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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 CAP FOR EXISTING CONTINUING CONNECTED TRANSACTION; RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS; AND DISCLOSEABLE TRANSACTION

Revised Annual Cap for Existing Continuing Connected Transaction

In 2020, due to the construction of wind and PV power stations, the Company's demand for the power transmission and transformation products of TBEA Group increased and based on the product procurement contracts signed between January and October 2020; potential procurement transactions to be entered into in November to December 2020; and the transaction amounts that occurred between January to October 2020, it is anticipated that the existing annual cap for the year ending 31 December 2020 for the procurement of products from TBEA Group by the Group under the Existing Product Procurement Framework Agreement (TBEA) may not be sufficient to meet the expected transaction amount for the year ending 31 December 2020. The Board has decided to revise the corresponding annual cap and entered into the Supplemental Product Procurement Framework Agreement on 10 November 2020. Except for the annual cap, all other terms of the Existing Product Procurement Framework Agreement (TBEA) remain unchanged.

Renewal of Existing Continuing Connected Transactions

In view of the expiration of the Existing TBEA Framework Agreements on 31 December 2020, and in consideration of the developmental needs of the Company, the Company proposes to renew the Existing TBEA Framework Agreements and proposes to determine the annual caps for the three years ending 31 December 2023. On 10 November 2020, the Company entered into the New TBEA Framework Agreements.

In view of the expiration of the Existing Tebian Framework Agreements on 31 December 2020, and in consideration of the developmental needs of the Company, the Company proposes to renew the Existing Tebian Framework Agreements and proposes to determine the annual caps for the three years ending 31 December 2023. On 10 November 2020, the Company entered into the New Tebian Framework Agreements.

In view of the expiration of the Existing Financial Services Framework Agreement on 31 December 2020, and in consideration of the financial needs of the Company, the Company proposes to renew the Existing Financial Services Framework Agreement and proposes to determine the annual caps for the three years ending 31 December 2023. On 10 November 2020, the Company entered into the New Financial Services Framework Agreement.

Listing Rules Implications

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 transactions under the Existing Product Procurement Framework Agreement (TBEA) before its cap is exceeded. As the Existing TBEA 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 ratio in respect of the Revised 2020 Annual Cap exceeds 5%, the transactions contemplated under the Existing TBEA Framework Agreements (based on the Revised 2020 Annual Cap) are subject to the annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since (i) TBEA is the controlling shareholder of the Company, TBEA Group is a Connected Person of the Company and (ii) the New TBEA Framework Agreements were entered on the same date with the same party, the transactions contemplated under the New TBEA Framework Agreements are required to be aggregated and treated as if one transaction pursuant to rule 14A.81 of the Listing Rules. Accordingly, the proposed annual caps in respect of the New TBEA Framework Agreements are aggregated and used when calculating the relevant percentage ratios. As the highest percentage ratio of the proposed annual caps for the transactions contemplated under the New TBEA Framework Agreements (as aggregated) is higher than 5%, the New TBEA Framework Agreements and their proposed annual caps are subject to the annual reporting, announcement and independent shareholders' approval requirements as set out under Chapter 14A of the Listing Rules.

Since (i) Xinjiang Tebian is a 30%-controlled company held by Mr. Zhang Xin, a Director, Xinjiang Tebian is a Connected Person of the Company, and (ii) the New Tebian Framework Agreements were entered on the same date with the same party, the transactions contemplated under the New Tebian Framework Agreements are required to be aggregated and treated as if one transaction pursuant to rule 14A.81 of the Listing Rules. Accordingly, the annual caps under the New Tebian Framework Agreements are aggregated and used when calculating the relevant percentage ratios. As the highest percentage ratio of the annual caps for the transactions contemplated under the New Tebian Framework Agreements (as aggregated) exceeds 0.1% but is less than 5%, the New Tebian Framework Agreements and their annual caps are subject to the announcement and annual reporting requirements, but exempt from the independent shareholders' approval requirements as set out under Chapter 14A of the Listing Rules.

TBEA Finance, being a subsidiary of TBEA, is a Connected Person of the Company, and the transactions contemplated under the New Financial Services Framework Agreement constitutes Connected Transactions of the Company. As the highest applicable percentage ratio in respect of the Deposit Services under the New Financial Services Framework Agreement exceeds 5% but is less than 25%, the Deposit Services under the New Financial Services Framework Agreement constitutes a discloseable transaction and a non-exempt continuing connected transaction of the Company, and is subject to the announcement requirement under Chapter 14 of the Listing Rules and the annual 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 respect of the Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements, the New Financial Services Framework Agreement and the proposed annual caps thereunder. 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 Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements, the New Financial Services Framework Agreement and the proposed annual caps thereunder; (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 Shareholders on 8 December 2020 in accordance with the Listing Rules.

Background

References are made to (i) the announcements of the Company dated 15 December 2017, 1 March 2018, 30 April 2019, 13 September 2019 and 23 September 2020; and (ii) the circulars dated 27 March 2018, 4 June 2019, 15 October 2019 and 8 October 2020 in relation to, inter alia, the Company's non-exempt continuing connected transactions with TBEA, Xinjiang Tebian and TBEA Finance.

The Board originally estimated that, the amount of products purchased by the Group from TBEA Group for the year ending 31 December 2020 will be no more than RMB350 million. As of the date of this announcement, it is anticipated that the existing annual cap for the procurement of products from TBEA Group by the Group under the Existing Product Procurement Framework Agreement (TBEA) may not be sufficient to meet the expected transactions amount for the year ending 31 December 2020. The Board has decided to revise the corresponding annual cap and entered into the Supplemental Product Procurement Framework Agreement on 10 November 2020. Except for the annual cap, all other terms of the Existing Product Procurement Framework Agreement (TBEA) remain unchanged.

In view of the expiration of the Existing TBEA Framework Agreements on 31 December 2020, and in consideration of the developmental needs of the Company, the Company proposes to renew the Existing TBEA Framework Agreements and proposes to determine the annual caps for the three years ending 31 December 2023. On 10 November 2020, the Company entered into the New TBEA Framework Agreements.

