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新特能源

XINTE ENERGY CO., LTD.

新特能源股份有限公司

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

(Stock code: 1799)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS PRODUCTS SALES FRAMEWORK AGREEMENT

PRODUCTS SALES FRAMEWORK AGREEMENT

The Board announced that on 12 September 2019, the Company entered into the Products Sales Framework Agreement with TBEA in relation to the sales of the Group's products including industrial raw materials (including but not limited to silicon metal and liquid alkali) and industrial water to TBEA Group, for a period from the Effective Date up to 31 December 2020.

LISTING RULES IMPLICATIONS

On 5 July 2019, TBEA subscribed for shares of Xinjiang Joinworld through Xinjiang Joinworld's non-public issuance of shares. Upon completion of the Capital Injection, TBEA's shareholding in Xinjiang Joinworld increased from 27.22% to 30.85%, and TBEA, being the largest shareholder of Xinjiang Joinworld, will be able to exercise shareholder's rights and voting rights on the nomination of directors to deal with major issues of Xinjiang Joinworld including project development, operation planning and other operational and financial affairs.

TBEA, being the controlling shareholder of the Company is a connected person of the Company. Therefore, Xinjiang Joinworld, as a 30%-controlled company of TBEA, became a connected person of the Company since 5 July 2019 by virtue of being an associate of TBEA. The transactions between the Group and TBEA Group for the sales of products constitute continuing connected transactions of the Company according to Chapter 14A of the Listing Rules.

As disclosed in the announcements of the Company dated 15 December 2017, 1 March 2018 and 27 March 2019 and the circulars of the Company dated 27 March 2018 and 5 June 2019, on 15 December 2017, the Company has entered into (1) the Product Procurement Framework Agreement (Type 1), whereby the Group will procure from TBEA Group transformers (including ancillary equipment), wires, cables and other equipment; (2) the Coal Procurement Framework Agreement (Type 2), whereby TBEA Group will supply coal to the Group; and (3) the Miscellaneous Services Framework Agreement (Type 4), whereby TBEA Group will provide miscellaneous construction services (such as engineering construction, greenification services, installation of water, electricity, heating facilities) to the Group.

As the Products Sales Framework Agreement and the Previous Transactions were both entered into between the Company and TBEA, according to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Products Sales Framework Agreement are required to be aggregated with the Previous Transactions and treated as if one transaction. After aggregation, since at least one of the relevant percentage ratios in respect of the Aggregated Transactions exceeds 5%, the Aggregated Transactions therefore are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The independent board committee comprising of all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Products Sales Framework Agreement and the transactions contemplated thereunder. The Company has appointed Sorrento Capital Limited as the Independent Financial Adviser to advise the independent board committee and the Independent Shareholders in respect of whether the terms of the Products Sales Framework Agreement are fair and reasonable and whether the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interest of the Company and Shareholders as a whole.

The Company will convene the EGM to consider and approve the Products Sales Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps). A circular containing, among others, further information on the Products Sales Framework Agreement, a letter from the Independent Financial Adviser and a letter from the independent board committee, and the notice convening the EGM is expected to be dispatched to the Shareholders on or before 4 October 2019.

BACKGROUND

References are made to the announcements of the Company dated 15 December 2017, 1 March 2018 and 27 March 2019 and the circulars of the Company dated 27 March 2018 and 5 June 2019, in relation to, amongst other things, the continuing connected transactions between TBEA and the Company in relation to the procurement of transformers (including ancillary equipment), wires, cables and other equipments; coal; and miscellaneous construction services by the Group from TBEA Group.

On 5 July 2019, TBEA subscribed for the shares of Xinjiang Joinworld through Xinjiang Joinworld's non-public issuance of shares, and Xinjiang Joinworld has become a 30%-controlled company of TBEA and connected person of the Company. Before Xinjiang Joinworld became a connected person of the Company, the Group had been selling products to Xinjiang Joinworld. As Xinjiang Joinworld has become a connected person of the Company, the Board announced that on 12 September 2019, the Company entered into the Products Sales Framework Agreement with TBEA in relation to the sales of the Group's products including industrial raw materials (including but not limited to silicon metal and liquid alkali) and industrial water to TBEA Group, for a period from the Effective Date up to 31 December 2020.

PRODUCTS SALES FRAMEWORK AGREEMENT

The principal terms of the Products Sales Framework Agreement are summarized as follows:

Parties: TBEA, as the purchaser; and
the Company, as the seller

Date: 12 September 2019

Transaction type: Sales of the Group's products including industrial raw materials (including but not limited to silicon metal and liquid alkali) and industrial water to TBEA Group.

