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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 REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTION

In 2020, due to the increased price and demand of coal required for the Group's polysilicon production and based on the actual transaction amount incurred for the eight months ended 31 August 2020, it is anticipated that the existing annual cap for the year ending 31 December 2020 for the procurement of coal from TBEA Group by the Group contemplated under the Coal Procurement Framework Agreement will not be sufficient to meet the expected transaction amount for the remaining of the year ending 31 December 2020. The Board has decided to revise the corresponding annual cap and entered into the Supplemental Coal Procurement Framework Agreement on 23 September 2020. Except for the annual cap, all other terms of the Coal Procurement Framework Agreement remain unchanged.

Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules applicable to the Continuing Connected Transactions under the Coal Procurement Framework Agreement before its cap is exceeded. As the Framework Agreements are entered into between the same parties, according to Rule 14A.81 of the Listing Rules, the transactions contemplated under them are required to be aggregated and treated as if they were one transaction. After aggregation, since the highest applicable percentage ratios in respect of the Revised Annual Caps exceeds 5%, therefore the transactions contemplated under the Framework Agreements (based on the Revised Annual Caps) are subject to the reporting, announcement 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 relation to the Supplemental Coal Procurement Framework Agreement and the Revised Annual Caps. Sorrento Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing among other things: (i) further information on the Supplemental Coal Procurement Framework Agreement and the Revised Annual Caps; (ii) the letter of advice from the Independent Financial Adviser; (iii) the recommendation from the Independent Board Committee; and (iv) the EGM notice is expected to be despatched to the Shareholders on or before 8 October 2020 in accordance with the Listing Rules.

References are made to the announcements of the Company dated 15 December 2017, 1 March 2018 and 12 September 2019 (the “**Announcements**”); and the circulars dated 27 March 2018 and dated 15 October 2019 (the “**Circulars**”), in relation to, amongst others, the Coal Procurement Framework Agreement and the transactions contemplated thereunder.

The Board originally estimated that, the amount of coal procurement to be paid by the Group to TBEA Group for the year ending 31 December 2020 will be no more than RMB300 million. It is anticipated that the existing annual cap for the procurement of coal from TBEA Group by the Group contemplated under the Coal Procurement Framework Agreement will not be sufficient to meet the expected transactions amount for the remaining of the year ending 31 December 2020. The Board has decided to revise the corresponding annual cap and entered into the Supplemental Coal Procurement Framework Agreement. Except for the annual cap, all other terms of the Coal Procurement Framework Agreement remain unchanged.

REVISED ANNUAL CAPS FOR CONTINUING CONNECTION TRANSACTION

1. Background

As disclosed in the Announcements and the Circulars, the Coal Procurement Framework Agreement made between the Company (for itself and on behalf of its subsidiaries) and TBEA (for itself and on behalf of its subsidiaries) has been renewed for a term of three years from 1 January 2018 to 31 December 2020. Pursuant to the Coal Procurement Framework Agreement, TBEA Group supplies coal to the Group for polysilicon production. The existing annual cap for the Continuing Connected Transactions contemplated under the Coal Procurement Framework Agreement is RMB300 million for the year ending 31 December 2020. Further details of the transactions were disclosed in section 3.3 of the Circular dated 27 March 2018.

2. Revision of the Existing Annual Cap under the Coal Procurement Framework Agreement

In 2020, due to the increased price and demand of coal required for the Group's polysilicon production and based on the actual transaction amount incurred for the eight months ended 31 August 2020, it is anticipated that the existing annual cap for the year ending 31 December 2020 for the procurement of coal from TBEA Group by the Group contemplated under the Coal Procurement Framework Agreement will not be sufficient to meet the expected transaction amount for the remaining of the year ending 31 December 2020. The Board has decided to revise the corresponding annual cap and entered into the Supplemental Coal Procurement Framework Agreement on 23 September 2020. Except for the annual cap, all other terms of the Coal Procurement Framework Agreement remain unchanged.