In view of the expiration of the Existing Tebian Framework Agreements on 31 December 2020, and in consideration of the developmental needs of the Company, the Company proposes to renew the Existing Tebian Framework Agreements and proposes to determine the annual caps for the three years ending 31 December 2023. On 10 November 2020, the Company entered into the New Tebian Framework Agreements.

In view of the expiration of the Existing Financial Services Framework Agreement on 31 December 2020, and in consideration of the financial needs of the Company, the Company proposes to renew the Existing Financial Services Framework Agreement and proposes to determine the annual caps for the three years ending 31 December 2023. On 10 November 2020, the Company entered into the New Financial Services Framework Agreement.

REVISED ANNUAL CAP FOR EXISTING CONTINUING CONNECTION TRANSACTION

In 2020, due to the construction of wind and PV power stations, the Company's demand for the power transmission and transformation products of TBEA Group increased and based on the product procurement contracts signed between January and October 2020; potential procurement transactions to be entered into in November to December 2020; and the transaction amounts that occurred between January to October 2020, it is anticipated that the existing annual cap for the year ending 31 December 2020 for the procurement of products from TBEA Group by the Group under the Existing Product Procurement Framework Agreement (TBEA) may not be sufficient to meet the expected transaction amount for the year ending 31 December 2020. The Board has decided to revise the corresponding annual cap and entered into the Supplemental Product Procurement Framework Agreement on 10 November 2020. Except for the annual cap, all other terms of the Existing Product Procurement Framework Agreement (TBEA) remain unchanged.

During the "13th Five-Year Plan" period, the PRC's new energy industry developed rapidly, the cost of wind and PV power generation continued to decrease, the new energy feed-in tariff gradually realized a steady decline, and it was in the transition stage from subsidised electricity price to grid parity. In 2020, the Company's construction of wind and PV power stations with a capacity of over 2GW are facing the "12.31" rushed installation trend. If these projects cannot be connected to the grid at the end of 2020, they will face the risk of cancellation of bidding or lower electricity prices. Therefore, the Company accelerated the construction of such projects, and the transaction amount of transformers, wires and cables purchased from TBEA Group in 2020 may exceed the cap under the Existing Product Procurement Framework Agreement (TBEA).

The existing annual caps and revised annual caps under the Existing TBEA Framework Agreements for the year ending 31 December 2020 is as follow:-

	Existing annual caps (RMB'000)	Revised annual caps (RMB'000)
<i>Amount of products purchased by the Group from TBEA Group</i>	350,000	400,000*
Amount of coal purchased by the Group from TBEA Group (including transportation cost)	400,000	400,000
Amount of miscellaneous services purchased by the Group from TBEA Group	250,000	250,000
Amount of products sold by the Group to TBEA Group	100,000	100,000
Total annual caps for transactions with TBEA (tax exclusive)	<u>1,100,000</u>	<u>1,150,000</u>

* As supplemented by the Supplemental Product Procurement Framework Agreement.

For the avoidance of doubt, save for the revision of the annual cap for the year ending 31 December 2020 under the Existing Product Procurement Framework Agreement (TBEA), all other terms of the Existing TBEA Framework Agreements, including but not limited to the annual caps thereunder, shall remain unchanged.

RENEWAL OF EXISTING CONTINUING CONNECTION TRANSACTIONS

As various framework agreements that the Company entered with TBEA, Xinjiang Tebian and TBEA Finance will expire on 31 December 2020, the Company decided to enter into the following new framework agreements.

1. Product Procurement Framework Agreement with TBEA

1.1 Background of the transaction

The Company entered into the New Product Procurement Framework Agreement (TBEA) with TBEA on 10 November 2020, under which the Group will procure transformers (including ancillary equipment), wires, cables and other equipment from TBEA Group. The New Product Procurement Framework Agreement (TBEA) is subject to the obtaining of the approval from the Independent Shareholders and has a term of three years, commencing from 1 January 2021 and expiring on 31 December 2023, and may be extended subject to mutual consent and compliance with the Listing Rules. The relevant subsidiaries or associates of both 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 normal commercial terms provided in the New Product Procurement Framework Agreement (TBEA).

1.2 Reasons for and benefits of the transaction

In view of past collaborating experience with TBEA Group, the quality of TBEA's products is good and enjoys a leading position in the market for transformers. In recent years, the Group has used TBEA Group's products such as transformers, wires and cables in PV and wind power station construction and the Group's 36,000-ton/year high-purity polysilicon industrial upgrade project. Products supplied by TBEA Group has played a key role in the construction quality and long-term stable operations of polysilicon production, PV and wind power stations of the Group. As such products are necessities of the Group's business operations, it generally procure the relevant equipment through a competitive bidding tender process and market price comparisons. At the same time, in the process of Group's tender or market price comparisons, as TBEA Group possesses relative edge due to its product price, quality, delivery schedule and payment terms, TBEA Group obtained some orders.

2. Coal Procurement Framework Agreement with TBEA

2.1 Background of the transaction

The Company entered into the New Coal Procurement Framework Agreement with TBEA on 10 November 2020, under which TBEA Group will supply coal to the Group. According to the New Coal Procurement Framework Agreement, Xinjiang Tianchi will provide coal for the Company's use in power generation of self-owned power plant for production of polysilicon. Transportation of the coal procured from Xinjiang Tianchi will also be arranged by TBEA Group. The New Coal Procurement Framework Agreement is subject to the obtaining of the approval from the Independent Shareholders and has a term of three years, commencing from 1 January 2021 and expiring on 31 December 2023, and may be extended subject to mutual consent and compliance with the Listing Rules. The relevant subsidiaries or associates of both 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 normal commercial terms provided in the New Coal Procurement Framework Agreement.

2.2 Reasons for and benefits of the transaction

Xinjiang Tianchi currently owns two open pit coal mines with a total coal reserves exceeding 12 billion tons and total planning of an annual production capacity of 50 million tons. In the past, the Group has procured coal from Xinjiang Tianchi, and the supply of coal guaranteed the stable production of polysilicon. Xinjiang Tianchi's coal are of good quality and is stably supplied, it has a clear edge in scale.

