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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 EXISTING CONTINUING CONNECTED TRANSACTIONS; AND DISCLOSEABLE TRANSACTION**

It is anticipated that certain annual caps for the years ending 31 December 2021, 2022 and 2023 under the Existing Framework Agreements would not be sufficient for the expected transaction amount during the corresponding period due to following reasons: (i) the Group had an increased demand for the procurement of products and miscellaneous services from TBEA Group and Xinjiang Tebian Group as a result of the Group's investment and construction of the Polysilicon New Construction Projects and the construction of wind power and PV projects; (ii) as affected by the increase in market price for coal and silicon metal, the transaction amount of coal procurement and product sales between the Group and TBEA Group is expected to increase; and (iii) the Group's demand for TBEA Finance's Deposit Services increased due to the growth of the Group's revenue and increase in monetary capital. Therefore, the Board has resolved to revise the corresponding annual caps, and entered into the Supplemental Framework Agreements on 13 October 2021. Except for revising the annual caps, all other terms of the Existing Framework Agreements remain unchanged.

### **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 if it proposes to revise the annual caps under the Existing TBEA Framework Agreements, the Existing Financial Services Framework Agreement and the Existing Xinjiang Tebian Framework Agreements. As the Existing TBEA Framework Agreements and the Existing Xinjiang Tebian Framework Agreements are entered into between the same parties, according to Rule 14A.81 of the Listing Rules, the respective 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 under each of the Supplemental TBEA Framework Agreements, the Supplemental Financial Services Framework Agreement and the Supplemental Xinjiang Tebian Framework Agreements exceed 5%, each of them is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Revised Annual Caps for the Deposit Services exceeds 5% but is less than 25%, the Deposit Services contemplated under the Supplemental Financial Services Framework Agreement also constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 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 Framework Agreements 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 Framework Agreements 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 4 November 2021 in accordance with the Listing Rules.

Reference is made to the announcement dated 10 November 2020, the circular dated 2 December 2020 and the announcement of poll results of the second extraordinary general meeting of 2020 dated 23 December 2020 of the Company in relation to, inter alia, the Company's Continuing Connected Transactions with TBEA, Xinjiang Tebian and TBEA Finance.

It is anticipated that certain annual caps for the years ending 31 December 2021, 2022 and 2023 under the Existing Framework Agreements would not be sufficient for the expected transaction amount during the corresponding period due to following reasons: (i) the Group had an increased demand for the procurement of products and miscellaneous services from TBEA Group and Xinjiang Tebian Group as a result of the Group's investment and construction of the Polysilicon New Construction Projects and the construction of wind power and PV projects; (ii) as affected by the increase in market price for coal and silicon metal, the transaction amount of coal procurement and product sales between the Group and TBEA Group is expected to increase; and (iii) the Group's demand for TBEA Finance's Deposit Services increased due to the growth of the Group's revenue and increase in monetary capital. Therefore, the Board has resolved to revise the corresponding annual caps, and entered into the Supplemental Framework Agreements on 13 October 2021. Except for revising the annual caps, all other terms of the Existing Framework Agreements remain unchanged.

# **REVISION OF CERTAIN ANNUAL CAPS UNDER THE EXISTING TBEA FRAMEWORK AGREEMENTS**

## **1. Background**

On 10 November 2020, the Company entered into the Existing TBEA Framework Agreements with TBEA with a term from 1 January 2021 to 31 December 2023. Pursuant to the Existing TBEA Framework Agreements, TBEA Group provides the Group with (i) products including transformers, wires, cables and other equipment; (ii) coal; and (iii) miscellaneous services primarily including services for construction of the substation and booster stations. The Group also provides TBEA Group with products including industrial raw materials (i.e. silicon metal and liquid alkali) and industrial water.

## **2. Revision of Annual Caps under the Existing Product Procurement Framework Agreement (TBEA)**

TBEA's power transmission and transformation products are of high quality and occupy the leading position in the industry. Transformers, cables and other products are essential for the Group's daily production and operation. The Group has been continuously procuring transformers, cables and other products from TBEA Group for the polysilicon projects and wind power and PV power stations.

