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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in **Xinte Energy Co., Ltd.** you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

**REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS;  
PROPOSED ADOPTION OF CHINA ACCOUNTING STANDARDS  
FOR BUSINESS ENTERPRISES FOR THE PREPARATION OF FINANCIAL  
STATEMENTS;  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;  
PROPOSED CHANGE OF AUDITOR;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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A letter from the Board is set out on pages 8 to 31 of this circular. A letter from the Independent Financial Adviser, Sorrento Capital Limited containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 58 of this circular and a letter from the Independent Board Committee is set out on page 32 of this circular.

The notice convening the EGM 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., is set out on pages EGM-1 to EGM-4 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For holders of H Shares, the form of proxy should be returned to Computershare Hong Kong Investor Services Limited and for holders of Domestic Shares, the form of proxy should be returned to the Company's board secretary office not less than 24 hours before the time fixed for holding the EGM (i.e. no later than 11 a.m. on Sunday, 21 November 2021) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting should you so wish.

4 November 2021

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## DEFINITIONS

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

“100,000-ton Polysilicon Project”	the 100,000-ton-per-annum high-purity polysilicon green energy circular economy construction project
“30%-controlled company”	has the meaning ascribed to it under the Listing Rules
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	audit committee of the Board
“Board”	the board of Directors
“BOO”	Build-Own-Operate, a contracting model in which the contractor undertakes the construction, operations and maintenance of a project
“CASBE”	China Accounting Standards for Business Enterprises
“CBIRC”	China Banking and Insurance Regulatory Commission
“CSRC”	China Securities 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

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## DEFINITIONS

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“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
“Domestic Share(s)”	ordinary domestic share(s) with par value of RMB1.00 each in the share capital 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 transaction amount as agreed 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

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## DEFINITIONS

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“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
“H Shares”	foreign shares listed overseas with a par value of RMB1.00 per share in the share capital of the Company, which are subscribed and traded in Hong Kong dollars, and listed on the Stock Exchange
“Independent Board Committee”	the independent board committee comprising of all independent non-executive Directors established to advise the Independent Shareholders in respect of the Supplemental Framework Agreements and the Revised Annual Caps thereunder

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## DEFINITIONS

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“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 thereunder
“Independent Shareholders”	Shareholders other than TBEA Group and/or Xinjiang Tebian Group (as the case may be)
“Latest Practicable Date”	1 November 2021, being the latest practicable date before printing of this circular for the purpose of ascertaining certain information contained in this circular
“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
“MOF”	Ministry of Finance of the People’s Republic of China
“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 circular, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

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## DEFINITIONS

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“Proposed Issuance of A Shares”	the Company’s consideration and exploration of the possibility of an initial public offering of the Shares traded in Renminbi
“PV”	photovoltaic
“PwC”	PricewaterhouseCoopers
“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	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)
“SHINEWING”	SHINEWING Certified Public Accountants LLP
“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 amending the maximum amounts of coal procurement fee (including transportation cost) payable to TBEA Group for the years ending 31 December 2021, 2022 and 2023

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## DEFINITIONS

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“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 (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 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



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## DEFINITIONS

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“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
“%”	per cent

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Zhang Jianxin (*Chairman*)

Mr. Yin Bo

Mr. Xia Jinjing

*Non-executive Directors:*

Mr. Zhang Xin

Mr. Huang Hanjie

Ms. Guo Junxiang

*Independent Non-executive Directors:*

Mr. Cui Xiang

Mr. Chen Weiping

Mr. Tam, Kwok Ming Banny

*Registered office:*

No. 2249, Zhongxin Street

Ganquanpu Economic and  
Technological Development Zone  
(Industrial Park)

Urumqi, Xinjiang, the PRC

*Headquarters and*

*principal place of business in the PRC:*

No. 2249, Zhongxin Street

Ganquanpu Economic and  
Technological Development Zone  
(Industrial Park)

Urumqi, Xinjiang, the PRC

*Principal place of business in Hong Kong:*

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

4 November 2021

To the Shareholders

Dear Sir or Madam,

**REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS;  
PROPOSED ADOPTION OF CHINA ACCOUNTING STANDARDS  
FOR BUSINESS ENTERPRISES FOR THE PREPARATION OF FINANCIAL  
STATEMENTS;  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;  
PROPOSED CHANGE OF AUDITOR;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to (i) the announcement of the Company dated 13 October 2021 in relation to, amongst others, the revision of the Existing Annual Caps under the Existing Framework Agreements for the years ending 31 December 2021, 2022 and 2023, the Supplemental Framework Agreements and the Revised Annual Caps thereunder; (ii) the announcement of the Company dated 13 January 2021 in relation to the Proposed Issuance of A Shares; and (iii) the announcement of

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## LETTER FROM THE BOARD

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the Company dated 22 October 2021 in relation to the proposed adoption of the CASBE for the preparation of the financial statements, proposed amendments to the Articles of Association and proposed change of auditor.

The purpose of this circular is to provide you with, inter alia, (i) further information of the Supplemental Framework Agreements, the Revised Annual Caps thereunder and other information prescribed by the Listing Rules; (ii) proposed adoption of the CASBE for the preparation of the financial statements; (iii) proposed amendments to the Articles of Association; (iv) proposed change of auditor; (v) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (vi) a letter of advise from Sorrento Capital Limited to the Independent Board Committee and the Independent Shareholders; and (vii) notice of the EGM, to enable you to make informed decision on whether to vote for or against the resolutions to be proposed at the EGM.

### **A. REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS**

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

##### **1.1 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.

On 13 March 2021, the National People's Congress of the PRC approved and published 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》), which clearly put forward the requirement to establish a clean, low-carbon, safe and efficient energy system.

On 25 March 2021, the Shareholders considered and approved to proceed the 100,000-ton Polysilicon Project on the first extraordinary general meeting of 2021 of the Company. On 14 April 2021, the Board considered and approved to implement the technical transformation projects of the Xinjiang polysilicon production line.

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## LETTER FROM THE BOARD

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After entering into the Existing TBEA Framework Agreements in November 2020, the government policy of the “14th Five-Year” Plan which outlined the efficient energy policy has been promulgated in March 2021 and the Polysilicon New Construction Projects has been implemented in the first half of 2021 to produce polysilicon products which belong to the new energy industry and strategic emerging industry. Therefore, the Company expected the actual transaction amount for the products, inter alia, the transformers, wires, cables and miscellaneous services for construction of the substation and booster station supporting the increased production capacity of polysilicon projects will have an unexpected and substantial increase since the entering into the Existing TBEA Framework Agreements in November 2020. Furthermore, as there is a newly promulgated government policy, the market price of the contemporary traditional energy has increased, and therefore the market price of the coal has also increased coinciding this increasing pricing trend of all efficient energy production related resources. Besides, due to the government policy to control energy consumption, the shortage of silicon metal supply in various provinces in China also led to a sharp rise in the sales price of silicon metal since the second half of 2021. Therefore, the Company expected that the existing annual caps as stipulated under the Existing Coal Procurement Framework Agreement and Existing Products Sales Framework Agreement will not be able to cover the actual transaction amount with reference to the updated circumstance.

Therefore, the Company expected that the actual transaction amounts between the Group and TBEA Group for 2021 to 2023 would be larger than the original estimation as stipulated under the Existing TBEA Framework Agreements and it is necessary to revised the annual caps for the respective transactions under Existing TBEA Framework Agreements accordingly.

### **1.2 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 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

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## LETTER FROM THE BOARD

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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.

### **1.3 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.

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## LETTER FROM THE BOARD

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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.

### **1.4 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.

### **1.5 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.

## LETTER FROM THE BOARD

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 2022 and 2023 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

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

### 2.1 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.

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## LETTER FROM THE BOARD

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### **2.2 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 Zhudong, 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.



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## LETTER FROM THE BOARD

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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

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

#### 3.1 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.

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## LETTER FROM THE BOARD

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### 3.2 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

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## LETTER FROM THE BOARD

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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.

### **3.3 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 RMB138 million. In addition, based on the construction progress of the Polysilicon New Construction Projects and the construction progress of wind power and PV projects, miscellaneous services provided by Xinjiang Tebian Group 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.

## LETTER FROM THE BOARD

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.

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## LETTER FROM THE BOARD

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- 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.

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## LETTER FROM THE BOARD

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### 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.

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## LETTER FROM THE BOARD

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### 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 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 (including the independent non-executive Directors whose view is based on the advice from the Independent Financial Adviser) are of the view that the Supplemental 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 the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, TBEA is directly interested in approximately 66.52% of the total issued share capital of the Company, and is thus a Controlling Shareholder and a Connected Person of the Company. Hence, the transactions between the Group and TBEA Group under the Supplemental TBEA Framework Agreements constitute Continuing Connected Transactions of the Company.

