
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

OVERVIEW

As of the Latest Practicable Date, TBEA was interested in approximately 71.65% of our total issued share capital. Immediately following the completion of the Global Offering, TBEA will be interested in approximately 61.40% of our enlarged total issued share capital, assuming the Over-allotment Option is not exercised, or approximately 60.12% of our enlarged total issued share capital if the Over-allotment Option is fully exercised. Therefore, TBEA will remain as our sole Controlling Shareholder after the Listing.

OUR PARENT COMPANY IS AN A SHARE LISTED COMPANY

TBEA, our parent company, is an A share listed company which was listed on the Shanghai Stock Exchange in June 1997 with the stock code (600089). According to the Circular of the China Securities Regulatory Commission on Several Issues Concerning the Standardization on Overseas Listing of Subordinated Enterprises of Domestically-Listed Companies (中國證券監督管理委員會關於規範境內上市公司所屬企業到境外上市有關問題的通知) (the “Listing of Subordinated Enterprises Circular”), the listed companies shall comply with the conditions set out in the Listing of Subordinated Enterprises Circular and obtain approvals from the CSRC. As advised by the PRC Legal Adviser, Grandall Law Firm (Beijing), we have obtained the approvals in relation to the Listing on August 7, 2015.

DELINEATION OF BUSINESS AND COMPETITION

Principal Business of our Company

Our principal businesses include polysilicon production and providing engineering and construction contracting services in connection with PV and wind power projects. We also manufacture ancillary equipment, principally inverters, PV wafers and PV modules, which we use in our engineering and construction contracting business or sell to third parties.

Principal Business of TBEA

TBEA is a joint stock company incorporated in the PRC on February 26, 1993. As of the Latest Practicable Date, its registered capital amounted to RMB3,249,053,686. TBEA and its close associates (excluding our Group) (the “TBEA Group”) are principally engaged in: (i) the manufacturing and sale of power transformers, reactors, wires, cables and other electrical and mechanical equipments and (ii) domestic and overseas engineering and construction contracting for power transmission projects, water power and thermal power station projects.

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Business Delineation

As of the Latest Practicable Date, TBEA Group is currently engaged in a small amount of engineering and construction contracting for new energy projects (as more details set out below) which are similar to our business:

TBEA Group	Percentage of Beneficial Interest Directly or Indirectly Held by TBEA	Place of Incorporation	Relevant Project
Shenyang Transformer Group	100%	PRC	CNNC Xudabao Nuclear Power Plant Non-core Area PV EPC Project (Phase II) (中核徐大堡核電站廠區非核心區域光伏發電二期工程 EPC 總承包)
TBEA	100%	PRC	Tai'an Roof Construction of PV Station EPC Project (泰安廠區建築屋頂建設 光伏電站項目EPC總承包)

Our Group decided not to take the above-mentioned projects by virtue of the following reasons: our Group has considered the project scale, the profitability and the absolute return rate of the above-mentioned projects. Given that the implementation risk and delay risk of the above-mentioned projects are uncontrollable, our Group has decided not to undertake the above-mentioned projects. The details of the above-mentioned projects are listed below.

1. Shenyang Transformer Group

Shenyang Transformer Group is incorporated in the PRC and is directly owned by TBEA as to 100% of its equity interest. The principal business of Shenyang Transformer Group includes production and sales of transformers and reactors.

In November 2014, Shenyang Transformer Group entered into CNNC Xudabao Nuclear Power Plant Non-core Area PV EPC Project (Phase II) (中核徐大堡核電站廠區非核心區域光伏發電二期工程EPC總承包) contract with CNNP Liaoning Nuclear Power Co., Ltd. (中核遼寧核電有限公司), pursuant to which Shenyang Transformer Group provides engineering and construction services for the PV project in Xingcheng City, Liaoning Province, including project design, product procurement and project management (the “CNNC EPC Project”).

The CNNC EPC Project has an installed capacity of 1.5MW and the total consideration is RMB11,772,800. It is expected that the construction of Phase II of the CNNC EPC Project will not commence before or immediately after the Global Offering.