The Group has been purchasing coal from Xinjiang Tianchi for its self-owned power plant for polysilicon production. In 2020, due to the impact of the operation of Xinjiang ± 1100 kV UHV transmission line, and enhancement in management of coal mining, transportation safety and environmental protection, coal and transportation services were in short supply, and the prices of coal and the respective transportation services increased. In 2020, the prices of coal and corresponding transportation services has increased by 11% and 7% respectively as compared with 2019.

At the same time, the 36,000-ton Polysilicon Project has released capacity in 2020, and the production of polysilicon has increased significantly which contributed to the Group's significant increase in demand for electricity. Furthermore, one of the two power generation units of the Group at its self-owned power plant underwent a one-month maintenance during the first half of 2020, it is expected that both units in the self-owned power plant will operate normally in the second half of 2020. Therefore, the average monthly demand for coal will increase compared with the first half of the year.

Based on the above factors, the Company believes that it is necessary to increase the amount of coal purchases for the year ending 31 December 2020 under the Coal Procurement Framework Agreement and intends to increase the transaction amount of such coal procurements (including transportation costs) to RMB400 million, the annual cap under the Supplemental Coal Procurement Framework Agreement was determined with reference to (i) the actual transaction amount from January to August 2020 under the Coal Procurement Framework Agreement; and (ii) the expected demand of the Group for coal to be procured from the TBEA Group from September to December 2020. The revision of the annual cap under the Coal Procurement Framework Agreement is subject to obtaining the approval from the Independent Shareholders.

The existing annual caps and the Revised Annual Caps under the Framework Agreements for the year ending 31 December 2020 are as follows:

	For the year ending 31 December 2020	
	Existing annual caps (RMB'000)	Revised Annual Caps (RMB'000)
Product Procurement Framework Agreement	350,000	350,000
Coal Procurement Framework Agreement	300,000	400,000*
Miscellaneous Services Framework Agreement	250,000	250,000
Products Sales Framework Agreement	100,000	100,000
	<hr/>	<hr/>
Total annual caps	<u>1,000,000</u>	<u>1,100,000</u>

* As supplemented by the Supplemental Coal Procurement Framework Agreement.

For the avoidance of doubt, save for the revision of the existing annual cap under the Coal Procurement Framework Agreement for the year ending 31 December 2020, other terms of the Framework Agreements, including but not limited to the annual caps under these agreements, all remain unchanged.

Pricing Policies of the Coal Procurement Framework Agreement

As government-prescribed or guidance price for coal is not available, to ensure that the coal procurement terms and prices provided by TBEA Group are fair and reasonable and in line with market practices, the Group has and will continue to adopt the following measures and principles to determine the coal procurement prices:

- The Group will invite at least three coal suppliers to provide quotes for the same quality of coal (with similar conditions including but not limited delivery terms and quantity), among which two of them shall be independent third parties. The final coal supplier will be determined after considering multiple factors, including whether the coal supplied comply with the coal quality requirements of the furnace used in the Group's self-owned power plant, price, distance from the supplier, transportation costs, supplier's scale, supplier's management and whether the supplier can provide sufficient and stable supplies.
- The Group will collect sale price information from different coal suppliers located in the same or neighbouring regions whom are able to provide coal which meets the requirements of the Group's standards.
- Through conducting fair negotiations with coal suppliers (including independent third-parties), the Group can determine a reasonable price for the procurement of coal.

Historical Transaction Amounts under the Framework Agreements

The Group's historical transaction amounts under the Framework Agreements are as follows:

	For the year ended 31 December		For the eight months ended 31
	2018	2019	August 2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Product procurement fee paid by the Group to TBEA Group	511,755	216,928	169,306
Coal procurement fee paid by the Group to TBEA Group (including transportation cost)	148,169	266,443	258,641
Miscellaneous services fee paid by the Group to TBEA Group	230,286	40,783	177,551
Product sales amount collected by the Group from TBEA Group	20,399	23,645	37,369
Total transaction amount	910,609	547,799	642,867

BOARD CONFIRMATION

Each of Mr. Zhang Xin and Ms. Guo Junxiang holds positions at and/or interests in TBEA, and they are deemed to have material interest and have abstained from voting at the Board meeting on the resolution approving the Revised Annual Caps. Save for the above, none of the Directors have any material interests in the Framework Agreements and the transactions contemplated thereunder.