3. Miscellaneous Services Framework Agreement with TBEA

3.1 Background of the transaction

The Company entered into the New Miscellaneous Services Framework Agreement (TBEA) with TBEA on 10 November 2020, under which TBEA Group will provide the Group with miscellaneous services (such as engineering construction, greenification services, installation of water, electricity, heating facilities), primarily including the installation of equipment and products in the substation and step up the wind and PV power stations. Moreover, these are mainly for the maintenance of the industrial sites office of the management officials, the corresponding dormitory and production manufacturing. The greenification services, and installation of water, electricity and heating facilities services may also be used to maintain, assess and enhance the industrial sites office of the management officials, the corresponding dormitory and production manufacturing which also includes the self-owned power plant.

The New Miscellaneous Services Framework Agreement (TBEA) is subject to the obtaining of the approval from the Independent Shareholders and has a term of three years, commencing from 1 January 2021 and expiring on 31 December 2023, and may be extended subject to mutual consent and compliance with Listing Rules. The relevant subsidiaries or associates of both 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 normal commercial terms provided in the New Miscellaneous Services Framework Agreement (TBEA).

3.2 Reasons for and benefits of the transaction

TBEA Group has constructed many power transmission and transformation full-package projects overseas. TBEA Group's miscellaneous services mainly include provision of construction of transformers and step-up stations in PV and wind power stations, which are key for the connection of PV and wind power stations to the main power grid. TBEA Group has a relatively strong edge in aspects such as service capacity, construction quality, and construction period. The Company believe that TBEA Group's construction quality, work period, and service capacity all meet the Group's requirements for Qualified Suppliers, and are more able to understand our needs and requirements for miscellaneous services compared to independent third parties.

4. Product Sales Framework Agreement with TBEA

4.1 Background of the transaction

The Company entered into the New Product Sales Framework Agreement with TBEA on 10 November 2020, under which the Group will provide TBEA Group with products including industrial raw materials (i.e. silicon metal and liquid alkali) and industrial water. The New Product Sales Framework Agreement is subject to the obtaining of the approval from the Independent Shareholders and has a term of three years, commencing from 1 January 2021 and expiring on 31 December 2023, and may be extended subject to mutual consent and compliance with Listing Rules. The relevant subsidiaries or associates of both 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 normal commercial terms provided in the New Product Sales Framework Agreement.

4.2 Reasons for and benefits of the transaction

Industrial raw materials such as silicon metal and liquid alkali, and industrial water are required to ensure the normal operation and production of TBEA Group (including Xinjiang Joinworld). Due to daily business needs, TBEA Group purchases the above-mentioned industrial raw materials and industrial water from the Group.

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 certain bargaining power and is able to obtain a procurement price lower than market price. The Group produces liquid alkali which are used in the production process of polysilicon products, with an annual production capacity of 35,000 tons. A portion of the surplus is available for sale after deducting internal consumption. In addition, the Group has built a complete system for raw water treatment, where 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 industrial raw material procurement of the Group and to make use of the residual production capacity for liquid alkali and industrial water to generate revenue for the Group.

5. Product Procurement Framework Agreement with Xinjiang Tebian

5.1 Background of the transaction

The Company entered into the New Product Procurement Framework Agreement (Tebian) with Xinjiang Tebian on 10 November 2020, under which the Group will procure from Xinjiang Tebian Group products including switch enclosures and other electrical equipments. The New Product Procurement Framework Agreement (Tebian) has a term of three years, commencing from 1 January 2021 and expiring on 31 December 2023, and may be extended subject to mutual consent and compliance with the Listing Rules. The relevant subsidiaries or associates of both 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 normal commercial terms provided in of the New Product Procurement Framework Agreement (Tebian).

5.2 Reasons for and benefits of the transaction

Switch enclosures are electrical equipments implementing control and production in electric system. In recent years, the Group has frequently used Xinjiang Tebian Group's switch enclosures and other products in PV and wind power station construction. The Group will procure such products through a competitive tender invitation procedure and market price comparisons. By virtue of the high quality of supplied products and competitive prices, Xinjiang Tebian Group have participated in part of the tenders or market price comparisons and obtained orders in the past. At the same time, Xinjiang Tebian Group is the backbone manufacturing enterprise within the industry for producing products such as switch enclosures and other electrical equipments, as well as the largest manufacturing enterprise for those products in Xinjiang. Xinjiang Tebian Group's products are thus competitive relative to other suppliers in the market.

6. Miscellaneous Services Framework Agreement with Xinjiang Tebian

6.1 Background of the transaction

The Company entered into the New Miscellaneous Services Framework Agreement (Tebian) with Xinjiang Tebian on 10 November 2020, under which the Group will procure from Xinjiang Tebian Group miscellaneous services (including engineering labour services, installation of electricity and gas facilities). The New Miscellaneous Services Framework Agreement (Tebian) has a term of three years, commencing from 1 January 2021 and expiring on 31 December 2023, and may be extended subject to mutual consent and compliance with Listing Rules. The relevant subsidiaries or associates of both 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 normal commercial terms provided in the New Miscellaneous Services Framework Agreement (Tebian).

6.2 Reasons for and benefits of the transaction

Xinjiang Tebian Group possesses rich experience in installations of civil works infrastructure construction and renovation, and consistently provides quality ancillary services in civil works infrastructure construction, renovation and installation. Such services are also required for the construction of preparatory works, peripheral walls and complex buildings of PV and wind power stations and installation of electricity and gas facilities of the Group, and the Group will procure the miscellaneous services through competitive bidding tender procedures and market price comparisons. By virtue of the high quality of provided services and competitive prices, Xinjiang Tebian Group have participated in part of the tenders or market price comparisons and obtained orders in the past.

7. Financial Services Framework Agreement with TBEA Finance

7.1 Background of the transaction

The Company entered into the New Financial Services Framework Agreement with TBEA Finance on 10 November 2020, under which TBEA Finance will provide the Group with deposit services. The New Financial Services Framework Agreement is subject to the obtaining of the approval from the Independent Shareholders and has a term of three years, commencing from 1 January 2021 and expiring on 31 December 2023, and may be extended subject to mutual consent and compliance with Listing Rules. The relevant subsidiaries or associates of both parties will enter into separate agreements, which will set out specific terms and conditions on the basis of the normal commercial terms provided in the New Financial Services Framework Agreement.