As at the Latest Practicable Date, 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.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, 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, and thus is a Connected Person of the Company. Hence, the transactions between the Group and Xinjiang Tebian Group under the Supplemental Xinjiang Tebian Framework Agreements constitute Continuing Connected Transactions of the Company.

Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules 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.

### 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



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## LETTER FROM THE BOARD

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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 CONTROL

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

#### **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 report the execution status of each connected transaction to the secretary of the Board on a monthly basis. 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);

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## LETTER FROM THE BOARD

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- 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

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## LETTER FROM THE BOARD

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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.
- (iv) The independent non-executive Directors and the auditor of the Company have reviewed the Existing Financial Services Framework Agreement and will continue to review the Supplemental Financial Services Framework Agreement. The independent non-executive Directors and the auditor of the Company will also regularly monitor and listen to the Group's reports on the implementation of the financial services agreements to ensure they are made on normal commercial terms, fair and reasonable, and the implementation is in accordance with the terms of such agreements.

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.

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## LETTER FROM THE BOARD

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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 at the Latest Practicable Date, 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 at the Latest Practicable Date. 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. As at the Latest Practicable Date, TBEA directly holds 80% of the equity interest in TBEA Finance and is the ultimate beneficial owner of TBEA Finance.

Xinjiang Tebian is a company incorporated in the PRC with limited liability on 27 January 2003. As at the Latest Practicable Date, 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 Latest Practicable Date, 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.

### **B. PROPOSED ADOPTION OF THE CASBE FOR THE PREPARATION OF FINANCIAL STATEMENTS**

Since the listing of the Company's H shares on the Stock Exchange, the Company has been adopting the International Financial Reporting Standards to prepare the financial statements published on the Stock Exchange, and disclosing corresponding financial information in accordance with the requirements under the Listing Rules.

According to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Stock Exchange in December 2010, the issuers listed in Hong Kong and incorporated in mainland China have been approved to adopt the CASBE to prepare their financial statements, and China accounting firms recognized by the MOF and the CSRC are permitted to audit such financial statements by adopting the China Standards on Auditing.

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## LETTER FROM THE BOARD

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As the Company is now considering and exploring for matters relating to the Proposed Issuance of A Shares, in order to concurrently meet the reporting requirements of the Proposed Issuance of A Shares and the Listing Rules, the Board proposed that the Company shall adopt the CASBE for the preparation of the financial statements published on the Stock Exchange and disclosure of corresponding financial information from 2021, subject to approval by the Shareholders at the EGM. The Board considered that the proposed adoption of the CASBE will enhance efficiency and reduce audit costs, which is in the interests of the Company and the Shareholders. The proposed adoption of the CASBE does not have any material adverse impact on the Company's financial condition and meeting the disclosure requirements of the annual results for the year ending 31 December 2021.

### C. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As the Company proposes to adopt the CASBE for the preparation of the financial statements and disclose corresponding financial information, the Company proposes to amend relevant terms of the Articles of Association, subject to approval by the Shareholders at the EGM, details are as follows:

Before amendment	After amendment
Article 210 The financial statement of the Company shall be prepared in line with the accounting standards, laws and regulations of China, <b><u>the Company shall also follow the international accounting standards or the accounting standards of the listing region while preparing the financial statement. If there is any significant discrepancy between the financial statements prepared in accordance with two accounting standards, such discrepancy shall be specified in the notes on the financial statements. When the Company distributes the post-tax profit in an accounting year, the smaller post-tax profit in the aforesaid two financial statements shall prevail.</u></b>	Article 210 The financial statement of the Company shall be prepared in line with the accounting standards, laws and regulations of China.

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## LETTER FROM THE BOARD

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<b>Before amendment</b>	<b>After amendment</b>
Article 211 The interim results or financial information published or disclosed by the Company shall be prepared according to the Chinese accounting standards, laws and regulations, <b><u>and also in line with the international accounting standards or the accounting standards observed in the overseas listing region.</u></b>	Article 211 The <b><u>quarterly/interim/annual</u></b> results or financial information published or disclosed by the Company shall be prepared according to the Chinese accounting standards, laws and regulations.

### D. PROPOSED CHANGE OF AUDITOR

PwC has been serving as international auditor of the Company since the Company's listing on the Stock Exchange and is responsible for auditing the Company's financial statements prepared in accordance with the International Financial Reporting Standards. As the Company is now considering and exploring for the Proposed Issuance of A Shares, the Company proposes to appoint an auditor to audit the financial statements prepared in accordance with the CASBE, in order to meet the reporting requirements of the Proposed Issuance of A Shares and the Listing Rules. Upon friendly communication, the Company and PwC have reached consensus to terminate the appointment of PwC as the Company's international auditor, subject to approval by the Shareholders at the EGM.

In view of the proposed adoption of the CASBE for the preparation of the financial statements, and appointment of SHINEWING by the Company's controlling shareholder, TBEA, as its auditor to audit financial statements of TBEA and its subsidiaries (including the Group) prepared in accordance with the CASBE. Therefore, in order to save auditing expenses, and enhance efficiency, upon consideration and recommendation by the Audit Committee, the Board also proposed the appointment of SHINEWING as the auditor of the Company for 2021 for the audit of the financial statements prepared in accordance with the CASBE to audit the Company's 2021 financial statements and to propose to the EGM to authorize the Board to determine its remuneration. SHINEWING will hold office until the conclusion of the next annual general meeting of the Company. SHINEWING will discharge the duties as an auditor under the Listing Rules after obtaining the approval by the Shareholders at the EGM. SHINEWING is a firm of practicing accountants which has been approved by the MOF and the CSRC and eligible to provide auditing services by adopting the China Standards on Auditing to the issuers listed in Hong Kong and incorporated in mainland China.

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## LETTER FROM THE BOARD

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PwC has confirmed in writing that there are no matters which needs to be brought to the attention of the Shareholders in connection with the termination of its appointment as the Company's international auditor. The Board has confirmed that it is not aware of any matters in relation to such termination of appointment that needs to be brought to the attention of the Shareholders. The Board and the Audit Committee have also confirmed that there are no disagreement or unresolved matters between the Company and PwC. The Board would like to take this opportunity to express its gratitude to PwC for its professional support and services rendered to the Company over the past years.

The Company considers that the termination of appointment of PwC as the Company's international auditor and proposed appointment of SHINEWING as the Company's auditor will not affect the Company's publication of the annual results for the year ending 31 December 2021.

### **E. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Pursuant to the Listing Rules, the Independent Board Committee (comprising all independent non-executive Directors) has been formed to advise the Independent Shareholders on the Supplemental Framework Agreements and the Revised Annual Caps thereunder. The members of the Independent Board Committee are Mr. Cui Xiang, Mr. Chen Weiping and Mr. Tam, Kwok Ming Banny. Sorrento Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Supplemental Framework Agreements and the Revised Annual Caps thereunder are in the interests of the Company and the Shareholders as a whole and make recommendation(s) on voting.

### **F. EGM**

The EGM will 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., to consider and, if thought fit, to approve the Supplemental Framework Agreements and the Revised Annual Caps thereunder. The notice of the EGM and a form of proxy for use at the EGM are enclosed with this circular.

Any shareholder and his or her or its associates with a material interest in the resolution will abstain from voting on the resolution on the entering into of the Supplemental Framework Agreements at the EGM. As at the Latest Practicable Date, TBEA holds directly and indirectly approximately 66.61% in aggregate of the total issued share capital of the Company, including 951,226,161 Domestic Shares and 1,223,200 H Shares held through TBEA (HONGKONG) CO., LIMITED ("TBEA (HONG KONG)"), and is the Controlling Shareholder and a Connected Person of the Company. As such, TBEA Group shall abstain from voting on the resolutions on the entering into of the Supplemental TBEA Framework Agreements and Supplemental Financial Services

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## LETTER FROM THE BOARD

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Framework Agreement at the EGM. As at the Latest Practicable Date, Xinjiang Tebian is a 30%-controlled company of Mr. Zhang Xin, a Director, and thus is a Connected Person of the Company. As at the Latest Practicable Date, Xinjiang Tebian Group directly and indirectly holds 61,143,108 Shares, which represents approximately 4.27% in aggregate of the total number of Shares of the Company. As such, Xinjiang Tebian Group shall abstain from voting on the resolutions on the entering into of the Supplemental Xinjiang Tebian Framework Agreements at the EGM.

Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquires, no other Shareholders are required to abstain from voting at the EGM.

In order to determine the holders of Shares who are eligible to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 17 November 2021 to Monday, 22 November 2021, both days inclusive, during which no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Wednesday, 17 November 2021 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Board secretary office (in case of holders of Domestic Shares), at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC, or the Company's H share registrar (in case of holders of H Shares), Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 16 November 2021 for registration.

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For holders of H Shares, the form of proxy should be returned to Computershare Hong Kong Investor Services Limited and for holders of Domestic Shares, the form of proxy should be returned to the Company's Board secretary office in person or by post not less than 24 hours before the time fixed for holding the EGM (i.e. no later than 11 a.m. on Sunday, 21 November 2021) or any adjourned meeting thereof.

### **G. VOTING BY POLL AT EGM**

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of shareholders of a listed issuer at the issuer's general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM will therefore demand a poll for the resolution put to the vote at the EGM pursuant to the Articles of Association.



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## LETTER FROM THE BOARD

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On a poll, every Shareholder present in person or by proxy to attend the EGM (or being a corporation by its duly authorized representative) shall have one vote for each Share registered in his/her/its name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/its uses in the same manner.

### H. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 32 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 33 to 58 of this circular, considers that the Supplemental Framework Agreements and the transactions contemplated thereunder (based on the Revised Annual Caps) are in the interests of the Company and its Shareholders as a whole and are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Supplemental Framework Agreements and the Revised Annual Caps thereunder.

The Board consider that the proposed adoption of CASBE, the proposed amendments to the Articles of Association and the proposed change of auditor as described in this circular are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and to approve the proposed adoption of CASBE, the proposed amendments to the Articles of Association and the proposed change of auditor.

### I. ADDITIONAL INFORMATION

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

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

\* *for identification purpose only.*

# 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)**

4 November 2021

*To the Independent Shareholders*

Dear Sir or Madam,

## **REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company to the Shareholders dated 4 November 2021 (the “**Circular**”) to which this letter forms a part of. Terms defined in the Circular shall have the same meanings as those used in this letter unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the Supplemental Framework Agreements and the Revised Annual Caps thereunder and to advise the Independent Shareholders in respect of the Supplemental Framework Agreements and the Revised Annual Caps thereunder. Sorrento Capital Limited has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from the Independent Financial Adviser” as set out in the Circular. Having considered the principal factors and reasons, and the advice of the Independent Financial Adviser as set out in their letter of advice, we are of the opinion that (i) entering into the Supplemental Framework Agreements and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group; (ii) its terms are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Supplemental Framework Agreements and the Revised Annual Caps thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders to vote in favour of the ordinary resolutions approving the Supplemental Framework Agreements and the Revised Annual Caps thereunder at the EGM.

Yours faithfully,

**Independent Board Committee**

**Mr. Cui Xiang, Mr. Chen Weiping and Mr. Tam, Kwok Ming Banny**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from Sorrento Capital to the Independent Board Committee and the Independent Shareholders prepared related to the continuing connected transactions for the purpose of inclusion in this circular.*



11/F,  
The Wellington,  
198 Wellington Street, Central,  
Hong Kong  
4 November 2021

*The Independent Board Committee and the Independent Shareholders of  
Xinte Energy Co., Ltd.*

Dear Sirs,

### REVISED ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Product Procurement Framework Agreement (TBEA), the Supplemental Coal Procurement Framework Agreement, the Supplemental Miscellaneous Services Framework Agreement (TBEA), the Supplemental Product Sales Framework Agreement, the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian), the Supplemental Product Procurement Framework Agreement (Xinjiang Tebian) and the Supplemental Financial Services Framework Agreement (the “**Supplemental Framework Agreements**”) together with their respective proposed revised annual caps (the “**Revised Annual Caps**”), details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 4 November 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless specified otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the Letter from the Board, due to the Group’s investment and construction of the Polysilicon New Construction Projects and the construction of wind power and PV projects in 2021, the Group’s had an increased demand for the procurement of products and miscellaneous services from TBEA Group and Xinjiang Tebian Group. Due to the increased price (including transportation fee) of coal procured from the TBEA Group, and the significantly increased market price of silicon metal, the Group’s transaction amount of coal procurement and product sales between the Group and the TBEA Group increased. Due to the significant growth in the Group’s

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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revenue and the increase in the monetary capital, the Group's demand for the Deposit Services provided by TBEA Finance also increased. As such, 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. The Board has decided 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.

As at the Latest Practicable Date, TBEA is directly interested in approximately 66.52% of the total issued share capital of the Company. Thus, TBEA is a Controlling Shareholder and a Connected Person of the Company and the transactions between the Group and TBEA Group constitutes Connected Transactions of the Company. As at the Latest Practicable Date, 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.

As at the Latest Practicable Date, 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.

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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee comprising Mr. Cui Xiang, Mr. Chen Weiping and Mr. Tam, Kwok Ming Banny (all being the independent non-executive Directors), has been established to advise the Independent Shareholders as to whether (i) the terms of the Supplemental Framework Agreements have been determined on a fair and reasonable basis and entered into on normal commercial term and in the ordinary and usual course of business of the Company and in the interest of the Company and Shareholders as a whole; and (ii) to vote in favour of the resolutions to be proposed at the EGM. We, Sorrento Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are independent pursuant to Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Framework Agreements and their Revised Annual Caps thereunder. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Within the two years prior to the Latest Practicable Date, we have acted as independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to continuing connected transactions of the Company and the subscription of domestic shares by the Controlling Shareholder, details of which are set out in the circulars of the Company dated 8 October 2020, 2 December 2020 and 11 June 2021 respectively. Apart from normal professional fees paid to us in connection with the aforesaid appointment, no arrangements exist whereby we have received any fees or benefits from the Company or any other party to the transactions during the two years prior to the Latest Practicable Date, therefore we consider such relationship would not affect our independence.

### **BASIS OF OUR OPINION**

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible for are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so as at the date of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiries and careful consideration by the Directors and the management of the Company and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have also assumed that the information referred to in the Circular will continue to be true, accurate and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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complete as at the date of the Circular and if there is any material change of information in the Circular up to the date of the EGM, we will inform the Shareholders as soon as practicable. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company nor have we conducted any independent investigation into the business, financial conditions and affairs or the prospect of the Group or any of their associates.

The Directors have collectively and individually accepted full responsibility for all information given with regard to the Company including particulars given in compliance with the Listing Rules. The Directors have confirmed, after having made all reasonable enquiries, which to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the continuing connected transactions contemplated under the Supplemental Framework Agreements and their Revised Annual Caps, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

#### **1. Background information of the parties to the Supplemental Framework Agreements and Revised Annual Caps**

##### *Information of the Company*

The Company is a global leader manufacturer of polysilicon as well as developer and operator of wind and PV power 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Information of TBEA*

TBEA is a joint stock company incorporated in the PRC on 26 February 1993. As at the Latest Practicable Date, 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.

### *Information of Xinjiang Tebian*

Xinjiang Tebian is a company incorporated in the PRC with limited liability on 27 January 2003. As at the Latest Practicable Date, its registered capital is RMB75,000,000. The main business of Xinjiang Tebian Group is the production and sales of accessories for electrical and mechanical products and transformer, civil construction and industrial investment. As at Latest Practicable Date, Mr. Zhang Xin holds 40.08% of Xinjiang Tebian's equity interest.

### *Information of TBEA Finance*

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 at the Latest Practicable Date. 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. As at the Latest Practicable Date, TBEA directly holds 80% of the equity interest in TBEA Finance and is the ultimate beneficial owner of TBEA Finance.

## **2. Reasons and benefits of entering into the Supplemental Framework Agreements and the Revised Annual Caps**

### *Background of the Supplemental TBEA Framework Agreements and the Supplemental Xinjiang Tebian Framework Agreement*

As stated in the Letter from the Board, through seizing 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 will be completed and put into operation in the second half of 2022; the Group's technological transformation of the Xinjing polysilicon production line with a total investment of RMB1,265 million will be completed by the end of the first quarter of 2022. Meanwhile, with the realization of the goal of "dual carbon", it is expected that the global installed capacity of wind and PV power will increase in future, and the scale of the Group's wind and PV resources development will also



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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further increase. It is expected that the annual installed capacity of the wind power and PV projects will increase 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 realise economic benefits, it is expected that the Group will purchase more transformers, cables, switch enclosures, electrical equipment, other products, coal and miscellaneous services for 2021 to 2023 from TBEA Group and Xinjiang Tebian Group.

