
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult appropriate independent advisers to obtain independent professional advice.

If you have sold or transferred all your shares in IRICO Group New Energy Company Limited*, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



IRICO

彩虹集團新能源股份有限公司

IRICO GROUP NEW ENERGY COMPANY LIMITED*

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

(Stock Code: 0438)

CONTINUING CONNECTED TRANSACTIONS

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



OCTAL Capital Limited

A letter from the Board is set out on pages 1 to 30 of this circular. A letter from the Independent Board Committee is set out on pages 31 to 32 of this circular. A letter from Octal Capital, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 62 of this circular.

The EGM will be held at the conference room of the Company at No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC at 9:00 a.m., on Tuesday, 18 December 2018. Please refer to the notice of the EGM dated 2 November 2018 published on the Stock Exchange's website and the Company's website.

CONTENTS

	<i>Pages</i>
DEFINITIONS	ii
LETTER FROM THE BOARD	1
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	31
LETTER FROM OCTAL CAPITAL	33
APPENDIX – GENERAL INFORMATION	63

DEFINITIONS

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

“associate”	has the meaning as defined under the Listing Rules
“Board”	the board of Directors of the Company
“CEC”	China Electronics Corporation* (中國電子信息產業集團有限公司), a wholly state-owned company incorporated in the PRC and the ultimate controlling Shareholder holding approximately 73.15% of the issued share capital of the Company through IRICO Group and its subsidiary, Rui Bou Electronics, as at the Latest Practicable Date
“Company”	IRICO Group New Energy Company Limited* (彩虹集團新能源股份有限公司), a joint stock limited Company incorporated in the PRC, the H Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning as defined under the Listing Rules
“Continuing Connected Transaction Agreements”	the IRICO Group Master Purchase Agreement, the Zhongdian IRICO Master Purchase Agreement, the NEIIC Master Sales Agreement and the NEIIC Master Purchase Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on Tuesday, 18 December 2018 to consider and, if appropriate, to approve the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the respective proposed annual caps)
“EVA”	Ethylene Vinyl Acetate copolymer, used as an auxiliary material for back panels of photovoltaic modules
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of Directors consisting of Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng, who are independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the respective proposed annual caps)

DEFINITIONS

“Independent Shareholders”	the Shareholders of the Company, other than CEC and its associates (including IRICO Group and its subsidiary, Rui Bou Electronics) who will abstain from voting on the resolutions with respect to the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the respective proposed annual caps)
“IRICO Group”	IRICO Group Company Limited* (彩虹集團有限公司), formerly known as IRICO Group Corporation* (彩虹集團公司), a wholly state-owned enterprise and the controlling Shareholder, directly and indirectly holding approximately 73.15% of the issued share capital of the Company as at the Latest Practicable Date
“IRICO Group Master Purchase Agreement”	the master purchase agreement dated 23 October 2018 entered into between the Company and IRICO Group in respect of the purchase of packaging materials and raw materials, electricity and ancillary services by the Company from IRICO Group
“Latest Practicable Date”	27 November 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NEIIC”	Nanjing Electronics Information Industrial Corporation* (南京中電熊貓信息產業集團有限公司), which is a subsidiary of CEC as at the Latest Practicable Date and a connected person of the Company
“NEIIC Master Purchase Agreement”	the master purchase agreement dated 23 October 2018 entered into between the Company and NEIIC in respect of the purchase of materials for the production of solar photovoltaic glass (including moldproof paper, coating fluid, etc.), raw materials necessary for the new materials business (including $\text{Ni}_x\text{Co}_y\text{Mn}_z(\text{OH})_2$, etc.) and relevant products by the Company from NEIIC

DEFINITIONS

“NEIIC Master Sales Agreement”	the master sales agreement dated 23 October 2018 entered into between the Company and NEIIC in respect of the sales of electricity, products related to photovoltaic business (i.e. photovoltaic modules) and new materials products (i.e. photoresist) by the Company to NEIIC
“Octal Capital”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the respective proposed annual caps)
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Continuing Connected Transaction Agreements”	the Previous IRICO Group Master Purchase Agreement, the Previous Zhongdian IRICO Utility Purchase Agreement, the Previous NEIIC Master Sales Agreement and the Previous NEIIC Master Purchase Agreement
“Previous IRICO Group Master Purchase Agreement”	the previous master purchase agreement dated 18 February 2016 entered into between the Company and IRICO Group in respect of the purchase of products and utilities necessary for the production of solar photovoltaic glass, energy-saving lamp phosphor, upstream materials of lithium battery and ITO targets, including packaging materials and raw materials, water, electricity, gas and other utilities and ancillary services by the Company from IRICO Group
“Previous NEIIC Master Purchase Agreement”	the master purchase agreement dated 18 February 2016 entered into between the Company and NEIIC in respect of the purchase of products (including quartz sand) necessary for the production of solar photovoltaic glass and new materials by the Company from NEIIC

DEFINITIONS

“Previous NEIIC Master Sales Agreement”	the master sales agreement dated 18 February 2016 entered into between the Company and NEIIC in respect of the sales of new energy materials and products by the Company to NEIIC
“Previous Zhongdian IRICO Utility Purchase Agreement”	the utility purchase agreement dated 18 February 2016 entered into between the Company and Zhongdian IRICO in respect of the purchase of utilities (including electricity) by the Company from Zhongdian IRICO
“RMB”	Renminbi, the lawful currency of the PRC
“Rui Bou Electronics”	Rui Bou Electronics (HK) Limited (瑞博電子(香港)有限公司), a private company limited by shares incorporated in Hong Kong and a wholly-owned subsidiary of IRICO Group as at the Latest Practicable Date
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Zhongdian IRICO”	Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司), which is directly held as to 72.08% by CEC and 27.92% by IRICO Group as at the Latest Practicable Date and a connected person of the Company
“Zhongdian IRICO Master Purchase Agreement”	the master purchase agreement dated 23 October 2018 entered into between the Company and Zhongdian IRICO in respect of the purchase of materials and utilities necessary for solar photovoltaic business and new materials business, including materials, water, electricity, gas and other utilities and ancillary services by the Company from Zhongdian IRICO

The English names of the PRC entities adopted in this circular marked “” are translations from their Chinese names for identification purpose only.*

LETTER FROM THE BOARD



IRICO

彩虹集團新能源股份有限公司
IRICO GROUP NEW ENERGY COMPANY LIMITED*

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

(Stock Code: 0438)

Directors:

Executive Directors

Si Yuncong (*Chairman*)

Zou Changfu

Non-executive Directors

Fan Laiying

Chen Xiaoning

Independent non-executive Directors

Feng Bing

Wang Jialu

Wang Zhicheng

Legal address and head office in the PRC:

No. 1 Caihong Road

Xianyang, Shaanxi Province

The People's Republic of China

Postal code: 712021

Principal place of business in Hong Kong:

Unit 1908, 19th Floor

9 Queen's Road Central

Central, Hong Kong

Hong Kong share registrar and transfer office:

Computershare Hong Kong

Investor Services Limited

Rooms 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

3 December 2018

To the Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to: (i) the announcement of the Company dated 23 October 2018 in relation to the proposed continuing connected transactions under the Continuing Connected Transaction Agreements for the three years ending 31 December 2021; and (ii) the notice of the EGM dated 2 November 2018.

The main purpose of this circular is, among other things, to provide the Shareholders with the following information, so that the Shareholders can make properly informed decisions on the resolutions proposed at the EGM:

- (i) details of the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the proposed annual caps);
- (ii) the opinion and recommendation of the Independent Board Committee on the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the proposed annual caps); and
- (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders containing its opinion and recommendation on the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the proposed annual caps).

LETTER FROM THE BOARD

II. CONTINUING CONNECTED TRANSACTION AGREEMENTS

1. IRICO Group Master Purchase Agreement

A. *Background*

On 23 October 2018, the Company entered into the IRICO Group Master Purchase Agreement with IRICO Group, to renew the Previous IRICO Group Master Purchase Agreement, and regulate the purchase of packaging materials and raw materials, electricity and ancillary services by the Company from IRICO Group for the three years ending 31 December 2021. Details of the IRICO Group Master Purchase Agreement are set out below:

B. *IRICO Group Master Purchase Agreement*

Date: 23 October 2018

Parties: (i) the Company, as the purchaser; and
(ii) IRICO Group, as the supplier

Term: 1 January 2019 to 31 December 2021, subject to early termination by the Company by giving at least three months' prior written notice to IRICO Group. IRICO Group shall not unilaterally terminate the IRICO Group Master Purchase Agreement without written consent of the Company.

Conditions precedent: The IRICO Group Master Purchase Agreement is conditional upon the resolution regarding the IRICO Group Master Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps) being approved by the Independent Shareholders at the EGM.

Nature of transactions: The Company shall purchase packaging materials and raw materials, electricity and ancillary services from IRICO Group.

LETTER FROM THE BOARD

Pricing policy:

- (i) The prices for the packaging materials and raw materials shall be determined in accordance with the Market Price (as defined below):

“Market Price” shall be determined in accordance with the following order: (a) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the selling or purchasing places or its nearby regions; or (b) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the PRC.

The investment operating department of the Company, which is independent of IRICO Group and its associates, is primarily responsible for the procurement and sales management of the Company, including the examination and approval of bulk purchases by way of tender and the review of purchase and sales contracts. Upon receipt of quotations from IRICO Group, the investment operating department of the Company and its designated persons (namely, the business planning executives, who are primarily responsible for the examination and approval of the procurement plans and the execution of purchase contracts) will ascertain the prices offered or charged by independent third parties, generally by way of, obtaining quotations for a comparable volume of same or similar category of products from at least two independent third parties via emails, fax, phone or tenders by publishing tender notice via various media resources (for instance, the local newspapers), and take average of such quotations as the Market Price. The selling price of each category of products will be reviewed by the investment operating department of the Company and submitted to the head of such department for approval.

LETTER FROM THE BOARD

- (ii) The prices for the electricity and ancillary services shall be determined in accordance with the following policies:
 - (a) where there is Government-prescribed Price, in respect of electricity, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to (i) the Government-prescribed Price (as defined below); and (ii) reduction from the government incentives offered by Anhui Provincial Government to IRICO Group. After taking into account of the government incentives offered by Anhui Provincial Government to IRICO Group for the building and operation of the electrical transformer substation for the development of the new industrial area in Hefei City, Anhui Province, the overall unit price of electricity supplied by IRICO Group to the Company will be lower than the Government-prescribed Price; or
 - (b) where there is Government-prescribed Price, in respect of the ancillary services, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price; or
 - (c) where there is no Government-prescribed Price, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to reasonable costs incurred plus reasonable profit. The reasonable costs primarily include raw materials, labour, taxation, management fee, etc., and the profit margin will generally be no more than 3%.

LETTER FROM THE BOARD

“Government-prescribed Price” means the prices of electricity in Anhui Province or Shaanxi Province as prescribed by the State Grid Corporation of China as updated and amended from time to time or the guidelines for prices of ancillary services as prescribed in the notifications published by Anhui Province or Shaanxi Provincial Price Bureau.

To ensure that prices to be charged by IRICO Group are no less favourable than those available from independent third parties, the investment operating department of the Company and its designated persons (namely, the business planning executives, who are primarily responsible for the examination and approval of the procurement plans and the execution of purchase contracts), who are independent of IRICO Group and its associates, will make comparison with relevant prices charged by independent third parties in the same region. In case there is an adjustment to the prices of electricity in Anhui Province or Shaanxi Province as prescribed by the State Grid Corporation of China, the prices will be adjusted correspondingly based on arm’s length negotiations between the relevant parties. The quotations of electricity and ancillary services will be reviewed by the investment operating department of the Company and submitted to the head of such department for approval.

The Directors are of the view that such pricing policy is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company’s minority Shareholders.

Payment term:

The actual settlement price and the method of payment (including payment by way of cash or such other manners as agreed by the parties) shall be determined based on the principles, instructions, conditions and terms of the IRICO Group Master Purchase Agreement and set out in the specific purchase agreements to be entered into by the parties.

LETTER FROM THE BOARD

The payment terms shall be entered into on market terms which are no less favourable than those offered by independent third parties.

Other major terms:

IRICO Group agrees and undertakes that the packaging materials and raw materials, electricity and ancillary services to be provided to the Company shall satisfy the quality standards as required by the Company from time to time. The transactions for such packaging materials and raw materials, electricity and ancillary services shall be conducted on arm's length basis and charged on a reasonable manner. The terms and conditions of the provision of the same type of packaging materials and raw materials, electricity and ancillary services shall be no less favourable than those offered by independent third parties to the Company.

The Company and its subsidiaries may enter into specific purchase agreements with IRICO Group and its associates in respect of the transactions contemplated under the IRICO Group Master Purchase Agreement. The specific purchase agreements shall set out the specific services, quantities, prices, term of validity, payment terms and other relevant terms, and comply with the principles, instructions, conditions and terms of the IRICO Group Master Purchase Agreement.

The parties shall procure their respective subsidiaries or associates to, and guarantee that they shall, perform the specific purchase agreements in compliance with the terms and conditions stipulated thereunder.

As the specific purchase agreements are simply further elaborations on the purchase of packaging materials and raw materials, electricity and ancillary services contemplated under the IRICO Group Master Purchase Agreement, they do not constitute new categories of connected transactions.