2. TBEA

For the information on TBEA, see “*Principal Business of TBEA*” of this section.

In September 2014, TBEA entered into Tai'an Roof Construction of PV Station EPC Project (泰安廠區建築屋頂建設光伏電站項目EPC總承包) contract with Tai'an Jiahua Electric Power Equipment Co., Ltd. (泰安加華電力器材有限公司), pursuant to which TBEA has been providing engineering and construction contracting services for the PV project in Tai'an City, Shandong Province (the “Roof EPC Project”).

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This project consists two phases: phase one with an installed capacity of 6.29MW (the “Phase I”) and phase two with an installed capacity of 10.71MW (the “Phase II”). The total consideration is RMB125,630,000. Phase I commenced construction in December 2014 and was completed in June 2015. It is expected that the construction of Phase II of the Roof EPC Project will not commence before or immediately after the Global Offering.

The CNNC EPC Project and Phase II of the Roof EPC Project will continue after the Global Offering. Since the original contract for of the CNNC EPC Project and Phase II of the Roof EPC Project did not stipulate any transfer arrangement, it is not permitted under PRC laws for TBEA Group to transfer these projects to our Group without the consent of the other parties to the contract. TBEA Group, therefore, cannot unilaterally transfer its rights and obligations under the original contract.

Our Directors are of the view that the competition between TBEA Group and us is not severe for the following reasons:

- There is clear business delineation between TBEA Group and us because TBEA’s EPC services concentrate on power transmission projects, water power and thermal power projects, while our EPC services focus on PV projects and wind power plant projects. To avoid any actual or potential competition between TBEA Group and us, TBEA has issued the Non-competition Undertaking (as more details set out below) and undertaken, among others, that TBEA Group will not engage in any business which directly or indirectly competes with our principal business after the Global Offering.
- Moreover, the total installed capacities of the CNNC EPC Project and Roof EPC Project are 1.5MW and 10.71MW, respectively, and represent only a small portion of the total installed capacity of our Group’s PV business. Thus the competition between TBEA Group and us is not severe.
- Furthermore, TBEA previously has entered into a sub-contract with Xinjiang New Energy for Phase I of the Roof EPC Project. Thus we have consistently developed a cooperative relationship with TBEA Group and its associates.
- If the construction of Phase II of the Roof EPC Project commences after the Global Offering, TBEA will consider adopting the same sub-contract arrangement for Phase I of the Roof EPC Project to cooperate with Xinjiang New Energy. Thus the cooperative relationship would be maintained. If the construction of the CNNC EPC Project commences after the Global Offering, Shenyang New Energy may also negotiate with our Group to adopt a sub-contract arrangement in due course. Thus the cooperative relationship between TBEA Group and its associates and our Group may be further strengthened.

Save as disclosed above, TBEA Group has not engaged and will not engage in any business which competes or is likely to compete, directly or indirectly, with our business as of the Latest Practicable Date.

DIRECTORS’ COMPETING INTERESTS

During the Track Record Period and up to the Latest Practicable Date, the day-to-day management and operation of our Company have been carried out by our three executive Directors and

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the senior management team comprising of 10 officers, most of whom have served our Company for a long period of time. None of the members of our executive Directors and senior management team holds any position at our Controlling Shareholder or their respective close associates.

For more information about the Directors' positions at our Controlling Shareholder and our other existing Shareholders, namely CM International Capital Limited (中國國際資本有限公司), see the sections headed “—*Independence from TBEA Group—Management Independence*” and “*Directors, Supervisors and Senior Management*” in this prospectus.

We believe that our Directors will be able to perform their roles in the Company independently after the Listing for the following reasons:

- The decision-making process of the Board set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that in the event of conflicting interests, the relevant Director who is connected with TBEA Group shall abstain from voting and shall not be counted in the quorum;
- Each of our Directors is aware of his/her fiduciary duties as director, which requires, among other things, that he/she act for the benefit and in the best interest of our Company;
- We have appointed three independent non-executive Directors, comprising one-third of the total Board members, to provide a balance in the number of interested and independent Directors, with a view to promote the interests of the Company and our Shareholders as a whole.

