corporate groups.

10. PROPOSED APPOINTMENT OF DIRECTOR

An ordinary resolution will be proposed at the AGM to approve the appointment of Mr. Wang Shi as a Non-executive Director with effect from the date of approval of such appointment by Shareholders at the AGM until the expiration of the term of the current session of the Board. Meanwhile, Mr. Wang Shi has also been nominated as a member of the Audit Committee, the service term of which is the same as his term as a Non-executive Director.

Meanwhile, upon the approval of the proposed appointment of Mr. Wang Shi at the AGM, the Board agreed to authorise the remuneration and assessment committee of the Board to determine his remuneration in accordance with the remuneration plan for the Directors and Supervisors in 2019 to be approved at the AGM, and to authorise the chairman of the Board or any one of the Executive Directors to enter into a service contract with him and handle all other relevant matters on behalf of the Company upon proposed appointment of the new Director being approved at the AGM.

Details of the biography of Mr. Wang Shi is as follows:

Mr. Wang Shi, aged 37, had served in the research and consultancy branch company of Northeast Securities Co. Ltd.* (東北證券股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000686), as an analyst of the coal industry, the team leader of the energy team and the deputy general manager of the industry department successively from July 2007 to November 2014. Mr. Wang Shi was a director of the investment banking department in CMIG Capital Company Limited* (中民投資本管理有限公司) from December 2014 to July 2016. He has been serving as the managing director of the investment department in CMIG Aviation Capital Company Limited* (中民航旅投資有限公司) since July 2016, and has been serving as an executive director and general manager in CMIG International General Aviation Company Limited* (中民國際通航有限公司) since October 2018.

LETTER FROM THE BOARD

Mr. Wang Shi graduated from Jilin University with a bachelor's degree in business administration in June 2005, and received a master's of science degree in banking and finance from Loughborough University, United Kingdom in October 2006.

Save as disclosed above, as at the Latest Practicable Date, Mr. Wang Shi is not connected with any Directors, Supervisors, senior management, substantial shareholders (as defined under the Listing Rules) or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Wang Shi has no interest in the Shares within the meaning of Part XV of the SFO. Save as disclosed above, as far as the Board is aware, there are no any other matters in relation to the appointment of Mr. Wang Shi as a Non-executive Director that need to be brought to the attention of the Shareholders nor any information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

11. PROPOSED AMENDMENT TO THE ARTICLES

In accordance with the actual conditions of the Company, the Board proposes to amend the Articles. A special resolution will be proposed to approve the amendment to the Articles. Details of the proposed amendment to the Articles is as follow:

Before amendment	After amendment
Article 5 The address of the Company: No. 2499, Mianguangdong Street, Ganquanpu Economic and Technological Development Zone (Industrial Park), <u>High-tech Industrial Development Zone (New Downtown)</u> , Urumqi Postal Code: 831400	Article 5 The address of the Company: No. 2499, Mianguangdong Street, Ganquanpu Economic and Technological Development Zone (Industrial Park), Urumqi Postal Code: 831400

There is one proposed amendment to the Articles. Save for the proposed amendment above, there will be no change in the contents of the other articles in the Articles. The amended Articles shall become effective on the date when the relevant resolution is approved at the AGM. The existing Articles remains effective before the passing of the relevant resolution at the AGM.

12. GENERAL MANDATE TO ISSUE SHARES

To ensure discretion of the Board to issue new Shares, the Company proposed to grant the new general mandate to the Board by way of a special resolution to be passed by the Shareholders at the AGM to allot, issue or deal with additional Domestic Shares and H Shares not exceeding 20% of the total number of the Domestic Shares and/or H Shares of the Company respectively in issue on the date of passing such resolution and to make or grant such offer, agreement and option in connection with thereof. As at the Latest Practicable Date, the issued share capital of the Company comprised 886,524,370 Domestic Shares and 313,475,630 H Shares. Subject to the passing of the resolution related to the granting of the general mandate and assuming that no further new Shares will be issued before the AGM, the Company will be allowed to issue a maximum of 177,304,874 Domestic Shares and 62,695,126 H Shares in accordance with the general mandate. The general mandate shall be effective from the time when the resolution is passed until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the 12 months after the date of passing the resolution as a special resolution at the AGM; or (iii) the date of revocation or variation of the authority under the resolution by Shareholders by a special resolution at a general meeting. Any exercise of the power by the Board under the general mandate shall comply with relevant requirements of the Listing Rules, the Articles and relevant laws and regulations of the PRC.

LETTER FROM THE BOARD

AGM

The Company will convene the AGM at 11:00 a.m. on Friday, 28 June 2019 at the Conference Room, 21st Floor, TBEA Co., Ltd. at No.189, South Beijing Road, Changji, Xinjiang, the PRC. Notice of AGM is set out in this circular.

In order to determine the Shareholders who are eligible to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 29 May 2019 to Friday, 28 June 2019, both days inclusive, during which no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Wednesday, 29 May 2019 shall be entitled to attend and vote at the AGM. In order for the holders of Shares to qualify to attend and vote at the AGM, 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, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 28 May 2019 for registration.

Shareholders who intend to appoint a proxy to attend the AGM 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, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and for holders of Domestic Shares, the form of proxy should be returned to the Company's Board secretary office, at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC, in person or by post not less than 24 hours before the time fixed for holding the AGM (i.e. no later than 11:00 a.m. on Thursday, 27 June 2019) or any adjourned meeting thereof.

Shareholders who intend to attend the AGM (or any adjournment thereof) in person or by proxy should complete and return the reply slip for attending the AGM (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: +852-28650990) or by post to (or by depositing it at) 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Shares, such that the reply slip shall be received by the Company 20 days before the AGM (i.e. on or before Saturday, 8 June 2019).

Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies (whether he/she is a Shareholder) to attend and vote at the AGM (or any adjournment thereof) on his behalf. A proxy need not be a Shareholder.

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 or by a person duly authorized by the relevant Shareholder in writing ("**power of attorney**"). If the form of proxy is signed by the person authorized by the relevant Shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarized. If a corporate Shareholder appoints a person other than its legal representative to attend the AGM (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate Shareholder or duly signed by its director or any other person duly authorized by that corporate Shareholder as required by the Articles.

LETTER FROM THE BOARD

VOTING BY POLL AT AGM

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 AGM will therefore demand a poll for every resolution put to the vote at the AGM pursuant to the Articles. On a poll, every Shareholder present in person or by proxy to attend the AGM (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.

RECOMMENDATION

The Independent Board Committee having taken into account the advice of the Independent Financial Adviser, considers that the Deposit Services under the Financial Services Framework Agreement are in the ordinary and usual course of business of the Group, the terms are fair and reasonable and on normal commercial terms, and in the interests of the Company and the Shareholders as a whole, and the Proposed Annual Caps thereunder are fair and reasonable.