LETTER FROM THE BOARD

C. *Historical Figures*

The historical amounts for the continuing connected transactions conducted under the Previous IRICO Group Master Purchase Agreement as well as the respective annual caps for the three years ending 31 December 2018 are set out below:

	Historical Amounts			Annual Caps		
	<i>(RMB'000)</i>			<i>(RMB'000)</i>		
	For the			For the		
	For the	For the	nine months	For the	For the	For the
year ended	year ended	ended	year ended	year ended	year ending	
31 December	31 December	30 September	31 December	31 December	31 December	
2016	2017	2018	2016	2017	2018	
Fees paid by the Company to IRICO Group under the Previous IRICO Group Master Purchase Agreement	296,714	197,554 ⁽¹⁾	76,615	329,343	327,296	331,683

Note:

- (1) The actual amount paid by the Company to IRICO Group under the Previous IRICO Group Master Purchase Agreement for the year ended 31 December 2017 decreased as compared with that for the year ended 31 December 2016, which was mainly attributable to the sharp decline in utility fees payable by the Company to IRICO Group under the Previous IRICO Group Master Purchase Agreement due to the fact that the No. 2 furnace and No. 1 furnace in Xianyang Photovoltaic Glass Factory of the Company were shut down in March 2017 and July 2017, respectively.

D. *Proposed Annual Caps and Basis for the Proposed Annual Caps*

The Directors propose to set the annual caps for the three years ending 31 December 2021 in respect of the continuing connected transactions under the IRICO Group Master Purchase Agreement as set out in the table below.

The proposed annual caps for the continuing connected transactions contemplated under the IRICO Group Master Purchase Agreement have been determined primarily based on the following factors:

- (i) the historical amounts of the transactions under the Previous IRICO Group Master Purchase Agreement for the two years ended 31 December 2017 and the nine months ended 30 September 2018;

LETTER FROM THE BOARD

- (ii) the Company's estimate of its business needs for the three years ending 31 December 2021, including, (a) Xianyang Photovoltaic Glass Factory of the Company will continue to conduct the photovoltaic glass business, and the annual output of photovoltaic glass is expected to reach 9 million square meters with the operation of No. 4 furnace; (b) IRICO (Yan'an) New Energy Company Limited will expand the Company's photovoltaic glass business by launching Yan'an photovoltaic project, which is expected to go into normal operation in 2019 with an 850T/D oxygen-fuel furnace producing ultra-clear solar photovoltaic glass of high transmittance and four ancillary production lines. The project's annual output is expected to reach 25 million square meters; and (c) phase I and II of photovoltaic glass furnaces of IRICO (Hefei) Photovoltaic Company Limited are in normal operation with an expected annual output of photovoltaic glass of 48 million square meters;
- (iii) at the end of 2016, IRICO Group transferred its 100% interests in Shaanxi IRICO Energy Services Corporation to Zhongdian IRICO and Shaanxi IRICO Energy Services Corporation ceased to be a subsidiary of IRICO Group. As the need to purchase utilities from Shaanxi IRICO Energy Services Corporation was no longer included in the Company's purchase plan from IRICO Group, the annual caps under the IRICO Group Master Purchase Agreement for the three years ending 31 December 2021 decrease as compared with that for the three years ending 31 December 2018; and
- (iv) the Company's current estimation of the stable market prices or the Government-prescribed Prices of the relevant packaging materials and raw materials, electricity and ancillary services.

	Proposed Annual Caps		
	<i>(RMB'000)</i>		
	For the year ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
Maximum fees payable by the Company to IRICO Group under the IRICO Group Master Purchase Agreement	99,326	104,778	122,378

LETTER FROM THE BOARD

2. Zhongdian IRICO Master Purchase Agreement

A. *Background*

On 23 October 2018, the Company entered into the Zhongdian IRICO Master Purchase Agreement with Zhongdian IRICO, to renew the Previous Zhongdian IRICO Utility Purchase Agreement and regulate the purchase of materials and utilities necessary for the solar photovoltaic business and the new materials business, including materials, water, electricity, gas and other utilities and ancillary services by the Company from Zhongdian IRICO for the three years ending 31 December 2021. Details of the Zhongdian IRICO Master Purchase Agreement are set out below:

B. *Zhongdian IRICO Master Purchase Agreement*

Date: 23 October 2018

Parties: (i) The Company, as the purchaser; and
(ii) Zhongdian IRICO, as the supplier

Term: 1 January 2019 to 31 December 2021, subject to early termination by either party by giving at least three months' prior written notice to the other party.

Conditions precedent: The Zhongdian IRICO Master Purchase Agreement is conditional upon the resolution regarding the Zhongdian IRICO Master Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps) being approved by the Independent Shareholders at the EGM.

Nature of transactions: The Company shall purchase materials and utilities necessary for the solar photovoltaic business and the new materials business, including materials, water, electricity, gas and other utilities and ancillary services from Zhongdian IRICO.

Pricing policy: (i) The prices for the materials necessary for production shall be determined in accordance with the Market Price (as defined below).

LETTER FROM THE BOARD

“Market Price” shall be determined in accordance with the following order: (a) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the selling or purchasing places or its nearby regions; or (b) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the PRC.

Upon the receipt of quotations from Zhongdian IRICO, the investment operating department of the Company and its designated persons (namely, the business planning executives, who are primarily responsible for the examination and approval of the procurement plans and the execution of purchase contracts), who are independent of Zhongdian IRICO and its associates, will ascertain the prices offered or charged by independent third parties, generally by way of, obtaining quotations for a comparable volume of same or similar category of products from at least two independent third parties via emails, fax, phone or tenders by publishing tender notice via various media resources (for instance, the local newspapers), and take average of such quotations as the Market Price. The selling price of each category of products will be reviewed by the investment operating department of the Company and submitted to the head of such department for approval.

- (ii) The prices for the utilities necessary for production, including water, electricity, gas and other utilities and ancillary services, shall be determined in accordance with the following policies:

LETTER FROM THE BOARD

- (a) where there is Government-prescribed Price (as defined below), in respect of the utilities necessary for production, including water, gas and other utilities and ancillary services, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price; or
- (b) where there is Government-prescribed Price, in respect of electricity necessary for production, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price for electricity or the management fee on the electricity transformer substation in proportion to the usage of electricity by the Company payable to Xianyang Electric Power Supply Bureau by Zhongdian IRICO; or
- (c) where there is no Government-prescribed Price, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to reasonable costs incurred plus reasonable profit. The reasonable costs primarily include raw materials, labour, taxation, management fee, etc.

The Directors are of the view that such pricing policy is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

LETTER FROM THE BOARD

“Government-prescribed Price” means the guidelines for prices of utilities, which are applicable to water, electricity and natural gas under the Zhongdian IRICO Master Purchase Agreement as prescribed in the notifications published by Shaanxi Provincial Price Bureau, Shaanxi Provincial Development and Reform Commission and other relevant regulatory authorities from time to time, for instance, the Notice on Adjustments to the Prices of Power Grid in Shaanxi Province published by Shaanxi Provincial Price Bureau from time to time, and the Notice on Reducing the City-gate Price for Non-residential Use of Natural Gas and Further Promotion of Price Marketization Reform published by National Development and Reform Commission from time to time.

The pricing policies of cost plus reasonable profit are applicable to other utilities and ancillary services under the Zhongdian IRICO Master Purchase Agreement where there is no Government-prescribed Price, including softened water, chilled water, high pressure air, nitrogen, purified air, etc.

To ensure that prices to be charged by Zhongdian IRICO are no less favourable than those available from independent third parties, the investment operating department of the Company and its designated persons, who are independent of Zhongdian IRICO and its associates, will make comparison with relevant prices charged by independent third parties in the same or nearby region or the actual costs incurred. In case there is an adjustment to the prices of utilities as prescribed in the notifications published by Shaanxi Provincial Price Bureau, Shaanxi Provincial Development and Reform Commission and other relevant regulatory authorities, the prices will be adjusted correspondingly based on arm’s length negotiations between Zhongdian IRICO and the Company. The quotation of each category of utilities will be reviewed by the investment operating department of the Company and submitted to the head of such department for approval.

LETTER FROM THE BOARD

Payment term:

The actual settlement price and the method of payment (including payment by way of cash or such other manners as agreed by the parties) shall be determined based on the principles, instructions, conditions and terms of the Zhongdian IRICO Master Purchase Agreement and set out in the specific purchase agreements to be entered into by the parties.

The payment terms shall be entered into on market terms which are no less favourable than those offered by independent third parties.

Other major terms:

Zhongdian IRICO agrees and guarantees that the materials and utilities to be provided to the Company shall satisfy the quality standards as required by the Company from time to time. The prices at which such materials and utilities will be provided must be fair and reasonable. The conditions of the provision of the same type of materials and utilities shall be no less favourable than those offered by independent third parties to the Company.

The Company and its subsidiaries may enter into specific purchase agreements with Zhongdian IRICO and its associates in respect of the specific transactions contemplated under the Zhongdian IRICO Master Purchase Agreement. The specific purchase agreements shall set out the term of validity, quality requirements, standards, payment terms, liability for breach of agreement, dispute resolutions, etc. and comply with the principles, instructions, conditions and terms of the Zhongdian IRICO Master Purchase Agreement.

The parties shall procure their respective subsidiaries or associates to, and guarantee that they shall, perform the specific purchase agreements in compliance with the terms and conditions stipulated thereunder.

As the specific purchase agreements are simply further elaborations on the purchase of materials and utilities contemplated under the Zhongdian IRICO Master Purchase Agreement, they do not constitute new categories of connected transactions.

LETTER FROM THE BOARD

C. *Historical Figures*

The historical amounts for the continuing connected transactions conducted under the Previous Zhongdian IRICO Utility Purchase Agreement as well as the respective annual caps for the three years ending 31 December 2018 are set out below:

	Historical Amounts			Annual Caps		
	<i>(RMB'000)</i>			<i>(RMB'000)</i>		
	For the			For the		
	For the	For the	nine months	For the	For the	For the
year ended	year ended	ended	year ended	year ended	year ending	
31 December	31 December	30 September	31 December	31 December	31 December	
2016	2017	2018	2016	2017	2018	
Fees paid by the Company to						
Zhongdian IRICO under the						
Previous Zhongdian IRICO Group						
Utility Purchase Agreement	4,010	29,377 ⁽¹⁾	53,008	74,424	79,857	83,864

Note:

- (1) The actual fees paid by the Company to Zhongdian IRICO under the Previous Zhongdian IRICO Utility Purchase Agreement for the year ended 31 December 2017 increased significantly as compared with that for the year ended 31 December 2016. Such increase was mainly attributable to the purchase of electricity by IRICO (Hefei) Photovoltaic Company Limited, a subsidiary of the Company, from IRICO (Hefei) LCD Glass Company Limited, a subsidiary of Zhongdian IRICO, for its production needs since 2017.

D. *Proposed Annual Caps and Basis for the Proposed Annual Caps*

The Directors propose to set the annual caps for the three years ending 31 December 2021 in respect of the continuing connected transactions under the Zhongdian IRICO Master Purchase Agreement as set out in the table below.

The proposed annual caps for the continuing connected transactions contemplated under the Zhongdian IRICO Master Purchase Agreement have been determined primarily based on the following factors:

- (i) the historical amounts of the transactions under the Previous Zhongdian IRICO Utility Purchase Agreement for the two years ended 31 December 2017 and the nine months ended 30 September 2018;

LETTER FROM THE BOARD

- (ii) the Company's estimate of its business needs for the three years ending 31 December 2021, which includes: (a) Xianyang Photovoltaic Glass Factory of the Company will continue to conduct the photovoltaic glass business, and the annual output of photovoltaic glass is expected to reach 9 million square meters with the operation of No. 4 furnace; (b) the battery material project of Shaanxi IRICO New Materials Company Limited, a subsidiary of the Company, will expand production, and a new production line will be built by the operational department, increasing the monthly output to 300T/M from 100T/M; and (c) Shaanxi IRICO New Materials Company Limited devotes to expand the Company's photoresist business by starting new projects whose construction has been completed. These new projects are expected to start normal production by the end of the year and the annual output is expected to reach 1,000 tonnes;
- (iii) As stated above, at the end of 2016, IRICO Group transferred its 100% interests in Shaanxi IRICO Energy Services Corporation to Zhongdian IRICO and Shaanxi IRICO Energy Services Corporation became a subsidiary of Zhongdian IRICO. As the need to purchase utilities from Shaanxi IRICO Energy Services Corporation would be included in the Company's purchase plan from Zhongdian IRICO, the annual caps under the Zhongdian IRICO Master Purchase Agreement for the three years ending 31 December 2021 increase as compared with that for the three years ending 31 December 2018; and
- (iv) the Company's current estimation of the stable market prices or the Government – prescribed Prices of the relevant materials and utilities.

	Proposed Annual Caps		
	<i>(RMB'000)</i>		
	For the year ending	For the year ending	For the year ending
	31 December 2019	31 December 2020	31 December 2021
Maximum fees payable by the Company to Zhongdian IRICO under the Zhongdian IRICO Master Purchase Agreement	105,123	106,169	108,510

LETTER FROM THE BOARD

3. NEIIC Master Sales Agreement

A. *Background*

On 23 October 2018, the Company entered into the NEIIC Master Sales Agreement with NEIIC to renew the Previous NEIIC Master Sales Agreement and regulate the sales of electricity, photovoltaic products (i.e. photovoltaic modules) and new material products (i.e. photoresist) by the Company to NEIIC for the three years ending 31 December 2021. Details of the NEIIC Master Sales Agreement are set out below:

B. *NEIIC Master Sales Agreement*

Date: 23 October 2018

Parties: (i) the Company, as the supplier; and
(ii) NEIIC as the purchaser

Term: 1 January 2019 to 31 December 2021, subject to early termination by either party by giving at least one month's prior written notice to the other party.

Conditions precedent: NEIIC Master Sales Agreement is conditional upon the resolution regarding the NEIIC Master Sales Agreement and the transactions contemplated thereunder (including the proposed annual caps) being approved by the Independent Shareholders at the EGM.

Nature of transactions: The Company shall sell electricity, photovoltaic products (i.e. photovoltaic modules) and new material products (i.e. photoresist) to NEIIC.

Pricing policy: (i) The prices for the electricity shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price (as defined below).

“Government-prescribed Price” means the prices of electricity in Jiangsu Province as prescribed by the State Grid Corporation of China as updated and amended from time to time.