The "14th Five-Year" period was the key and window period for reaching carbon dioxide emission peak. The "14th Five-Year" Plan and the outline of the Long-Range Objectives through the Year 2035 (《「十四五」規劃和2035年遠景目標綱要》) clearly put forward the requirement to establish a clean, low-carbon, safe and efficient energy system. To seize the opportunity of developing new energy industry worldwide, the Group has implemented the Polysilicon New Construction Projects, of which the 100,000-ton Polysilicon Project with a total investment of RMB8.8 billion is expected to be completed and put into operation in the second half of 2022; and the Group's technical transformation projects of the Xinjiang polysilicon production line with a total investment of RMB1.265 billion is expected to be completed by the first quarter of 2022. Meanwhile, with the realization of the goal of "dual carbon", the global installed capacity of wind power and PV power will increase in future, and the scale of the Group's wind and PV resources development will also further increase, with the Group's annual installed capacity of wind power and PV projects expected to be increased from 2GW to 2.5GW to 3GW in the future. In order to ensure the completion of the above projects with guaranteed quality and quantity and to rapidly realize economic benefits, it is expected that the Group will purchase more transformers, cables and other products from TBEA Group for 2021 to 2023.

Under the Existing Product Procurement Framework Agreement (TBEA), the actual transaction amount for the eight months ended 31 August 2021 was RMB130 million. In addition, based on the construction progress of the Polysilicon New Construction Projects and the construction progress of wind power and PV projects, the products provided by TBEA Group are expected to be delivered in the fourth quarter of 2021, and the transaction amount for the year ending 31 December 2021 will increase significantly.

Based on the transaction amount of the product procurement contracts signed between the Group and TBEA Group from January to August 2021 and the subsequent product procurement contracts to be signed for the remainder of 2021, and taking into account the delivery schedule as agreed in the contracts and the future needs for the wind power and PV projects, it is expected that the transaction amount for product procurement between the Group and TBEA Group for 2021 to 2023 would exceed the annual caps under the Existing Product Procurement Framework Agreement (TBEA). Therefore, the Company intends to adjust the annual caps of the Continuing Connected Transactions for product procurement from TBEA Group for 2021 to 2023 from RMB450 million, RMB450 million and RMB450 million to RMB1.6 billion, RMB900 million and RMB700 million, respectively.

### **3. Revision of the Annual Caps under the Existing Coal Procurement Framework Agreement**

TBEA Group owns the biggest open-pit coal mine in Xinjiang by capacity and provides the Company with coal for the self-owned power plant to generate electricity for polysilicon production. With the impact of supply and demand imbalance in the coal market, the price of coal in China has been increasing since the second half of 2021. TBEA Group informed the Company that it will increase its coal sales price (including transportation fee), and the new price took effect from 1 October 2021. It is expected that the coal procurement price (including transportation fee) of the Company will increase by 25% as compared with the first half of 2021. Under the Existing Coal Procurement Framework Agreement, the actual transaction amount for the eight months ended 31 August 2021 was RMB239 million.

Considering factors including the coal demand from the Group's self-owned power plants and the increasing price of coal (including transportation fee), it is expected that the transaction amount of coal procurement between the Group and TBEA Group for 2021 to 2023 will exceed the annual caps under the Existing Coal Procurement Framework Agreement. Therefore, the Company intends to adjust the annual caps of the Continuing Connected Transactions for the coal procurement from TBEA Group for 2021 to 2023 from RMB450 million, RMB480 million and RMB520 million to RMB500 million, RMB600 million and RMB750 million, respectively.

#### **4. Revision of the Annual Caps under the Existing Miscellaneous Services Framework Agreement (TBEA)**

In order to meet the Group's demands for investment and construction of the Polysilicon New Construction Projects and wind power and PV projects, it is expected that the Group will purchase more miscellaneous services such as services for construction of substation and booster stations from TBEA Group for 2021 to 2023. Under the Existing Miscellaneous Services Framework Agreement (TBEA), the actual transaction amount for the eight months ended 31 August 2021 was RMB60 million. In addition, based on the construction progress of the Polysilicon New Construction Projects and the construction progress of wind power and PV projects, the miscellaneous services provided by TBEA Group are expected to be delivered in the fourth quarter of 2021, and the transaction amount for the year ending 31 December 2021 will increase significantly.

Based on the transaction amount of the miscellaneous services contracts signed between the Group and TBEA Group from January to August 2021 and the subsequent miscellaneous services contracts to be signed for the remainder of 2021, together with the contracts agreed and the demand for wind power and PV projects in the future, it is expected that the transaction amount for miscellaneous services procurement between the Group and TBEA Group for 2021 to 2023 would exceed the annual caps under the Existing Miscellaneous Services Framework Agreement (TBEA). Therefore, the Company intends to adjust each of the annual caps of the Continuing Connected Transactions for miscellaneous services procurement from TBEA Group for 2021 to 2023 from RMB300 million to RMB500 million.