The relevant subsidiaries and/or associates of the two parties will enter into separate agreements, which will set out specific terms and conditions (including pricing, settlement terms, and quality standards) on the basis of the general commercial terms provided in the Products Sales Framework Agreement.

The product sales amount receivable by the Group from TBEA Group for 2019 and 2020 shall not exceed RMB60 million and RMB100 million (tax exclusive) respectively.

Term: From the Effective Date up to 31 December 2020

- Pricing policies:
- (i) Prices are determined by taking into account the quantity and quality of the comparable orders, and with reference to prices of the same or similar products provided by the Group to independent third party customers;
 - (ii) Prices are determined with reference to the prevailing market prices of the same or similar products where there is no comparable order described in pricing policy (i), and the relevant quotes are obtained from the industry websites; and
 - (iii) If the aforesaid pricing policies are not applicable, prices are determined according to the cost plus method, i.e. the tax-inclusive price = cost (1+cost profit rate) (1+applicable VAT rate), the cost profit rate is determined based on the average gross profit margin of the Group in the past five years.

Proposed Annual Caps:

Unit: RMB

**Proposed Annual Caps for the
year ending 31 December
2019 2020**

Product sales amount received by Group from
TBEA Group (tax exclusive)

60,000,000 100,000,000

Basis for determining
the caps:

In determining the Proposed Annual Caps, the Board has considered, among others, the following main factors: (1) the historical amount paid by TBEA Group for the products sold by the Group; (2) historical price of the products; and (3) the increasing demands of TBEA Group for the products provided by the Group during their daily operations.

The increase of Proposed Annual Caps as compared to the historical transaction amount is due to, among other things, the following factors:

- (1) the Group has been supplying industrial water to TBEA Group since June 2019, therefore, the historical transaction amount does not include the sales amount of industrial water; and

- (2) TBEA Group has newly built high-voltage performance etched foil projects with annual production capacity of 15 million sq.m, and has entered the commissioning production stage in June 2019, hence it is expected that the demands for industrial raw materials from TBEA Group will increase.

Historical transaction amount: The historical transaction amount for the sales of products from the Group to TBEA Group for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 are as follows:

	<i>Unit: RMB</i>			
	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2019
Historical amount for the product sales amount received by the Group from TBEA Group* (tax exclusive)	<u>7,944,683</u>	<u>21,619,905</u>	<u>20,918,067</u>	<u>6,483,186</u>

* As if the Capital Injection has been completed on 1 January 2016.

For the avoidance of doubt, as at the date of this announcement, the continuing connected transactions between the Group and TBEA Group in relation to the sales of products from the Group to TBEA Group in 2019 constitute de minimis continuing connected transactions of the Company under Rule 14A.76(1) of the Listing Rules, while the transactions between Xinjiang Joinworld and the Group before 5 July 2019 do not constitute continuing connected transactions of the Company.

INTERNAL CONTROL

The Company has formulated certain measures and policies, including connected transactions management policies and management measures to ensure that all connected transactions of the Company are properly controlled and monitored. Such internal review measures are conducted and supervised by various units of the Company:

- the Company has adopted a transaction management system on connected transactions. Business departments are required to conduct updates on each agreement for the continuing connected transactions, and report on a regular basis to the secretary of the Board in respect of the execution status of such connected transactions. The secretary of the Board will then inform the Board of any important information thereof;
- the audit committee of the Board is also responsible for the data collection and monitoring of connected transactions, and conducting evaluation on the fairness of the transaction and pricing terms. It will discuss with the Company's subsidiaries and business departments to determine the annual caps and execution of the Company's connected transactions. It will also report to the Board and the board of supervisors on the Group's connected transactions on a quarterly basis. If it is anticipated that there is a need to revise the annual caps, the Company will comply with the relevant requirements under the Listing Rules;
- the Company provides training to its employees in relation to the review and decision-making processes and information disclosure requirements of connected transactions, and further promotes awareness among the relevant business departments in the corresponding compliance requirements;
- all individual connected transactions agreement shall obtain approval from the headquarters of the Company before being entered into. Also, members of the senior management of the Company will collectively monitor the actual transaction amount of the Group's continuing connected transactions;
- the Company controls the actual transaction amount of the continuing connected transactions, which focuses on the individual amount of each type of continuing connected transactions; and
- the secretary of the Board collects data of the continuing connected transactions at the beginning of each month and verifies the aggregate amount of the continuing connected transactions of the preceding month with the finance officers of the relevant connected person.