7.2 Reasons for and benefits of the transaction

TBEA Finance is regulated by the People's Bank of China and the CBIRC, and shall provide services in accordance with and in compliance with the rules and operational requirements of such regulatory authorities. TBEA Finance has adopted internal control and risk management measures to mitigate fund risks and guarantee fund safety, thereby protecting the overall interests of the Group.

The New Financial Services Framework Agreement is favourable for the Group to enhance fund management and control, reduce and circumvent operation risks. With the continuous business expansion, the Group's capital size is relatively large, it is particularly important to improve capital utilization rate. The interest rate offered by TBEA Finance to the Group for the Deposit Services will be the same or more favourable than those offered by other major commercial banks in the PRC to the Group. The Group may obtain the financial services from TBEA Finance on more favorable terms, which helps improve the overall standard of fund operation of the Group, enhance its bargaining power for external financing and enable the Group to secure higher deposit interest rates than those in the market thereby increasing interest income on deposits.

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

As a subsidiary of TBEA, TBEA Finance has a more thorough understanding of the Group's operations as compared to the Major Cooperative Commercial Banks and other financial institutions and the Group will be benefited from TBEA Finance's familiarity with the industry and operation of the Group. TBEA Finance is familiar with the capital structure, business operation, financing needs, mode of cash flow and cash management of the Group, as well as the Group's entire financial management system, enabling TBEA Finance to communicate with the Group more efficiently to cater for its needs, as well as serving the Group in a more convenient and efficient manner than other commercial banks in the PRC. Therefore, TBEA Finance will be at an advantageous position to provide the Group with more appropriate, effective and flexible services.

The New Financial Services Framework Agreement is non-exclusive with no restrictions on the Group's options to engage other commercial banks or financial institutions, and TBEA Finance is only one of the several financial institutions which offers financial services to the Group. Having an extra financial services provider, the Group can encourage other financial services providers to provide more competitive terms for financial services.

PRICING BASIS

1. **The New Products Procurement Framework Agreement (TBEA), New Products Procurement Framework Agreement (Tebian), New Miscellaneous Services Framework Agreement (TBEA) and New Miscellaneous Services Framework Agreement (Tebian)**

As no price stipulated by the government or guiding price is available, to ensure that the terms and prices provided by TBEA Group and Xinjiang Tebian Group are fair and reasonable and in line with market practices, the Group has and will continue to adopt the following tender and market price comparisons process and principles to determine whether products shall be procured from TBEA Group or Xinjiang Tebian Group:

- Business departments of the Group will on the basis of their business needs submit procurement needs to the Company's procurement department.
- Once the Company's procurement department receives the procurement needs, it will on the basis of the procurement needs extend the tender invitation to Qualified Suppliers to invite them to participate in bidding and market price comparisons. For further details on the Company's assessment standards for Qualified Suppliers, please refer to the section headed "Assessment of Qualified Suppliers".
- Based on the Company's internal procurement procedure requirements, it will invite no less than five suppliers to participate in bidding. When there are no less than three assessable tenders, the Company will start the assessment process.
- The bid assessment committee (comprised of representatives from the procurement department (including the procurement and supply chain management department), the supervisory department (including the finance, legal and audit departments), the engineering department, the technical department and the tender management department, other senior management staff (including the general manager, deputy general manager(s) and the chief accountant (excluding Connected Persons)) and representatives from the department which made the initial procurement needs) will consider factors such as product features and quality requirements, in order to consider the tender which best fits business needs and satisfies the tender requirements.
- Based on the foregoing factors, the bid assessment committee (focused only on bid assessment) will assess the tender and make the final decision to accept the tender. For further details on the assessment procedures, please refer to the section headed "Assessment Factors and Process" below.

- Once a tender is chosen, the procurement department of the Company will contact the bidder and negotiate miscellaneous terms of the agreement. However, the price and quality terms of the products will not be further discussed, and the original bidding terms will be adopted in the final contract. Once the terms are finalised, the Group will enter into a contract with the supplier and arrange for delivery of the product. The entire procurement process generally takes five to seven days.

2. The New Coal Procurement Framework Agreement

To ensure that the coal procurement terms and prices provided by TBEA Group are fair and reasonable and in line with market practices, the Company has and will continue to adopt the following measures and principles to determine the coal procurement prices:

- 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, prices, supplier distance, transportation costs, supplier's scale, supplier's management and whether the supplier can provide sufficient and stable supplies.
- The Company will collect sale price data 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 procurement price for the procurement of coal.

3. The New Product Sales Framework Agreement

- (i) Prices of industrial raw materials namely silicon metal and liquid alkali 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) Where there are no comparable orders that comply with (i), prices are determined in accordance to the equivalent prevailing market prices of the same or similar products and the relevant quotes are obtained from the industry websites. Prices of silicon metal are determined in accordance to the price of same products stated on China Ferroally Online* (中國鐵合金在線); whilst prices of liquid alkali are determined in accordance to the price of same products provided by Zhuo Chuang Information* (卓創資訊); and

(iii) The price of industrial water shall be determined with reference to the quotation of urban tap water provided by Urumqi Water Industry Group Co., LTD.

4. The New Financial Services Framework Agreement

Deposit Services

The deposits placed by the Group with TBEA Finance shall not bear an interest rate that is lower than (i) the benchmark interest rate of the People's Bank of China; (ii) the deposit interest rates offered by other major commercial banks in the PRC; and (iii) the deposit interest rates offered by TBEA Finance to any member companies (excluding the Group) in the TBEA Group with same credit ratings for comparable deposits for the same term, if applicable.