#### **5. Revision of the Annual Caps under the Existing Product Sales Framework Agreement**

TBEA Group purchased industrial raw materials, including silicon metal, liquid alkali and others, and industrial water from the Group for its daily operation. Due to the shortage of silicon metal supply resulting from the control of energy consumption in various provinces in China, the sales price of silicon metal has increased significantly since the second half of 2021. Under the Existing Product Sales Framework Agreement, the actual transaction amount for the eight months ended 31 August 2021 was RMB43 million.

Considering the impact of the rise in the price of silicon metal, it is expected that the transaction amount for product sales between the Group and TBEA Group for 2022 and 2023 would exceed the annual caps under the Existing Product Sales Framework Agreement. Therefore, the Company intends to adjust each of the annual caps of the Continuing Connected Transactions for product sales from TBEA Group for 2021 and 2022 from RMB100 million to RMB200 million.

The revision of the annual caps under the Existing TBEA Framework Agreements is subject to obtaining the Independent Shareholders' approval.

The Existing Annual Caps and the Revised Annual Caps under the Supplemental TBEA Framework Agreements for the years ending 31 December 2021, 2022 and 2023 are as follows:

	Year ending 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023	
	Existing Annual Cap (RMB'000)	Revised Annual Cap (RMB'000)	Existing Annual Cap (RMB'000)	Revised Annual Cap (RMB'000)	Existing Annual Cap (RMB'000)	Revised Annual Cap (RMB'000)
Transaction regarding purchase of products by the Group from TBEA Group	450,000	1,600,000*	450,000	900,000*	450,000	700,000*
Transaction regarding purchase of coal by the Group from TBEA Group (including transportation fee)	450,000	500,000*	480,000	600,000*	520,000	750,000*
Transaction regarding purchase of miscellaneous services by the Group from TBEA Group	300,000	500,000*	300,000	500,000*	300,000	500,000*
Transaction regarding sales of products by the Group to TBEA Group	100,000	100,000	100,000	200,000*	100,000	200,000*
<b>Aggregate annual cap (tax exclusive)</b>	<b>1,300,000</b>	<b>2,700,000*</b>	<b>1,330,000</b>	<b>2,200,000*</b>	<b>1,370,000</b>	<b>2,150,000*</b>

\* As revised by the Supplemental TBEA Framework Agreements

## REVISION OF THE ANNUAL CAPS UNDER THE EXISTING FINANCIAL SERVICES FRAMEWORK AGREEMENT

### 1. Background

On 10 November 2020, the Company entered into the Existing Financial Services Framework Agreement with TBEA Finance with a term from 1 January 2021 to 31 December 2023, under which TBEA Finance will provide the Group with the Deposit Services.

### 2. Revision of the Annual Caps under the Existing Financial Services Framework Agreement

TBEA Finance is a regulated non-bank financial institution approved by the CBIRC, and provides financial services to the Group within the scope of its operations in compliance with the relevant national laws and regulations. The interest rates for the Deposit Services provided by TBEA Finance to the Group will be equal to or more favorable than those offered to the Group by Major Cooperative Commercial Banks.

In the first half of 2021, the Group realized revenue of RMB7,751 million, representing an increase of approximately 130% as compared to the corresponding period of the previous year, which also led to a significant increase in net cash generated from operating activities in the first half of 2021. Cash and cash equivalents were RMB3,397 million as at 30 June 2021, representing an increase of 91.49% compared to the beginning of the period. It is expected that the average selling price of the polysilicon products will continue to increase in the second half of 2021 as compared to the first half of 2021. In 2022, it is expected that the new effective production capacity for polysilicon products would be limited globally and the market supply would remain relatively tight, so the market price of polysilicon products is expected to remain at a relatively high level. Meanwhile, upon the completion of the Polysilicon New Construction Projects, the Group's polysilicon production capacity is expected to increase to 200,000 tonnes per annum by the end of 2022, leading to an increase in the Group's sales volume of polysilicon and the reduction of the average unit cost, thus increasing the Group's revenue stream for the polysilicon production segment.

In the first half of 2021, the Group's BOO segment realized revenue of RMB727 million, representing an increase of approximately 72% over the corresponding period of the previous year. The increase in revenue was mainly due to the successive completion and operation of the Group's wind power BOO projects of the ultra-high voltage base in Ximeng, Inner Mongolia and Zhundong, Xinjiang in the first half of 2021, resulting in an increase in power generation capacity. As at the end of August 2021, the aforementioned wind power BOO projects have been fully completed and operated, and the installed capacity of BOO projects contributing to power generation revenue has exceeded 2GW, representing a significant increase from 830MW as at the end of 2020. It is expected that the revenue of the Group's BOO segment will further increase in 2022 as compared to that of 2021.