NON-COMPETITION UNDERTAKING

TBEA has undertaken on June 16, 2015 (the “Non-competition Undertaking”), that it, its subsidiaries and its associates (except for any members of our Group) will not carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved or interested (economically or otherwise) in any business investment activities (excluding the CNNC EPC Project, the EGing Project and the Roof EPC Project) which compete or are likely to compete, alone or with other persons, directly or indirectly, with our business (the “Restrained Businesses”).

The Non-competition Undertaking does not apply to (i) the holding of any equity interests in any members of our Group; and (ii) the holding of securities in a company that is engaged in the Restrained Business and whose securities are listed on any stock exchange; provided that TBEA or its associates do not individually or in aggregate hold or control the voting rights in respect of 10% or more of the issued share capital of such company; provided that such holding of voting rights does not grant TBEA or its close associates any right to control the composition of the board of directors of such company, none of the members of TBEA group controls the board of directors of such company and such holding of voting rights does not grant TBEA or its close associates any right to participate, directly or indirectly, in such company.

Option for New Business Opportunities

TBEA has undertaken in the Non-competition Undertaking, that during the term of the Non-competition Undertaking, if TBEA or its subsidiaries or its associates (except for any members of our Group) become aware of, notice, are recommended or provided with a new business opportunity which will directly or indirectly compete or is likely to compete with the Restrained Businesses, including but

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not limited to the opportunities which are the same or similar to the Restrained Businesses (the “New Business Opportunities”), TBEA and its subsidiaries or its associates (except for any members of our Group) shall refer or recommend the New Business Opportunities to our Group, subject to relevant laws, requirements or contractual arrangements with third parties:

- (i) TBEA or its subsidiaries or its associates (except for any members of our Group) shall provide us with a written notification, which includes all reasonable and necessary information known by TBEA or its subsidiaries or its associates (except for any members of our Group) (including the nature of the New Business Opportunities and necessary information relating to the cost of relevant investment or acquisition), for us to consider whether the New Business Opportunities constitute competition or potential competition to the Restrained Businesses and whether engaging in such New Business Opportunities would be in the best interests of our Group and our Shareholders as a whole (the “Offer Notice”); and
- (ii) we shall respond to TBEA or its subsidiaries or its associates (except for any members of our Group) within 30 days upon receipt of the Offer Notice. If we fail to reply within the above period, we shall be deemed to have abandoned such New Business Opportunities. If we determine to take up the New Business Opportunities, TBEA or its subsidiaries or its associates (except for any members of our Group) would be obligated to offer such New Business Opportunities to us.

Pre-emptive Rights

TBEA has undertaken, in the Non-competition Undertaking, that during the term of the Non-competition Undertaking, if TBEA and/or its subsidiaries and/or its associates (except for any members of our Group) intend(s) to transfer, sell, lease or license to a third party, any businesses engaged by it which compete or potentially compete with the Restrained Businesses or any other businesses which would cause direct or indirect competition with the Restrained Businesses, it shall offer us the pre-emptive right (the “Pre-emptive Right”) in terms of such opportunity with the equal terms subject to relevant laws, requirements or contractual arrangements with third parties:

- (i) TBEA or its subsidiaries or its associates (except for any members of our Group) shall provide us with written notice, no later than the time of any such disposals (the “Disposal Notice”). For the avoidance of doubt, TBEA or its subsidiaries or its associates (except for any members of our Group) is entitled to provide information and/or the Disposal Notice to any third parties at the same time or after providing the Disposal Notice to us;
- (ii) we shall reply to TBEA or its subsidiaries or its associates (except for any members of our Group) in writing within, whichever is the later of, the 30th day after receipt of the Disposal Notice and expiration of the period offered to third parties for them to reply by TBEA or its subsidiaries or its associates (except for any members of our Group) before exercising our pre-emptive rights;
- (iii) if we intend to exercise such pre-emptive rights, the terms shall be determined with reference to fair market price which is offered to transfer, sell, lease or license to a third party; and
- (iv) TBEA or its subsidiaries or its associates (except for any members of our Group) shall not dispose of such businesses and interests to any third parties unless: (a) we decline in