The Directors (excluding Directors who need to abstain from voting, and the independent non-executive Directors, who will express their opinion after taking into account the recommendations of the Independent Financial Adviser) are of the view that the Framework Agreements and the respective transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Framework Agreements and the Revised Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

TBEA is interested in approximately 65.43% of the total issued share capital of the Company, and is thus a Controlling Shareholder and a Connected Person of the Company. Hence, the transactions conducted by the Group with TBEA Group under the Framework Agreements constitute Continuing Connected Transactions of the Company.

Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules applicable to the Continuing Connected Transactions under the Coal Procurement Framework Agreement before its cap is exceeded. As the Framework Agreements are entered into between the same parties, according to Rule 14A.81 of the Listing Rules, the transactions contemplated under them are required to be aggregated and treated as if they were one transaction. After aggregation, since the highest applicable percentage ratios in respect of the Revised Annual Caps exceeds 5%, therefore the transactions contemplated under the Framework Agreements (based on the Revised Annual Caps) are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL

To ensure the Company's conformity with the above pricing policy, the Company has adopted a series of internal control measures for its daily operations. Such measures will be conducted and supervised by various units of the Company:

- the Company has adopted a transaction management system on Connected Transactions. Business departments of the Company are required to conduct updates of separate agreements for the Continuing Connected Transactions, and regularly report the execution status of each Connected Transactions to the secretary of the Board. The secretary of the Board will then inform the Board of any important information thereof;
- the Audit Committee is also responsible for the data collection and monitoring of Connected Transactions, and for conducting evaluation on the fairness of the transaction terms and the pricing terms. It will discuss with our subsidiaries and business departments to determine the annual caps and execution status of the Connected Transactions. It will also report to the Board and the board of supervisors on the Group's Connected Transactions on 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 Listing Rules to issue an announcement, report to the Independent Board Committee and/or seek for Independent Shareholders' approval after the Board's review and approval (as the case may be);
- the Company has strengthened training in relation to the review and decision-making processes and information disclosure requirements of Connected Transactions, further promoting awareness among the relevant business departments in the corresponding compliance requirements;
- the independent non-executive Directors have reviewed and will continue to review the non-exempt Continuing Connected Transactions to ensure such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditors of the Company will also conduct an annual review on the transaction amount and annual caps of such non-exempt Continuing Connected Transactions;
- 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 will impose control on the actual transaction amount of Continuing Connected Transactions, and focus on controlling the individual amount of each type of Continuing Connected Transactions; and
- the secretary of the Board will collect information on Continuing Connected Transactions at the beginning of each month, and cross-check the consolidated amount of Continuing Connected Transactions in the previous month with the financial staff of the relevant Connected Person.

INFORMATION ON THE PARTIES

The Group 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 Group is also engaged in the manufacturing of supporting equipment (mainly inverters, flexible direct current transmission converter and static VAR generators), which are used for the engineering and construction contracting business of the Group or sold to independent third parties.

TBEA is a joint stock company incorporated in the PRC on 26 February 1993. As at the date of this announcement, its registered capital is RMB3,714,312,789. TBEA Group is mainly engaged in: (i) production and sales of transformers, inductors, wires, cables and other electrical and machinery equipment; and (ii) construction and contracting of domestic and international power transmission projects, hydro and geothermal power projects.