LETTER FROM THE BOARD

To ensure that prices to be charged by the Company are no less favourable than those offered or charged by independent third parties, the investment operating department of the Company and its designated persons (namely, the business planning executives, who are primarily responsible for the examination and approval of the procurement plans and the execution of purchase contracts), who are independent of NEIIC and its associates, will make comparison with relevant prices charged by independent third parties in the same region. In case there is an adjustment to the prices of electricity in Jiangsu Province as prescribed by the State Grid Corporation of China, the prices will be adjusted correspondingly based on arm's length negotiations between the relevant parties. The quotation of electricity will be reviewed by the investment operating department of the Company and submitted to the head of such department for approval.

- (ii) The prices for the photovoltaic products (i.e. photovoltaic modules) and the new material products (i.e. photoresist) shall be determined in accordance with the Market Price (as defined below).

“Market Price” shall be determined in accordance with the following order: (i) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the selling or purchasing places or its nearby regions; or (ii) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the PRC.

LETTER FROM THE BOARD

Upon receipt of orders from NEIIC, the investment operating department of the Company and its designated persons (namely, the business planning executives, who are primarily responsible for the examination and approval of the sales plans and the execution of sales contracts), who are independent of NEIIC and its associates, will ascertain the prices offered or charged by independent third parties, generally by way of, obtaining quotations for a comparable volume of same or similar category of products from at least two independent third parties via emails, fax, phone or tenders by publishing tender notice via various media resources (for instance, the local newspapers), and take average of such quotations as the Market Price. The selling price of each category of products will be submitted to the marketing department of the Company for approval.

The Directors are of the view that such pricing policy is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Payment term:

The actual settlement price and the method of payment (including payment by way of cash or such other manners as agreed by the parties) shall be determined based on the principles, instructions, conditions and terms of the NEIIC Master Sales Agreement and set out in the specific sales agreements to be entered into by the parties.

The payment terms shall be entered into on market terms which are no less favourable than those available from independent third parties.

Other major terms:

The Company and its subsidiaries may enter into specific sales agreements with NEIIC and its associates in respect of the transactions contemplated under the NEIIC Master Sales Agreement. The specific sales agreements shall set out the term of validity, quality requirements, standards, payment terms, liability for breach of agreement and dispute resolutions, and comply with the principles, instructions, conditions and terms of the NEIIC Master Sales Agreement.

LETTER FROM THE BOARD

The parties shall procure their respective subsidiaries or associates to, and guarantee that they shall, perform the specific sales agreements in compliance with the terms and conditions stipulated thereunder.

As the specific sales agreements are simply further elaborations on the sales of products contemplated under the NEIIC Master Sales Agreement, they do not constitute new categories of connected transactions.

C. Historical Figures

The historical amounts for the continuing connected transactions conducted under the Previous NEIIC Master Sales Agreement as well as the respective annual caps for the three years ending 31 December 2018 are set out below:

	Historical Amounts			Annual Caps		
	<i>(RMB'000)</i>			<i>(RMB'000)</i>		
	For the			For the	For the	For the
	For the	For the	nine months			
year ended	year ended	ended	year ended	year ended	year ending	
31 December	31 December	30 September	31 December	31 December	31 December	
2016	2017	2018	2016	2017	2018	
Fees paid to the Company by NEIIC under the Previous NEIIC Master Sales Agreement	12,663	55,920 ⁽¹⁾	51,913	12,750	60,000	60,000

Note:

- (1) The actual fees paid to the Company by NEIIC under the Previous NEIIC Master Sales Agreement for the year ended 31 December 2017 increased significantly as compared with that for the year ended 31 December 2016. Such increase was mainly attributable to (i) the sales of photoresist products newly started in 2017 by Shaanxi IRICO New Materials Company Limited, a subsidiary of the Company; and (ii) the sales of electricity to NEIIC by the power station of Nanjing IRICO New Energy Co., Ltd. under Xianyang IRICO Green Energy Co., Ltd., a subsidiary of the Company, starting from March 2017 when the construction of the power station was completed, while in 2016 the power station was still under construction.

LETTER FROM THE BOARD

D. Proposed Annual Caps and Basis for the Proposed Annual Caps

The Directors propose to set the annual caps for the three years ending 31 December 2021 for the continuing connected transactions under the NEIIC Master Sales Agreement as set out in the table below.

The proposed annual caps for the continuing connected transactions contemplated under the NEIIC Master Sales Agreement have been determined primarily based on the following factors:

- (i) the estimated significant increase in demand for new energy materials and products, based on the fact that the production line of 8.6 Version TFT-LCD (thin film transistor liquid crystal display) in the factory of NEIIC in Chengdu, is expected to commence production in the year 2019 and the procurement volume will increase gradually in the following two years ending 31 December 2021 when the operation becomes more mature, which in hence creates an increasing demand for new material products including photoresist from NEIIC for further production of the display product;
- (ii) the Company's estimate of its business growth for the three years ending 31 December 2021, which includes: (a) the sales of photoresist newly started in 2017 by Shaanxi IRICO New Materials Company Limited, a subsidiary of the Company; (b) the sales of electricity to NEIIC by the power station of Nanjing IRICO New Energy Co., Ltd. under Xianyang IRICO Green Energy Co., Ltd., a subsidiary of the Company, is expected to commence from October 2019, and be under full operation in 2020 due to production needs of NEIIC; (c) after the construction of the photoresist production line with an annual output of 1,800 tonnes in Xianyang completed, the Company has been actively developing its new material business in a wider supplying market and expects it to grow for the three years ending 31 December 2021; and (d) in respect of the sales of photovoltaic modules, by selling photovoltaic modules to NEIIC and re-selling it by NEIIC to the third parties, who have been in a good and long-term business relationship with NEIIC, the Company will be able to expand its market shares in the industry of photovoltaic modules, recover its sales proceeds in a timely manner and reduce its capital risks. The Company will also use its best endeavours to seek to explore the direct cooperation with the third parties in the near future;
- (iii) the Company's estimation of the stable market prices of the relevant new energy materials and products for the three years ending 31 December 2021; and
- (iv) the historical amounts of the transactions under the Previous NEIIC Master Sales Agreement for the two years ended 31 December 2017 and the nine months ended 30 September 2018.

LETTER FROM THE BOARD

	Proposed Annual Caps		
	<i>(RMB'000)</i>		
	For the year ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
Maximum fees payable to the Company by NEIIC under the NEIIC Master Sales Agreement	357,225	642,054	846,585

4. NEIIC Master Purchase Agreement

A. *Background*

On 23 October 2018, the Company entered into the NEIIC Master Purchase Agreement with NEIIC to renew the Previous NEIIC Master Purchase Agreement and regulate the purchase of materials used for production of solar photovoltaic glass (including moldproof paper, coating fluid, etc.), raw materials necessary for new material business (including $Ni_xCo_yMn_z(OH)_2$, etc.) and relevant products by the Company from NEIIC for the three years ending 31 December 2021. Details of the NEIIC Master Purchase Agreement are set out below:

B. *NEIIC Master Purchase Agreement*

Date: 23 October 2018

Parties: (i) the Company as the purchaser; and
(ii) NEIIC as the supplier

Term: 1 January 2019 to 31 December 2021, subject to early termination by either party by giving at least three months' prior written notice to the other party.

Conditions precedent: The NEIIC Master Purchase Agreement is conditional upon the resolution regarding the NEIIC Master Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps) being approved by the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

Nature of transactions: The Company shall purchase materials used for production of solar photovoltaic glass (including moldproof paper, coating fluid, etc.), raw materials for new materials business (including $\text{Ni}_x\text{Co}_y\text{Mn}_z(\text{OH})_2$, etc.) and relevant products from NEIIC.

Pricing policy: The prices for the materials (including moldproof paper, coating fluid, etc.) and products (including $\text{Ni}_x\text{Co}_y\text{Mn}_z(\text{OH})_2$, etc.) shall be determined in accordance with the Market Price (as defined below).

“Market Price” shall be determined in accordance with the following order: (i) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the selling or purchasing places or its nearby regions; or (ii) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the PRC.

Upon receipt of quotations from NEIIC, the investment operating department of the Company and its designated persons (namely, the business planning executives, who are primarily responsible for the examination and approval of the procurement plans and the execution of purchase contracts), who are independent of NEIIC and its associates, will ascertain the prices offered or charged by independent third parties, generally by way of, obtaining quotations for a comparable volume of same or similar category of products from at least two independent third parties via emails, fax, phone or tenders by publishing tender notice via various media resources (for instance, the local newspapers), and take average of such quotations as the Market Price. The purchase price of each category of products will be reviewed by the investment operating department of the Company and submitted to the head of such department for approval.

LETTER FROM THE BOARD

The Directors are of the view that such pricing policy is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Payment term:

The actual settlement price and the method of payment (including payment by way of cash or such other manners as agreed by the parties) shall be determined based on the principles, instructions, conditions and terms of the NEIC Master Purchase Agreement and set out in the specific purchase agreements to be entered into by the parties.

The payment terms shall be entered into on market terms which are no less favourable than those offered by independent third parties.

Other major terms:

NEIC agrees and undertakes that the products to be provided to the Company will satisfy the quality standards as required by the Company from time to time. The price at which such products will be provided must be fair and reasonable. The terms and conditions of the provision of the same type of products shall be no less favourable than those offered by independent third parties to the Company.

The Company and its subsidiaries may enter into specific purchase agreements with NEIC and its associates in respect of the transactions contemplated under the NEIC Master Purchase Agreement. The specific purchase agreements shall set out the term of validity, quality requirements, standards, payment terms, liability for breach of agreement and dispute resolutions, and comply with the principles, instructions, conditions and terms of the NEIC Master Purchase Agreement.

The parties shall procure their respective subsidiaries or associates to, and guarantee that they shall, perform the specific purchase agreements in compliance with the terms and conditions stipulated thereunder.

LETTER FROM THE BOARD

As the specific purchase agreements are simply further elaborations on the purchase of products contemplated under the NEIIC Master Purchase Agreement, they do not constitute new categories of connected transactions.

C. Historical Figures

The historical amounts for the continuing connected transactions conducted under the Previous NEIIC Master Purchase Agreement as well as the respective annual caps for the three years ending 31 December 2018 are set out below:

	Historical Amounts			Annual Caps		
	<i>(RMB'000)</i>			<i>(RMB'000)</i>		
	For the	For the	For the	For the	For the	For the
year ended	year ended	nine months	year ended	year ended	year ending	
31 December	31 December	30 September	31 December	31 December	31 December	
2016	2017	2018	2016	2017	2018	
Fees paid by the Company to NEIIC under the Previous NEIIC Master Purchase Agreement	24,283	20,321 ⁽¹⁾	38,187	26,400	30,254	60,000

Note:

- (1) The actual fees payable by the Company to NEIIC under the Previous NEIIC Master Purchase Agreement for the year ended 31 December 2017 decreased slightly as compared with that for the year ended 31 December 2016. Such decrease was mainly attributable to (i) the fact that in 2016, Xianyang IRICO Green Energy Co., Ltd., a subsidiary of the Company, purchased modules from NEIIC for Wuhan Power Station and Nanjing Power Station (Phase I), while in 2017 it mainly purchased modules for Nanjing Power Station (Phase I) due to the construction completion of Wuhan Power Station; and (ii) the decrease in the purchase of packaging materials by IRICO (Hefei) Photovoltaic Company Limited, a subsidiary of the Company, from NEIIC resulting from normal fluctuations in the purchasing prices negotiated.

D. Proposed Annual Caps and Basis for the Proposed Annual Caps

The Directors propose to set the annual caps for the three years ending 31 December 2021 for the continuing connected transactions under the NEIIC Master Purchase Agreement as set out in the table below.

LETTER FROM THE BOARD

The proposed annual caps for the continuing connected transactions contemplated under the NEIIC Master Purchase Agreement have been determined primarily based on the following factors:

- (i) the estimated significant increase in the demand for the products, such as the $Ni_xCo_yMn_z(OH)_2$ for the production of new materials for the three years ending 31 December 2021 in line with the business development plan of the Company;
- (ii) the Company's estimate of its business growth for the three years ending 31 December 2021, which includes: (a) Shaanxi IRICO New Materials Co., Ltd., a subsidiary of the Company, will expand the Company's photoresist business by launching new projects whose construction has been completed. These new projects are expected to start normal production by the end of the year, and the annual output is expected to reach 1,000 tonnes in 2019; (b) $Ni_xCo_yMn_z(OH)_2$ is an essential raw material for the production of battery material by Shaanxi IRICO New Materials Co., Ltd, of which the battery material project will expand production, and a new production line will be built by the operational department, increasing the monthly output to 300T/M from original 100T/M; (c) the Company will remain committed to expanding photovoltaic projects, phase I and II of photovoltaic glass furnace of IRICO (Hefei) Photovoltaic Company Limited operate normally and phase III of photovoltaic glass furnace is proposed to commence in 2021, with an annual output reaching 48 million square meters in 2020 and 57 million square meters in 2021 respectively, which in hence increase the Company's demands for materials used for production of solar photovoltaic glass; and (d) in 2019, as the 2GW solar module project commences construction and comes on stream, Jiangsu IRICO Yongneng New Energy Company Limited*, a subsidiary of the Company, will need to do bulk purchasing of EVA and welding tape accessories from Nanjing Huadong Electronics IMP & EXP Co., Ltd, a subsidiary of NEIIC, and the solder provided by it has advanced performance and enjoyed reputation among the photovoltaic companies;
- (iii) the Company's current estimation of the stable market prices of the relevant products for the three years ending 31 December 2021; and
- (iv) the historical amounts of the transactions under the Previous NEIIC Master Purchase Agreement for the two years ended 31 December 2017 and for the nine months ended 30 September 2018.