REASONS AND BENEFITS FOR THE TRANSACTIONS

Silicon metal is the main raw material used by the Group for the production of polysilicon. With a large procurement volume and stable procurement channels, the Group has considerable bargaining power and is able to obtain a procurement price lower than market price. The Group produces liquid alkali and other chemical raw materials for further production of polysilicon products, with an annual production capacity of 35,000 tons of liquid alkali. A portion of the inventory is available for sale after deducting internal consumption. In addition, the Group has built a complete system for raw water treatment, by which the procured raw water is treated for further use in industrial production. The system is capable of treating up to 60,000 cubic meters of raw water per day. After satisfying the internal demand for producing polysilicon, the Group still has residual production capacity.

Sales of the aforementioned products by the Group to TBEA Group help to take full advantage of the economies of scale and bargaining power in raw material procurement of the Group and to make use of the residual production capacity of the Group's chemical raw materials and industrial water, thus generating a certain amount of revenue for the Group.

OPINIONS OF THE DIRECTORS

In view of the above reasons and benefits, the Directors (excluding the independent non-executive Directors, who will express their opinion after taking into account the recommendations of the Independent Financial Adviser) believe that, the transactions contemplated under the Products Sales Framework Agreement and its terms are fair and reasonable, on normal commercial terms, which are not less favourable than those provided to independent third parties under the prevailing market conditions and in the interests of the Company and Shareholders as a whole.

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, TBEA holds approximately 65.43% in aggregate of the total issued share capital of the Company, including 783,921,287 Domestic Shares and 1,223,200 H Shares held through TBEA (Hong Kong) Co., Ltd., and is the controlling shareholder and a connected person of the Company.

On 5 July 2019, TBEA subscribed for shares of Xinjiang Joinworld through Xinjiang Joinworld's non-public issuance of shares. Upon completion of the Capital Injection, TBEA's shareholding in Xinjiang Joinworld increased from 27.22% to 30.85%, and TBEA, being the largest shareholder of Xinjiang Joinworld, will be able to exercise shareholder's rights and voting rights on the nomination of directors to deal with major issues of Xinjiang Joinworld including project development, operation planning and other operational and financial affairs.

TBEA, being the controlling shareholder of the Company is a connected person of the Company. Therefore, Xinjiang Joinworld, as a 30%-controlled company of TBEA, became a connected person of the Company since 5 July 2019 by virtue of being an associate of TBEA. The transactions between the Group and TBEA Group for the sales of products constitute continuing connected transactions of the Company according to Chapter 14A of the Listing Rules.

As disclosed in the announcements of the Company dated 15 December 2017, 1 March 2018 and 27 March 2019 and the circulars of the Company dated 27 March 2018 and 5 June 2019, on 15 December 2017, the Company has entered into (1) the Product Procurement Framework Agreement (Type 1), whereby the Group will procure from TBEA Group transformers (including ancillary equipment), wires, cables and other equipment; (2) the Coal Procurement Framework Agreement (Type 2), whereby TBEA Group will supply coal to the Group; and (3) the Miscellaneous Services Framework Agreement (Type 4), whereby TBEA Group will provide miscellaneous construction services (such as engineering construction, greenification services, installation of water, electricity, heating facilities) to the Group.

As the Products Sales Framework Agreement and the Previous Transactions were both entered into between the Company and TBEA, according to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Products Sales Framework Agreement are required to be aggregated with the Previous Transactions and treated as if one transaction. After aggregation, since at least one of the relevant percentage ratios in respect of the Aggregated Transactions exceeds 5%, the Aggregated Transactions therefore are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the Products Sales Framework Agreement will be disclosed by the Company in the following annual report(s) and accounts in accordance with the requirements as set out in the Listing Rules.

The Company will obtain the Independent Shareholders' approval for the Products Sales Framework Agreement and the transactions contemplated thereunder at the EGM. TBEA and its associates shall abstain from voting in respect of relevant resolutions.

GENERAL

The independent board committee comprising of all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Products Sales Framework Agreement and the transactions contemplated thereunder. The Company has appointed Sorrento Capital Limited as the Independent Financial Adviser to advise the independent board committee and the Independent Shareholders in respect of whether the terms of the Products Sales Framework Agreement are fair and reasonable and whether the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interest of the Company and Shareholders as a whole.