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writing to purchase such businesses and interests; (b) TBEA or its subsidiaries or its associates (except for any members of our Group) has not received the notice of exercising such pre-emptive rights from us within the requested period; or (c) we fail to offer the same or more favorable terms of acquisition than those offered by any third parties to TBEA or its subsidiaries or its associates (except for any members of our Group).

Option for Purchase

During the term of the Non-competition Undertaking, on the condition that no relevant laws and regulations are breached and agreements with third parties are complied with, we are entitled to purchase any businesses operated by TBEA or its subsidiaries or its associates (except for any members of our Group) which compete or potentially may compete with the Restrained Businesses or any businesses or any interests of TBEA or its subsidiaries or its associates (except for any members of our Group) which are gained through the New Business Opportunities (the “Option for Purchase”). We are entitled to exercise the Option for Purchase at any time and TBEA or its subsidiaries or its associates (except for any members of our Group) shall base, on the below conditions, to offer the Option for Purchase to us.

The terms and conditions shall be based on arm’s-length negotiation between the parties in line with normal commercial practice which is fair, reasonable and in compliance with the interests of our Group and our Shareholders as a whole. However, if a third party has pre-emptive rights in accordance with applicable laws and regulations and/or a prior legally binding document, our Options for Purchase shall be subject to such third-party rights. In such a case, TBEA or its subsidiaries or its associates (except for any members of our Group) will use their best efforts to persuade the third party to waive its pre-emptive rights.

TBEA’s Further Undertaking

TBEA has further undertaken that, subject to relevant laws, requirements or contractual arrangements with third parties:

- (i) upon our request, it and its subsidiaries and its associates (except for any members of our Group) shall provide us all necessary information for the implementation of the Non-competition Undertaking;
- (ii) it will allow our authorized representatives or our auditors to have reasonable access to the financial and corporate information necessary for its transactions with third parties, which would assist with our judgments in respect of whether TBEA and its subsidiaries and its associates (except for any members of our Group) has complied with the Non-competition Undertaking; and
- (iii) it will ensure that, within 10 working days of receipt of our written request, necessary confirmation shall be made in writing as to the performance by TBEA and its subsidiaries and its associates (except for any members of our Group) under the Non-competition Undertaking and TBEA and its subsidiaries and its associates (except for any members of our Group) shall allow such confirmation to be included in our annual reports.

Corporate Measures in Relation to the Implementation of the Non-competition Undertaking

Any transaction entered between the Company, on one hand, and TBEA or its subsidiaries or its associates, on the other hand, regarding the exercise of the Pre-emptive Right and the Option for

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Purchase will be subject to the applicable requirements in respect of connected transactions under the Listing Rules. We will also adopt the following procedures to ensure that the Non-competition Undertaking is observed:

- (i) *Review by independent non-executive Directors*—our independent non-executive Directors will be responsible for: (a) reviewing the options for New Business Opportunities, pre-emptive rights and Option for Purchase granted by TBEA or its subsidiaries or its associates (except for any members of our Group); and (b) deciding whether or not to take up business opportunities as referred to in the Offer Notice, Disposal Notice and/or the Option for Purchase. In deciding whether to take such business opportunities, our independent non-executive Directors will consider various factors, including the due diligence to be conducted towards the target businesses, the purchase prices, the benefits that it will bring to us as well as whether we have adequate management and resources to manage and operate the business operations of such businesses.
- (ii) *Increased transparency*—TBEA or its subsidiaries or its associates (except for any members of our Group) has undertaken to provide all information necessary for the exercise of the options for New Business Opportunities, pre-emptive rights and Option for Purchase. We will provide our independent non-executive Directors with the Offer Notice and Disposal Notice (as the case may be) on the New Business Opportunities or pre-emptive rights referred to us by TBEA or its subsidiaries or its associates (except for any members of our Group) within seven days of receipt, and our independent non-executive Directors will be allowed to propose the exercise of the Option for Purchase at any time.
- (iii) *Public disclosure of decisions*—we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the exercise or non-exercise of options for New Business Opportunities, pre-emptive rights and Option for Purchase, either through our annual report, or by way of announcements to the public. Our independent non-executive Directors will report in our annual report (a) their findings on the compliance by TBEA or its subsidiaries or its associates (except for any members of our Group) of the Non-competition Undertaking and (b) any decision made pursuant to the options for New Business Opportunities, pre-emptive rights and Option for Purchase granted to us, and the basis of such decision.

Our Directors are of the view that our independent non-executive Directors have sufficient experience in assessing whether or not to take up the options for New Business Opportunities, pre-emptive rights and Option for Purchase. In any event, our independent non-executive Directors may appoint a financial adviser or professional expert to provide advice, at the cost of the Company, in connection with the exercise or non-exercise of rights under the Non-competition Undertaking.

Termination of the Non-competition Undertaking

The Non-competition Undertaking will become effective upon Listing and remain in full force. It will be terminated upon the earlier of:

- (i) TBEA or its subsidiaries or its associates (except for any members of our Group), individually or, directly and/or indirectly in aggregate, holding less than 30% of the voting rights or control of exercising voting rights in any of our shareholders' meeting; or

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- (ii) our H Shares no longer being listed on the Stock Exchange (except for circumstances under which our H Shares being suspended for trading in accordance with the Listing Rules).

Based on the legally binding obligations of TBEA or its associates (except for any members of our Group) as set out in the Non-competition Undertaking and the related grant of the options for New Business Opportunities, pre-emptive rights and the Option for Purchase, and the information sharing and other mechanisms in place as described above to monitor compliance by TBEA and/or its subsidiaries and/or its associates (except for any members of our Group), our Directors are of the view that we have taken all appropriate and practicable measures to ensure compliance by TBEA or its close associates (except for any members of our Group) with its obligations under the Non-competition Undertaking.

INDEPENDENCE FROM TBEA GROUP

We believe that after the Global Offering, we will operate independently of TBEA Group:

Management Independence

As of the Latest Practicable Date, only two non-executive Directors out of nine members of our Board and two out of the five members of our Board of Supervisors also hold offices with TBEA Group as detailed below:

<u>Name of Director/Supervisor</u>	<u>Position Held in Our Company</u>	<u>Position Held in TBEA Group</u>
Mr. Zhang Xin	Non-executive Director	Chairman of the board of directors and executive director of TBEA
Ms. Guo Junxiang	Non-executive Director	Secretary of the board of directors of TBEA and executive director of TBEA
Mr. Chen Qijun	Chairman of the Board of Supervisors	Chief risk controller and chairman of the board of supervisors of TBEA
Ms. Wu Wei	Supervisor	Deputy general manager of TBEA

Except for the above-listed individuals, none of the Directors, Supervisors and senior management of our Company holds any position in TBEA Group.

Mr. Zhang Xin (“Mr. Zhang”) and Ms. Guo Junxiang (“Ms. Guo”) are our non-executive Directors and do not participate in the daily operations and management of our Company. As members of the Board, Mr. Zhang and Ms. Guo only participate in formulating our corporate and business strategies and the decision-making processes of significant events. While Mr. Chen Qijun, as chairman of the Board of Supervisors, and Ms. Wu Wei, as Supervisor, are responsible for supervising the operational and financial activities of our Company, they are not involved in the daily management and operation of the Company.

Save for the aforesaid, our remaining Directors, Supervisors and senior management are independent from TBEA Group and have the relevant experience to ensure that the Board performs its functions effectively.