	Proposed Annual Caps		
	<i>(RMB'000)</i>		
	For the year ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
Maximum fees payable by the Company to NEIIC under the NEIIC Master Purchase Agreement	233,460	307,253	425,641

LETTER FROM THE BOARD

5. General Information

The Company is principally engaged in the construction and operation of solar power plants; the research, development, production and sales of solar photovoltaic glass, solar cell modules and relevant products, upstream materials of lithium battery and materials relevant to flat panel display; and the processing of quart sand, an upstream material for photovoltaic glass.

IRICO Group, in addition to operating businesses through the Company, is principally engaged in the research and development, production and trading of businesses relating to colour picture tubes, display panels and their components, colour television sets and electronic products.

Zhongdian IRICO is principally engaged in the research, development, service and transfer of electronic information technology, industrial investment and assets operation management services, property investment and property operation management services.

NEIIC is principally engaged in the research and development, services and transfer of electronic information technologies; research and development, manufacturing, sales and relevant services of electronic products; design, construction and relevant services of electronic engineering; investment in real estate; property management; industrial investment and assets operation and management services.

6. Reasons for and Benefits of the Continuing Connected Transactions

The Board is of the view that the entering into of the aforesaid Continuing Connected Transaction Agreements is essential to the normal operations of, and beneficial to, the Company. In forming such view, the Board has taken into account the following factors:

- (i) The Company and IRICO Group or Zhongdian IRICO have established a long-term relationship, and understand their respective planning of business operations, quality control as well as certain specific requirements of both parties;
- (ii) The purchase of products by the Company from IRICO Group or Zhongdian IRICO (as the case may be) will assist in decreasing the management and operational costs of the Company due to the close proximity between these companies. The bulk purchase and sales of products is also economically beneficial to both the Company and IRICO Group or Zhongdian IRICO (as the case may be);
- (iii) Regarding the purchase and sales of utilities, the Company and IRICO Group or Zhongdian IRICO (as the case may be) is capable of providing steady and stable supply of quality utilities at more reasonable prices as compared with other local suppliers due to the close proximity between these companies; and

LETTER FROM THE BOARD

- (iv) Both the Company and NEIIC are subsidiaries of CEC and we have also established a long-term relationship with NEIIC. In addition, the prices and terms for the sales and purchase of products between the Company and NEIIC would be no less favourable to the Company than those available to or from independent third parties.

The Board (including the independent non-executive Directors) considers that the transactions under the Continuing Connected Transaction Agreements are conducted on normal commercial terms or on terms no less favourable to the Company than those available to or from independent third parties, and are entered into in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

As at the date of the Board meeting, Mr. Si Yuncong, the Director of the Company, also serves as the chairman of IRICO Group, may be considered as having a material interest in the transactions under the IRICO Group Master Purchase Agreement and the Zhongdian IRICO Master Purchase Agreement. As such, he has abstained from voting on the Board resolutions approving the relevant agreements and the transactions contemplated thereunder (including the respective proposed annual caps). Save as mentioned above, none of the other Directors has a material interest in the transactions contemplated under the IRICO Group Master Purchase Agreement and the Zhongdian IRICO Master Purchase Agreement. In addition, none of the Directors has a material interest in the transactions contemplated under the NEIIC Master Sales Agreement and the NEIIC Master Purchase Agreement, and therefore, no Director has abstained from voting on approval of the relevant resolutions.

7. Implications under the Listing Rules

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

Zhongdian IRICO, which is directly held as to 72.08% by CEC and 27.92% by IRICO Group as at the Latest Practicable Date, is an associate of CEC and IRICO Group and thus a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Zhongdian IRICO Master Purchase Agreement between the Company and Zhongdian IRICO constitute continuing connected transactions of the Company.

LETTER FROM THE BOARD

As at the Latest Practicable Date, NEIIC, which is a subsidiary of CEC, is an associate of CEC and a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the NEIIC Master Sales Agreement and the NEIIC Master Purchase Agreement between the Company and NEIIC constitute continuing connected transactions of the Company.

Since the applicable percentage ratios (other than the profit ratio) for the highest proposed annual cap for each of the three years ending 31 December 2021 in respect of the continuing connected transactions contemplated under the Continuing Connected Transaction Agreements exceed 5%, the continuing connected transactions thereunder are subject to the announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

III. EGM

An EGM will be convened for the Independent Shareholders to consider and, if appropriate, to approve the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the respective proposed annual caps).

CEC and its associates, including IRICO Group and its subsidiary, Rui Bou Electronics, which directly hold 1,601,468,000 Domestic Shares and 31,546,000 H Shares, representing an aggregate of approximately 73.15% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting at the EGM on the resolutions in relation to the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the respective proposed annual caps).

The Independent Board Committee has been formed in accordance with the Listing Rules to advise the Independent Shareholders on the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the proposed annual caps). In this connection, Octal Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the proposed annual caps).

LETTER FROM THE BOARD

IV. RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the view that the terms of continuing connected transactions contemplated under the Continuing Connected Transaction Agreements are fair and reasonable, the relevant continuing connected transactions (including the respective proposed annual caps) are on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the EGM.

V. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 31 to 32 of this circular containing the recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the proposed annual caps). The advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, on the fairness and reasonableness of the terms of the continuing connected transactions contemplated under the Continuing Connected Transaction Agreements (including the respective proposed annual caps) is set out on pages 33 to 62 of this circular.

Your attention is also drawn to the information set out in the appendix to this circular.

By order of the Board
IRICO Group New Energy Company Limited*
Si Yuncong
Chairman

* *For identification purpose only*



IRICO

彩虹集團新能源股份有限公司
IRICO GROUP NEW ENERGY COMPANY LIMITED*

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

(Stock Code: 0438)

Legal address and the head office in the PRC:

No. 1 Caihong Road
Xianyang, Shaanxi Province
The People's Republic of China
Postal code: 712021

Principal place of business in Hong Kong:

Unit 1908, 19th Floor
9 Queen's Road Central
Central, Hong Kong

Hong Kong share registrar and transfer office:

Computershare Hong Kong
Investor Services Limited
Rooms 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

3 December 2018

CONTINUING CONNECTED TRANSACTIONS

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 3 December 2018 (the “**Circular**”), of which this letter forms a part. Terms defined therein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed by the Board as the Independent Board Committee to advise you as to whether in our opinion, the terms of the continuing connected transactions contemplated under the Continuing Connected Transaction Agreements (including the respective proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned, the relevant continuing connected transactions (including the respective proposed annual caps) are on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Octal Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the continuing connected transactions contemplated under the Continuing Connected Transaction Agreements (including the respective proposed annual caps). Details of the advice from Octal Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 33 to 62 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 1 to 30 of the Circular. Having considered the information contained in the letter from the Board, the interests of the Independent Shareholders and the advice and recommendations given by Octal Capital, we consider that the terms of continuing connected transactions contemplated under the Continuing Connected Transactions Agreements (including the respective proposed annual caps) are on normal commercial terms and in the ordinary or usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolutions regarding the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the proposed annual caps) to be proposed at the EGM.

Yours faithfully,

IRICO Group New Energy Company Limited*

Feng Bing, Wang Jialu, Wang Zhicheng

Independent Board Committee

* *For identification purpose only*

LETTER FROM OCTAL CAPITAL

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the terms of the continuing connected transactions contemplated under the Continuing Connected Transaction Agreements (including the respective proposed annual caps) prepared for the purpose of inclusion in this circular.



801–805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

3 December 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the IRICO Group Master Purchase Agreement, the Zhongdian IRICO Master Purchase Agreement, the NEIIC Master Sales Agreement, the NEIIC Master Purchase Agreement, the proposed annual caps related thereto, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 3 December 2018 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, the Company announced on 23 October 2018 that:

- (i) the Company entered into the IRICO Group Master Purchase Agreement with IRICO Group, to renew the Previous IRICO Group Master Purchase Agreement, and to regulate the purchase of packaging materials and raw materials, electricity and ancillary services by the Company from IRICO Group;
- (ii) the Company entered into the Zhongdian IRICO Master Purchase Agreement with Zhongdian IRICO, to renew the Previous Zhongdian IRICO Utility Purchase Agreement and to regulate the purchase of materials and utilities necessary for the solar photovoltaic business and the new materials business, including materials, water, electricity, gas and other utilities and ancillary services by the Company from Zhongdian IRICO;
- (iii) the Company and NEIIC entered into the NEIIC Master Sales Agreement to renew the Previous NEIIC Master Sales Agreement and regulate the sales of electricity, photovoltaic products and new materials by the Company to NEIIC; and

LETTER FROM OCTAL CAPITAL

- (iv) the Company and NEIIC entered into the NEIIC Master Purchase Agreement to renew the Previous NEIIC Master Purchase Agreement and regulate the purchase of materials used for production of solar photovoltaic glass, raw materials necessary for new materials business and relevant products by the Company from NEIIC (the transactions contemplated under paragraphs (i), (ii), (iii) and (iv) above, altogether, the “**Continuing Connected Transactions**”).

As set out in the Letter from the Board, IRICO Group, Zhongdian IRICO and NEIIC are connected persons of the Company. In addition, the applicable percentage ratios (other than the profits ratio) for the highest proposed annual cap for each of the three years ending 31 December 2021 for the continuing connected transactions under: (i) the IRICO Group Master Purchase Agreement; (ii) the Zhongdian IRICO Master Purchase Agreement; (iii) the NEIIC Master Sales Agreement; and (iv) NEIIC Master Purchase Agreement exceed 5%, the continuing connected transactions under these agreements are subject to the disclosure, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all of the independent non-executive Directors namely Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng, has been formed to advise the Independent Shareholders in relation to the terms of the Continuing Connected Transactions (including the respective proposed annual caps). We, Octal Capital Limited (“**Octal Capital**”), has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not connected with the Directors, chief executive and substantial shareholders of the Company, Zhongdian IRICO, IRICO Group, NEIIC and CEC or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged as an independent financial adviser to the Company (the “**Previous Engagements**”) in respect of (i) the connected and discloseable disposal of 90% equity interest in Kunshan IRICO; and (ii) the connected and discloseable disposal of 51% equity interest in Zhuhai Caizhu (for details please refer to the circulars of the Company dated 3 April 2017 and 1 June 2018 respectively). Under the Previous Engagements, we were required to express our opinion on and give recommendation to the Independent Board Committee and Independent Shareholders in respect of the relevant transactions. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or the purchasers or any of their respective subsidiaries or associates.

LETTER FROM OCTAL CAPITAL

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Group, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Zhongdian IRICO, IRICO Group, NEIIC, CEC and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

THE CONTINUING CONNECTED TRANSACTIONS

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Continuing Connected Transactions (including the respective proposed annual caps) for the three years ending 31 December 2021 (the “**Review Period**”), we have considered the following principal factors and reasons:

A. **Background of and reasons for the terms of the Continuing Connected Transactions and the Proposed Caps**

As set out in the Letter from the Board, the Company is principally engaged in the construction and operation of solar power plants; the research, development, production and sale of solar photovoltaic glass, solar cell modules and relevant products, upstream materials of lithium battery and materials relevant to flat panel display; and the processing of quartz sand, an upstream material for photovoltaic glass. The audited revenue and profit after tax of the Group for the year ended 31 December 2017 were approximately RMB2,363 million and RMB134 million respectively.

IRICO Group, in addition to operating businesses through the Company, is principally engaged in the research and development, production and trading of businesses relating to colour picture tubes, display panels and their components, colour television sets and electronic products.

Zhongdian IRICO is principally engaged in the research, development, service and transfer of electronic information technology, industrial investment and assets operation management services, property investment and property operation management services.

LETTER FROM OCTAL CAPITAL

NEIIC is principally engaged in the research and development, services and transfer of electronic information technologies; research and development, manufacturing, sales and relevant services of electronic products; design, construction and relevant services of electronic engineering; investment in real estate; property management; industrial investment and assets operation and management services.

Set out below is a summary of the nature of the transactions contemplated under each of the Continuing Connected Transactions Agreements:

The Agreements	Description of transactions
The IRICO Group Master Purchase Agreement	purchase of packaging materials and raw materials, electricity and ancillary services by the Company from IRICO Group
The Zhongdian IRICO Master Purchase Agreement	purchase of materials and utilities necessary for the solar photovoltaic business and the new materials business, including materials, water, electricity, gas and other utilities and ancillary services by the Company from Zhongdian IRICO
NEIIC Master Sales Agreement	sales of electricity, photovoltaic products and new materials by the Company to NEIIC
NEIIC Master Purchase Agreement	purchase of materials used for production of solar photovoltaic glass, raw materials necessary for new materials business and relevant products by the Company from NEIIC

The Company entered into the IRICO Group Master Purchase Agreement so as to renew the Previous IRICO Group Master Purchase Agreement which will be expired on 31 December 2018.

The packaging materials and raw materials to be procured under the IRICO Group Master Purchase Agreement are mainly used in the packaging of the solar photovoltaic glass produced by the Company. The factory of the Company producing the solar photovoltaic glass and the factory of IRICO Group supplying the packaging materials and raw materials are located in the same industrial area in Xianyang City. The purchase of the packaging materials and raw materials from IRICO Group will assist in minimizing the management and operational costs of the Company due to the close proximity between the factories. The bulk purchase of the packaging materials and the raw materials by IRICO Group and the sale of such products by IRICO Group based on the prevailing market price are also economically beneficial to both the Company and IRICO Group.

LETTER FROM OCTAL CAPITAL

The electricity and ancillary services to procure under the IRICO Group Master Purchase Agreement are used in the operation of the furnace for the solar photovoltaic glass production. The arrangement for the procurement of electricity from IRICO Group has been long established and the Company has operated as an integrated organization since the listing of the Company on the Stock Exchange in December 2004. This can also secure a stable supply of electricity to the Company.