HISTORICAL TRANSACTION AMOUNTS UNDER THE EXISTING FRAMEWORK AGREEMENTS

The Group's historical transaction amounts for transactions conducted pursuant to the Existing Framework Agreements are as follows:

	Year ended 31 December		For the period ended
	2018	2019	31 October
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	2020
			<i>(RMB'000)</i>
Amount of products purchased by the Group from TBEA Group	511,755	216,928	314,955
Amount of coal purchased by the Group from TBEA Group (including transportation cost)	148,169	266,443	320,731
Amount of miscellaneous services purchased by the Group from TBEA Group	230,286	40,783	199,013
Amount of products sold by the Group to TBEA Group	20,399	23,645	53,710
	<u> </u>	<u> </u>	<u> </u>
Total transaction amount with TBEA Group (tax exclusive)	<u>910,609</u>	<u>547,799</u>	<u>888,409</u>

	Year ended 31 December		For the
	2018	2019	period ended
	(RMB'000)	(RMB'000)	31 October
			2020
			(RMB'000)
Amount of products purchased by the Group from Xinjiang Tebian Group	18,240	1,218	18,291
Amount of miscellaneous services purchased by the Group from Xinjiang Tebian Group	187,495	135,776	100,182
Total transaction amount with Xinjiang Tebian Group (tax exclusive)	205,735	136,994	181,473

	Year ended 31 December		For the
	2018	2019	period ended
	(RMB'000)	(RMB'000)	31 October
			2020
			(RMB'000)
Deposit Services (Daily maximum deposit balance (including accrued interest))	N/A	483,000	601,000

ANNUAL CAPS UNDER THE NEW FRAMEWORK AGREEMENTS

1. New TBEA Framework Agreements

The proposed annual caps with respect to the New TBEA Framework Agreements for the three years ending 31 December 2023 are as follows:

	Year ending 31 December		
	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)
Amount of products purchased by the Group from TBEA Group	450,000	450,000	450,000
Amount of coal purchased by the Group from TBEA Group (including transportation cost)	450,000	480,000	520,000
Amount of miscellaneous services purchased by the Group from TBEA Group	300,000	300,000	300,000
Amount of products sold by the Group to TBEA Group	100,000	100,000	100,000
Total annual caps for transactions with TBEA Group (tax exclusive)	1,300,000	1,330,000	1,370,000

New Product Procurement Framework Agreement

The National Energy Administration announced the scale of grid parity and bidding projects in 2020 and the installed capacity of bidding PV power generation projects was 25.97GW, and the installed capacity of grid parity wind and PV power projects were 11.40GW and 33.05GW respectively. The published grid parity and bidding projects exceeded 70GW. As a leader in the new energy industry, the Group plans to build no less than 2GW of wind and PV power projects every year from 2021 to 2023, continuing to maintain its leading level.

The proposed annual caps of the New Product Procurement Framework Agreement (TBEA) are based on estimations of the maximum procurement cost and value of transformers (including ancillary equipment), wires, cables and other equipment arising from the Group's procurement from TBEA Group through tender procedures and market price comparisons and the rate of TBEA Group's successful tenders.

In determining the proposed annual caps, the Company has also considered the Group and TBEA Group's historical transaction amounts and that the Group's strategy to invest resources to develop PV and wind power installation capacity in the future.

Nonetheless, if an independent third party provides similar products with more favourable terms, conditions or prices than those provided by TBEA Group, the Company's procurement department will base on the Company's internal guidelines and bid assessment standards select the bid and source the products from such independent third party. Thus, the actual amount or value of products procured may be lower than the proposed annual caps.

New Coal Procurement Framework Agreement

The Company's polysilicon production capacity will reach 80,000 tons/year in 2021, and the electricity demand will further increase. The self-owned power plant will maintain optimal operation and the coal demand will be relatively stable.

When determining the proposed annual caps of the New Coal Procurement Framework Agreement, the Company takes into account the increase in the estimated coal procurement expenses for 2020 and in the coal prices and transportation costs to determine the maximum procurement cost and value of coal.

Nonetheless, if an independent third party provides similar coal with more favourable terms, conditions or prices than TBEA Group, then the Company's procurement department will procure coal from the independent third party. Thus, the actual amount and value of coal procurement may be lower than the proposed annual caps.

New Miscellaneous Services Framework Agreement

Based on the Company's business plans, the Group plans to build no less than 2GW of wind and PV power projects every year from 2021 to 2023, continuing to maintain its leading level.

The proposed annual caps of the New Miscellaneous Services Framework Agreement (TBEA) are based on estimations of the maximum procurement cost and value of miscellaneous services arising from the Group's procurement from TBEA Group through tender procedures and market price comparisons and the historical rates according to TBEA's successful bid.

Nonetheless, if an independent third party provides similar services with more favourable terms, conditions or prices than TBEA Group, then the Company's procurement department will on the basis of the Company's internal guidelines and bid assessment standards select the bid and source the miscellaneous services from the independent third party. Thus, the actual amount and value of miscellaneous services procurement may be lower than the proposed annual caps.

In determining the proposed annual caps, the Company has also taken into account historical transaction amounts between the Group and TBEA Group and that the Group's strategy to invest resources to develop PV and wind power generation installation capacity in future.

New Products Sales Framework Agreement

In determining the proposed annual caps, the Company has considered the Group and TBEA Group's historical transaction amounts market prices of industrial raw materials and industrial water; and the future business development needs of TBEA Group.

2. New Tebian Framework Agreements

The annual caps with respect to the New Tebian Framework Agreements for the three years ending 31 December 2023 are as follows:

	Year ending 31 December		
	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)
Amount of products purchased by the Group from Xinjiang Tebian Group	50,000	50,000	50,000
Amount of miscellaneous services purchased by the Group from Xinjiang Tebian Group	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Total annual caps for transactions with Xinjiang Tebian Group (tax exclusive)	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>

New Product Procurement Framework Agreement (Tebian)

The proposed annual caps of the New Product Procurement Framework Agreement (Tebian) are based on estimations of the maximum procurement cost and value that arising from the Group's procurement (such as switch enclosures and other electrical equipment) from Xinjiang Tebian Group through tender procedures and market comparable price and the rate of successful bids.

Nonetheless, if an independent third party provides similar products with more favourable terms, conditions or prices than Xinjiang Tebian Group, then the Company's procurement department will on the basis of the Company's internal guidelines and bid assessment standards select the bid and source the products from the independent third party. Thus, the actual amount and value of product procurement may be lower than the proposed annual caps.

In determining the proposed annual caps, the Company has also taken into account the historical transaction amounts between the Group and Xinjiang Tebian Group and that the Group's strategy to invest resources to develop PV and wind power generation installation capacity in future.

New Miscellaneous Services Framework Agreement (Tebian)

Based on the Company's business plans, the Group plans to build no less than 2GW of wind and PV power projects every year from 2021 to 2023, continuing to maintain its leading level.