Xinjiang Tianchi is a company with limited liability incorporated in the PRC on 29 November 2002, and it is a subsidiary of TBEA. As at the date of this announcement, its registered capital is RMB1,670,460,000. The main business of Xinjiang Tianchi is the mining and sales of coal. As at the date of this announcement, TBEA holds 85.78% of Xinjiang Tianchi's equity interest.

GENERAL

The Independent Board Committee comprising of all independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Supplemental Coal Procurement Framework Agreement and the Revised Annual Caps. Sorrento Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company expects to hold an EGM on 23 October 2020 to seek Independent Shareholders' approval for the Supplemental Coal Procurement Framework Agreement and the Revised Annual Caps. Such resolution will be put forward and decided by way of a poll at the EGM by way of an ordinary resolution.

TBEA Group shall abstain from voting on the resolutions to be proposed at the EGM relating to the approval of the Supplemental Coal Procurement Framework Agreement and the Revised Annual Caps.

A circular containing: (i) further information on the Supplemental Coal Procurement Framework Agreement and the Revised Annual Caps; (ii) the letter of advice from the Independent Financial Adviser; (iii) the recommendation from the Independent Board Committee; and (iv) the EGM notice is expected to be despatched to the Shareholders on or before 8 October 2020.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions have the meanings as set forth below:

“36,000-ton Polysilicon Project”	the 36,000-ton/year high-purity polysilicon industrial upgrade project
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Audit Committee”	audit committee of the Board
“Board”	the board of Directors
“Company”	Xinte Energy Co., Ltd. (新特能源股份有限公司), a joint stock company with limited liability incorporated under the laws of the PRC on 16 October 2012
“Continuing Connected Transaction(s)”	has the same meaning as ascribed to it under the Listing Rules
“Connected Person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Coal Procurement Framework Agreement”	the coal procurement framework agreement entered into between the Company and TBEA on 15 December 2017
“Controlling Shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the first extraordinary general meeting of 2020 of the Company to be held at the Conference Room, 21st Floor, TBEA Co., Ltd. at No. 189, South Beijing Road, Changji, Xinjiang, the PRC on 23 October 2020 at 11 a.m.
“Framework Agreements”	the Product Procurement Framework Agreement, Coal Procurement Framework Agreement (as supplemented by the Supplemental Coal Procurement Framework Agreement), Miscellaneous Services Framework Agreement, and Product Sales Framework Agreement

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising of all independent non-executive Directors established to advise the Independent Shareholders in relation to the Revised Annual Caps
“Independent Financial Adviser”	Sorrento Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Coal Procurement Framework Agreement and the Revised 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”	the miscellaneous construction services framework agreement entered into between the Company and TBEA on 15 December 2017
“Product Procurement Framework Agreement”	the product procurement framework agreement entered into between the Company and TBEA on 15 December 2017
“Product Sales Framework Agreement”	the product sales framework agreement entered into between the Company and TBEA on 12 September 2019
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Revised Annual Caps”	the revised anticipated maximum annual amount of the transactions contemplated under the Supplemental Coal Procurement Framework Agreement for the year ending 31 December 2020 which is aggregated with the existing anticipated maximum annual amount of the transactions contemplated under the remaining Framework Agreements

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the same meaning as ascribed to it under the Listing Rules
“Supplemental Coal Procurement Framework Agreement”	the supplemental agreement entered into between the Company and TBEA on 23 September 2020 amending the maximum amounts of coal procurement fee (including transportation cost) payable to TBEA Group for the year ending 31 December 2020
“TBEA”	TBEA Co., Ltd. (特變電工股份有限公司), a joint stock company incorporated in the PRC on 26 February 1993 and listed on the Shanghai Stock Exchange (stock code: 600089)
“TBEA Group”	TBEA and its associates (excluding the Group)
“Xinjiang Tianchi”	Xinjiang Tianchi Energy Co., Ltd. (新疆天池能源有限責任公司), a company with limited liability incorporated in the PRC on 29 November 2002 and a subsidiary of TBEA
“%”	per cent

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

Xinjiang, the PRC
23 September 2020

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