On the other hand, materials and utilities necessary for the solar photovoltaic business and the new business including gasoline, kerosene, softened water, chilled water, high pressure air, nitrogen, purified air (the “**Processed Utilities**”) are processed and supplied by Zhongdian IRICO to the Company under the Zhongdian IRICO Master Purchase Agreement. These Processed Utilities are normally processed at the in-house facility of a production plant. However, since the factories of the Company and Zhongdian IRICO are both located in the same industrial area in Xianyang City, it is more economically beneficial for the Company to procure the Processed Utilities from Zhongdian IRICO without building the same facilities and the Processed Utilities will be transferred via pipeline due to the close proximity between the factories of the Company and Zhongdian IRICO.

The photovoltaic products and new materials to be sold under NEIIC Master Sales Agreement are mainly photoresists for liquid crystals (the “**Photoresists Business**”) by Shaanxi IRICO New Materials Company Limited (“**Shaanxi IRICO**”), a subsidiary of the Company; while the sales of electricity to NEIIC is generated by the power station of Nanjing IRICO New Energy Co., Ltd. under Xianyang IRICO Green Energy Co., Ltd. a subsidiary of the Company.

The materials to be procured under NEIIC Master Purchase Agreement are mainly used in the production of solar photovoltaic glass by the Company; while the raw materials to be procured are mainly used in the production of new material including battery material by the Company.

The Company purchases raw materials used in the production of photoresists from independent suppliers and sells photoresists to NEIIC under the NEIIC Master Sales Agreement, the Company is responsible for the market development, market maintenance and business settlement of NEIIC.

As set out in the Letter from the Board, the Board is of the view that the entering into of the aforesaid Continuing Connected Transaction Agreements is essential to the normal operations of, and beneficial to, the Company given:

- (1) The Company and IRICO Group or Zhongdian IRICO have established a long-term relationship, and understand their respective planning of business operations, quality control as well as certain specific requirements of both parties;
- (2) The purchase and sales of products between the Company and IRICO Group or Zhongdian IRICO (as the case may be) will assist in minimizing the management and operational costs of the Company due to the close proximity between these companies. The bulk purchase and sales of products is also economically beneficial to both the Company and IRICO Group or Zhongdian IRICO (as the case may be);

LETTER FROM OCTAL CAPITAL

- (3) Regarding the purchase and sales of utilities, the Company and IRICO Group or Zhongdian IRICO (as the case may be) is capable of providing steady and stable supply of quality utilities at reasonable prices as compared to other local suppliers due to the close proximity between these companies;
- (4) Both the Company and NEIC are subsidiaries of CEC and we have also established a long-term relationship with NEIC. In addition, the prices and terms for the sales and purchase of products between the Company and NEIC would be no less favourable to the Company than those available to or from independent third parties.

As set out in the annual report of the Group for the year ended 31 December 2012, at the end of 2012, as approved by the State-owned Assets Supervision and Administration Commission (the “SASAC”), IRICO Group, the controlling shareholder of the Company, was consolidated into China Electronic Corporation (中國電子信息產業集團有限公司) (“CEC”) by allocation at nil consideration, which was a significant decision made by the SASAC for boosting the reform and reorganisation of central enterprises and also an important measure to accelerate the comprehensive industrial transformation of IRICO Group. Since then, we noted that the Group had been actively looking for opportunities to off-load the non-core businesses and loss-making companies of the Group to focus on the development of the solar photovoltaic business and the new materials business.

The development of solar industry in China was highlighted in various national development schemes in recent years. With reference to “the Strategic Action Plan for Energy Development (2014–2020)” released by the General Office of the State Council of the PRC, a list of targets were published to promote more efficient, self-sufficient, green and innovative energy production. In addition, according to “the Notice on the 13th Five-Year Work Plan of the PRC on Enhancing the Solar Energy Development by the Comprehensive Department of the National Energy Administration” issued by the National Energy Administration of the PRC on 24 December 2014, solar industry was again illustrated as an important industry development focus during the period of the 13th Five-Year Work Plan of the PRC. With the clear industry guidance set out by the PRC government, it is expected that solar industry in the PRC would gain more recognition and drive the local demand of solar photovoltaic glass which in turn would be beneficial to the Group and thereby increasing the revenue of the Group.

As set out in the interim report of the Company for the six months ended 30 June 2018, the Group focused on making technological breakthroughs and steered towards expansion of market presence, as a result, the Group achieved consistent increase in production capacity of the production lines and steady progress of project construction. For the six months ended 30 June 2018, the Group recorded operating revenue from its main business of RMB1,148.1 million, representing a year-on-year increase of RMB158.4 million or 16.0%. In particular, the solar photovoltaic glass business of the Group achieved stable development with decent growth in sales volume as compared with the corresponding period in 2017. The revenue from the solar photovoltaic glass production and sales segment of the Group for the six months ended 30 June 2018 was approximately RMB89.4 million as compared with approximately RMB59.4 million in the corresponding period in 2017, representing a year-on-year increase of RMB300.5 million or 50.6% and revenue from new materials business of RMB176.7 million, representing a year-on-year increase of RMB29.7 million or 20.2%.

LETTER FROM OCTAL CAPITAL

The Group has been constantly improving the technique and equipment, adjusting product structure, reducing cost and enhancing efficiency of Zhongdian solar photovoltaic glass. As a result, Xianyang photovoltaic glass project maintained its favorable momentum while Hefei photovoltaic glass project phase II reached the designed capacity smoothly. Hefei photovoltaic industrial park has become the world's largest production base of photovoltaic glass using oxygen-fuel combustion technology, which gives the full rein to the economies of large-scale production of extra-large furnaces. Therefore, in view of the future development of the solar industry, the Company anticipated that the outlook of the solar industry will be optimistic and the demand for the solar photovoltaic glass and its raw materials will increase accordingly.

Further, as informed by the management of the Company, Zhongdian IRICO owns an electricity transformer substation in Hefei, the PRC which could supply constant and reliable electricity for the operation of the factory of Hefei photovoltaic glass project (the "**Hefei Factory**"). As a result, the Company and Zhongdian IRICO entered into the Zhongdian IRICO Master Purchase Agreement in order to secure a stable supply of electricity by Zhongdian IRICO to the Hefei Factory.

Moreover, the Company purchases coating solution as one of the raw materials for the production of its solar photovoltaic glass and the Company procures the coating solution from a variety of suppliers to ensure the quality and a stable supply of coating solution for the Company. Having considered the quality of coating solution supplied by NEIIC and the economic benefit that could be enjoyed by the Company from bulk purchase from NEIIC, the Company entered into the NEIIC Master Purchase Agreement with NEIIC to further broaden its supplier base of coating solution.

From the above, we understand that (i) it is the Group's development focus on the solar photovoltaic business and the new materials business; (ii) the outlook of the solar industry will be optimistic upon the support of clear industry guidance set out by the PRC government which is favorable for the development of the Group's business; and (iii) the cooperation with the connected parties can ensure a stable and high quality supply/provision of utilities and products for the Group's production. Therefore, we are of the view that the transactions contemplated under the Continuing Connected Transactions Agreements are in the interest of the Company and its shareholders as a whole.

Based on the forgoing and having regard to (i) the Continuing Connected Transactions between the Group and relevant connected parties have been in existence for years; and (ii) the economic benefits enjoyed by both the Company and the relevant connected parties, we consider that the transactions contemplated under the Continuing Connected Transactions Agreements are carried out in the ordinary and normal course of business for the Group to enter into with the relevant connected parties.

LETTER FROM OCTAL CAPITAL

B. The Proposed Caps

1. *Proposed annual caps of the IRICO Group Master Purchase Agreement*

(i) Pricing basis of the IRICO Group Master Purchase Agreement

According to the IRICO Group Master Purchase Agreement, the prices for the purchase of packaging materials and raw materials, electricity and ancillary services are determined in the following basis:

1. In respect of packaging materials and raw materials under such agreement, the prices shall be determined in accordance with the relevant market price.
2. In respect of the electricity necessary for production, it shall be determined based on arm's length negotiations between the relevant parties with reference to (a) the Government-prescribed Price; and (b) reduction from the government incentives offered by Anhui Provincial Government to IRICO Group. After taking into account of the government incentives offered by Anhui Provincial Government to IRICO Group for the building and operation of the electrical transformer substation for the development of the new industrial area in Hefei City, Anhui Province, the overall unit price of electricity supplied by IRICO Group to the Company will be lower than the Government-prescribed Price. Government-prescribed Price means the prices of electricity in Anhui Province as prescribed by the State Grid Corporation of China as updated and amended from time to time.

As set out in the IRICO Group Master Purchase Agreement, IRICO Group undertakes that the prices at which such packaging materials and raw materials, electricity and ancillary services will be provided by IRICO Group to the Company must be fair and reasonable. The terms and conditions of the provision of the same type of packaging materials and raw materials, electricity and ancillary services shall be no less favourable than those offered by independent third parties to the Company.

LETTER FROM OCTAL CAPITAL

- (ii) *Historical utilization for the two years ended 31 December 2017 and the nine months ended 30 September 2018*

Set out below are the historical amounts for the continuing connected transactions conducted under the Previous IRICO Group Master Purchase Agreement as well as the respective annual caps for the two years ended 31 December 2017 and the nine months ended 30 September 2018:

	For the year ended 31 December 2016 <i>(RMB'000)</i>	For the year ended 31 December 2017 <i>(RMB'000)</i>	For the nine months ended 30 September 2018 <i>(RMB'000)</i>
Existing annual caps	329,343	327,296	331,683
Historical fees paid by the Company to IRICO Group under the Previous IRICO Group Master Purchase Agreement	<u>296,714</u>	<u>197,554</u>	<u>76,615</u>

Based on the above table, for each of the years ended 31 December 2016, 2017 and the year ending 31 December 2018, the existing annual caps for the continuing connected transactions under the IRICO Group Master Purchase Agreement were approximately RMB329 million, RMB327 million and RMB332 million, respectively. Per our discussion with the Company, we note that the reason for the decrease in actual fees paid by the Company to IRICO Group for the year ended 31 December 2017 was mainly due to the sharp decline in utility fees payable by the Company to IRICO Group under the Previous IRICO Group Master Purchase Agreement due to the fact that the No. 2 furnace and No. 1 furnace in Xianyang Photovoltaic Glass Factory of the Company were shut down in March 2017 and July 2017, respectively. The fee paid by the Company to IRICO Group under the Previous IRICO Group Master Purchase Agreement for each of the years ended 31 December 2016 and 2017 and for the nine months ended 30 September 2018 did not exceed their relevant annual caps. The Company is of the view that the connected transaction amount under the Previous IRICO Group Master Purchase Agreement for the year ending 31 December 2018 by the Group are expected not to exceed the relevant annual cap.

LETTER FROM OCTAL CAPITAL

(iii) *Basis of determining the proposed annual caps under the IRICO Group Master Purchase Agreement*

Based on the detailed schedule of the proposed annual caps of RMB99,326,000, RMB104,778,000 and RMB122,378,000 for the three years ending 31 December 2021 provided by management of the Company, the proposed annual caps comprise two categories, namely (i) the products necessary for production which mainly includes packaging materials and raw materials for the solar photovoltaic glass; and (ii) the utilities necessary for production including electricity and ancillary services, as illustrated below:

	Historical Amounts			Proposed Caps		
	For the	For the	For the	For the	For the	For the
	year ended	year ended	nine months	year ending	year ending	year ending
	31 December	31 December	30 September	31 December	31 December	31 December
	2016	2017	2018	2019	2020	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Packaging materials and raw materials	41,859	35,945	23,207	79,317	84,769	102,369
Electricity and ancillary services	254,855	161,609	53,408	20,009	20,009	20,009
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fees payable by the Company to						
IRICO Group	296,714	197,554	76,615	99,326	104,778	122,378
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

We note that the Company determined proposed annual caps for the continuing connected transactions contemplated under the IRICO Group Master Purchase Agreement primarily based on the aforementioned factors as set out in the Letter from the Board.

We noted that the amount of the component of packaging materials and raw materials under the proposed annual caps for the year ending 31 December 2019 is higher than the corresponding aggregate historical amount in 2018 of approximately RMB56 million under the Previous IRICO Group Master Purchase Agreement mainly because of the increasing demand for packaging materials from the operation of the Xianyang Photovoltaic Glass Factory (the “**Xianyang Factory**”) of the Company, as the annual output of photovoltaic glass is expected to reach 9 million square meters with the full operation of No.4 furnace starting from the year of 2019, the Xianyang Factory will be in full operation and the annual output is expected to be maintained stable from 2019 to 2021. In addition, there will be an increasing demand of packaging materials as IRICO (Yan’an) New Energy Company Limited will expand the Company’s

LETTER FROM OCTAL CAPITAL

photovoltaic glass business by launching Yan'an photovoltaic project (the "**Yan'an Factory**"), which is expected to commence operation in 2019 with an 850T/D oxygen-fuel furnace producing ultra-clear solar photovoltaic glass of high transmittance and four ancillary production lines.

Further, we noted that the amount of the component of electricity and ancillary services under the proposed annual caps for the year ending 31 December 2019 is significantly lower than the corresponding aggregated historical amount in 2018 of approximately RMB33 million under the Previous IRICO Group Master Purchase Agreement. This is because at the end of 2016, IRICO Group transferred its 100% interests in Shaanxi IRICO Energy Services Corporation ("**Shaanxi IRICO**") to Zhongdian IRICO and Shaanxi IRICO Energy Services Corporation ceased to be a subsidiary of IRICO Group. As the need to purchase utilities from Shaanxi IRICO Energy Services Corporation was no longer included in the Company's purchase plan from IRICO Group, the annual caps under the IRICO Group Master Purchase Agreement for the three years ending 31 December 2021 decrease as compared with that for the three years ending 31 December 2018.