The proposed annual caps of the New Miscellaneous Services Framework Agreement (Tebian) are based on estimations of the maximum procurement cost and value of miscellaneous services arising from the Group's procurement from Xinjiang Tebian Group through tender procedures and market comparable price and the historical rates according to Xinjiang Tebian Group's successful bid.

Nonetheless, if an independent third party provides similar services with more favourable terms, conditions or prices than Xinjiang Tebian Group, the Company's procurement department will base on the Company's internal guidelines and bid assessment standards select the bid and source the miscellaneous services from the independent third party. Thus, the actual amount and value of miscellaneous services procured may be lower than the proposed annual caps.

In determining the proposed annual caps, the Company has also taken into account historical transaction amounts between the Group and Xinjiang Tebian Group and that the Group's strategy to invest resources to develop PV and wind power generation installation capacity in future.

3. New Financial Services Framework Agreement

The proposed annual caps with respect to the New Financial Services Framework Agreement for the three years ending 31 December 2023 are as follows:

	Year ending 31 December		
	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Deposit Services (Daily maximum deposit balance (including accrued interest))	1,000,000	1,000,000	1,000,000

In determining the proposed annual caps for the Deposit Services contemplated under the New Financial Services Framework Agreement, the Company has considered the following:–

- (i) the historical monetary funds (i.e. cash and cash equivalents but excluding restricted cash) of the Group, which were approximately RMB2,317 million, RMB3,856 million, RMB2,747 million and RMB2,495 million as of 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020, respectively;
- (ii) the concentration of deposits placed by the Group with certain major commercial banks with close cooperation is relatively stable; and
- (iii) the expected level of monetary funds which is relatively stable according to the Group's business development plan in the next three years.

BOARD CONFIRMATION

Each of Mr. Zhang Xin, a Director and Ms. Guo Junxiang, a Director holds positions at and/or interests in TBEA and/or TBEA Finance, and they are deemed to have material interest and have abstained from voting at the Board meeting with respect to the review and approval of the transactions concerning the Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreement and the New Financial Services Framework Agreement. The Directors (excluding Directors required to abstain, 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 Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreement and the New Financial Services Framework Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Mr. Zhang Xin, holds a position at or holds an interest in Xinjiang Tebian, and he is deemed to have material interest and has abstained from voting at the Board meeting with respect to the review and approval of the transactions concerning the New Tebian Framework Agreement. The Directors (excluding Mr. Zhang Xin who is required to abstain but including the independent non-executive Directors) are of the view that the New Tebian Framework Agreements are in the ordinary and usual course of business of the Group and on normal commercial terms, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Save for the above, none of the Directors have any material interests in the Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements, the New Tebian Framework Agreements and the New Financial Services Framework Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

TBEA is interested in approximately 65.43% of the total issued share capital of the Company, and is thus the Controlling Shareholder of the Company. Accordingly, TBEA is a Connected Person of the Company, and the transactions conducted between the Group and TBEA Group constitutes Connected Transactions of the Company.

TBEA directly holds 80% of the equity interests in TBEA Finance. Therefore, TBEA Finance, being a subsidiary of TBEA, is a Connected Person of the Company, and the transactions between the Group and TBEA Finance constitutes Connected Transactions of the Company.

Xinjiang Tebian is a 30%-controlled company held by Mr. Zhang Xin, a Director. Therefore, Xinjiang Tebian is a Connected Person of the Company, and the transactions between the Group and Xinjiang Tebian Group constitutes Connected Transactions of the Company.

1. Revised Annual Cap for Existing Continuing Connected Transaction

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 transactions under the Product Procurement Framework Agreement before its cap is exceeded. As the Existing TBEA 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 2020 Annual Cap exceeds 5%, the transactions contemplated under the Existing TBEA Framework Agreements (based on the Revised 2020 Annual Cap) are subject to the annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Renewal of Existing Continuing Connected Transactions

Since the New TBEA Framework Agreements were entered on the same date with the same party, the transactions contemplated under each of the New TBEA Framework Agreements are required to be aggregated and treated as if one transaction pursuant to rule 14A.81 of the Listing Rules. Accordingly, the annual caps in respect of the each of New TBEA Framework Agreements are aggregated and used when calculating the relevant percentage ratios. As the highest percentage ratios of the proposed annual caps for the transactions contemplated under the New TBEA Framework Agreements (as aggregated) calculated according to Rule 14.07 of the Listing Rules is higher than 5%, the New TBEA Framework Agreements (as aggregated), and their proposed annual cap are subject to the annual reporting, announcement and independent shareholders' approval requirements as set out under Chapter 14A of the Listing Rules.

Since the New Tebian Framework Agreements were entered on the same date with the same party, the transactions contemplated under the New Tebian Framework Agreements are required to be aggregated and treated as if one transaction pursuant to rule 14A.81 of the Listing Rules. Accordingly, the annual caps in respect of the New Tebian Framework Agreements are aggregated and used when calculating the relevant percentage ratios. As the highest percentage ratios of the annual caps for the transactions contemplated under the New Tebian Framework Agreements (as aggregated) exceeds 0.1% but is less than 5%, the New Tebian Framework Agreements and their annual cap are subject to the announcement and annual reporting requirements, but exempt from the independent shareholders' approval requirements as set out under Chapter 14A of the Listing Rules.

As the highest percentage ratio in respect of the Deposit Services under the New Financial Services Framework Agreement exceed 5% but are all less than 25%, the Deposit Services under the Financial Services Framework Agreement constitutes a discloseable transaction and a non-exempt continuing connected transaction of the Company, and is subject to the announcement requirement under Chapter 14 of the Listing Rules and the annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

ASSESSMENT OF QUALIFIED SUPPLIERS

The Qualified Suppliers assessment committee of the Company's procurement department will conduct regular assessments of the suppliers on the Qualified Suppliers list. The Company's procurement department is responsible for seeking Qualified Suppliers according to the Company's needs, and collect market data (including price trends of raw materials of the relevant products) from the Qualified Suppliers for conducting industrial studies. New suppliers may approach the Group with a Qualified Supplier Application, which would put their company on the qualified list for tender and bidding considerations. Upon receiving a Qualified Supplier Application, the procurement department will send a requirement list and collect background information of the applicant. Suppliers shall submit their applications through the information platform according to supplier management regulations, including product specifications and price range for new applicants.