Accordingly, the Board considers that all resolutions set out in the Notice of AGM 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 AGM which are to be proposed at the AGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and additional information set out in the appendix to this circular.

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)

5 June 2019

To the Independent Shareholders

Dear Sirs or Madams,

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS
AND
PROPOSED ANNUAL CAPS UNDER THE
FINANCIAL SERVICES FRAMEWORK AGREEMENT**

We refer to the circular to all shareholders (the “**Circular**”) dated 5 June 2019 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 and in the interests of the Company and Shareholders as a whole, we have provided advices to Independent Shareholders in respect of whether the continuing connected transactions contemplated under the Deposit Services contemplated under the Financial Services Framework Agreement (including the Proposed Annual Caps) are fair and reasonable, 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. TC Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same. Your attention is drawn to the Letter from TC Capital set out on page 35 to page 48 of the Circular.

Having considered the information set out in the Letter from the Board on page 5 to page 33 of the Circular as well as the recommendation of the Independent Financial Adviser stated in the letter from TC Capital, we are of the view that the continuing connected transactions contemplated under the Deposit Services contemplated under the Financial Services Framework Agreement (including the Proposed Annual Caps) are fair and reasonable, 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.

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

Independent Board Committee

Independent non-executive Directors

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared in respect of the Deposit Services (as defined below) and the Proposed Annual Caps (as defined below) for the purpose of inclusion in this circular.



5 June 2019

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTION UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the provision of deposit services to be provided by TBEA Finance to the Group (the “**Deposit Services**”) contemplated under the Financial Services Framework Agreement together with the proposed annual caps for a period from the Effective Date up to 31 December 2020 (the “**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 5 June 2019 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

On 30 April 2019, the Company entered into the Financial Services Framework Agreement with TBEA Finance in relation to the provision of various financial services provided by TBEA Finance to the Group, including but not limited to Deposit Services, Loan Services and Other Financial Services, for a period from the Effective Date up to 31 December 2020.

As stated in the Letter from the Board, as at the Latest Practicable Date, TBEA holds approximately 65.43% in the total issued shares of the Company, including 783,921,287 Domestic Shares and 1,223,200 H Shares held through TBEA (Hong Kong) Co., Ltd., and is the controlling shareholder of the Company.

As stated in the Letter from the Board, TBEA, being the controlling shareholder of the Company, directly and indirectly holds 100% of the equity interests in TBEA Finance. Therefore, TBEA Finance, being a subsidiary of TBEA, is a connected person of the Company, and the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Deposit Services under the Financial Services Framework Agreement exceed 5% but all are less than 25%, the Deposit Services under the Financial Services Framework Agreement constitutes a discloseable transaction and a non-exempt continuing connected transactions of the Company, and is subject to the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

announcement requirement under Chapter 14 of the Listing Rules and the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus, has been established to advise the Independent Shareholders as to (i) whether the Deposit Services under the Financial Services Framework Agreement are on normal and commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Deposit Services is in the interests of the Company and the Shareholders as a whole and the Proposed Annual Caps are fair and reasonable; and (iii) how the Independent Shareholders should vote in favour of the relevant resolutions to approve the Deposit Services under the Financial Services Framework Agreement together with the Proposed Annual Caps. 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 Listings Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Deposit Services and the Proposed Annual Caps. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us. Within the two years prior to the Latest Practicable Date, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to continuing connected transactions and connected transaction of the Company, details of which are set out in the circulars of the Company dated 27 March 2018 and 13 December 2018, respectively. Apart from normal professional fees paid to us in connection with the aforesaid appointments, 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 to form our opinion in respect of the Deposit Services and the Proposed Annual Caps.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered, among other things, (i) the Financial Services Framework Agreement; (ii) the annual reports of the Company for each of the three years ended 31 December 2018 (the “**2016 Annual Report**”, “**2017 Annual Report**” and “**2018 Annual Report**” respectively); (iii) other information as set out in the Circular; and (iv) relevant market data and information available from public sources and the website of the Hong Kong Stock Exchange.

We have also relied on all relevant information and representations supplied, and the opinions expressed, by the Directors and/or the management of the Company. We have assumed that all such information and representations contained or referred to in the Circular are true and accurate in all material respects as at the date thereof. The Directors and the management of the Company have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company, and they have confirmed that no material information have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and/or the management of the Company, TBEA and TBEA Finance, nor have we conducted an independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group, TBEA, TBEA Finance and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services and the Proposed Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Information of the Company

As stated in the Letter from the Board, the Company is a global leader in the manufacturing of polysilicon as well as in the development and operation of wind power and photovoltaic resources. Its main businesses include the production of polysilicon and the provision of engineering and construction contracting and operating services for photovoltaic and wind power projects. The Company is also engaged in the manufacturing of supporting equipment (mainly inverters, flexible direct current and static VAR generators), which are used for the engineering and construction contracting business of the Company or sold to independent third parties.

The table below sets forth a summary of the financial highlights of the Group for the two years ended 31 December 2018 as extracted from the 2018 Annual Report:

	For the year ended 31 December	
	2017	2018
	(RMB'000)	(RMB'000)
	(audited)	(audited)
Revenue	11,420,951	12,053,742
Profit before income tax for the year	1,217,987	1,208,495
Profit for the year	1,073,697	1,110,642

	As at 31 December	
	2017	2018
	(RMB'000)	(RMB'000)
	(audited)	(audited)
Cash and cash equivalents and restricted cash	3,816,910	6,166,595
Total assets	31,664,863	35,699,703
Total liabilities	22,404,451	24,409,647
Net assets	9,260,412	11,290,056

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the above table, the Group's revenue amounted to approximately RMB12,053.7 million for the year ended 31 December 2018, which mainly generates from polysilicon production, the Engineering and Construction Contracting and the Build-Own-Operate (the "BOO") projects. Due to (a) an increase in revenue from the sales of Build and Transfer (the "BT") power stations of the Group and (b) an increase in power generation capacity of the Group's BOO projects, the revenue of the Group in 2018 represents an increase of approximately 5.5% as compared with that of approximately RMB11,421.0 million for the year ended 31 December 2017. The profit for the year increased approximately 3.4% from approximately RMB1,073.7 million in 2017 to approximately RMB1,110.6 million in 2018.

As advised by the management of the Company, the cash and cash equivalents and the restricted cash of the Group as at 31 December 2018 was approximately RMB6,166.6 million, representing a significant increase of approximately 61.6% as compared to that as at 31 December 2017, such increase was mainly due to (i) the increased scale of bank borrowing; (ii) strengthened management of trade receivables which resulted in an increase in collection of receivables; and (iii) an capital injection in an aggregate amount of RMB1 billion (equivalent to approximately HK\$1.136 billion) in monetary capital by ABC Financial Asset Investment Co., Ltd. to TBEA Xinjiang New Energy Co., Ltd. as stated in the announcement of the Company dated 24 December 2018.