Under the Existing Financial Services Framework Agreement, the daily maximum deposit balance (including accrued interest) provided by TBEA Finance to the Group for the eight months ended 31 August 2021 was RMB996 million.

In view of the above, based on the future development of polysilicon production and wind power and PV resources development and operation businesses, the Group expects further increase in revenue and monetary capital. In order to improve the efficiency of capital utilization, the Company intends to adjust the each of annual caps (i.e. the daily maximum deposit balance (including accrued interest)) of the Deposit Services provided by TBEA Finance from RMB1 billion to RMB3 billion for 2021 to 2023. The revision of the annual caps under the Existing Financial Services Framework Agreement is subject to obtaining the Independent Shareholders' approval.

The Existing Annual Caps and the Revised Annual Caps under the Supplemental Financial Services Framework Agreement for the years ending 31 December 2021, 2022 and 2023 are as follows:

	Year ending 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023	
	Existing Annual Cap (RMB'000)	Revised Annual Cap (RMB'000)	Existing Annual Cap (RMB'000)	Revised Annual Cap (RMB'000)	Existing Annual Cap (RMB'000)	Revised Annual Cap (RMB'000)
Deposit Services (Daily maximum deposit balance (including accrued interest on deposits))	<u>1,000,000</u>	<u>3,000,000*</u>	<u>1,000,000</u>	<u>3,000,000*</u>	<u>1,000,000</u>	<u>3,000,000*</u>

\* As revised by the Supplemental Financial Services Framework Agreement

## **REVISION OF THE ANNUAL CAPS UNDER THE EXISTING XINJIANG TEBIAN FRAMEWORK AGREEMENTS**

### **1. Background**

On 10 November 2020, the Company entered into the Existing Xinjiang Tebian Framework Agreements with Xinjiang Tebian with a term from 1 January 2021 to 31 December 2023, under which the Group will procure products and miscellaneous services (including engineering labour services, installation of electricity and gas facilities) from Xinjiang Tebian Group.

### **2. Revision of Annual Caps under the Existing Product Procurement Framework Agreement (Xinjiang Tebian)**

Xinjiang Tebian is the backbone manufacturing enterprise within the industry for producing products such as switch enclosures and other electrical equipment, and the products of Xinjiang Tebian are very competitive. Switch enclosures and other electrical equipment are necessities for the ordinary production and operation of the Group. The Group has been continuously purchasing such equipment from Xinjiang Tebian Group for the polysilicon projects, wind power and PV power stations. Due to the needs for the implementation of the Polysilicon New Construction Projects and the construction of wind power and PV projects, etc., the Group expects the number of switch enclosures, electrical equipment and other products purchased from Xinjiang Tebian Group to increase.



The “14th Five-Year” period was the key and window period for reaching carbon dioxide emission peak. The “14th Five-Year” Plan and the outline of the Long-Range Objectives through the Year 2035 (《「十四五」規劃和2035年遠景目標綱要》) clearly put forward the requirement to establish a clean, low-carbon, safe and efficient energy system. To seize the opportunity of developing new energy industry worldwide, the Group has implemented the Polysilicon New Construction Projects. Meanwhile, with the realization of the goal of “dual carbon”, it is expected that the global installed capacity of wind power and PV power will increase in future, and the scale of the Group’s wind and PV resources development will also further increase. In addition, based on Xinjiang Tebian Group’s rich experience in manufacturing, it has started to engage in the tower manufacturing business since 2021. Currently, it has already won the bidding of the Group’s tower order with an amount of approximately RMB90 million. It is expected that the procurement of the Group from Xinjiang Tebian Group will further increase in the future due to further enhancement in the production capacity. In order to meet the Group’s production and operation needs, it is expected that the Group will increase the procurement of switch enclosures and other electrical equipment from Xinjiang Tebian Group from 2021 to 2023.

Under the Existing Product Procurement Framework Agreement (Xinjiang Tebian), the actual transaction amount for the eight months ended 31 August 2021 was RMB3 million. In addition, based on the construction progress of the Polysilicon New Construction Projects and the construction progress of wind power and PV projects, the products are expected to be delivered collectively in the fourth quarter of 2021, and the transaction amount for the year ending 31 December 2021 will increase significantly.