In assessing the fairness and reasonableness of the proposed purchasing volume under the IRICO Group Master Purchase Agreement, we have discussed with the management of the Group the bases and assumptions underlying the projections of such proposed annual caps. In respect of the proposed annual caps of RMB99,326,000, RMB104,778,000 and RMB122,378,000 to be sought for the purchase of packaging materials and raw materials, electricity and ancillary services by the Company from the IRICO Group for each of the three financial years during the Review Period, we have obtained from the Company production plans of the Xianyang Factory, the Hefei Factory and the Yan'an Factory which laid out the expected production amount in the Review Period. As discussed with the management of the Group, we understand from the Company that the level of the proposed annual caps for the Review Period were determined after taking into consideration the expected demand of the utilities and materials with reference to production plan and the electricity usage of the furnace in the Company's production plant in Xianyang, Hefei and Yan'an. We understand that the expected demand of materials and utilities shows a gradual growth in the coming three years due to the increasing demand of materials from the Xianyang Factory and the launching of Yan'an Factory. Hence, we are of the view the proposed quantity of purchase of packaging materials and raw materials, electricity and ancillary services by the Company from the IRICO Group is fair and reasonable.

LETTER FROM OCTAL CAPITAL

In respect of the procuring prices of packaging materials and raw materials, we have obtained and reviewed the list of products to be procured from IRICO Group which mainly includes packaging materials used for packaging of the solar photovoltaic glass produced by the Xianyang Factory, the Hefei Factory and the Yan'an Factory. We have discussed with the management of the Company and understood the process of price determination. When the investment operating department of the Company initiates a procurement request, it will ascertain the prices offered or charged by independent third parties through the Group's e-procurement platform, the platform would review and assess the proposals of no less than three individual parties based on a grading mechanism with regards to the criteria such as price, qualification and reputation of the parties, the best price offered is the relevant market price, which will be considered as the proposed procuring price. After reviewing the relevant documents throughout the price determination process, we consider that the selling prices of packaging materials and raw materials are based on arm's length negotiations between the relevant parties, hence the prices and terms are no less favourable to the Company or the relevant connected parties and are carried out in the ordinary course of business of the Group.

We have obtained and reviewed the prices of packaging materials and raw materials being procured by the Company on sample basis, we chose 5 of items which contributes over 90% of the procurement amount, and compared each of the items with at least 3 samples of invoices showing the previous procurement prices, upon comparison, we noted that the unit price of the packaging materials and raw materials used in the proposed annual caps is comparable to unit price provided by the other independent third parties to the Company. The unit price for each type of the packaging materials and raw materials in each of the three years during the Review Period is assumed to be the same throughout the period. On the other hand, the volume of usage of the packaging materials is expected to increase for the year ending 31 December 2019 as compared with the year ending 31 December 2018 and such increase is mainly attributable to the expected growth in the production volume of the Xianyang Factory and the Hefei Factory and it is expected to increase gradually for each of the years ending 31 December 2020 and 2021. Therefore, we are of the view that prices of packaging materials and raw materials will be fairly and reasonably determined.

LETTER FROM OCTAL CAPITAL

In respect of the procuring prices of electricity and ancillary services for production, we noted that the price is determined with reference to the Government-prescribed Price in Anhui Province within a range of 5% lower than the Government-prescribed Price. We have compared the unit price of electricity to the relevant Government-prescribed Price of Anhui Province and noted that both prices are similar. We also noted that the price level of electricity remained stable in the past year. We have also obtained and reviewed the price of electricity being procured by the Company on sample basis, we obtained 5 samples of invoices showing the previous procurement prices of electricity by the Company and noted that the prices are similar to the unit price of electricity proposed under the IRICO Group Master Purchase Agreement. Therefore, we consider that the overall unit price of electricity which is lower than the unit price of electricity that the Company could otherwise obtain from the State Grid Corporation of China is fair and reasonable. Hence, we are of the view that the terms and conditions should be no less favorable than those offered by/to independent third parties to/by the Group.

Based on the above, we are of the view that the relevant proposed annual caps of the IRICO Group Master Purchase Agreement are fair and reasonable.

2. *Proposed annual caps of the Zhongdian IRICO Master Purchase Agreement*

(i) Pricing basis of the Zhongdian IRICO Master Purchase Agreement

According to the Zhongdian IRICO Master Purchase Agreement, the prices for the purchase of materials and utilities necessary for the solar photovoltaic business and the new materials business, including materials, water, electricity, gas and other utilities and ancillary services are determined in the following basis:

1. In respect of materials necessary for production under such agreement, the prices shall be determined in accordance with the relevant market price.
2. In respect of the utilities necessary for production, including water, gas and other utilities and ancillary services, shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price within a range of 5% lower than the Government-prescribed Price. Government-prescribed Price means the guidelines for prices of utilities, which are applicable to water, electricity and natural gas under the Zhongdian IRICO Master Purchase Agreement as prescribed in the notifications published by Shaanxi Provincial Price Bureau, Shaanxi Provincial Development and Reform Commission and other relevant regulatory authorities from time to time.

LETTER FROM OCTAL CAPITAL

3. In respect of the electricity necessary for production, it shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price within a range of 5% lower than the Government-prescribed Price plus the management fee on the electricity transformer substation in proportion to the usage of electricity by the Company payable to the Xianyang Electric Power Supply Bureau by the Zhongdian IRICO.

4. In respect of the other utilities which do not have Government-prescribed Price, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to reasonable costs incurred plus reasonable profit; the profit margin will generally be not more than 5%.

As set out in the Zhongdian IRICO Master Purchase Agreement, the Zhongdian IRICO agrees and undertakes that the materials and utilities to be provided to the Company shall satisfy the quality standards as required by the Company from time to time. The prices at which such materials and utilities will be provided must be fair and reasonable. The terms and conditions of the provision of the same type of materials and utilities shall be no less favourable than those offered by independent third parties to the Company.

(ii) *Historical utilization for the two years ended 31 December 2017 and the nine months ended 30 September 2018*

Set out below are the historical amounts for the continuing connected transactions conducted under the Previous Zhongdian IRICO Utility Purchase Agreement as well as the respective annual caps for the two years ended 31 December 2017 and the nine months ended 30 September 2018:

	For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the nine months ended 30 September 2018 (RMB'000)
Existing annual caps	74,424	79,857	83,864
Historical fees paid by the Company to Zhongdian IRICO under the Previous Zhongdian IRICO Utility Purchase Agreement	<u>4,010</u>	<u>29,377</u>	<u>54,590</u>

LETTER FROM OCTAL CAPITAL

Based on the above table, for each of the years ended 31 December 2016, 2017 and the year ending 31 December 2018, the existing annual caps for the continuing connected transactions under the Zhongdian IRICO Master Purchase Agreement were approximately RMB74 million, RMB80 million and RMB84 million, respectively. Per our discussion with the Company, we note that the reason for the significant increase of the actual fees paid by the Company to Zhongdian IRICO under the Previous Zhongdian IRICO Utility Purchase Agreement for the year ended 31 December 2017 as compared to the year ended 31 December 2016 was mainly attributable to the purchase of electricity by IRICO (Hefei) Photovoltaic Company Limited, a subsidiary of the Company, from IRICO (Hefei) LCD Glass Company Limited, a subsidiary of Zhongdian IRICO, for its production needs since 2017. The fee paid by the Company to Zhongdian IRICO under the Previous Zhongdian IRICO Utility Purchase Agreement for each of the years ended 31 December 2016 and 2017 and for the nine months ended 30 September 2018 did not exceed their relevant annual caps. The Company is of the view that the connected transaction amount under the Previous Zhongdian IRICO Utility Purchase Agreement for the year ending 31 December 2018 by the Group are expected not to exceed the relevant annual cap.

(iii) Basis of determining the proposed annual cap under the Zhongdian IRICO Master Purchase Agreement

Based on the detailed schedule of the proposed annual caps of RMB105,123,000, RMB106,169,000 and RMB108,510,000 for the three years ending 31 December 2021 provided by management of the Company, the proposed annual caps comprise three categories, namely (i) the materials necessary for production which mainly includes gasoline and kerosene for the solar photovoltaic glass and new materials; (ii) the utilities necessary for production including water, electricity, gas and other utilities and ancillary services; and (iii) miscellaneous items such as telephone fees and welfare as illustrated below:

	Historical Amounts			Proposed Caps		
	For the year ended 31 December 2016 <i>(RMB'000)</i>	For the year ended 31 December 2017 <i>(RMB'000)</i>	For the nine months ended 30 September 2018 <i>(RMB'000)</i>	For the year ending 31 December 2019 <i>(RMB'000)</i>	For the year ending 31 December 2020 <i>(RMB'000)</i>	For the year ending 31 December 2021 <i>(RMB'000)</i>
			For the			
			ended			
Materials	/	/	/	1,650	1,650	1,650
Utilities	4,010	29,377	54,590	102,729	103,695	106,058
Others	/	/	/	744	824	802
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fees payable by the Company to Zhongdian IRICO	<u>4,010</u>	<u>29,377</u>	<u>54,590</u>	<u>105,123</u>	<u>106,169</u>	<u>108,510</u>

LETTER FROM OCTAL CAPITAL

We note that the Company determined the proposed annual caps for the continuing connected transactions contemplated under the Zhongdian IRICO Master Purchase Agreement primarily based on the aforementioned factors as set out in the Letter from the Board.

We noted that the amount of the proposed annual caps for the year ending 31 December 2019 is higher than the corresponding aggregated historical amount in 2018 by approximately RMB51 million under the Previous Zhongdian IRICO Utility Purchase Agreement mainly because of the increasing demand for materials and utilities from the operation of No. 4 furnace of Xianyang Factory, annual output of photovoltaic glass is expected to increase to 9 million square meters starting from the year of 2019, and the Xianyang Factory will be in full operation and the annual output is expected to be maintained stable from 2019 to 2021. In addition, the battery material project of Shaanxi IRICO will expand production, and a new production line will be built by the operational department, increasing the monthly output to 300T/M from 100T/M, while Shaanxi IRICO devotes to expand the Photoresists Business by starting new projects whose construction has been completed. These new projects are expected to begin normal production by the end of 2018 and the annual output is expected to reach 1,000 tonnes, hence it will lead to an increasing demand of materials and utilities for productions.

In assessing the fairness and reasonableness of the proposed purchasing volume under the Zhongdian IRICO Master Purchase Agreement, we have discussed with the management of the Group the bases and assumptions underlying the projections of such proposed annual caps. In respect of the proposed annual caps of RMB105,123,000, RMB106,169,000 and RMB108,510,000 to be sought for the purchase of materials and utilities by the Company from Zhongdian IRICO for each of the three financial years during the Review Period, we have obtained from the Company production plans of the Xianyang Factory and Hefei Factory which laid out the expected production amount in the Review Period. As discussed with the management of the Group, we understand that Zhongdian IRICO is the only supplier of electricity to Hefei Factory due to the close proximity between the Hefei Factory and the electricity transformer substation of Xianyang IRICO in Hefei. We also understand from the Company that the level of the proposed annual caps for the Review Period were determined after taking into consideration the expected demand of the utilities with reference to production plan and the utilities usage of the furnace in the Company's production plant in Xianyang and Hefei. We understand that the expected demand of materials and utilities shows a gradual growth in the coming three years due to increasing demand for materials and utilities from the full operation of No. 4 furnace of Xianyang Factory and the Company will expand both its battery material business and photoresists business of Shaanxi IRICO by adding the new production line for relevant products. We also understand the basis of determining the unit price of materials and utilities will be fairly and reasonably determined. Hence, we are of the view the proposed quantity of purchase of materials and utilities by the Company from the Zhongdian IRICO is fair and reasonable.

LETTER FROM OCTAL CAPITAL

In respect of the procuring prices of materials, we have obtained and reviewed the list of materials to be procured from Zhongdian IRICO which mainly includes gasoline, kerosene and diesel used in production. We have obtained and reviewed the prices of gasoline, kerosene and diesel being procured by the Company on sample basis, we obtained 5 samples of invoices showing the previous procurement prices by the Company and noted that the prices are similar to the unit price proposed under the Zhongdian IRICO Master Purchase Agreement. We have discussed with the management of the Company and understood the process of price determination. When the investment operating department of the Company initiates a procurement request, it will ascertain the prices offered or charged by independent third parties through the Group's e-procurement platform, the platform would review and assess the proposals of no less than three individual parties based on a grading mechanism with regards to the criteria such as price, qualification and reputation of the parties, the best price offered is the relevant market price, which will be considered as the proposed procuring price. After reviewing the relevant documents throughout the price determination process, we consider that the selling prices of materials are based on arm's length negotiations between the relevant parties, hence the prices and terms are no less favourable to the Company or the relevant connected parties and are carried out in the ordinary course of business of the Group.