As stated in the Letter from the Board, 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. Xinjiang Tebian Group is the backbone manufacturing enterprise within the industry for producing products such as switch enclosures and other electrical equipment, 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.

As discussed with the management of the Company, the Group has maintained business with TBEA Group and Xinjiang Tebian Group of more than 15 years and did not have any material disputes or complaints against TBEA Group and Xinjiang Tebian Group in relation to the quality of products supplied or serviced provided by TBEA Group and Xinjiang Tebian Group. The entering into of the Supplemental TBEA Framework Agreement by the Company with TBEA and the Supplemental Xinjiang Tebian Framework Agreement by the Company with Xinjiang Tebian are in substance the extension of the established business relationship between the Company and TBEA and Xinjiang Tebian under the Existing TBEA Framework Agreements and the Existing Xinjiang Tebian Framework Agreements which will continue to benefit the Group, being the purchaser, by ensuring continuous provision of goods and services to and by the Group through leveraging on the extensive resources and well-developed technical services of TBEA Group and Xinjiang Tebian Group under the Supplemental TBEA Framework Agreements and the Supplemental Xinjiang Tebian Framework Agreements, which will continue to ensure the quality and reliability of the Group's products.

Due to the additional demand for the procurement of products and miscellaneous services in relation to the construction of the Polysilicon New Construction Projects and wind and PV power projects, the Board expected that certain existing annual caps for the years ending 31 December 2021, 2022 and 2023 for the relevant Continuing Connected Transactions under the Existing Framework Agreements will not be sufficient to meet the expected transaction amount for the years ending 31 December 2021, 2022 and 2023. According to the national 14th five-year plan issued by the government of PRC, which maps out the development blueprint and action agenda for the country in the next five years from 2021 to 2025 and, at the same time, crafts a vision for the long-range objectives through the year 2035. According to the interim report of the Company for the six months ended 30 June 2021 (the **"2021 Interim Report"**), under the guidance of



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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industry policies and market demand drives, the new energy industry in China achieved rapid development, with newly installed wind power capacity representing a significant year-on-year increase. The short-term supply-demand imbalance within certain segments of the PV industry chain, the price of polysilicon rose sharply, and the terminal demand for newly installed PV power generation capacity slows down but maintains a stable growth.

### *Background of the Supplemental Financial Services Framework Agreement*

According to the 2021 Interim Report, the Group achieved revenue of RMB7,750.87 million and the profit attributable to owners of the Company of RMB1,228.16 million, representing an increase of 130.17% and 70,565.25% respectively over the corresponding period for the six months ended 30 June 2020. Particularly, the polysilicon production segment recorded revenue of RMB3,532.05 million, representing an increase of 157.36% over the corresponding period for the six months ended 30 June 2020, and achieved gross profit of RMB1,589.22 million, representing an increase of 1,288.14% over the corresponding period for the six months ended 30 June 2020. The Group achieved a sales volume of approximately 35,400 tons of polysilicon, representing an increase of approximately 36% as compared to the six months ended 30 June 2020. As discussed with the management of the Company, due to the short-term supply-demand imbalance within certain segments of the PV industry chain, the price of polysilicon rose sharply. According to the statistics of China Nonferrous Metals Industry Association Silicon Industry Branch (中國有色金屬工業協會硅業分會), the polysilicon production capacity in the PRC reached approximately 227,000 tons in the first half of 2021, representing a year-on-year increase of 10.7%. In terms of specific price, the average price of monocrystalline dense materials rises from RMB87,200/ton in January 2021 to RMB212,400/ton in June 2021, representing an increase of 143.58%.

As abovementioned, the profit attributable to owners of the Company for the six months ended 30 June 2021 has increased 70,565.25% as compare to the profit attributable to owners of the Company for the six months ended 30 June 2020. Besides, as at 30 June 2021, the cash and cash equivalents were amounted to RMB3.397 billion, represent an increase of RMB1.623 billion as compare to the year ended 31 December 2020. As advised by the management of the Company, such increase was mainly due to the Company's polysilicon sales price and volume increased during in the first half of 2021 and the Company's net cash generated from operating activities in the first half of 2021 has increased significantly. The Company is of the view that the market price of polysilicon product is expected to further increase in the second half of 2021, and based on the future development of polysilicon production and wind and PV power resource development business, the Company expects to have a substantial increase in cash during 2021-2023. As further discussed with the management of the Company, TBEA Finance will be able to offer customized proposals for centralized deposit and management of funds in line with the management needs of the Group, enabling the Group to satisfy its flexible needs of funds through timely withdrawals, and the interest rate for the Deposit Services offered by TBEA Finance to the Group will not be

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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less favourable than the interest rate offered by the Major Cooperate Commercial Banks to the Group for such revenue and cash increment. In light of the above, the Group considered to revise the annual cap for the Deposit Services in order to capture more interest for the Group.

Having considered that (i) the long-term business relationship with TBEA and Xinjiang Tebian contributing to a reliable and stable supply to the Group; (ii) the Supplemental Framework Agreements allow the Group to satisfy their business needs; (iii) the increasing scale of production and sales volume of the Group in the polysilicon products during the first half of 2021; (iv) the Supplemental Financial Services Framework Agreement allow the Group to improve the efficiency of capital use; (v) the Supplemental Framework Agreements do not restrict the Group to have limited selection of suppliers, customers or banks; and (vi) the other terms of the Supplemental Framework Agreements remain unchanged as the Existing Framework Agreements, we concur with the Directors' view that the entering into the Supplemental Framework Agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### *Principal terms of the Supplemental Framework Agreements and the Revised Annual Caps*

#### *1. The Supplemental Product Procurement Framework Agreement (TBEA)*

##### *Annual caps and its basis of determination*

A summary of the existing annual caps under the Existing Product Procurement Framework Agreement (TBEA) and the proposed annual cap under the Supplemental Product Procurement Framework Agreement (TBEA) for the three years ending 31 December 2023 are set out in the table below:

Existing annual caps			Proposed annual caps		
Year ending 31 December 2021 (RMB'000)	Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)	Year ending 31 December 2021 (RMB'000)	Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)
450,000	450,000	450,000	1,600,000	900,000	700,000

As stated in the Letter from the Board, the actual transaction amount of approximately RMB130 million recorded for the eight months ended 31 August 2021 has already utilized approximately 29% of the existing annual cap under the Existing Products Procurement Framework Agreement (TBEA) for the year ending 31 December 2021. As advised by the management of the Company, there will be some potential procurement transactions of approximately RMB1,400

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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million to be entered between the Group and the TBEA Group from October to December 2021 and the potential procurement transactions mainly include the products procurement for the Polysilicon New Construction Projects. We have reviewed the breakdown of such transactions.

As stated in the Letter from the Board, it is expected that the annual installed capacity of the wind power and PV projects will increase from 2GW to 2.5GW to 3GW in the future. We have reviewed the internal minutes in relation to the construction plan from the senior management of the Company and noted that the Group intend to increase their annual installed capacity of the wind power and PV projects. Taking into account that (i) increment on the annual installation for 2022 to 2023; and (ii) continuous business relationship with TBEA Group, the annual caps for the two years ending 31 December 2023 is expected to increase by 50% from RMB450 million.

As advised by the management of the Company, the increment on the annual cap is due to the Polysilicon New Construction Projects which commence construction in 2021 and expect to complete in 2022. Therefore, the annual cap for the two years ending 31 December 2022 are higher in order to facilitate the construction process of the 100,000-ton Polysilicon Projects with a total investment of RMB8.8 billion and the technological transformation of the Xinjiang polysilicon production line with a total investment of RMB1,265 million.

As discussed with the management of the Company, the estimated total amount for transformers (including ancillary equipment), wires, cables procured from TBEA Group are not more than RMB1.15 billion in 2021 and RMB230 million in 2022 for Polysilicon New Construction Projects respectively. Based on the existing progress of the construction of the Polysilicon New Construction Projects and the aggressive bidding strategy of TBEA Group in the Polysilicon New Construction Projects, TBEA Group may be able to get more tenders in the rest of the construction of the Polysilicon New Construction Projects, as such, the Group intend to revise the annual cap and prevent any potential incompliance with Listing Rules for the connected transaction.