Based on the transaction amount of the product procurement contracts signed between the Group and Xinjiang Tebian Group from January to August 2021 and the subsequent product procurement contracts to be signed for the remainder of 2021, and taking into account the delivery schedule as agreed in the contracts and the future needs for the wind power and PV projects, it is expected that the actual amount occurred for 2021 to 2023 would exceed the annual caps under the Existing Product Procurement Framework Agreement (Xinjiang Tebian). Therefore, the Company intends to adjust each of the annual caps of Continuing Connected Transactions for product procurement with Xinjiang Tebian Group for 2021 to 2023, from RMB50 million, RMB50 million and RMB50 million to RMB400 million, RMB250 million and RMB250 million, respectively.

### **3. Revision of the Annual Caps under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian)**

Xinjiang Tebian Group possesses rich experience in installation of civil works infrastructure construction and renovation, and consistently provides quality ancillary services in civil works infrastructure construction, renovation and installation. In recent years, Xinjiang Tebian Group provided miscellaneous services such as civil construction infrastructure, renovation and installation services to the Group's polysilicon projects, wind power and PV projects, and it has a strong advantage in service quality and price.

In order to meet the Group's needs for the Polysilicon New Construction Projects and wind power and PV projects, it is expected that the Group will increase the procurement of miscellaneous services such as civil construction infrastructure, renovation and installation services from Xinjiang Tebian Group from 2021 to 2023.

Under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian), the actual transaction amount for the eight months ended 31 August 2021 was RMB6 million. In addition, based on the construction progress of the Polysilicon New Construction Projects and the construction progress of wind power and PV projects, the products are expected to be delivered collectively in the fourth quarter of 2021, and the transaction amount for the year ending 31 December 2021 will increase significantly.

Based on the transaction amount of the miscellaneous services contracts signed between the Group and Xinjiang Tebian Group from January to August 2021 and the subsequent miscellaneous service contracts to be signed for the remainder of 2021, and taking into account the agreed matters in the contracts and the future needs for the wind power and PV projects, it is expected that the actual amount occurred for 2021 to 2023 would exceed the annual caps under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian). Therefore, the Company intends to adjust the each of annual caps of Continuing Connected Transactions for miscellaneous services with Xinjiang Tebian Group for 2021 to 2023, from RMB300 million to RMB500 million.

The revision of the annual caps under the Existing Xinjiang Tebian Framework Agreements is subject to obtaining the Independent Shareholders' approval.

The Existing Annual Caps and the Revised Annual Caps under the Supplemental Xinjiang Tebian Framework Agreements for the years ending 31 December 2021, 2022 and 2023 are as follows:-

	Year ending 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023	
	Existing Annual Cap (RMB'000)	Revised Annual Cap (RMB'000)	Existing Annual Cap (RMB'000)	Revised Annual Cap (RMB'000)	Existing Annual Cap (RMB'000)	Revised Annual Cap (RMB'000)
Transaction regarding purchase of products by the Group from Xinjiang Tebian Group	50,000	400,000*	50,000	250,000*	50,000	250,000*
Transaction regarding purchase of miscellaneous services by the Group from Xinjiang Tebian Group	300,000	500,000*	300,000	500,000*	300,000	500,000*
<b>Aggregate annual caps (tax exclusive)</b>	<b>350,000</b>	<b>900,000*</b>	<b>350,000</b>	<b>750,000*</b>	<b>350,000</b>	<b>750,000*</b>

\* As revised by the Supplemental Xinjiang Tebian Framework Agreements

## PRICING BASIS

### 1. The Existing Product Procurement Framework Agreement (TBEA), the Existing Product Procurement Framework Agreement (Xinjiang Tebian), the Existing Miscellaneous Services Framework Agreement (TBEA) and the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian)

As there is neither a government-prescribed price nor a government-guidance price, to ensure that the terms and prices provided by TBEA Group and Xinjiang Tebian Group are fair and reasonable and in line with market practice, the Company has and will continue to adopt the following tender and market price comparisons process and principles to determine whether products and services shall be procured from TBEA Group and Xinjiang Tebian Group:

- Business departments of the Company will submit procurement needs to the Company's procurement department based on their business needs.
- Once the Company's procurement department receives the procurement needs, it will extend the tender invitation to Qualified Suppliers to invite them to participate in bidding or market price comparisons based on procurement needs. 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) 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 on whether to accept the tender.
- Once a tender is accepted, 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 Company will enter into a contract with the supplier and arrange for delivery of the product. The entire procurement process generally takes five to seven working days.