2. Information of TBEA Finance

As stated in the Letter from the Board, TBEA Finance is a company incorporated in the PRC with limited liability on 29 November 2018, with registered capital of RMB1,000 million as at the Latest Practicable Date. TBEA contributed RMB800 million directly, and RMB100 million each through two of its wholly-owned subsidiaries, 特變電工瀋陽變壓器集團有限公司 (Shenyang TBEA Transformer Group Co., Ltd) and 特變電工衡陽變壓器有限公司 (Hengyang TBEA Transformer Limited Co., Ltd.). Accordingly, TBEA holds, directly and indirectly, the entire equity interests in TBEA Finance. TBEA Finance is a non-bank financial institution approved by the CBIRC with various qualifications for the provision of financial services to members of corporate groups.

3. Reasons for and benefit for entering the Financial Services Framework Agreement

As stated in the Letter from the Board, TBEA Finance, being a non-bank financial company approved by the China Banking and Insurance Regulatory Commission ("CBIRC") and regulated by People's Bank of China ("PBOC") and the CBIRC, provides a wide range of financial services in accordance with and compliance with relevant regulations and required capital adequacy ratios (as amended or promulgated from time to time). With the continuous business expansion, the Group's size of borrowings has gradually increased, and it is particularly important to diversify financing channels, to reduce finance costs, and improve capital utilisation rate. The interest rate or pricing standards offered by TBEA Finance to the Group for the Deposit Services, Loan Services and Other Financial Services will be the same or more favourable than those offered by major commercial banks in the PRC to the Group. The Group may obtain the financial services from TBEA Finance on more favorable terms, satisfying the operation requirements to reduce finance costs and diversify financing channels, which helps to improve the overall standard of fund operation of the Group, enhance its bargaining power for external financing and enable the Group to secure higher deposit interest rates than those in the market thereby increasing interest income on deposits. Compared to diversifying investments and deposits with different financial institutions, the Group will enjoy a more competitive interest rate if the deposits are centralized and deposited with selected financial institutions, such as TBEA Finance, with an expectation of enjoying no less favourable terms than those offered by other financial institutions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, we understood from the management of the Company that TBEA Finance will offer customised proposals for centralised deposit and management of funds in line with the management needs of the Group, enabling the Group to satisfy its flexible needs of funds through timely withdrawals, and the interest rate for the Deposit Services offered by TBEA Finance to the Group will not be less favourable than the interest rate offered by the independent commercial banks to the Group.

Given (a) TBEA Finance is a member company of TBEA; (b) TBEA has a long-term business relationship with the Group; (c) the core management team of TBEA Finance has previous working experience in TBEA or financial institutions; and (d) TBEA Finance has more direct and in-depth knowledge of the industries including polysilicon manufacturing industry and the development and operation of wind power and photovoltaic resource as TBEA Finance only provides financial services to TBEA and its member companies (including the Group), it is expected that TBEA Finance will be more familiar with the capital structure, business operations, funding needs and cash flow pattern of the Group than other independent commercial banks, and therefore TBEA Finance can better foresee the funding needs of the Group. As such, TBEA Finance is able to provide more convenient and efficient services than major commercial banks in the PRC.

Furthermore, as a professional platform for centralized fund management, TBEA Finance will have stronger bargaining power with commercial banks after collecting the deposits of all member companies of TBEA and depositing them together at the TBEA Finance's cooperative banks. The scale of collected deposit from the TBEA Group will be much larger than single deposit of any member company in the TBEA Group thus TBEA is able to obtain a much higher interest rate for its deposit at banks. Hence, TBEA Finance will be able to provide the Group with more favorable terms, such as interest rates and charges, than those offered by the Major Cooperative Commercial Banks to the Group.

Saved for abovementioned, as stated from the Letter from the Board, the Financial Services Framework Agreement is non-exclusive with no restrictions on the Group's options to appoint any other commercial banks or financial institutions to meet its needs for financial services, and TBEA Finance is only one of the several financial institutions which offer financial services to the Group. The Group will consider entering into transactions with TBEA Finance at its discretion when the rates or fees or the other relevant transaction conditions offered by TBEA Finance are equivalent to or more favorable than those offered by the Major Cooperative Commercial Banks. Under circumstances which the Group considers appropriate, the Group may engage additional or other financial institutions other than TBEA Finance to provide financial services.

Having considered that (i) TBEA Finance is regulated by the PBOC and the CBIRC and is required to provide its services in accordance with and in compliance with the rules and operational requirements of such regulatory authorities; (ii) TBEA Finance is a member company of TBEA group and is more familiar with the capital structure, business operations, funding needs and cash flow pattern of the Group than independent commercial banks in the PRC; (iii) the interest rate for the Deposit Services to be offered by TBEA Finance to the Group are the same or more favourable than to the interest rates offered to the Group by other commercial banks in the PRC for the provision of similar deposit services for similar deposit tenures; (iv) the Group may, but is not obliged to, continue to receive the Deposit Services offered by TBEA Finance if the interest rate for the Deposit Services is no less favourable than interest rates offered by other independent commercial banks; (v) TBEA

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Finance is able to provide more convenient and efficient services than other commercial banks in the PRC due to the long-term business relationship between the Group and TBEA; and (vi) the Financial Services Framework Agreement is non-exclusive without any restrictions, we are of the view that the Deposit Services contemplated under the Financial Services Framework Agreement have been entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Financial Services Framework Agreement

Please refer to the section headed “Continuing connected transactions under the Financial Services Framework Agreement” in the Letter from the Board for the details of the terms.

Pricing policy of the Deposit Services provided by TBEA Finance to the Group

The deposit services placed by the Group with TBEA Finance shall not bear an interest rate that is lower than:

- (i) the benchmark interest rate of the PBOC;
- (ii) the deposit interest rates offered by other major commercial banks in the PRC; and
- (iii) the deposit interest rate offered by TBEA Finance (the “**Deposit Interest Rate**”) to any member companies of TBEA (excluding the Group) with same credit ratings for the comparable deposits for the same term, if applicable.

For each of the specific transactions with TBEA Finance, TBEA Finance has been appointed as one of the financial institutions to provide financial services to the Group under the terms and conditions of the Financial Services Framework Agreement. Prior to entering into any transactions or agreements with TBEA Finance, the Group will seek the rates quotation from the Major Cooperative Commercial Banks in advance to compare the rates or fees and other relevant transaction terms (e.g. transaction approval conditions, procedures or time limit) offered by TBEA Finance and the Major Cooperative Commercial Banks of the Group for services over the same period and type. Only when the rates or fees or the other relevant transaction terms offered by TBEA Finance are equivalent to or more favourable than those offered by the Major Cooperative Commercial Banks of the Group, the Group may enter into transactions with TBEA Finance at its discretion. Under circumstances which the Group considers appropriate, the Group may engage additional or other financial institutions other than TBEA Finance to provide the financial services required.