The relevant supplier assessment committee of the Company (including the procurement department, the safety and quality department, the engineering management department and the works monitoring department), the bidding management department and the technical department will consider applications on the basis of technical level and standards assessments, and will arrange on-site inspections, to conduct further due diligence, and suppliers who satisfy such conditions will be added to the Company's Qualified Suppliers list. From the Qualified Suppliers list, the Group will invite not less than five Qualified Suppliers to participate in each bidding. The Company will consider the following factors in selecting the five Qualified Suppliers to participate in bidding, including, their geographical location their ability to satisfy specific requirements, transportation costs and time, and production capacity of procurement orders, in order to determine whether procurement volumes can be satisfied on time, so as to avoid risks with delays.

At the end of each year, the Company will conduct an assessment of existing Qualified Suppliers and new suppliers who made successful bids in the tender process. The Qualified Suppliers assessment committee will ensure that all Qualified Suppliers and suppliers on the Qualified Suppliers list possess the necessary bidding qualifications.

THE TENDER PROCESS AND THE ASSESSMENT OF TENDERS

In order to assess the best tender that can satisfy the business needs of the Company, the bid assessment committee of the Company will assess the tenders according to internal guidelines and bid assessment weights. The Company will consider the tender prices to maintain actual cost control. If bid prices of similar ranges are made by different suppliers, the Company will also consider other factors such as product quality, supplier background, warranty terms and period, product rate of return, timely delivery and payment terms. Please refer to the following for the Company's internal guidelines and bid assessment weights.

Factor	Weight	Assessment standards and procedures
Price	70%	<ul style="list-style-type: none"> • The Company sets the benchmark price by sampling not less than three tenders and taking the mean price discounted by 10%; • If the bid price is set at over 2% of benchmark price, 4 points shall be deducted from the bid; • If the bid price is set at over 1% of benchmark price, 2 points shall be deducted from the bid; • If the bid price is set at over 30% of benchmark price, the bid will be cancelled; and • If the bid price is set at under 30% of the benchmark price, the assessment committee will also take into account the estimated costs of the product and the following factors to consider whether the price provided is reasonable.

Factor	Weight	Assessment standards and procedures
Technical level, safety and quality	20%	<ul style="list-style-type: none"> • Whether product standards and major constituents satisfy technical requirements; • Whether major constituents of products are produced by reputable brands and are of superior quality; • Whether the bidder has obtained the necessary quality accreditation; • Whether the bidder had previously supplied defective products and the Company's rate of return with the products; and • Whether the supplier can timely discover and resolve the Company's questions and difficulties.
Business operations	10%	<ul style="list-style-type: none"> • Whether the tender satisfies delivery requirements; • Historical records of delayed delivery; and • Payment terms provided by the bidder.

INTERNAL CONTROLS

1. New TBEA Framework Agreements and New Tebian Framework Agreements

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 responsible for the data collection and monitoring of connected transactions, and for conducting evaluation on the fairness of the transaction and pricing terms. It will discuss with relevant 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, and/or seek independent Shareholders' approval after the Board's review and approval (as required);
- 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.

2. New Financial Services Framework Agreement

- (i) Before entering into any deposit arrangements with TBEA Finance, the Company will negotiate with TBEA Finance on an arm's length basis in respect of the deposit interest rate of the Deposit Services, and ensure that the deposit interest rate is determined (1) with reference to and is not lower than the benchmark deposit interest rate then published by PBOC for comparable deposits for the same term and in case of any change in the benchmark deposit interest rate, the interest rate payable by TBEA Finance shall be determined with reference to and not lower than such benchmark deposit interest rate; and (2) with reference to the interest rates offered by two to three other independent commercial banks in the PRC for comparable deposit services on normal commercial terms, such that the deposit interest rate of the Deposit Services will not be less favourable than that published by PBOC and that offered by two to three other independent commercial banks in the PRC for comparable deposits for the same term.
- (ii) The finance department of the Company is responsible for cross-checking the interest rates when the Group has deposit needs to ensure that TBEA Finance will comply with the interest rates regulation of PBOC and comparing the interest rates and terms offered by two to three Major Cooperative Commercial Banks. Accordingly, the Company is able to ensure that the interest rates and terms for the deposits placed by the Group with TBEA Finance are on normal commercial terms or better.
- (iii) TBEA Finance will provide the finance department of the Company with the relevant information, and the finance department will independently review such information. If there is any change on the regulation of interest rates promulgated by PBOC, the finance department of the Company will communicate and discuss with TBEA Finance to ensure that TBEA Finance will correspondingly adjust the deposit interest rates in accordance with the relevant new regulation on applicable interest rates as promulgated by PBOC and in compliance with the pricing policies of the New Financial Services Framework Agreement.

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

INFORMATION ON THE PARTIES

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.

TBEA is a joint stock company incorporated in the PRC on 26 February 1993. As of the date of this announcement, its registered capital is RMB3,714,312,789. TBEA and its close associates (excluding the 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 and transformation projects, hydro and geothermal power projects.

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

TBEA Finance is a company incorporated in the PRC with limited liability on 29 November 2018, and a subsidiary of TBEA, with registered capital of RMB1,000 million as of the date of this announcement. TBEA Finance is a non-bank financial institution approved by the CBIRC with various qualifications for the provision of financial services to members of corporate groups.

Xinjiang Joinworld is a joint stock company incorporated in the PRC with limited liability on 13 February 1996, with a registered capital of RMB1,024,705,400 as at the date of this announcement and TBEA holds 31.14% of Xinjiang Joinworld's equity interest. 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 Tebian is a company with limited liability incorporated in the PRC on 27 January 2003. As of the date of this announcement, its registered capital is RMB75,000,000. The main business of Xinjiang Tebian is the production and sales of accessories for electrical and mechanical products and transformer, civil construction and industrial investment. As of the date of this announcement, Mr. Zhang Xin holds 40.08% of Xinjiang Tebian's equity interest.

GENERAL

The Independent Board Committee comprising of all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements, the New Financial Services Framework Agreement and the proposed annual caps thereunder. 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 will consider and, if thought fit (among others), pass the resolution to approve the Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements, the New Financial Services Framework Agreement and the proposed annual caps thereunder at the EGM to be held on 23 December 2020. Such resolution will be put forward by way of poll at the EGM for the Independent Shareholders' approval by way of an ordinary resolution.