## **2. The Existing Coal Procurement Framework Agreement**

As there is neither a government-prescribed price nor a government-guidance price, to ensure that the coal procurement terms and prices provided by TBEA Group are fair and reasonable and in line with market practice, the Group has and will continue to adopt the following measures and principles to determine the coal procurement price:

- 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 level 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.

### **3. The Existing Product Sales Framework Agreement**

- 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. Where there are no comparable orders, prices are determined according to the prevailing market price of the same or similar products and the relevant quotes are obtained from the industry websites. Prices of silicon metal are determined based on the price of same products stated on China Ferroalloy Online\* (中國鐵合金在線); whilst prices of liquid alkali are determined based on the price of same products provided by Zhuo Chuang Information\* (卓創資訊); and
- Price of industrial water shall be determined with reference to the quotation of urban tap water provided by Urumqi Water Industry Group Co., Ltd., if applicable.

### **4. The Existing Financial Services Framework Agreement**

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 PBOC; (ii) the deposit interest rates offered by other Major Cooperative Commercial Banks in the PRC; and (iii) the deposit interest rates offered by TBEA Finance to any member companies (excluding the Group) of TBEA with same credit ratings, if applicable.

## **BOARD CONFIRMATION**

Mr. Zhang Xin, Mr. Huang Hanjie and Ms. Guo Junxiang, being the Directors who hold position(s) at and/or interested in TBEA and/or TBEA Finance are deemed to have material interest and have abstained from voting at the Board meeting with respect to the review and approval of resolutions on proposed revision of the Existing Annual Caps under the Existing TBEA Framework Agreements and the Existing Financial Services Framework Agreement.

Mr. Zhang Xin, a Director who holds a position and interested in Xinjiang Tebian, is deemed to have material interest and has abstained from voting at the Board meeting with respect to the review and approval of resolutions on proposed revision of the Existing Annual Caps under the Existing Xinjiang Tebian Framework Agreements.

The Directors (save for 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 TBEA Framework Agreements, the Supplemental Financial Services Framework Agreement, the Supplemental Xinjiang Tebian 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 which and the Revised Annual Caps are fair and reasonable and in the interest of the Company and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, TBEA is directly interested in approximately 66.52% of the total issued share capital of the Company. Thus, TBEA is a Controlling Shareholder and Connected Person of the Company, and the transactions between the Group and TBEA Group constitute Connected Transactions of the Company.

As at the date of this announcement, TBEA directly holds 80% of the equity interest 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 constitute Connected Transactions of the Company.

As at the date of this announcement, Mr. Zhang Xin holds 40.08% of Xinjiang Tebian's equity interest, thus, Xinjiang Tebian is a 30%-controlled company of 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 constitute 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 if it proposes to revise the annual caps under the Existing TBEA Framework Agreements, the Existing Financial Services Framework Agreement and the Existing Xinjiang Tebian Framework Agreements. As the Existing TBEA Framework Agreements and the Existing Xinjiang Tebian Framework Agreements are entered into between the same parties, according to Rule 14A.81 of the Listing Rules, the respective 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 under each of the Supplemental TBEA Framework Agreements, the Supplemental Financial Services

Framework Agreement and the Supplemental Xinjiang Tebian Framework Agreements exceed 5%, each of them is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Revised Annual Caps for the Deposit Services exceeds 5% but is less than 25%, the Deposit Services contemplated under the Supplemental Financial Services Framework Agreement also constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **ASSESSMENT OF QUALIFIED SUPPLIERS**

The Qualified Suppliers assessment committee of the Group's procurement department will conduct regular assessments of the suppliers on the Qualified Suppliers list. The Group's procurement department is responsible for seeking Qualified Suppliers according to the Group'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 also approach the Group with a Qualified Supplier application. Upon receiving a new Supplier application, the Group's procurement department will send a requirement list and collect background information of the new applicant. New suppliers shall submit their applications through the information platform according to supplier management regulations, including product specifications and price range from new applicants.

The relevant supplier assessment committee of the Group (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 Group'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 Group will consider the following factors in selecting the five Qualified Suppliers to participate in bidding, including, geographical location, ability to satisfy specific requirements of procurement orders, transportation costs and time, and production capacity, in order to determine whether procurement volumes can be satisfied on time and avoid risks with delays.

At the end of each year, the Group 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.