Having taken into consideration of the above, in particular, (i) the Group's business plan on the construction of the Polysilicon New Construction Projects which is expected to be completed by second half of 2022 and the annual installed capacity of wind power and PV projects which is expected to be increased from 2022; (ii) the expected highest demand for the transformers (including ancillary equipment), wires and cables for the Polysilicon New Construction Projects; (iii) the increment on the annual installation of wind power and PV projects; and (iv) prevention of any potential incompliance with the Listing Rules for the connected transaction, we are of the view that the Revised Annual Caps and the proposed annual caps under the Supplemental Products Procurement Framework Agreement (TBEA) are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Other than above consideration, we have also conducted the below works in relation to access the historical transactions during the period for eight months ended 31 August 2021 under the Supplemental Product Procurement Framework Agreement (TBEA):

- for transformers, wires and cables, we have randomly obtained three invoices between the Group and TBEA Group for the eight months ended 31 August 2021 and three invoices between the Group and the independent third parties of similar products. We noted that the prices of the products purchased from TBEA Group were not less favourable than that of the product purchased from independent third parties;

With reference to the invitation to the Qualified Supplier for tender that was and will be adopted by the Group, given (i) the three invoices for each type of products under the Existing Product Procurement Framework Agreement (TBEA) and the three invoice from third parties as aforementioned and our observation above that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the eight months ended 31 August 2021; and (ii) the auditor of the Company has issued an unqualified letter mentioned that nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the Company's pricing policies as mentioned in the annual report of the Company for the year ended 31 December 2020, we consider that it is reasonably fair and the terms offered by TBEA Group had no less favourable than the terms offered by independent third parties.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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2. *The Supplemental Miscellaneous Services Framework Agreement (TBEA)*

*Annual caps and its basis of determination*

A summary of the existing annual caps under the Existing Miscellaneous Services Framework Agreement (TBEA) and the proposed annual cap under the Supplemental Miscellaneous Services Framework Agreement (TBEA) for the three years ending 31 December 2023 are set out in the table below:

<b>Existing annual caps</b>			<b>Proposed annual caps</b>		
<b>Year ending 31 December 2021 (RMB'000)</b>	<b>Year ending 31 December 2022 (RMB'000)</b>	<b>Year ending 31 December 2023 (RMB'000)</b>	<b>Year ending 31 December 2021 (RMB'000)</b>	<b>Year ending 31 December 2022 (RMB'000)</b>	<b>Year ending 31 December 2023 (RMB'000)</b>
300,000	300,000	300,000	500,000	500,000	500,000

As stated in the Letter from the Board, the actual transaction amount of approximately RMB60 million recorded for the eight months ended 31 August 2021 has already utilized approximately 20% of the existing annual cap under the Existing Miscellaneous Services Framework Agreement (TBEA) for the year ending 31 December 2021. As advised by the management of the Company, there will be some potential transaction for miscellaneous services of approximately RMB400 million to be entered between the Group and the TBEA Group from October to December 2021 and the potential transaction for miscellaneous services include the miscellaneous services for the Polysilicon New Construction Projects and the planned installation of wind power and PV projects for 2021. We have reviewed the breakdown of such transactions.

As stated in the Letter from the Board, it is expected that the annual installed capacity of the wind power and PV projects will increase from 2GW to 2.5GW to 3GW in the future. We have reviewed the internal minutes in relation to the construction plan from the senior management of the Company and noted that the Group intend to increase their annual installed capacity of the wind power and PV projects. Taking into account that (i) increment on the annual installation for 2022 to 2023; and (ii) continuous business relationship with TBEA Group, the annual caps for the two years ending 31 December 2023 is expected to increase by 50% from RMB300 million.

As further advised by the management of the Company, the increment on the annual cap is due to the Polysilicon New Construction Projects which commence construction in 2021 and expect to complete in 2022. Therefore, the annual cap for the year ending 31 December 2021 are

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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also adjusted in order to facilitate the construction process of the 100,000-ton Polysilicon Projects with a total investment of RMB8.8 billion and the technological transformation of the Xinjiang polysilicon production line with a total investment of RMB1,265 million.

As discussed with the management of the Company, the estimated total amount for miscellaneous required from TBEA Group is not more than RMB200 million in 2021 for Polysilicon New Construction Projects. Based on the existing progress of the construction of the Polysilicon New Construction Projects and the aggressive bidding strategy of TBEA in the Polysilicon New Construction Projects, TBEA may be able to get more tenders in the rest of the construction of the Polysilicon New Construction Projects, as such, the Group intend to revise the annual cap and prevent any potential incompliance with Listing Rules for the connected transaction.

Having taken into consideration of the above, in particular, (i) the Group's business plan on the construction of the Polysilicon New Construction Projects which is expected to be completed by second half of 2022 and the annual installed capacity of wind power and PV projects which is expected to be increased from 2022; (ii) the increment on the annual installation of wind and PV projects; and (iii) prevention of any potential incompliance with the Listing Rules for the connected transaction, we are of the view that the Revised Annual Caps and the proposed annual caps under the Supplemental Miscellaneous Services Framework Agreement (TBEA) are determined based on reasonable estimation and after due consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other than above consideration, we have also conducted the below works in relation to access the historical transactions during the period for eight months ended 31 August 2021 under the Supplemental Miscellaneous Services Framework Agreement (TBEA):

- we have randomly obtained three invoices between the Group and TBEA Group for the eight months ended 31 August 2021 and three invoices between the Group and the independent third parties of similar services. We noted that the prices of the services provided by TBEA Group were not less favourable than that of the services provided by independent third parties;

With reference to the invitation to the Qualified Supplier for tender that was and will be adopted by the Group, given (i) the three invoices for miscellaneous services under the Existing Miscellaneous Services Framework Agreement (TBEA) and the three invoices from third parties as aforementioned and our observation above that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the eight months ended 31 August 2021; and (ii) the auditor of the Company has issued an unqualified letter mentioned that nothing has come to their attention that causes them to believe that the continuing

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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connected transactions were not, in all material respects, in accordance with the Company's pricing policies as mentioned in the annual report of the Company for the year ended 31 December 2020, we consider that it is fair and reasonable and the terms offered by TBEA Group had no less favourable than the terms offered by independent third parties.

### 3. *The Supplemental Coal Procurement Framework Agreement*

#### *Annual caps and its basis of determination*

A summary of the existing annual caps under the Existing Coal Procurement Framework Agreement and the proposed annual cap under the Supplemental Coal Procurement Framework Agreement for the three years ending 31 December 2023 are set out in the table below:

Existing annual caps			Proposed annual caps		
Year ending 31 December 2021 (RMB'000)	Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)	Year ending 31 December 2021 (RMB'000)	Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)
450,000	480,000	520,000	500,000	600,000	750,000

As stated in the Letter from the Board, the actual transaction amount of approximately RMB239 million recorded for the eight months ended 31 August 2021 has already utilized approximately 53.1% of the existing annual cap under the Existing Coal Procurement Framework Agreement for the year ending 31 December 2021. As further advised by the management of the Company, based on their current production schedule, it is expected that the annual transaction amount for coal procurement will be around RMB480 million for the year ending 31 December 2021.

As stated in the Letter from the Board, 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 cost) of the Company from remaining months of 2021 to 2022 will increase by 25% as compared with the first half of 2021. We have obtained and reviewed the notice from TBEA Group in relation to the increment on the coal price (the "Increment"). The Company expects that the price of coal may be further increase in the coming few years after their discussion with the representative of TBEA Group. As such, the Company set up the annual caps under the Supplemental Coal Procurement Framework Agreement with an



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increment of approximately 25% with reference to the Increment for each of the two years ending 31 December 2023 in order to prevent any further fluctuation on the price of coal and supply enough coal.

Having taken into consideration of the above, in particular, (i) the current production schedule and its expected annual transaction for coal procurement for the year ending 31 December 2021; (ii) the potential fluctuation of the price of coal; and (iii) the long term business relationship with TBEA Group, we are of the view that the Revised Annual Caps under the Supplemental Coal Procurement Framework Agreement are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other than above consideration, we have also conducted the below works in relation to access the historical transactions during the period for eight months ended 31 August 2021 under the Supplemental Coal Procurement Framework Agreement:

- we have randomly obtained three invoices between the Group and TBEA Group for the eight months ended 31 August 2021 and three invoices between the Group and the independent third parties of similar coal procurement. We noted that the prices of the coal purchased from TBEA Group were not less favourable than that of the coal purchased from independent third parties;

With reference to the invitation to the Qualified Supplier for coal that was and will be adopted by the Group, given (i) the three invoices for coal procurement under the Existing Coal Procurement Framework Agreement and the three invoice from third parties as aforementioned and our observation above that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the eight months ended 31 August 2021; and (ii) the auditor of the Company has issued an unqualified letter mentioned that nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the Company's pricing policies as mentioned in the annual report of the Company for the year ended 31 December 2020, we consider that it is reasonably fair and the terms offered by TBEA Group had no less favourable than the terms offered by independent third parties.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. *The Supplemental Product Sales Framework Agreement*

#### *Annual caps and its basis of determination*

A summary of the existing annual caps under the Existing Product Sales Framework Agreement and the proposed annual cap under the Supplemental Product Sales Framework Agreement for the three years ending 31 December 2023 are set out in the table below:

Existing annual caps			Proposed annual caps		
Year ending 31 December 2021 (RMB'000)	Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)	Year ending 31 December 2021 (RMB'000)	Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)
100,000	100,000	100,000	100,000	200,000	20,000

As stated in the Letter from the Board, the actual transaction amount of approximately RMB43 million recorded for the eight months ended 31 August 2021 has already utilized approximately 43.0% of the existing annual cap under the Existing Product Sales Framework Agreement for the year ending 31 December 2021.