As advised by the management of the Company, TBEA Finance have not provided the Deposit Interest Rate to the Company as the TBEA Finance’s evaluation on the Group have not yet completed as at the Latest Practicable Date, therefore, the Group obtained TBEA Finance’s internal benchmark interest rate applicable to TBEA’s member company for different types of deposit (the “**Internal Benchmark**”) and the quotation provided by TBEA Finance to the Group including the interest rates for different monetary level under agreement deposit (the “**Quotation**”) for reference. The basis of Deposit Interest Rate is determined based on (i) the Internal Benchmark; (ii) the Quotation; and (iii) pips increment which will be determined according to the TBEA Finance’s evaluation on several factors including credit status, profitability, credit rating and business scale of TBEA’s member company. In light of the above, the expected Deposit Interest Rate will not be lower than the Internal Benchmark after the completion of TBEA Finance’s evaluation on the Group.

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As advised by the management of the Company, the Group only places demand deposits and agreement deposits in commercial banks due to their flexibility. In order to assess the fairness and reasonableness of the Deposit Interest Rate, we obtained and reviewed (i) the Internal Benchmark; (ii) the Quotation; and (iii) twelve receipts of demand deposits and six receipts of agreement deposits placed by the Group in other commercial banks for the period from December 2018 to March 2019. We noted that the interest rate for demand deposit and agreement deposit under the Internal Benchmark and the Quotation is no less favorable than those offered by other commercial banks. With reference to the stable interest rate of demand deposits and the fixed interest rate of agreement deposits under the engagement period, we consider that it is fairly representative and the terms offered by TBEA Finance were no less favourable than the terms offered by independent third parties.

By adopting the above pricing policy, the Group can ensure its interest rates for the Deposit Services provided by TBEA Finance will be equivalent to or higher than those interest rates of the same type of deposit services for the same period provided by the PBOC and other major commercial banks of the Group. Therefore, we consider the terms of the Deposit Services are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Proposed Annual Caps for Deposit Services

The Proposed Annual Caps in respect of the Deposit Services (including the interest accrued thereon) provided by TBEA Finance to the Group under the Financial Services Framework Agreement for the period from the Effective Date up to 31 December 2020 are as follows:

	Proposed Annual Cap	
	for the period	
	from the	
	Effective Date	for the year
	and up to	ending
	31 December	31 December
	2019	2020
	<i>RMB million</i>	<i>RMB million</i>
Deposit Services (Daily maximum deposits balance (including the interest accrued))	<u>1,000</u>	<u>1,200</u>

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Basis for the Proposed Annual Caps for the Deposit Services

As stated in the Letter from the Board, the Company has considered (i) the historical monetary level (i.e. the cash and cash equivalents and the restricted cash) of the Group for the four years ended 31 December 2018, respectively; (ii) the expected growth of cash flow generated from the operations of the Group for the coming two years and the anticipated increase in cash balances arising from possible financing plans and financing scale of the Group for the coming two years; (iii) the anticipated increase in deposit interest income generated from deposits balance placed with TBEA Finance for the coming two years; and (iv) expected increasing demand for the Deposit Services to be provided by TBEA Finance, for the determination of the Proposed Annual Caps for the Deposit Services.

As advised by the management of the Company, the Group's total cash including cash and cash equivalent and the restricted cash have been placed in over 20 commercial banks, approximately 66% of the Group's total cash were placed in 7 commercial banks and approximately 34% of the Group's total cash were placed in remaining commercial banks (the "Other Banks") as at 31 December 2018. Construction of power stations requires proprietary technology and capital-intensive as comparing to other construction work, therefore, the amount of the payments are relatively higher than that for other construction works and the diversification of deposits into more banks may cause that the Group will spend more time and transaction cost on collecting enough cash. In order to improve the capital utilisation, the Group intends to centralise approximately 50% of Other Banks' deposits to TBEA Finance during 2019 for a higher interest return on its deposits. Meanwhile, for the purpose to maintain the Group's relationship with Other Banks for future development, the remaining 50% of deposits in the Other Banks will not be transferred to TBEA Finance's account in 2019. However, the Group may close some bank accounts and further transfer its deposits to TBEA Finance during 2020 (the "Restructure") if the Other Banks are no longer able to provide more competitive or attractive terms. We have obtained and reviewed the breakdown of bank list with corresponding deposit amount as at 31 December 2018 in order to assess the above.

As further advised by the management of the Company, the total cash of the Group are expected to further increase after considering the Group's historical business performance and the expected growth of operating cash flows which is driven by the continuing development of business in the future. We noted that the cash and cash equivalents and the restricted cash was approximately RMB4,148.4 million as at 31 December 2015 as stated in the 2016 Annual Report and the cash and cash equivalents and the restricted cash was approximately RMB6,166.6 million as at 31 December 2018 as stated in the 2018 Annual Report, representing a compound annual growth rate ("CAGR") of approximately 14.1% from 2015 to 2018.

As advised by the management of the Company, the business of the engineering-procurement-construction (the "EPC") and the BT are relative stable in the past and expect to maintain similar level in 2019. We noted from the 2016 Annual Report, the 2017 Annual Report and the 2018 Annual Report, the Group completed installation of approximately 1.5GW, 1.5GW and 1.4GW in form of EPC and BT projects for each of the three years ended 31 December 2018 respectively. As further advised by the management of the Company, the Group planned to complete more BOO project from 2018 to 2020 with capacity of approximately 1,225MW. The Group completed approximately 200MW during 2018 and expected to complete approximately

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600MW and the rest of the construction during 2019 and 2020 respectively. Therefore, the Group expected to increase the total installation capacity from approximately 1.6GW in 2018 to approximately 1.9GW in 2019, representing 18.8% increase in the installation. We have obtained and review the approvals from relevant department of the PRC government for the BOO project of 1,225MW in order to assess the fairness and reasonableness of the above.

Taking into account (i) total cash including cash and cash equivalent and the restricted cash of the Group of approximately RMB6,166.6 million as at 31 December 2018; (ii) centralisation of deposits for improving capital utilisation; (iii) the Restructure (if applicable); (iv) CAGR of approximately 14.1% from 2015 to 2018; and (v) the increase on the installation capacity of approximately 18.8% from 2018 to 2019, we considered that the basis for determining the Proposed Annual Caps is fair and reasonable as far as the Shareholders are concerned.