TBEA and its associates shall abstain from voting on the resolutions to be proposed at the EGM relating to the approval of the Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements, the New Financial Services Framework Agreement and the proposed annual caps thereunder.

A circular containing among other things: (i) further information on Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements and the New Financial Services Framework Agreement and the proposed annual caps thereunder; (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 Shareholders on 8 December 2020 in accordance with the Listing Rules.

DEFINITIONS

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

“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
“CBIRC”	China Banking and Insurance Regulatory Commission

“Company”	Xinte Energy Co., Ltd., 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
“Controlling Shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Deposit Services”	the deposit services to be provided by TBEA Finance to the Group under the Financial Services Framework Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the second extraordinary general meeting of 2020 of the Company to be held at the Conference Room, international conference center at No. 189, South Beijing Road, Changji, Xinjiang, the PRC on Wednesday, 23 December 2020 at 11:00 a.m.
“Existing Coal Procurement Framework Agreement”	the coal procurement framework agreement entered into by the Company and TBEA on 15 December 2017, as amended by the supplemental agreement entered into between the Company and TBEA on 23 September 2020
“Existing Financial Services Framework Agreement”	the Financial Services Framework Agreement entered into between the Company and TBEA Finance on 30 April 2019
“Existing Miscellaneous Services Framework Agreement (TBEA)”	the miscellaneous construction services framework agreement entered into by the Company and TBEA on 15 December 2017
“Existing Miscellaneous Services Framework Agreement (Tebian)”	the procurement of miscellaneous services framework agreement entered into by the Company and Xinjiang Tebian on 15 December 2017

“Existing Product Procurement Framework Agreement (TBEA)”	the product procurement framework agreement entered into by the Company and TBEA on 15 December 2017
“Existing Product Procurement Framework Agreement (Tebian)”	the product procurement framework agreement entered into by the Company and Xinjiang Tebian on 15 December 2017
“Existing Products Sales Framework Agreement”	the products sales framework agreement entered into between the Company and TBEA on 12 September 2019
“Existing TBEA Framework Agreements”	the Existing Product Procurement Framework Agreement (TBEA), the Existing Coal Procurement Framework Agreement, the Existing Miscellaneous Services Framework Agreement (TBEA) and the Existing Products Sales Framework Agreement
“Existing Tebian Framework Agreements”	the Existing Product Procurement Framework Agreement (Tebian) and the Existing Miscellaneous Services Framework Agreement (Tebian)
“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 respect of the Supplemental Product Procurement Framework Agreement, New TBEA Framework Agreements and the New Financial Services Framework Agreement and the proposed annual caps thereunder
“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 with regard to the Supplemental Product Procurement Framework Agreement; New TBEA Framework Agreements; the New Financial Services Framework Agreements and their proposed annual caps

“Independent Shareholders”	Shareholders other than TBEA Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Major Cooperative Commercial Banks”	major state-owned commercial banks and national joint stock commercial banks in the PRC that cooperate with the Group
“New Coal Procurement Framework Agreement”	the coal procurement framework agreement entered into by the Company and TBEA on 10 November 2020
“New Financial Services Framework Agreement”	the Financial Services Framework Agreement entered into between the Company and TBEA Finance on 10 November 2020
“New Framework Agreements”	the New TBEA Framework Agreements, the New Xinjiang Tebian Framework Agreements and the New Financial Services Framework Agreement
“New Miscellaneous Services Framework Agreement (TBEA)”	the miscellaneous services framework agreement entered into by the Company and TBEA on 10 November 2020
“New Miscellaneous Services Framework Agreement (Tebian)”	the miscellaneous services framework agreement entered into by the Company and Xinjiang Tebian on 10 November 2020
“New Product Procurement Framework Agreement (TBEA)”	the product procurement framework agreement entered into by the Company and TBEA on 10 November 2020
“New Product Procurement Framework Agreement (Tebian)”	the product procurement framework agreement entered into by the Company and Xinjiang Tebian on 10 November 2020
“New Products Sales Framework Agreement”	the products sales framework agreement entered into between the Company and TBEA on 10 November 2020

“New TBEA Framework Agreements”	New Product Procurement Framework Agreement (TBEA), the New Coal Procurement Framework Agreement, New Miscellaneous Services Framework Agreement (TBEA) and the New Product Sales Framework Agreement
“New Tebian Framework Agreements”	New Product Procurement Framework Agreement (Tebian) and New Miscellaneous Services Framework Agreement (Tebian)
“PBOC”	the People’s Bank of China
“percentage ratios”	has the meaning ascribed to that term in Chapter 14 of the Listing Rules
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Procurement Requirements”	requirements issued to the Company’s procurement department by the Group based on its business needs
“PV”	photovoltaic
“Qualified Supplier(s)”	supplier(s) assessed as qualified and listed as qualified supplier(s)
“Qualified Supplier Application”	application as a Qualified Supplier submitted during the Company’s Qualified Supplier assessment process
“Revised 2020 Annual Cap”	the revised anticipated maximum annual amount of the transactions contemplated under the Supplemental Product 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 Existing TBEA 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
“Supervisor(s)”	supervisor(s) of the Company
“Supplemental Product Procurement Framework Agreement”	the supplemental agreement entered into between the Company and TBEA on 10 November 2020 amending the maximum amount of product procurement fee 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 Finance”	TBEA Group Finance Co., Ltd, (特變電工集團財務有限公司) a company incorporated in the PRC with limited liability on 29 November 2018 as well as a non-bank financial institution approved by CBIRC and a subsidiary of TBEA
“TBEA Group”	TBEA and its 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)
“Xinjiang Tebian”	Xinjiang Tebian (Group) Co., Ltd. (新疆特變電工集團有限公司), a company with limited liability incorporated in the PRC on 27 January 2003

“Xinjiang Tebian Group”	Xinjiang Tebian and its associates
“Xinjiang Tianchi”	Xinjiang Tianchi Energy Co., Ltd. (新疆天池能源有限公司), a company with limited liability incorporated in the PRC on 29 November 2002 and is a subsidiary of TBEA
“30%-controlled company”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

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

Xinjiang, the PRC
10 November 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.