As stated in the Letter from the Board, 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. We have reviewed the price of silicon metal stated on 中國鐵合金在線 (China Ferroally Online\*) ([www.cnfeol.com](http://www.cnfeol.com)) and noted that the price of silicon metal increased not less than approximately 400% from beginning of 2021 to October 2021. As further discussed with the management of the Company, the increment on the Revised Annual Caps under the Supplemental Product Sales Framework Agreement is mainly due to the increased price. Taking into account of the annual volume purchased by TBEA Group on silicon metal and the new price of silicon meter, the Company expects that the annual caps under the Supplemental Product Sales Framework Agreement for each of the two years ending 31 December 2023 will be increased by RMB100 million.

Having taken into consideration of the above, in particular, (i) the stable historical procurement on silicon metal by TBEA Group; (ii) the increased price of silicon metal; and (iii) the long term business relationship with TBEA Group, we are of the view that the Revised Annual

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Cap under the Supplemental Product Sales Framework Agreement are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other than above consideration, we have also conducted the below works in relation to access the historical transactions during the period for eight months ended 31 August 2021 under the Supplemental Product Sales Framework Agreement:

- for silicon metal and liquid alkali, we have randomly obtained three invoices between the Group and TBEA Group for eight months ended 31 August 2021 and three invoices between the Group and the independent third parties of similar products. We noted that the prices of the silicon metal and liquid alkali provided to TBEA Group were not less favourable than that of the silicon metal and liquid alkali provided to independent third parties;
- for industrial water, we have randomly obtained three invoices for eight months ended 31 August 2021 between the Group and TBEA Group. We also obtained and reviewed the quotation of urban tap water provided by Urumqi Water Industry Group Co., LTD. and noted that the unit price of industrial water provided by the Group to TBEA Group were not lower than Urumqi Water Industry Group Co., LTD. which is an independent third party water supplier of TBEA Group.

Given that the three invoices for products sold under the Existing Product Sales Framework Agreement and the three invoice from third parties as aforementioned and our observation above that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the eight months ended 31 August 2021; and the auditor of the Company has issued an unqualified letter mentioned that nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the Company's pricing policies as mentioned in the annual report of the Company for the year ended 31 December 2020, we consider that it is reasonably fair and the terms offered by TBEA Group had no less favourable than the terms offered by independent third parties.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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5. *The Supplemental Product Procurement Framework Agreement (Xinjiang Tebian)*

*Annual caps and its basis of determination*

A summary of the existing annual caps under the Existing Product Procurement Framework Agreement (Xinjiang Tebian) and the proposed annual caps under the Supplemental Products Procurement Framework Agreement (Xinjiang Tebian) are set out in the table below:

<b>Existing annual caps</b>			<b>Proposed annual caps</b>		
<b>Year ending 31 December 2021 (RMB'000)</b>	<b>Year ending 31 December 2022 (RMB'000)</b>	<b>Year ending 31 December 2023 (RMB'000)</b>	<b>Year ending 31 December 2021 (RMB'000)</b>	<b>Year ending 31 December 2022 (RMB'000)</b>	<b>Year ending 31 December 2023 (RMB'000)</b>
50,000	50,000	50,000	400,000	250,000	250,000

As stated in the Letter from the Board, the actual transaction amount of approximately RMB3 million recorded for the eight months ended 31 August 2021 has already utilized approximately 6% of the existing annual cap under the Existing Products Procurement Framework Agreement (Xinjiang Tebian) for the year ending 31 December 2021. As advised by the management of the Company, there will be some potential procurement transactions of approximately RMB390 million to be entered between the Group and the Xinjiang Tebian Group from October to December 2021 and the potential procurement transactions mainly include the products procurement for the Polysilicon New Construction Projects. We have reviewed the breakdown of such transactions.

As advised by the management of the Company, the increment on the annual cap is due to the Polysilicon New Construction Projects which commence construction in 2021 and expect to complete in 2022. Therefore, the annual cap is only revised for 2021 and 2022 in order to facilitate the construction process of the 100,000-ton Polysilicon Projects with a total investment of RMB8.8 billion and the technological transformation of the Xinjiang polysilicon production line with a total investment of RMB1,265 million.

As stated in the Letter from the Board, it is expected that the annual installed capacity of the wind power and PV projects will increase from 2GW to 2.5GW to 3GW in the future. We have reviewed the internal minutes in relation to the construction plan from the senior management of the Company and noted that the Group intended to increase their annual installed capacity of the wind power and PV projects. Taking into account that (i) increment on the annual installation for 2022 to 2023; and (ii) continuous business relationship with Xinjiang Tebian Group, the annual caps for the two years ending 31 December 2023 is expected to increase by 50% from RMB50 million.

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As discussed with the management of the Company, the estimated total amount for switch enclosures, electrical equipment and other products procured from Xinjiang Tebian Group are not more than RMB250 million in 2021 and RMB30 million in 2022 due to the need for Polysilicon New Construction Projects. Based on the existing progress of the construction of the Polysilicon New Construction Projects and the aggressive bidding strategy of Xinjiang Tebian Group in the Polysilicon New Construction Projects, Xinjiang Tebian may be able to get more tenders in the rest of the construction of the Polysilicon New Construction Projects, as such, the Group intend to revise the annual cap and prevent any potential incompliance with Listing Rules for the connected transaction.

As further advised by the management of the Company, Xinjiang Tebian Group commence production for more products in 2021, such as turbine tower, based on their honor tender on turbine tower since second half of 2021, the potential procurement transaction on turbine tower for the year ending 31 December 2021 will be approximately RMB90 million. The Group expect they will continue to invite Xinjiang Tebian Group for turbine tower due to the satisfied quality.

Having taken into consideration of the above, in particular, (i) the Group's business plan on the construction of the Polysilicon New Construction Projects; (ii) the expected highest demand for the switch enclosures, electrical equipment and other products for the Polysilicon New Construction Projects; (iii) the continuous need for turbine tower; (v) expected annualized transaction on turbine tower by considering the potential transaction for year ending 31 December 2021; (vi) the increment on the annual installation of wind and PV projects; and (vii) prevention of any potential incompliance with the Listing Rules for the connected transaction, we are of the view that the Revised Annual Caps and the proposed annual caps under the Supplemental Products Procurement Framework Agreement (Xinjiang Tebian) are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other than above consideration, we have also conducted the below works in relation to access the historical transactions during the period for eight months ended 31 August 2021 under the Supplemental Product Procurement Framework Agreement:

- for switch enclosures and electrical equipment, we have randomly obtained three invoices between the Group and Xinjiang Tebian Group for the eight months ended 31 August 2021 and three invoices between the Group and the independent third parties of similar products. We noted that the prices of the products purchased from Xinjiang Tebian Group were not less favourable than that of the product purchased from independent third parties;

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With reference to the invitation to the Qualified Supplier for tender that was and will be adopted by the Group, given (i) the three invoices for each type of products under the Existing Product Procurement Framework Agreement (Xinjiang Tebian) and the three invoice from third parties as aforementioned and our observation above that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the eight months ended 31 August 2021; and (ii) the auditor of the Company has issued an unqualified letter mentioned that nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the Company's pricing policies as mentioned in the annual report of the Company for the year ended 31 December 2020, we consider that it is reasonably fair and the terms offered by Xinjiang Tebian Group had no less favourable than the terms offered by independent third parties.

### 6. *The Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian)*

#### *Annual caps and its basis of determination*

A summary of the existing annual caps under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian) and the proposed annual caps under the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) are set out in the table below:

Existing annual caps			Proposed annual caps		
Year ending 31 December 2021 (RMB'000)	Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)	Year ending 31 December 2021 (RMB'000)	Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)
300,000	300,000	300,000	500,000	500,000	500,000

As stated in the Letter from the Board, the actual transaction amount of approximately RMB138 million recorded for the eight months ended 31 August 2021 has already utilized approximately 46% of the existing annual cap under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian) for the year ending 31 December 2021. As advised by the management of the Company, there will be some potential transaction for miscellaneous services of approximately RMB400 million to be entered between the Group and the Xinjiang Tebian Group from October to December 2021 and the potential transaction for miscellaneous services include the miscellaneous services for the Polysilicon New Construction Projects and the planned installation of wind power and PV projects for 2021. We have reviewed the breakdown of such transactions.