5. Internal control and capital risk management measures of TBEA Finance

As stated in the Letter from the Board, the internal control and capital risk management measures of TBEA are as below:

1. TBEA Finance undertakes to the Company that:
 - (i) it shall be obliged to ensure the safe and normal use of the funds placed with it by the Group when providing the Deposit Services and the Other Financial Services to the Group. TBEA Finance shall comply with the 企業集團財務公司管理辦法 (Measures for the Administration of Finance Companies of Enterprise Groups*) (the “MAFCEG”) issued by the PBOC, which does not allow finance companies of enterprise groups to use majority of the fund for risk investments. Furthermore, based on the Company’s understanding, TBEA Finance is adopting a risk-averse aptitude and is prohibited to engage in high risk investment, and the funds placed with TBEA Finance for safe and normal ordinary course of business shall either be used for the loan services to be provided to the TBEA Group which will be granted only after TBEA Finance is satisfied with the repayment ability of the borrower or placed at major commercial banks in the PRC that cooperate with TBEA Finance. Where TBEA Finance fails to pay to the Group its deposit of deposits for any reason, the Group has the right to deduct the same amount from the loans that TBEA Finance has provided to the Group, and to terminate the Financial Services Framework Agreement unilaterally; in case of loss of funds due to the fault of TBEA Finance, TBEA Finance shall fully compensate the Group for the loss, and the Company has the right to terminate the Financial Services Framework Agreement unilaterally;
 - (ii) when any event arises that may prejudice the safety of the Group’s deposits or other matters that may pose a potential safety hazard to the funds deposited by the Group, it shall inform the Company immediately; and
 - (iii) it shall ensure the secure and stable operation of its fund management information system, all of which has passed the security test in respect of the interface of online banking of commercial banks and has reached the security standards for domestic commercial banks. The system has adopted the CA digital security certification system, electronic signature system, bank-finance direct link system and a core business system for financial institutions provided by a mainstream software vendor in order to ensure the safety and security of the Group’s funds.

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2. As a non-banking financial institution established with the approval of the CBIRC, TBEA Finance is subject to the routine supervision by the CBIRC. It abides by all applicable regulatory requirements, including requisite capital adequacy ratio and capital risk guidelines. As required by the MAFCEG, non-bank financial institution similar to TBEA Finance are subject to more stringent requirements than commercial banks, whereby the capital adequacy ratio shall not be lower than 10%, and is higher than the ratios applicable to PRC commercial banks which is 8%, thereby providing more assurance to the Group for the safety of its funds at TBEA Finance. Meanwhile, TBEA Finance is also subject to the direct supervision of the PBOC to pay deposit reserve in full in a timely manner.
3. TBEA Finance will ensure that it operates in strict compliance with the risk monitoring indicators for financial institutions issued by the CBIRC and that its major regulatory indicators such as capital adequacy ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC.
4. TBEA Finance will provide sufficient information to the finance department of the Company (including copies of all regulatory reports required to be submitted to the CBIRC). The finance department of the Company will closely monitor the transactions under the Financial Services Framework Agreement to ensure that the relevant amounts will not exceed the annual caps.
5. TBEA Finance will forthwith notify the Company if, among other things,
 - (i) it is in contravention or fails to comply with relevant rules or requirements of CBIRC;
 - (ii) any material event occurs such as a bank run, failure to pay any debt;
 - (iii) there is a significant sum overdue loan or payment for guarantee made, serious malfunction of the computer system, robbery, fraud or any serious breach or criminal case involving the directors or senior management of TBEA Finance;
 - (iv) there is any material change in its shareholding or equity structure, or its operation which may affect normal operation of TBEA Finance;
 - (v) there is any loan due from the shareholder of TBEA Finance to TBEA Finance which is overdue for over one year and unpaid;
 - (vi) TBEA Finance has been imposed with administrative penalty or ordered for restructuring by supervisory body such as CBIRC; and
 - (vii) TBEA Finance has a serious financial crisis or any event occurs which may affect the funds placed by the Group with TBEA Finance.
6. TBEA Finance has set up a comprehensive and stringent internal control and monitoring system, such that it will conduct investigations on the borrower before, during and after credit facilities are granted. Being a member company of TBEA, as compared to other commercial banks, it shall be more convenient for TBEA Finance to collect and have access to the necessary information, thereby facilitating and enabling it to monitor and be acquainted with any changes in the credit profile of the borrowers within the TBEA Group, and control its risk exposure.

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7. The core business system of TBEA Finance has passed the safety test for connecting online commercial banks, and has met the national safety standard for commercial banks, which assures fund safety by providing requisite facilities in respect of information technology and assuring functions and performance of the system, thereby ensuring that the operation of TBEA Finance is safe and stable.

As stated in the Letter from the Board, as at 31 March 2019, the capital adequacy ratio of TBEA Finance was 34.65% which is better than the regulatory requirement of not lower than 10% and the non-performing loan ratio of TBEA Finance was 0% which is better than the regulatory requirement of not higher than 5% under the MAFCEG.

Taking into account that (i) TBEA Finance has provided the Company the opportunity to deduct the default amount from loans provided by TBEA Finance to the Group when TBEA Finance fails to pay the Group the deposit for any reason; (ii) TBEA Finance was established with the approval of the CBIRC and is subject to the routine supervision by the CBIRC; (iii) timely notification to the Company will be provided for any events occurred which may affect the Company; (iv) the capital adequacy ratio of TBEA Finance of approximately 34.65% satisfies the requirement of the MAFCEG of not lower than 10%; and (v) the non-performing loan ratio of TBEA Finance of 0% satisfies the requirement of the MAFCEG of not higher than 5%, we concur with the Directors' view that the risk exposure of the deposit in TBEA Finance is no higher than the Major Cooperative Commercial Banks in respect of the provision of the financial services under the Financial Services Framework Agreement.

6. Internal control procedures for the Deposit Services under Financial Services Framework Agreement

As stated in the Letter from the Board, in order to ensure that the pricing policy and terms of the Deposit Services under the Financial Services Framework Agreement are fair and reasonable and no less favourable than the terms provided by any independent third party to the Group, the Group has adopted the following measures to monitor the pricing and terms of the transactions contemplated under the Financial Services Framework Agreement:

- (i) Before entering into any deposit arrangements with TBEA Finance, the Company will negotiate with TBEA Finance on an arm's length basis in respect of the deposit interest rate of the Deposit Services, and ensure that such interest rate is determined (1) with reference to and is not lower than the benchmark interest rate then published by the PBOC for similar deposits for a similar term and in case of any change in the benchmark interest rate, the interest rate payable by TBEA Finance shall be determined with reference to and not lower than such benchmark interest rate; and (2) with reference to and is not lower than the interest rates offered by two to three other independent commercial banks in PRC for comparable deposit services on normal commercial terms. In the way, the Company will be able to ensure the deposit interest rate of the Deposit Services will not be less favourable than that published by PBOC and that offered by two to three other independent domestic commercial banks for similar deposits for a similar term.

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- (ii) The finance department of the Company is responsible for cross-checking the interest rates when the Group has deposit needs to ensure that TBEA Finance will comply with the interest rates regulation of the PBOC and will also compare the interest rates and terms offered by 2 to 3 Major Cooperative Commercial Banks of the Group. Accordingly, the Company is able to ensure that the interest rates and terms for the deposits placed by the Group with TBEA Finance are on normal commercial terms or better.
- (iii) TBEA Finance will provide the finance department of the Company with the relevant information, and the finance department will independently review such information. If there is any change on the regulation of interest rates promulgated by the PBOC, the finance department of the Company will communicate and discuss with TBEA Finance to ensure that TBEA Finance will correspondingly adjust the deposit interest rates in accordance with the relevant new regulation on applicable interest rates as promulgated by the PBOC and in compliance with the pricing policies of the Financial Services Framework Agreement.