## INTERNAL CONTROLS

### 1. The Existing TBEA Framework Agreements and the Existing Xinjiang Tebian Framework Agreements

To ensure the Group's conformity with the above pricing basis, the Group has adopted a series of internal control measures for its daily operations:

- the Group has adopted a transaction management system on connected transactions. Business departments of the Group are required to conduct updates of separate agreements for the Continuing Connected Transactions, and regularly report the execution status of each connected transaction 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 pricing terms. It will discuss with subsidiaries and business departments to review the execution status of the connected transactions and determine the annual caps. It will also report to the Board and the board of supervisors on the Group's connected transactions on a quarterly basis. If it is anticipated that there is a need to revise the annual caps, the Company will comply with the relevant requirements under Listing Rules to issue an announcement, report to the Independent Board Committee and/or seek Independent Shareholders' approval after the Board's review and approval (as the case may be);
- the Group 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 agreements 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 data 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. Existing 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 Major Cooperative Commercial Banks 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 Major Cooperative Commercial Banks 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 Existing Financial Services Framework Agreement.

Balance of the Group's funds which are not deposited with TBEA Finance will be deposited into commercial bank(s) in the PRC.

## INFORMATION OF THE PARTIES

The Company is a global leading manufacturer of polysilicon as well as developer and operator of wind power and PV resources. Its main businesses include the production of polysilicon and the provision of engineering and construction contracting and operating services for PV and wind power projects. The Company is also engaged in the manufacturing of supporting equipment (mainly inverters, flexible direct current converter valve 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, and listed on the Shanghai Stock Exchange (stock code: 600089). As of the date of this announcement, its registered capital is RMB3,786,103,952. TBEA and its close associates (excluding the Group) are 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.

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 Tebian is a company incorporated in the PRC with limited liability 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, providing engineering services and industrial investment. As at the date of this announcement, to the knowledge of the Company, Mr. Zhang Xin and Mr. Chen Weilin holds 40.08% and 33.61% of Xinjiang Tebian's equity interest, respectively.

## **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 Framework Agreements 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 22 November 2021 to seek Independent Shareholders' approval for the Supplemental Framework Agreements and the Revised Annual Caps thereunder. Such resolutions will be put forward and decided by way of a poll at the EGM by way of ordinary resolution.

TBEA Group shall abstain from voting on the resolutions to be proposed at the EGM for considering and approving the Supplemental TBEA Framework Agreements and the Supplemental Financial Services Framework Agreement and the Revised Annual Caps thereunder.

Xinjiang Tebian Group shall abstain from voting on the resolutions to be proposed at the EGM for considering and approving the Supplemental Xinjiang Tebian Framework Agreements and the Revised Annual Caps thereunder.

A circular containing, among other things, (i) further information on the Supplemental Framework Agreements 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 4 November 2021 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:

“100,000-ton Polysilicon Project”	the 100,000-ton-per-annum high-purity polysilicon green energy circular economy construction project
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	audit committee of the Board
“BOO”	Build-Own-Operate, a contracting model in which the contractor undertakes the construction, operations and maintenance of a project

“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 20 February 2008
“Continuing Connected Transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	the deposit services provided by TBEA Finance to the Group under the financial services framework agreement
“Director(s)”	the director(s) of the Company
“EGM”	the third extraordinary general meeting of 2021 of the Company to be held at the Conference Room, International Conference Center at No. 189, South Beijing Road, Changji, Xinjiang, the PRC on Monday, 22 November 2021 at 11:00 a.m.
“Existing Annual Caps”	the existing anticipated maximum annual amount for the transactions contemplated under the Existing Framework Agreements for the years ending 31 December 2021, 2022 and 2023
“Existing Coal Procurement Framework Agreement”	the coal procurement framework agreement entered into between the Company and TBEA on 10 November 2020
“Existing Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and TBEA Finance on 10 November 2020
“Existing Framework Agreements”	the Existing TBEA Framework Agreements, the Existing Xinjiang Tebian Framework Agreements and the Existing Financial Services Framework Agreement