In respect of the procuring prices of utilities for production, we have obtained and reviewed the list of utilities provided by management which mainly includes water, electricity, gas, softened water, chilled water, high pressure air, nitrogen, purified air, gasoline, kerosene and other utilities and ancillary services that are used in the operation of the furnace for the solar photovoltaic glass production and new materials. We have obtained and reviewed the prices of utilities being procured by the Company on sample basis, we obtained 5 samples of invoices showing the previous procurement prices by the Company and noted that the prices are similar to the unit price proposed under the Zhongdian IRICO Master Purchase Agreement. Further, as regards water and gas, we noted from the list that their unit prices are determined with reference to the Government-prescribed Price in Xianyang City, Shaanxi Province as prescribed on the website of the Bureau of Water Resources of Xianyang and the Bureau of Commodity Price of Xianyang respectively within a range of 5% lower than the Government-prescribed Price. We have compared the unit prices of water and gas to the relevant Government-prescribed Price of Xianyang City, Shaanxi Province and noted that both prices are similar. We also noted that the price level of water and gas remained stable in the past year. We were advised by the management of the Company that since the Company purchases water and gas on bulk purchase, the Company could enjoy a discount on the unit price of water and gas and thus we consider that the unit prices of water and gas supplied by Zhongdian IRICO to the Company being within a range of 5% lower than the Government-prescribed Price are fair and reasonable. As regards electricity, we noted from the list that its price is determined with reference

LETTER FROM OCTAL CAPITAL

to the Government-prescribed Price in Xianyang City, Shaanxi Province within a range of 5% lower than the Government-prescribed Price plus the management fee on the electricity transformer substation in proportion to the usage of electricity by the Company payable to the Xianyang Electric Power Supply Bureau by the Zhongdian IRICO. We have compared the unit price of electricity to the relevant Government-prescribed Price of Xianyang City, Shaanxi Province and noted that both prices are similar. We also noted that the price level of electricity remained stable in the past year. Since the Company does not own an electricity transformer substation to obtain electricity from the State Grid and we noted that the management fee charged by Zhongdian IRICO is in accordance with a fee schedule provided by Xianyang Electric Power Supply Bureau, we consider that (i) the charging of the management fee of the electricity transformer substation by Zhongdian IRICO to the Company which represents its costs and (ii) the overall unit price of electricity after including such management fee which is lower than the unit price of electricity that the Company could otherwise obtain from the State Grid of Xianyang is fair and reasonable. Therefore, we are of the view that prices of utilities will be fairly and reasonably determined and the terms and conditions should be no less favorable than those offered by/to independent third parties to/by the Group.

Based on the above, we are of the view that the relevant proposed annual caps of the Zhongdian IRICO Master Purchase Agreement are fair and reasonable.

3. *Proposed annual caps of the NEIIC Master Sales Agreement*

(i) Pricing basis of the NEIIC Master Sales Agreement

According to the NEIIC Master Sales Agreement, the prices for the sale of electricity, photovoltaic products, and new materials are determined in the following basis:

1. In respect of the electricity, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price. Government-prescribed Price means the prices of electricity in Jiangsu Province as prescribed by the State Grid Corporation of China as updated and amended from time to time.
2. In respect of the photovoltaic products and the new material products under such agreement, the prices shall be determined in accordance with the relevant market price.

LETTER FROM OCTAL CAPITAL

- (ii) *Historical utilization for the two years ended 31 December 2017 and the nine months ended 30 September 2018*

Set out below are the historical amounts for the continuing connected transactions conducted under the Previous NEIIC Master Sales Agreement as well as the respective annual caps for the two years ended 31 December 2017 and the nine months ended 30 September 2018:

	For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the nine months ended 30 September 2018 (RMB'000)
Existing annual caps	12,750	60,000	60,000
Historical fees paid by NEIIC to the Company under the Previous NEIIC Master Sales Agreement	<u>12,663</u>	<u>55,920</u>	<u>51,913</u>

Based on the above table, for each of the years ended 31 December 2016, 2017 and the year ending 31 December 2018, the existing annual caps for the continuing connected transactions under NEIIC Master Sales Agreement were approximately RMB13 million, RMB60 million and RMB60 million, respectively. Per our discussion with the Company, we noted that the reason for the significant increase in the actual fees paid to the Company by NEIIC under the Previous NEIIC Master Sales Agreement for the year ended 31 December 2017 as compared with that for the year ended 31 December 2016 was mainly attributable to (i) the sales of photoresist products newly started in 2017 by Shaanxi IRICO; and (ii) the sales of electricity to NEIIC by the power station of Nanjing IRICO New Energy Co., Ltd. under Xianyang IRICO Green Energy Co., Ltd., a subsidiary of the Company, starting from March 2017 when the construction of the power station was completed, while in 2016 the power station was still under construction. The fee paid by NEIIC to the Company under the Previous NEIIC Master Sales for each of the years ended 31 December 2016 and 2017 and for the nine months ended 30 September 2018 did not exceed their relevant annual caps. The Company is of the view that the connected transaction amount under the Previous NEIIC Master Sales Agreement for the year ending 31 December 2018 by the Group are expected not to exceed the relevant annual cap.

LETTER FROM OCTAL CAPITAL

(iii) *Basis of determining the proposed annual cap under the NEIIC Master Sales Agreement*

The detailed schedule of the proposed annual caps for the three years ending 31 December 2021 is illustrated below:

	Historical Amounts			Proposed Caps		
	For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the nine months ended 30 September 2018 (RMB'000)	For the year ending 31 December 2019 (RMB'000)	For the year ending 31 December 2020 (RMB'000)	For the year ending 31 December 2021 (RMB'000)
New materials (including photoresists and color resists)	751	25,715	35,552	262,262	501,358	701,558
Photovoltaic products	11,912	4,400	/	/	/	/
Modules	/	23,926	13,245	70,400	70,400	70,400
Electricity	/	1,879	3,116	24,563	70,296	74,627
Others (including modules)	/	23,926	13,245	70,400	70,400	70,400
Fees payable by NEIIC to the Company	<u>12,663</u>	<u>55,920</u>	<u>51,913</u>	<u>357,225</u>	<u>642,054</u>	<u>846,585</u>

We noted that the Company determined proposed annual caps for the continuing connected transactions contemplated under NEIIC Master Sales Agreement primarily based on the aforementioned factors as set out in the Letter from the Board.

We noted that the proposed annual caps for the year ending 31 December 2019 is significantly higher than the corresponding aggregated historical amount in 2018 of approximately RMB305 million under the Previous NEIIC Master Sales Agreement mainly because of (i) the estimated significant increase in demand for new energy materials and products, such as photoresists for liquid crystal from NEIIC for the three years ending 31 December 2021; (ii) the newly started Photoresists Business; and (iii) the sales of electricity to NEIIC by the power station starting from March 2017 due to the production needs of NEIIC.

In assessing the fairness and reasonableness of the proposed sales volume under the NEIIC Master Sales Agreement, we have discussed with the management of the Group the bases and assumptions underlying the projections of such proposed annual caps. In respect of the proposed annual caps of RMB357,225,000, RMB642,054,000 and RMB846,545,000 to be sought for the sale of electricity, photovoltaic products and new materials by the Company to NEIIC for each of the three financial years during the Review Period, we have obtained from the Company a production schedule from NEIIC in respect of its demand for electricity and products.

LETTER FROM OCTAL CAPITAL

Regarding the sales of new materials, we noted that over 70% of the proposed sales to NEIIC under the proposed annual caps relates to the sales of new materials (including photoresists and color resists) to NEIIC. As advised by the management of the Company, the production line of 8.6 Version TFT-LCD (thin film transistor liquid crystal display) (the “**Display Product**”) in the factory of NEIIC in Chengdu (the “**Chengdu Factory**”), which is of similar scale of the existing production plant in Nanjing, is expected to commence production in the year 2019, hence creating an increasing demand for raw materials including photoresists and color resist. The forecast projection of the increase in sales of photoresists and color resists is based on the expected annual output of 1.2 million Display Product per production line, since the production line will only commence operation in 2019, we understand that the management has been conservative in estimating the procurement volume from NEIIC for the first year of operation and the Company expected that the procurement volume from NEIIC will increase gradually in the following two years ending 31 December 2021 when the operation of the production line of the Chengdu Factory becomes more mature and reach its full capacity in the year 2020. Further, we have obtained a list of purchasing order by NEIIC in 2018 and reviewed the consumption volume of photoresists and color resist by the production line of the Display Product in the factory of NEIIC in Nanjing (the “**Nanjing Factory**”) for the nine months ended 30 September 2018, and we noticed that the amount is comparable to the proposed consumption volume for the year of 2019 and shows a similar annual growth rate in each of the years ending 31 December 2020 and 2021. Added to that, we have obtained and reviewed the proposed consumption volume of photoresists and color resist by NEIIC for the year ending 31 December 2019, we understand that the proposed consumption volume of Chengdu Factory is calculated based on the historical consumption by the Nanjing Factory with adjustment to the scale of production of the production line in Chengdu Factory which is approximately 1.5 times of Nanjing Factory, while the consumption volume of Nanjing Factory is estimated based on the historical production volume with a stable annual growth rate of approximately 8% to full capacity in the year of 2020. Moreover, the development of technology industry in the PRC was highlighted in the strategic plan of the PRC “Made in China 2025” issued by Chinese Premier Li Keqiang and his cabinet in May 2015, it is the PRC Government’s plan to focus on innovation-driven businesses and intelligent transformation, to cultivate a group of emerging industries (including technology industry) into leading industries, with clear industry guidance set out by the PRC government, it is expected that technology industry in the PRC would gain more recognition and drive the local demand of the Display Product which in turn would ensure the increasing demand of photoresists and color resists from NEIIC for further production of the Display Product.

LETTER FROM OCTAL CAPITAL

Regarding the sales of modules, we were advised by the management that NEIIC purchases modules from the Company and sells to independent contractors to provide EPC services for the construction of power stations of Nanjing IRICO. By selling photovoltaic modules to NEIIC and re-selling it by NEIIC to the third parties, who have been in a good and long-term business relationship with NEIIC, the Company will be able to expand its market shares in the industry of photovoltaic modules, recover its sales proceeds in a timely manner and reduce its capital risks. The Company will also use its best endeavours to seek to explore the direct cooperation with the third parties in the near future. We have obtained the list of construction materials used for construction of power stations and noticed that certain amount of the cost relates to the module. We were advised by the Company that it plans to invest in the construction of 25 MW power station for each of the three years ending 31 December 2021, which concur with the total quantity of modules to be consumed under the proposed cap, hence the proposed cap on sales of modules will remain the same throughout the three years in the Review Period.

Regarding the sales of electricity, we reviewed the announcement of Jiangsu Electric Power Trading Center Co., Ltd. (“江蘇電力交易中心有限公司”) regarding the list of newly registered electricity sales companies in Jiangsu in January 2018, and noted that Nanjing IRICO New Energy Co., Ltd. (“**Nanjing IRICO**”) under Xianyang IRICO Green Energy Co., Ltd. (“**Xianyang IRICO Green Energy**”), a subsidiary of the Company, obtained approval to engage in electricity sales in Jiangsu starting from January 2018. We are further advised by the Company that Nanjing IRICO is at the progress of setting up electricity sales business and is expected to commence its sales of electricity from the October 2019. Given that there will be a full operating year in 2020, the proposed cap on sales of electricity will increase significantly in the year of 2020 when compared to the year of 2019.

Upon reviewing the documents regarding the electricity and products, we consider the actual usage of electricity and products by the NEIIC is comparable to the proposed annual caps under the NEIIC Master Sales Agreement, we are of the view that the proposed annual caps is fair and reasonable. We understand that the expected demand of electricity and products shows a gradual growth in the coming three years due to the newly started Photoresists Business and the increasing production needs of NEIIC. Hence, we are of the view the proposed quantity of sales of electricity and products by the Company to the NEIIC is fair and reasonable.

LETTER FROM OCTAL CAPITAL

In respect of the selling prices of photovoltaic products, new materials and modules, we have obtained and reviewed the list of products to be sold to NEIIC. We have discussed with the management of the Company and understood the process of price determination. When the investment operating department of the Company initiates a sales request, it will ascertain the prices offered or charged by independent third parties through obtaining quotations, the best price offered is the relevant market price, which will be considered as the proposed selling price. After reviewing the relevant documents throughout the price determination process, we consider that the selling prices of photovoltaic products and new materials are based on arm's length negotiations between the relevant parties, hence the prices and terms are no less favourable to the Company or the relevant connected parties and are carried out in the ordinary course of business of the Group.

We have obtained and reviewed the prices of photovoltaic products, new materials and modules being sold by the Company on sample basis, we obtained 5 samples of invoices showing the previous selling prices by the Company and noted that the prices are similar to the unit price proposed under the NEIIC Master Sales Agreement, upon comparison, we also noted that the unit price of the photovoltaic products, new materials and modules used in the proposed annual caps is comparable to unit price provided by the other independent third parties to the Company. The unit price for each type of the photovoltaic products and new materials in each of the three years during the Review Period is assumed to be the same throughout the period. Therefore, we are of the view that prices of photovoltaic products and new materials will be fairly and reasonably determined.

In respect of the selling prices of electricity, we noted that the price is determined with reference to the Government-prescribed Price in Jiangsu Province within a range of 5% lower than the Government-prescribed Price. We have compared the unit price of electricity to the relevant Government-prescribed Price of Jiangsu Province and noted that both prices are similar. We also noted that the price level of electricity remained stable in the past year. We have also obtained and reviewed the price of electricity being sold by the Company on sample basis, we obtained 5 samples of invoices showing the previous selling prices of electricity by the Company and noted that the prices are similar to the unit price of electricity proposed under the NEIIC Master Sales Agreement. Therefore, we consider that the overall unit price of electricity which is lower than the unit price of electricity that NEIIC could otherwise obtain from the State Grid Corporation of China is fair and reasonable. Hence, we are of the view that the terms and conditions should be no less favorable than those offered by/to independent third parties to/by the Group.

Based on the above, we are of the view that the relevant proposed annual caps of the NEIIC Master Sales Agreement are fair and reasonable.

LETTER FROM OCTAL CAPITAL

4. *Proposed annual caps of the NEIIC Master Purchase Agreement*

(i) *Pricing basis of the NEIIC Master Purchase Agreement*

According to the NEIIC Master Purchase Agreement, the prices for the purchase of materials necessary for the production of solar photovoltaic glass and raw materials necessary for new materials business by the Company shall be determined in accordance with the relevant market price.

Pursuant to the NEIIC Master Purchase Agreement, NEIIC agrees and undertakes that the products to be provided to the Company shall satisfy the quality standards as required by the Company from time to time. The prices at which such products will be provided must be fair and reasonable. The terms and conditions of the provision of the same type of products shall be no less favourable than those offered by independent third parties to the Company.