As stated in the Letter from the Board, the Group has adopted the following measures to monitor the transaction amount of the Proposed Annual Caps:

- (i) The finance department of the Company and the secretary of the Board are responsible for the day-to-day management of the transactions under the Financial Services Framework Agreement, including:
 - (a) formulating administrative measures and fundamental procedures for such connected transactions;
 - (b) determining the caps in respect of the relevant transactions;
 - (c) leading the preparation, adjustment and dissemination of the budget for such connected transactions;
 - (d) organizing accounting, checking, analysis and report of such connected transactions; and
 - (e) supervising, reviewing and assessing the execution of such connected transactions.

It is also responsible for closely monitoring the transaction status under the Financial Services Framework Agreement on a daily basis, including the deposit balance deposited by the Group with TBEA Finance, so as to ensure that the scale of the transactions do not exceed the Proposed Annual Caps, and immediately review relevant information in the regulatory reports, monthly financial statements and monthly deposits balance statements provided by TBEA Finance. Follow-up measures will be taken immediately when issues are identified and they will be reported to the management in due course.

- (ii) The legal department, audit department and finance department of the Company regularly analyses and oversees the execution of connected transactions to ensure that they are implemented in accordance with the terms of the relevant connected transactions agreements. The finance department regularly conducts reconciliation with TBEA Finance and consolidate the status of the implementation of connected transactions with the secretary of the Board.

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- (iii) The Company will regularly report the status of the implementation of continuing connected transactions under the Financial Services Framework Agreement to the Audit Committee.
- (iv) The auditors of the Company review each of the continuing connected transactions of the Company and confirm to the Board that (i) the transactions have received the approval by the Board on an annual basis; (ii) the transactions have been entered into in accordance with the pricing policies as set out in the relevant agreements governing such transactions; and (iii) the transactions have been performed in accordance with the terms of the relevant agreements governing such transactions. Meanwhile, the auditors of the Company would confirm that the annual caps applicable to the respective continuing connected transactions entered into between the Company and its connected persons have not been exceeded.
- (v) The Independent Non-executive Directors will conduct annual review on the continuing connected transactions and confirm that the transactions and the agreements governing those transactions were entered into, by the Group in the ordinary and usual course of business; the transactions are on normal commercial terms or better; and have been entered into in accordance with the relevant terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (vi) The Board oversees the Company's risk management and internal control systems, including internal control systems of connected transactions on an ongoing basis and the Board will, through the Audit Committee, conduct an annual review of the risk management and internal control systems for each financial year of the Company. After receiving the reports from the internal audit department and the confirmation from the management of the Company on the effectiveness of these systems, the Board would confirm that the Company's risk management and internal control systems are solid, well established, effective and sufficient.
- (vii) The finance department of TBEA Finance will set cap alert for the transactions. The cap alert will be set at 80% of the annual caps for the transactions under the Financial Services Framework Agreement, so as to effectively avoid the risk of exceeding the annual caps. The core business system of TBEA Finance also facilitates and supports the Company to monitor relevant transaction information, thereby ensuring the transaction amounts will not exceed the relevant annual caps. The Company's finance department will liaise with TBEA Finance and check the implementation status of the cap alert on a daily basis.

Having considered, in particular, (i) the internal control measures will be in place to ensure the Company's conformity with the pricing policy from time to time; and (ii) the ongoing review by the Independent Non-executive Directors, the Audit Committee and the auditors of the Company of the terms of the continuing connected transactions and the relevant annual caps not being exceeded, we concur with the Directors' view that the Company has established effective internal control procedures to ensure the Deposit Services will be conducted on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the entering into the Financial Services Framework Agreement is in the ordinary and usual course of business of the Group, the terms of the Financial Services Framework Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and the Proposed Annual Caps are fair and reasonable. Accordingly, we advise the Independent Shareholders, and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed resolutions to be proposed at the AGM to approve the Financial Services Framework Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder.

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 and transactions under the Takeover Code of listed companies in Hong Kong.

*The English translation of the Chinese name(s) in this letter, where indicated with * is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility for the information contained herein, includes particulars given in compliance with the Listing Rules for the purpose of giving information relating to the Group. 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. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, as far as the Company is aware, the interest and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying shares or debentures 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 were as follows:

Name	Nature of Interest	The Company/ relevant corporation (including associated corporation)	Number/type of shares of the Company/ relevant corporation (including associated corporation)	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
Directors						
Mr. Zhang Xin	Interest in a controlled corporation ⁽³⁾	The Company	58,246,308 Domestic Shares	4.85%	6.57%	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. Xia Jinjing	Beneficial owner	TBEA ⁽⁴⁾	69,376 shares	0.00%	N/A	Long position
Ms. Guo Junxiang	Beneficial owner	TBEA ⁽⁴⁾	346,880 shares	0.01%	N/A	Long position
Supervisors						
Mr. Han Shu	Beneficial owner	TBEA ⁽⁴⁾	1,058 shares	0.00%	N/A	Long position
Mr. Hu Shujun	Beneficial owner	TBEA ⁽⁴⁾	69,376 shares	0.00%	N/A	Long position
Mr. Ma Junhua	Beneficial owner	TBEA ⁽⁴⁾	110,800 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 1,200,000,000 shares of the Company in issue as of the Latest Practicable Date.
2. The calculation is based on the total number of 886,524,370 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 (Group) Co., Ltd. (“Xinjiang Tebian”), and as of the Latest Practicable Date, Xinjiang Tebian directly holds 4.85% equity interest of the Company.
4. TBEA is the Company’s controlling shareholder and therefore is an “associated corporation” of the Company within the meaning of Part XV of the SFO. As of the Latest Practicable Date, TBEA held 783,921,287 Domestic Shares (approximately 88.43% of the relevant class of shares) and TBEA (HONGKONG) CO., LIMITED, a wholly-owned subsidiary of TBEA, held 1,223,200 H Shares (approximately 0.39% of the relevant class of shares), which accounted for approximately 65.43% of the total issued shares 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.

3. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their close 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.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date and to the best knowledge of the Directors and the chief executive of the Company, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interests and short positions in 5% or more in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and required to be recorded in the register of interests and short positions required to be kept by the Company pursuant to section 336 of the SFO were as follows:

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 shareholding in total issued share of the Company ⁽¹⁾	Long position/ short position
TBEA	Beneficial owner	Domestic Shares	783,921,287	88.43%	65.33%	Long position
Xinjiang Tebian	Beneficial owner	Domestic Shares	58,246,308	6.57%	4.85%	Long position
Mr. Chen Weilin ⁽²⁾	Interest in a controlled corporation	Domestic Shares	58,246,308	6.57%	4.85%	Long position
L.R. Capital Asia Markets Limited ⁽³⁾	Beneficial owner	H Shares	47,894,956	15.28%	3.99%	Long position
CMIG International Capital Limited	Beneficial owner	H Shares	43,859,649	13.99%	3.65%	Long position
Keystone Group Ltd. ⁽⁴⁾	Beneficial owner	H Shares	26,420,400	8.43%	2.20%	Long position
Ms. Ouyang Xinxiang ⁽⁴⁾	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.20%	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 shareholding in total issued share of the Company ⁽¹⁾	Long position/short position
LRC. Belt and Road Investment Limited ⁽⁵⁾	Beneficial owner	H Shares	26,420,400	8.43%	2.20%	Long position
Strategic Global Investment Corporation Limited ⁽⁵⁾	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.20%	Long position
Explorer Sparkle Limited ⁽⁶⁾	Beneficial owner	H Shares	17,618,800	5.62%	1.47%	Long position
Abhaya Limited ⁽⁶⁾	Interest in a controlled corporation	H Shares	17,618,800	5.62%	1.47%	Long position
Wickhams Cay Trust Company Limited ⁽⁶⁾	Trustee	H Shares	17,618,800	5.62%	1.47%	Long position
Ms. Shi Jing ⁽⁶⁾	Settlor	H Shares	17,618,800	5.62%	1.47%	Long position
GF Securities Co., Ltd. ⁽⁷⁾	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Holdings (Hong Kong) Corporation Limited ⁽⁷⁾	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Investment (Hong Kong) Company Limited ⁽⁷⁾	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Energy Investment Limited ⁽⁷⁾	Beneficial owner	H Shares	29,239,766	9.33%	2.44%	Long position
Fubon Financial Holding Co., Ltd. ⁽⁸⁾	Interest in a controlled corporation	H Shares	17,613,600	5.62%	1.47%	Long position
Fubon Life Insurance Co., Ltd. ⁽⁸⁾	Beneficial owner	H Shares	17,613,600	5.62%	1.47%	Long position
Perfect Splendour Limited	Beneficial owner	H Shares	15,943,702	5.09%	1.33%	Long position

Notes:

- (1) The calculation is based on the total number of 1,200,000,000 Shares in issue as at the Latest Practicable Date in which 886,524,370 Shares are Domestic Shares and 313,475,630 Shares are H Shares.
- (2) Mr. Chen Weilin holds 33.61% of the equity interest of Xinjiang Tebian, which directly holds 4.85% interest of the Company. Accordingly, Mr. Chen Weilin is deemed to be interested in the Shares held by Xinjiang Tebian in the Company 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. in the Company 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 in the Company for the purpose of the SFO.
- (6) Explorer Sparkle 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 Explorer Sparkle Limited in the Company 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) Corporation 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 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. in the Company 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 any general meeting of the Company under all circumstances.

5. COMMON DIRECTORS

As at the Latest Practicable Date, the following Directors are also directors of certain companies which had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (“**Relevant Companies**”):

<u>Name of Directors</u>	<u>Relevant Companies in which the Director is also a director</u>
Mr. Zhang Xin	Chairman and executive director of TBEA
Ms. Guo Junxiang	Executive director of TBEA

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Group which is not terminable within one year without payment of compensation (other than statutory compensation).

7. MATERIAL LITIGATION

As at the Latest Practicable Date, as far as is known to Directors, there is one material litigation, which was disclosed in the annual report of the Company for the year ended 31 December 2018:

Jiangsu Zhongneng Case:

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (“**Jiangsu Zhongneng**”) initiated a civil lawsuit against the Company with the People’s Court in Jiangsu for alleged infringements by the Company 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 silane-based FBR technology. Jiangsu Zhongneng sought a compensatory damage of RMB60 million against the Company, and requesting the Company to bear the relevant costs of RMB2 million and legal costs. In December 2014, after the Company’s appeals, the Supreme People’s Court in China ruled in the Company’s favor that the People’s Court in Jiangsu lacked jurisdiction and this case should be heard in a court based in Xinjiang. In addition, Jiangsu Zhongneng has withdrawn its claim against the Company in relation to the infringement of intellectual property rights in December 2014. Given that (i) the Company has never applied the silane-based FBR technology in its Polysilicon Production business; and (ii) the STC hydrochlorination technology and high-efficiency and energy saving CVD reactor which the Company used in its production were both purchased from legitimate third-party suppliers under valid purchase agreements, the Company believes that it 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 case 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.

8. MATERIAL ADVERSE CHANGE

References are made to the announcements in relation to the first quarter profit warning dated 11 April 2019 and the unaudited consolidated results for the three months ended 31 March 2019 dated 24 April 2019, regarding the decrease in the unaudited consolidated profit attributable to the owners of the Company for the three months ended 31 March 2019 as compared to the corresponding period in 2018, which was mainly due to the significant fall of the sales price of polysilicon. Save as disclosed above, 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 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. DIRECTORS AND SUPERVISORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, save as disclosed herein:

- (a) none of the Directors or Supervisors was materially interested in any contract or arrangement, which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group; and
- (b) so far as the Directors are aware, none of the Directors or Supervisors nor their respective close associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

10. QUALIFICATION OF EXPERT AND CONSENT

The following sets out the qualifications of the expert who has given its opinions or advice as 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 its written consent to the issue of this circular with inclusion of its letter and the reference to its 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 2018 (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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on any weekday (except for public holidays) 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 the AGM:

- (a) the Financial Services Framework Agreement;
- (b) the written consent referred to in the paragraph headed "Qualification of the Expert and Consent" in this appendix;
- (c) the letter from the Board, the text of which is set out in this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (e) the letter of advice from the Independent Financial Adviser, the text of which is set out in this circular; and
- (f) this circular.

12. MISCELLANEOUS

- (a) The registered address of the Company and the principal place of business of the Company in the PRC 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.
- (b) The joint company secretaries of the Company are Ms. Zhang Juan and Ms. Ng Wing Shan.
- (c) The principal place of business of the Company in Hong Kong is at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.
- (d) The H share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The Chinese text of this circular shall prevail over the English text in the event of inconsistency.