The Company will convene the EGM to consider and approve the Products Sales Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps). A circular containing, among others, further information on the Products Sales Framework Agreement, a letter from the Independent Financial Adviser and a letter from the independent board committee, and the notice convening the EGM is expected to be dispatched to the Shareholders on or before 4 October 2019.

INFORMATION ON THE PARTIES

1. The Company

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

2. TBEA

TBEA is a joint stock company incorporated in the PRC with limited liability on 26 February 1993. As of the date of this announcement, TBEA is interested in approximately 65.43% in aggregate of the total issued share capital of the Company, being the controlling shareholder of the Company, is a service provider of system solutions for the global energy industry. TBEA and its close associates (excluding the Group) are principally engaged in: (i) the manufacturing and sale of power transformers, reactors, wires, cables and other electrical and mechanical equipment and (ii) domestic and overseas engineering and construction contracting for power transmission projects, water power and thermal power station projects.

3. Xinjiang Joinworld

Xinjiang Joinworld is a joint stock company incorporated in the PRC with limited liability on 13 February 1996, with a registered capital of RMB1,034,162,440 as at the date of this announcement. It is specialized in producing and selling high-purity aluminium, electronic aluminium foil, etched foil, raw materials for foil-forming electronic components, aluminium and aluminium products, aluminium alloy and carbon. Xinjiang Joinworld completed a non-public issuance of shares on 5 July 2019, resulting in the increase of TBEA's shareholding from 27.22% to 30.85%, hence being a connected person of the Company by virtue of being an associate of TBEA.

DEFINITIONS

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

“Aggregated Transactions”	the transactions contemplated under the Products Sales Framework Agreement, aggregated with the Previous Transactions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Capital Injection”	the capital injection made by TBEA to subscribe for the non-public issuance of shares of Xinjiang Joinworld which was completed on 5 July 2019
“Coal Procurement Framework Agreement (Type 2)”	the coal procurement framework agreement entered into by the Company and TBEA on 15 December 2017

“Company”	Xinte Energy Co., Ltd. (新特能源股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Domestic Shares”	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Effective Date”	the date on which the transactions under the Products Sales Framework Agreement are approved by the Independent Shareholders
“EGM”	the second extraordinary general meeting of the Shareholders of 2019 to be held by the Company, to consider and, if thought fit, approve, among other things, the continuing connected transaction in relation to the Products Sales Framework Agreement
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Shares”	foreign shares listed overseas with a par value of RMB1.00 per share in the share capital of the Company, which are subscribed and traded in Hong Kong dollars, and listed on the Stock Exchange

“Independent Financial Adviser”	Sorrento Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the independent board committee and the Independent Shareholders in relation to the Products Sales Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps)
“Independent Shareholders”	Shareholders other than TBEA and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Miscellaneous Services Framework Agreement (Type 4)”	the miscellaneous services framework agreement entered into by the Company and TBEA on 15 December 2017
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Previous Transactions”	transactions contemplated under the Product Procurement Framework Agreement (Type 1), Coal Procurement Framework Agreement (Type 2) and Miscellaneous Services Framework Agreement (Type 4)
“Product Procurement Framework Agreement (Type 1)”	the product procurement framework agreement entered into by the Company and TBEA on 15 December 2017
“Products Sales Framework Agreement”	the products sales framework agreement entered into between the Company and TBEA on 12 September 2019
“Proposed Annual Caps”	the maximum aggregate annual amount payable by TBEA Group to the Group under the Products Sales Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	Domestic Shares and H Shares of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“TBEA”	TBEA Co., Ltd. (特變電工股份有限公司), a joint stock company incorporated in the PRC with limited liability on 26 February 1993, being the controlling shareholder of the Company as at the date of this announcement
“TBEA Group”	TBEA and its subsidiaries and associates (excluding the Group)
“Xinjiang Joinworld”	Xinjiang Joinworld Co., Ltd. (新疆眾和股份有限公司), a joint stock company incorporated in the PRC with limited liability on 13 February 1996 and listed on the Shanghai Stock Exchange (Stock Code: 600888), a 30%-controlled company of TBEA as at the date of this announcement
“30%-controlled company”	has the meaning ascribed to it under the Listing Rules

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

Xinjiang, the PRC
12 September 2019

As at the date of this announcement, the Board consists of Mr. Zhang Jianxin, Mr. Yin Bo and Mr. Xia Jinjing as executive Directors; Mr. Zhang Xin, Ms. Guo Junxiang and Mr. Wang Shi as non-executive Directors; Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus as independent non-executive Directors.