(ii) *Historical utilization for the two years ended 31 December 2017 and the nine months ended 30 September 2018*

Set out below are the historical amounts for the continuing connected transactions conducted under the Previous NEIIC Master Purchase Agreement as well as the respective annual caps for the two years ended 31 December 2017 and the nine months ended 30 September 2018:

	For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the nine months ended 30 September 2018 (RMB'000)
Existing annual caps	26,400	30,254	60,000
Historical fees paid by the Company to NEIIC under the Previous NEIIC Master Purchase Agreement	<u>24,283</u>	<u>20,321</u>	<u>38,187</u>

LETTER FROM OCTAL CAPITAL

Based on the above table, for each of the years ended 31 December 2016 and 2017 and the year ending 31 December 2018, the existing annual caps for the continuing connected transactions under the Previous NEIIC Master Purchase Agreement were approximately RMB26 million, RMB30 million and RMB60 million, respectively. Per our discussion with the Company, we noted that the reason for the decrease in fees payable by the Company to NEIIC under the Previous NEIIC Master Purchase Agreement for the year ended 31 December 2017 as compared with that for the year ended 31 December 2016 was mainly attributable to (i) to the construction completion of Wuhan Power Station; and (ii) the decrease in the purchase of packaging materials by IRICO (Hefei) Photovoltaic Company Limited, a subsidiary of the Company due to normal fluctuations in the purchasing prices negotiated. The fee paid by the Company to NEIIC under the Previous NEIIC Master Purchase Agreement for each of the years ended 31 December 2016 and 2017 and for the nine months ended 30 September 2018 did not exceed their relevant annual caps. The Company is of the view that the connected transaction amount under the Previous NEIIC Master Purchase Agreement for the year ending 31 December 2018 by the Group is expected not to exceed the relevant annual cap.

(iii) Basis of determining the proposed annual cap under the NEIIC Master Purchase Agreement

The detailed schedule of the proposed annual caps for the three years ending 31 December 2021 is illustrated below:

	Historical Amounts			Proposed Caps		
	For the year ended 31 December 2016 <i>(RMB'000)</i>	For the year ended 31 December 2017 <i>(RMB'000)</i>	For the nine months ended 30 September 2018 <i>(RMB'000)</i>	For the year ending 31 December 2019 <i>(RMB'000)</i>	For the year ending 31 December 2020 <i>(RMB'000)</i>	For the year ending 31 December 2021 <i>(RMB'000)</i>
Materials used for production of solar photovoltaic glass (including soda ash, mould proof paper and coating solution)	8,844	7,725	12,945	156,200	183,700	271,260
Raw materials necessary for new materials business (precursor)	/	/	25,242	77,000	123,200	154,000
Modules	15,439	12,595	/	/	/	/
Power station cleaning fee	/	/	/	260	353	381
	<u>24,283</u>	<u>20,321</u>	<u>38,187</u>	<u>233,460</u>	<u>307,253</u>	<u>425,641</u>
Fees payable by the Company to NEIIC	<u>24,283</u>	<u>20,321</u>	<u>38,187</u>	<u>233,460</u>	<u>307,253</u>	<u>425,641</u>

LETTER FROM OCTAL CAPITAL

We noted that the Company determined the proposed annual caps for the continuing connected transactions contemplated under NEIIC Master Purchase Agreement primarily based on the aforementioned factors as set out in the Letter from the Board.

We noted that the proposed annual caps for the year ending 31 December 2019 are significantly higher than the corresponding aggregated historical amount in 2018 of approximately RMB195 million under the Previous NEIIC Master Purchase Agreement mainly because of (i) the estimated significant increase in demand for the products for the production of new materials for the three years ending 31 December 2021 which is in line with the business development plan of the Company; (ii) the expansion of the Photoresists Business of the Group by launching new projects whose construction has been completed; (iii) the new production line in the battery material project; and (iv) the expansion of the Photoresists Business of Shaanxi IRICO.

In assessing the fairness and reasonableness of the proposed purchasing volume under the NEIIC Master Purchase Agreement, we have discussed with the management of the Company the bases and assumptions underlying the projections of such proposed annual caps. In respect of the proposed annual caps of RMB233,460,000, RMB307,253,000 and RMB425,641,000 to be sought for the purchase of raw materials for production of solar photovoltaic glass and raw materials for new materials business by the Company from NEIIC for each of the three financial years during the Review Period, we have obtained from the Company a procurement plan of raw materials for the Review Period.

Regarding the procurement of materials used for production of solar photovoltaic glasses, we note that over 60% of the proposed cap relates to the purchase of raw materials (including soda ash, mould proof paper and coating solution which are essential raw materials for the production of photovoltaic glasses) by the Hefei Factory. We have reviewed the actual procurement volume of raw materials of the Hefei Factory for the year ended 31 December 2016 and 2017 and the nine months ended 30 September 2018, and compared it against the procurement plan for the Hefei Factory for the three years ending 31 December 2021. We noted that the proposed procurement volume for the year ending 31 December 2019 is estimated with reference to the actual usage of the nine months ended 30 September 2018 and based on a similar annual growth rate of approximately 36% in total procurement volume from both connected persons and independent third parties for the two years ended 31 December 2017 and the nine months ended 30 September 2018. We understand that management of the Company has been conservative in estimating the procurement volume and the Company expected that the procurement volume will increase gradually in the two years ending 31 December 2021. Further, we have compared the actual procurement volume of raw materials of Hefei Factory against the production volume of photovoltaic glasses and we noticed the significant increase in procurement volume of raw materials for the year of 2021 when compare to the year of 2020 is mainly due to the increase in consumption volume under the proposed commencement of phase III of photovoltaic glass furnace, and the total annual output of photovoltaic

LETTER FROM OCTAL CAPITAL

glass is expected to reach 57 million square meters when compare to 48 million square meters in the year of 2020 while 31 million square meters in the nine months ended 30 September 2018. We noted that the increase in percentage in procurement volume of raw materials is comparable to the increase in the proposed production volume of photovoltaic glasses. We also noted that the significant increase in the proposed annual caps under the NEIIC Master Purchase Agreement is mainly due to the increase in percentage of proposed purchase volume from NEIIC over total purchase of raw materials by the Company. As advised by the Company, due to the good quality of the coating solution and mould proof paper supplied by NEIIC, the Company expected to increase the procurement volume from NEIIC progressively during the years ending 31 December 2019 to 31 December 2021. Furthermore, based on the procurement plan provided by the Company, we noted that the Company plans to procure the coating solution and mould proof paper solely from NEIIC starting from the year ending 31 December 2020. Furthermore, we noted that the Company has a stable customer base as over 87% of sales are generated from the top seven customers which have established long-term relationships with the Company.

Moreover, as set out in the section headed “Background of and reasons for the terms of the Continuing Connected Transactions and the Proposed Caps”, we noted that the revenue from the solar photovoltaic glass production and sales segment of the Group had a significant increase as compared to the performance in the previous year. Coupled with the favorable policies as laid out by the PRC Government, it is expected that solar industry in the PRC would continue to gain more recognition and drive the local demand for solar photovoltaic glass. Therefore, it is expected that the Company will have an increasing demand for the raw materials to be purchased from NEIIC in order to meet its future production needs.

Regarding the procurement of raw materials necessary for new materials business, we noted that over 30% of the proposed cap relates to the purchase of precursor which is an essential raw material for the production of battery material by Shaanxi IRICO. We have reviewed the actual procurement volume of raw materials of Shaanxi IRICO for the year ended 31 December 2016 and 2017 and the nine months ended 30 September 2018, and compared it against the procurement plan for Shaanxi IRICO for the three years ending 31 December 2021. We noted that the proposed procurement volume of the precursor for the year ending 31 December 2019 is estimated with reference to the actual usage of the nine months ended 30 September 2018 with a similar annual growth rate of approximately 23% in its total procurement volume from both connected persons and independent third parties for the two years ended 31 December 2017 and the nine months ended 30 September 2018, while the percentage of procurement volume over total purchase of precursor remains the same throughout the three years ending 31 December 2021. We understand that the increase in procurement volume of precursor is mainly due to the commencement of a new production line of a battery material project by Shaanxi IRICO in year 2018 which will increase the existing monthly output from 100T/M to 300T/M.

LETTER FROM OCTAL CAPITAL

We noted that since the year of 2018, the Company had no longer procured modules from NEIIC, and the Company did not plan to procure modules from NEIIC under the upcoming NEIIC Master Purchase Agreement. We were advised by the management that the Company purchased modules from NEIIC and provides to independent contractors to provide EPC services for the construction of power stations of the Company, we obtained invoices of the modules purchased under the Previous NEIIC Master Purchase Agreement and noted that the models are different from the modules sold under the NEIIC Master Sales Agreement.

In respect of the prices of materials used for production of solar photovoltaic glass, raw materials necessary for new materials business and relevant products, we have obtained and reviewed the list of materials and products to be procured from NEIIC which mainly includes precursor, EVA (Ethylene Vinyl Acetate copolymer, used as an auxiliary material for back panels of photovoltaic modules), soda ash, mould proof paper and coating solution. We have discussed with the management of the Company and understood the process of price determination. When the investment operating department of the Company initiates a procurement request, it will ascertain the prices offered or charged by independent third parties through the Group's e-procurement platform, the platform would review and assess the proposals of no less than three individual parties based on a grading mechanism with regards to the criteria such as price, qualification and reputation of the parties, the best price offered is the relevant market price, which will be considered as the proposed procuring price. After reviewing the relevant documents throughout the price determination process, we consider that the selling prices of materials and raw materials are based on arm's length negotiations between the relevant parties, hence the prices and terms are no less favourable to the Company or the relevant connected parties and are carried out in the ordinary course of business of the Group.

We have obtained and reviewed the prices of materials and products being procured by the Company on sample basis, we obtained 5 samples of invoices showing the previous procuring prices by the Company and noted that the prices are similar to the unit price proposed under the NEIIC Master Sales Agreement, upon comparison, we also noted that the unit price of the materials and products used in the proposed annual caps is comparable to the unit price provided by the other independent third parties to the Company. The unit price for each type of the materials and products in each of the three years during the Review Period is assumed to be the same throughout the period, except for the price of precursor which is expected to show a movement during the Review Period, as advised by the company we understand that precursor is composed by cobalt and manganese which had fluctuating prices thereby affecting the unit price of precursor. Therefore, we are of the view that prices of materials and raw materials will be fairly and reasonably determined and the terms and conditions should be no less favorable than those offered by/to independent third parties to/by the Group.

LETTER FROM OCTAL CAPITAL

Based on the above, we are of the view that the relevant proposed annual caps of the NEIIC Master Purchases Agreement are fair and reasonable.

3. *The conditions*

As the respective proposed annual caps will exceed HK\$10 million and the relevant applicable ratios under Rule 14.07 of the Listing Rules exceed 5%, the respective proposed annual caps of the Continuing Connected Transactions are subject to reporting, announcement and independent shareholders approval requirements under Chapter 14A of the Listing Rules.

The Company will therefore seek the approval by the Independent Shareholders of the Continuing Connected Transactions and the respective proposed annual caps subject to the following conditions:

1. The Continuing Connected Transactions will be:
 - (i) entered into by the Group in the ordinary and usual course of its business;
 - (ii) conducted on normal commercial terms or better; and
 - (iii) entered into in accordance with the terms of the relevant framework agreements governing the Continuing Connected Transactions that are fair and reasonable and in the interests of the Shareholders of the Company as a whole;
2. The transacted amount of the transactions under the Continuing Connected Transactions shall not exceed the respective proposed annual caps; and
3. The Company will comply with all other relevant requirements under the Listing Rules.

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

LETTER FROM OCTAL CAPITAL

Recommendation

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

Yours faithfully,

For and on behalf of

Octal Capital Limited

Alan Fung

Louis Chan

Managing Director

Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 24 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 16 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS**(a) Interests and Short Positions of Directors, Supervisors, Chief Executive and Senior Management**

As at the Latest Practicable Date, none of the Directors, Supervisors, chief executives or senior management members of the Company and their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest and short position which any such Director, Supervisor, chief executive or senior management members was taken or deemed to have under such provisions of the SFO); (b) required to be recorded in the register of interests required to be kept by the Company pursuant to section 352 of the SFO; or (c) otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules in force as at the Latest Practicable Date.

Mr. Si Yuncong, Mr. Zou Changfu, Mr. Fan Laiying and Mr. Chen Xiaoning act as the Directors of the Company. Mr. Si Yuncong concurrently acts as the chairman, the Party secretary and the legal representative of IRICO Group, Mr. Zou Changfu concurrently acts as the member of the leading group and a member of the Party Committee of IRICO Group, Mr. Fan Laiying concurrently acts as the chief accountant of IRICO Group and Mr. Chen Xiaoning concurrently acts as the deputy chief engineer of IRICO Group. Mr. Ding Wenhui acts as a Supervisor and the chairman of the supervisory committee of the Company, and he concurrently serves as the deputy secretary of the Chinese Communist Party, the deputy secretary of discipline inspection commission and the chairman of the employee union of IRICO Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position 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.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates (as defined in the Listing Rules) was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling Shareholder).

4. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest in any assets which have been, since 31 December 2017 (being the date to which the latest published audited 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.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

5. CONSENT AND QUALIFICATION OF EXPERT

- (a) The following is the qualification of the expert who has given an opinion or advice which is contained in this circular:

Name	Qualification
Octal Capital	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, the above expert did not have any shareholding directly or indirectly in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and it had no interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

- (c) On the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and reference to its name and letter, where applicable, in the form and context in which it appears.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

7. MATERIAL ADVERSE CHANGE

As the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 6/F, Nexxus Building, No. 41 Connaught Road Central, Central, Hong Kong for a period of 14 days (excluding Saturdays and public holidays) from the date of this circular:

- (a) the IRICO Group Master Purchase Agreement;
- (b) the Zhongdian IRICO Master Purchase Agreement;
- (c) the NEIIC Master Sales Agreement; and
- (d) the NEIIC Master Purchase Agreement.