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)

NOTICE OF THE ANNUAL GENERAL MEETING OF 2018

NOTICE IS HEREBY GIVEN that the annual general meeting of 2018 (the “AGM”) of Xinte Energy Co., Ltd. (the “Company”) will be held at the Conference Room, 21st Floor, TBEA Co., Ltd. at No. 189, South Beijing Road, Changji, Xinjiang, the People's Republic of China (the “PRC”) at 11:00 a.m. on Friday, 28 June 2019 to consider and approve the following matters:

ORDINARY RESOLUTIONS

To consider and approve the following matters as ordinary resolutions:

1. To consider and approve the final financial accounts of the Company for the year ended 31 December 2018.
2. To consider and approve the report of the board of directors of the Company for the year 2018.
3. To consider and approve the report of the board of supervisors of the Company for the year 2018.
4. To consider and approve the profit distribution plan and the distribution of the final dividend of the Company for the year ended 31 December 2018.
5. To consider and approve the Company's annual report for the year 2018.
6. To consider and approve the re-appointment of PricewaterhouseCoopers as the Company's international auditor for the year 2019 for a term until the conclusion of the next annual general meeting of the Company, and to authorize the board of directors of the Company to determine its remuneration.
7. To consider and approve the remuneration plan for directors and supervisors of the Company for the year 2019.
8. To consider, confirm, rectify and approve the continuing connected transactions during the year ended 31 December 2018 under the TBEA Products Procurement Framework Agreement entered into by the Company and TBEA Co., Ltd. on 15 December 2017, among which, the total relevant transaction amounted to RMB511,754,736.
9. To consider and approve the financial services framework agreement of the Company entered into by the Company and TBEA Group Finance Co., Ltd. on 30 April 2019 and proposed annual caps thereunder.
10. To consider and approve the appointment of Mr. Wang Shi as a non-executive director of the Company.

NOTICE OF 2018 ANNUAL GENERAL MEETING

SPECIAL RESOLUTIONS

To consider and approve the following matters as special resolutions:

11. To consider and approve the proposed amendment to the articles of association of the Company.
12. To consider and approve the granting of a general mandate to the board of directors of the Company (the “**Board**”) to issue, allot and deal with additional domestic shares and/or H shares not exceeding 20% of each of the total number of the domestic shares and H shares of the Company respectively in issue, and to authorize the Board to make amendments to the articles of association of the Company (the “**Articles**”) as it thinks fit so as to reflect the new share capital structure upon the allotment or issue of additional shares pursuant to such mandate:

“**THAT:**

- (A) (a) subject to paragraph (c) and in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles and relevant laws and regulations of the PRC, the exercise by the Board during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or deal with, either separately or concurrently, additional domestic shares and H shares of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorize the Board during the Relevant Period (as hereinafter defined) to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the expiration of the Relevant Period;
- (c) each of the total number of domestic shares and H shares allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to an option or otherwise) by the Board pursuant to the approval granted in paragraph (a) shall not exceed 20% of each of the total number of domestic shares and H shares of the Company respectively in issue as at the date of passing of this resolution;
- (d) the Board will only exercise the above powers in accordance with the Companies Law of the PRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC government authorities are obtained; and
- (e) for the purpose of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the 12 months after the date of passing the resolution as a special resolution at the AGM; or
- (iii) the date of revocation or variation of the authority given under this resolution by a special resolution at a general meeting of the Company.

NOTICE OF 2018 ANNUAL GENERAL MEETING

- (B) the Board be authorized to make amendments to the Articles as necessary so as to reflect the new share capital structure of the Company upon the allotment or issue of shares pursuant to this resolution.”

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

Xinjiang, the PRC, 14 May 2019

Notes:

1. **Important:** A circular setting out further details of the abovementioned resolutions, the form of proxy and the reply slip of the AGM will be dispatched and published by the Company in due course. Shareholders of the Company (“**Shareholders**”) who wish to appoint a proxy to attend and vote at the AGM shall first read the Company’s annual report for 2018 published on the websites of The Stock Exchange of Hong Kong Limited and the Company, or dispatched to relevant Shareholders. The Company’s annual report for 2018 includes, among others, the Report of the Board of Directors for the year 2018, the Report of Board of Supervisors for the year 2018, the audited financial accounts and the auditor’s report for the year 2018.
2. In order to determine the Shareholders who are eligible to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 29 May 2019 to Friday, 28 June 2019, both days inclusive, during which no transfer of shares will be effected. Shareholders whose names appear on the register of members of the Company on Wednesday, 29 May 2019 shall be entitled to attend and vote at the AGM. In order for the Shareholders to qualify to attend and vote at the AGM, all share 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, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 28 May 2019 for registration.

In order to determine the Shareholders who are entitled to receive the proposed 2018 final dividend, the register of members of the Company will be closed from Friday, 5 July 2019 to Wednesday, 10 July 2019, both days inclusive. To be eligible to receive the final dividend for the year ended 31 December 2018 (subject to the approval of the Shareholders at the AGM), holders of H shares of the Company shall lodge all share transfer documents accompanied by the relevant H share certificates with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 4 July 2019.

The Company will determine the resident status of the individual H shares Shareholders based on the registered address as recorded in the register of members of the Company on Wednesday, 10 July 2019 (the “**Registered Address**”). If the resident status of any individual H shares Shareholder is not in consistency with that indicated by the Registered Address, such individual H shares Shareholder shall notify the Company’s H share registrar not later than 4:30 p.m. on Thursday, 4 July 2019, and provide relevant supporting documents to the Company’s H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. Any individual H shares Shareholder who fails to provide relevant supporting documents within the time period stated above, may either personally or appoint an agent to attend to the relevant procedures in accordance with the requirements under the tax treaty notice.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H shares Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H shares Shareholders or any disputes over the withholding mechanism or arrangements.

NOTICE OF 2018 ANNUAL GENERAL MEETING

3. Shareholders who intend to attend the AGM (or any adjournment thereof) should complete and return the reply slip for attending the AGM (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: +852-28650990) or by post to (or by depositing it at) 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H shares, such that the reply slip shall be received by the Company 20 days before the AGM (i.e. on or before Saturday, 8 June 2019).
4. Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies (whether he/she is a Shareholder) to attend and vote at the AGM (or any adjournment thereof) on his behalf. A proxy need not be a Shareholder of the Company.
5. 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 or by a person duly authorized by the relevant Shareholder in writing ("**power of attorney**"). If the form of proxy is signed by the person authorized by the relevant Shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarized. If a corporate Shareholder appoints a person other than its legal representative to attend the AGM (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate Shareholder or duly signed by its director or any other person duly authorized by that corporate Shareholder as required by the Articles.
6. To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant authority (if any) as mentioned in note 5 above must be delivered to the Company's Board secretary office at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC, for holders of domestic shares, or 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 no later than 24 hours before the time appointed for the AGM (i.e. no later than 11:00 a.m. on Thursday, 27 June 2019) (or any adjournment thereof).
7. A Shareholder or his proxy should produce proof of identity when attending the AGM (or any adjournment thereof). If a corporate Shareholder's legal representative or any other person duly authorized by such corporate Shareholder attends the AGM (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).
8. The AGM (or any adjournment thereof) is expected to take less than a day. Shareholders or their proxies who attend the AGM (or any adjournment thereof) shall be responsible for their own travel and accommodation expenses.
9. 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
Tel: +86-991-366588