“Existing Miscellaneous Services Framework Agreement (TBEA)”	the miscellaneous services framework agreement entered into between the Company and TBEA on 10 November 2020
“Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian)”	the miscellaneous services framework agreement entered into between the Company and Xinjiang Tebian on 10 November 2020
“Existing Product Procurement Framework Agreement (TBEA)”	the product procurement framework agreement entered into between the Company and TBEA on 10 November 2020
“Existing Product Procurement Framework Agreement (Xinjiang Tebian)”	the product procurement framework agreement entered into between the Company and Xinjiang Tebian on 10 November 2020
“Existing Product Sales Framework Agreement”	the product sales framework agreement entered into between the Company and TBEA on 10 November 2020
“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 Product Sales Framework Agreement
“Existing Xinjiang Tebian Framework Agreements”	the Existing Product Procurement Framework Agreement (Xinjiang Tebian) and the Existing Miscellaneous Services Framework Agreement (Xinjiang 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 all independent non-executive Directors established to advise the Independent Shareholders in respect of the Supplemental Framework Agreements and the Revised 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 Framework Agreements and the Revised Annual Caps
“Independent Shareholders”	Shareholders other than TBEA Group and/or Xinjiang Tebian Group (as the case may be)
“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
“PBOC”	the People’s Bank of China
“percentage ratios”	has the meaning ascribed to that term in Chapter 14 of the Listing Rules
“Polysilicon New Construction Projects”	the 100,000-ton Polysilicon Project and the technical transformation projects of the Xinjiang polysilicon production line
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PV”	photovoltaic
“Qualified Supplier(s)”	supplier(s) assessed as qualified and listed as qualified suppliers(s)
“Revised Annual Caps”	the revised anticipated maximum annual amount for the transactions contemplated under the Supplemental Framework Agreements for the years ending 31 December 2021, 2022 and 2023
“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 meaning ascribed to it under the Listing Rules
“Supplemental Coal Procurement Framework Agreement”	the supplemental agreement entered into between the Company and TBEA on 13 October 2021 to revise the maximum amounts of coal procurement fee (including transportation cost) payable to TBEA Group for the years ending 31 December 2021, 2022 and 2023
“Supplemental Financial Services Framework Agreement”	the supplemental agreement entered into between the Company and TBEA Finance on 13 October 2021 to revise the daily maximum deposit balance of the Deposit Services (including accrued interest) for the years ending 31 December 2021, 2022 and 2023
“Supplemental Framework Agreements”	the Supplemental TBEA Framework Agreements, the Supplemental Financial Services Framework Agreement and the Supplemental Xinjiang Tebian Framework Agreements
“Supplemental Miscellaneous Services Framework Agreement (TBEA)”	the supplemental agreement entered into between the Company and TBEA on 13 October 2021 to revise the maximum amount payable to TBEA Group in respect of miscellaneous services for the years ending 31 December 2021, 2022 and 2023
“Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian)”	the supplemental agreement entered into between the Company and Xinjiang Tebian on 13 October 2021 to revise the maximum amount payable to Xinjiang Tebian Group in respect of miscellaneous services for the years ending 31 December 2021, 2022 and 2023
“Supplemental Product Procurement Framework Agreement (Xinjiang Tebian)”	the supplemental agreement entered into between the Company and Xinjiang Tebian on 13 October 2021 to revise the maximum amount payable to Xinjiang Tebian Group in respect of product procurement for the years ending 31 December 2021, 2022 and 2023

“Supplemental Product Procurement Framework Agreement (TBEA)”	the supplemental agreement entered into between the Company and TBEA on 13 October 2021 to revise the maximum amount payable to TBEA Group in respect of product procurement for the years ending 31 December 2021, 2022 and 2023
“Supplemental Product Sales Framework Agreement”	the supplemental agreement entered into between the Company and TBEA on 13 October 2021 to revise the maximum amount receivable from TBEA Group in respect of product sales for the years ending 31 December 2022 and 2023
“Supplemental TBEA Framework Agreements”	the Supplemental Product Procurement Framework Agreement (TBEA), Supplemental Coal Procurement Framework Agreement, Supplemental Miscellaneous Services Framework Agreement (TBEA) and Supplemental Product Sales Framework Agreement
“Supplemental Xinjiang Tebian Framework Agreements”	the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) and Supplemental Product Procurement Framework Agreement (Xinjiang Tebian)
“TBEA”	TBEA Co., Ltd. (特變電工股份有限公司), a joint stock company incorporated in the PRC with limited liability on 26 February 1993 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 and a subsidiary of TBEA
“TBEA Group”	TBEA and its associates (excluding the Group)
“Xinjiang Tebian”	Xinjiang Tebian (Group) Co., Ltd. (新疆特變電工集團有限公司), a company incorporated in the PRC with limited liability on 27 January 2003
“Xinjiang Tebian Group”	Xinjiang Tebian and its associates



“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  
13 October 2021

*As at 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, Mr. Huang Hanjie and Ms. Guo Junxiang as non-executive Directors; and Mr. Cui Xiang, Mr. Chen Weiping and Mr. Tam, Kwok Ming Banny as independent non-executive Directors.*