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We believe our Directors, Supervisors and senior management can independently perform their duties in our Company and we can operate independently from TBEA Group due to the following reasons:

- (a) the decision-making mechanism of the Board as specified in the Articles of Association has set out relevant provisions to avoid conflicts of interest, including but not limited to:
 - (i) if the relevant proposal causes conflicts of interest between our Group and TBEA Group, the Director(s) associated with TBEA Group should abstain from voting and should not be included in the quorum of the meeting of the Board, and the remaining seven Directors have sufficient relevant knowledge and experience to make decisions for us;
 - (ii) when connected transactions are considered, independent non-executive Directors of the Company shall give their independent opinions to the Board and/or our Shareholders on the relevant connected transactions pursuant to the Listing Rules;
- (b) we have appointed three independent non-executive Directors (accounting for one-third of the Board) to balance the numbers of interested Director(s) and independent non-executive Directors for the protection of the interests of our Group and our Shareholders as a whole; and
- (c) our Directors are well aware of their fiduciary duties which, among other things, require them to act in the best interests of our Group and our Shareholders as a whole.

Based on the above, and taking into account the fact that there is no substantial competition between our current businesses and the businesses of TBEA Group, we believe that the Board and our management are sufficiently independent from TBEA Group.

Operational Independence

We engage in businesses that are independent of those operated by TBEA Group. We have obtained the relevant qualifications and licenses, independent operating premises, trademarks, domain names and electronic information systems needed for our businesses.

We have access to our suppliers (who are third parties independent from and not connected with our Controlling Shareholder or its respective close associates) and we enjoy stable relationship with our suppliers. Save as otherwise disclosed in this prospectus or to the knowledge of our Directors, none of our Controlling Shareholder or its respective close associates had any interest in any of our five largest customers or suppliers in 2012, 2013 and 2014 and for the six months ended June 30, 2015. Thus we have independent access to suppliers.

Also, we own or have the right to use all the operational facilities and technologies relating to our business. We communicate with and serve our clients independently. We have sufficient capital, facilities and employees to operate our business independently.

In addition, we currently conduct our principal businesses independently and we have the ability to formulate and implement operational decisions independently. We have our own organizational structure and departments with specific authorities independent from TBEA Group. We also maintain a comprehensive set of internal control procedures for promoting efficient business operation. With reference to relevant laws, regulations and rules, we develop sound corporate

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governance practice and have adopted our rules of procedure for general meetings, rules of procedure for board meetings, rules of procedure for the Board of Supervisors meetings and connected transactions regulations.

We have entered into certain continuing connected transactions in relation to the purchase of products and services from TBEA Group. Such products and services are provided by TBEA Group on a non-exclusive basis and may be offered by Independent Third Parties on similar terms. Therefore, such continuing connected transactions will not affect our operational independence from TBEA Group. We have also entered into a trademark licensing agreement with TBEA, pursuant to which TBEA agreed to grant us an exclusive license for the use of various trademarks of “新特能源” owned by TBEA before TBEA fully transfers such trademarks to us and a non-exclusive license for the use of various trademarks of “TBEA”, “特變電工”, and a combination of “TBEA” and “特變電工.” Therefore the use of trademarks will not affect our operational independence from TBEA Group. See “*Connected Transactions*” of this prospectus for details.

Financial Independence

As of the Latest Practicable Date, there was no outstanding loan granted by TBEA Group and there is no guarantee provided for our benefit by TBEA Group. We have settled all amounts due to TBEA Group of a non-operational nature. We have sufficient capital and banking facilities to operate our business independently and have adequate internal resources to support our daily operations.

We have established a finance department, which is independent from TBEA Group, with a team of independent financial staff, as well as a sound and independent audit system, a standardized financial and accounting system and a comprehensive financial management system. We can make financial decisions independently. We have opened basic accounts with banks independently and do not share any bank account with TBEA Group. We have made tax filings and paid tax independently of TBEA Group pursuant to applicable laws and regulations. Therefore, we are financially independent from TBEA Group.