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As stated in the Letter from the Board, it is expected that the annual installed capacity of the wind power and PV projects will increase from 2GW to 2.5GW to 3GW in the future. We have reviewed the internal minutes in relation to the construction plan from the senior management of the Company and noted that the Group intended to increase their annual installed capacity of the wind power and PV projects. Taking into account that (i) increment on the annual installation for 2022 to 2023; and (ii) continuous business relationship with Xinjiang Tebian Group, the annual caps for the two years ending 31 December 2023 is expected to increase by 50% from RMB300 million.

As further advised by the management of the Company, the increment on the annual cap for the year ending 31 December 2021 is due to the Polysilicon New Construction Projects which commence construction in 2021 and expect to complete in 2022. Therefore, the annual cap for the year ending 31 December 2021 are also adjusted in order to facilitate the construction process of the 100,000-ton Polysilicon Project with a total investment of RMB8.8 billion and the technological transformation of the Xinjiang polysilicon production line with a total investment of RMB1,265 million.

Having taken into consideration of the above, in particular, (i) the Group's business plan on the construction of the Polysilicon New Construction Projects which is expected to be completed by second half of 2022 and the annual installed capacity of wind power and PV projects which is expected to be increased from 2022; (ii) the increment on the annual installation of wind and PV projects; and (iii) prevention of any potential incompliance with the Listing Rules for the connected transaction, we are of the view that the Revised Annual Caps and the proposed annual caps under the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other than above consideration, we have conducted the below works in relation to access the historical transactions during the period for eight months ended 31 August 2021 under the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian):

- we have randomly obtained the three invoices between the Group and Xinjiang Tebian Group for the eight months ended 31 August 2021 and three invoices between the Group and the independent third parties of similar services. We noted that the prices of the services provided by Xinjiang Tebian Group were not less favourable than that of the services provided by independent third parties;

With reference to the invitation to the Qualified Supplier for tender that was and will be adopted by the Group, given (i) the three invoices for miscellaneous services under the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) and the three invoice from third parties as aforementioned and our observation above that pricing of the relevant

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transactions was equivalent or comparable to those offered to or quoted by third parties independent for the eight months ended 31 August 2021; and (ii) the auditor of the Company has issued an unqualified letter mentioned that nothing has come to their attention that causes them to believe that the pricing of the connected transactions, on a sample basis, are not in accordance with the Company's pricing policies as mentioned in the annual report of the Company for the year ended 31 December 2020, we consider that it is reasonably fair and the terms offered by Xinjiang Tebian Group had no less favourable than the terms offered by independent third parties.

### 7. *The Supplemental Financial Services Framework Agreement*

#### *Annual caps and its basis of determination*

A summary of the existing annual caps under the Existing Financial Services Framework Agreement and the proposed Revised Annual Caps under the Supplemental Financial Services Framework Agreement are set out in the table below:

Existing annual caps			Proposed annual caps		
Year ending 31 December 2021 (RMB'000)	Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)	Year ending 31 December 2021 (RMB'000)	Year ending 31 December 2022 (RMB'000)	Year ending 31 December 2023 (RMB'000)
1,000,000	1,000,000	1,000,000	3,000,000	3,000,000	3,000,000

As abovementioned in the section headed "Reasons and benefits of entering into the Supplemental Framework Agreements and the Revised Annual Caps — Background of the Supplemental Financial Services Framework Agreement", due to the average price of monocrystalline dense materials rises from RMB87,200/ton in January 2021 to RMB212,400/ton in June 2021, representing an increase of 143.58% and the sales volume of approximately 35,400 tons of polysilicon for the six months ended 30 June 2021, representing an increase of approximately 36% as compared to the six months ended 30 June 2020. The Group's revenue has increased significantly during the six months ended 30 June 2021 amounted to RMB7,750.87 million, representing an increase of 130.17% as compared to the six months ended 30 June 2020. As discussed with the management of the Company, based on the Company's development of polysilicon production and wind and PV power resource, the management of the Company is expected the Company will have a substantial increase in cash and cash equivalents in upcoming years. In order to improve the efficiency of capital use of the Group, the Company is of the view that TBEA Finance will be able to offer customized proposals for centralized deposit and management of funds in line with the management needs of the Group, enabling the Group to satisfy its flexible needs of funds through timely withdrawals, and the interest rate for the deposit services.



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We have reviewed the annual report of the Company for the year ended 31 December 2020 and the 2021 Interim Report, the cash and cash equivalents were RMB2,747 million, RMB1,774 million and RMB3,397 million as at 31 December 2019, 31 December 2020 and 30 June 2021 respectively.

We have also reviewed the bank balance of the Group since 1 July 2021, the daily balance in banks of the Group were generally higher than RMB3.4 billion. The highest daily balance (including the restricted cash and term deposits and proceed from placing) in banks of the Group was approximately RMB6.8 billion and the highest daily balance (excluding the restricted cash and term deposits and proceed from placing) was approximately RMB4.3 billion (the “**Available Cash**”). As advised by the management of the Company, the Group usually maintain certain level of deposit in seven major commercial banks (the “**Major Banks**”) to maintain the Group’s relationship with the Major Banks as the Group generally obtain relatively high banking facilities from them and have business relationship with the Major Banks over 14 years. However, as the restricted cash and term deposits and proceed from placing of approximately RMB2.5 billion, representing approximately 36.8% of the highest daily balance since 1 July 2021, are already placed in the Major Banks, the Group considered to place 30% of the Available Cash to Major Banks and the rest of the Available Cash to TBEA Finance (the “**Allocation**”) in order to satisfy its flexible needs of funds through timely withdrawals and the interest rate for the Deposit Services offered by TBEA Finance to the Group will not be less favourable than the interest rate offered by the independent commercial banks to the Group.

In addition, we have also obtained and reviewed the historical daily balance in TBEA Finance from 1 August 2021 to 31 August 2021 (the “**Review Period**”), the historical daily balance in TBEA Finance within the Review Period averaged RMB884 million and with highest historical daily balance amounted to RMB996 million.

Having taken into consideration of the above, (i) the highest daily balance (including the restricted cash and term deposits and proceed from placing) in banks of the Group was approximately RMB6.8 billion and the highest daily balance (excluding the restricted cash and term deposits and proceed from placing) was approximately RMB4.3 billion; (ii) the Group intends to maintain business relationship with the Major Banks by placing certain level of deposits in the Major Banks; and (iii) the Allocation, we are of the view that the proposed annual caps under the Supplementation Financial Services Framework Agreement are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other than above consideration, we have conducted the below works in relation to access the historical transactions during the period for eight months ended 31 August 2021 under the Supplemental Financial Services Framework Agreement:



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- we have randomly obtained and reviewed the three deposit contracts/records between the Group and the TBEA Finance for the eight months ended 31 August 2021 against the three receipts of deposit placed by the Group in other commercial banks for the period for the eight months ended 31 August 2021. We noted that the interest rates offered by the TBEA Finance for the deposits placed by the Group were no less favourable than the then interest rates provided to the Group by other independent commercial banks in the PRC for deposits of similar nature and under similar terms.

Given that (i) the Group's significant increase in revenue and cash; and (ii) various internal control measures will be put in place within the Group to ensure it complies with the terms under the Supplemental Financial Services Framework Agreement, we consider that the terms of the Deposit Services under the Existing Financial Services Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **3. Internal control measures within the Group**

#### *Internal control for the Supplemental Framework Agreements*

As disclosed in the Letter from the Board, 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 transaction to the secretary of the Board on a monthly basis. 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);

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- 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 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.

### *Internal control for the Supplemental Financial Services Framework Agreements*

As disclosed in the Letter from the Board,

- (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

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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 Existing Financial Services Framework Agreement.
- (iv) The independent non-executive Directors and the auditor of the Company have reviewed the Existing Financial Services Framework Agreement and will continue to review the Supplemental Financial Services Framework Agreement. The independent non-executive Directors and the auditor of the Company will also regularly monitor and listen to the Group's reports on the implementation of the financial services agreements to ensure they are made on normal commercial terms, fair and reasonable, and the implementation is in accordance with the terms of such agreements.

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.

### RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that (i) the Supplemental Framework Agreements are entered into in the ordinary and usual course of business of the Company; and (ii) the Supplemental Framework Agreements and their respective Revised Annual Caps are on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders

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as a whole. Accordingly, we advise the Independent Shareholders, and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions in this regard.

Yours faithfully,  
For and on behalf of  
**Sorrento Capital Limited**  
**Stanley Chung**  
*Managing Director*

*Note:* Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Mr. Chung has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

*The English translation of the Chinese name(s) in this letter, where indicated with \* is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, as far as the Company is aware, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying shares or debentures of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules were as follows:

Name	Nature of Interest	The Company/ relevant corporation (including associated corporation)	Number/type of shares of the Company/relevant corporation (including associated corporation)	Approximate	Approximate	Long position/ short position
				percentage of shareholdings in the total share capital of the Company/ relevant corporation (including associated corporation) <sup>(1)</sup>		
<b>Directors</b>						
Mr. Zhang Xin	Interest in a controlled corporation <sup>(3)</sup>	The Company	61,143,108 Domestic Shares	4.27%	5.80%	Long position
	Beneficial owner	TBEA <sup>(4)</sup>	406,403 shares	0.01%	N/A	Long position
	Interest in a controlled corporation <sup>(5)</sup>	TBEA <sup>(4)</sup>	446,982,637 shares	11.81%	N/A	Long position

Name	Nature of Interest	The Company/ relevant corporation (including associated corporation)	Number/type of shares of the Company/relevant corporation (including associated corporation)	Approximate percentage of shareholdings in the total share capital	Approximate percentage of shareholdings in the relevant class of shares of the Company <sup>(2)</sup>	Long position/ short position
				of the Company/ relevant corporation (including associated corporation) <sup>(1)</sup>		
Mr. Huang Hanjie	Beneficial owner	TBEA <sup>(4)</sup>	260,180 shares	0.01%	N/A	Long position
Ms. Guo Junxiang	Beneficial owner	TBEA <sup>(4)</sup>	195,180 shares	0.01%	N/A	Long position
<b>Supervisors</b>						
Mr. Han Shu	Beneficial owner	TBEA <sup>(4)</sup>	1,058 shares	0.00%	N/A	Long position
Mr. Hu Shujun	Beneficial owner	TBEA <sup>(4)</sup>	69,376 shares	0.00%	N/A	Long position

1. The calculation is based on the total number of 3,786,103,952 shares of TBEA and 1,430,000,000 Shares of the Company in issue as at the Latest Practicable Date.
2. The calculation is based on the total number of 1,053,829,244 Domestic Shares of the Company in issue as at the Latest Practicable Date.
3. Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, and as at the Latest Practicable Date, Xinjiang Tebian holds 4.27% equity interest of the Company.
4. TBEA is the Company's controlling shareholder and therefore is an "associated corporation" of the Company within the meaning of Part XV of the SFO. As of the Latest Practicable Date, TBEA held 951,226,161 Domestic Shares (approximately 90.26% of the relevant class of shares) and TBEA (HONG KONG), a wholly-owned subsidiary of TBEA, held 1,223,200 H Shares (approximately 0.33% of the relevant class of shares), which accounted for approximately 66.61% of the total issued shares of the Company.
5. Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, which directly holds 446,982,637 shares of TBEA.

### 3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, and to the best knowledge of the Directors and the chief executive of the Company, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interests or short positions in 5% or more in the Shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register of interests in shares and short positions required to be kept by the Company according to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares <sup>(1)</sup>	Approximate	Long position/ short position
					percentage of shareholdings in the total share capital of the Company <sup>(1)</sup>	
TBEA	Beneficial owner	Domestic Shares	951,226,161	90.26%	66.52%	Long position
	Interest in a controlled corporation <sup>(2)</sup>	H Shares	1,223,200	0.33%	0.09%	Long position
					66.61%	
Xinjiang Tebian	Beneficial owner	Domestic Shares	61,143,108	5.80%	4.27%	Long position
Mr. Chen Weilin <sup>(3)</sup>	Interest in a controlled corporation	Domestic Shares	61,143,108	5.80%	4.27%	Long position

*Notes:*

- (1) The calculation is based on the total number of 1,430,000,000 Shares in issue as at the Latest Practicable Date in which 1,053,829,244 Shares are Domestic Shares and 376,170,756 Shares are H Shares.
- (2) TBEA indirectly holds 1,223,200 H Shares through TBEA (HONG KONG), a wholly-owned subsidiary of TBEA.
- (3) Mr. Chen Weilin holds 33.61% of the equity interest of Xinjiang Tebian, which holds 4.27% equity interest of the Company. Accordingly, Mr. Chen Weilin is deemed to be interested in all Shares held by Xinjiang Tebian in the Company for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware that any other person (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or has to be entered in the register of interests in shares and short positions kept by the Company according to Section 336 of the SFO.

#### 4. COMMON DIRECTORS

As at the Latest Practicable Date, the following Directors are directors of certain companies which had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (“**Relevant Companies**”):

<b>Name of Directors</b>	<b>Relevant Companies in which the Director is also a director</b>
Mr. Zhang Xin	Chairman and executive director of TBEA
Mr. Huang Hanjie	Executive director and president of TBEA
Ms. Guo Junxiang	Executive director of TBEA

#### 5. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their close associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

#### 6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Group which is not terminable within one year without payment of compensation (other than statutory compensation).

#### 7. MATERIAL LITIGATION

As at the Latest Practicable Date, as far as is known to Directors, the Company was involved in two major legal proceedings, which was disclosed in the interim report of the Company for the six months ended 30 June 2021:

- (1) Filing of a lawsuit by TBEA XINJIANG SUNOASIS CO., LTD. (特變電工新疆新能源股份有限公司) (“**Sunoasis**”) against Xuyi High Drive Wind Power Co., Ltd.\* (盱眙高傳風力發電有限公司) (“**Xuyi High Drive**”) and other defendants regarding the construction agreement dispute

In June 2020, Sunoasis filed a lawsuit with the Intermediate People’s Court of Huaian (the “**Intermediate People’s Court of Huaian**”) against Xuyi High Drive and other defendants regarding the construction agreement dispute. In January 2021, the first instance judgment was made, and the main contents of the judgment were as follows: (i)



the construction agreement was terminated; (ii) Xuyi High Drive shall pay project payment and liquidated damages for late payment of RMB130,488,063.62 to Sunoasis; and (iii) other defendants shall undertake joint liability or joint guarantee liability for the debts as above of Xuyi High Drive, etc. Please refer to the announcements of the Company dated 22 June 2020 and 20 January 2021 for the details.

As at the Latest Practicable Date, the Company holds 70.48% of the equity interest in Sunoasis. Sunoasis had applied to the Intermediate People's Court of Huaian for compulsory enforcement, and received the outstanding amount of RMB39.9 million as at the Latest Practicable Date.

- (2) Filing of a lawsuit by Sunoasis against Xuyi High Drive and other defendants regarding the dispute for the failure to pay the payables for finance lease as agreed

In March 2021, Sunoasis filed a lawsuit with the Second Intermediate People's Court of Beijing Municipality (the "**Intermediate People's Court of Beijing**") against Xuyi High Drive for the failure to pay the payables for finance lease as agreed. In April 2021, Sunoasis, Xuyi High Drive and Jiangsu High Drive New Energy Co., Ltd. entered into a settlement agreement. Please refer to the announcements of the Company dated 3 March 2021 and 29 April 2021 for the details.

As at the Latest Practicable Date, as Xuyi High Drive did not make the final payment, Sunoasis had applied to the Intermediate People's Court of Beijing for compulsory enforcement.

Save as disclosed, as at the Latest Practicable Date, the Group was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Group so far as the Directors are aware.

## **8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

**9. DIRECTORS AND SUPERVISORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, save as disclosed herein:

- (a) none of the Directors or Supervisors was materially interested in any contract or arrangement, which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group; and
- (b) so far as the Directors are aware, none of the Directors or Supervisors nor their respective close associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**10. QUALIFICATION OF EXPERT AND CONSENT**

The following sets out the qualifications of the expert who has given its opinions or advise as contained in this circular:

<b>Name</b>	<b>Qualification</b>
Sorrento Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

- (a) As at the Latest Practicable Date, Sorrento Capital Limited does not have any beneficial interest in the share capital of any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) As at the Latest Practicable Date, Sorrento Capital Limited has given, and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and the reference to its name included herein in the form and context in which they respectively appear.

- (c) As at the Latest Practicable Date, Sorrento Capital Limited does not have any interest in any assets which have been since 31 December 2020 (being the date to which the latest published audited annual accounts of the Company were made up), acquired or disposed of by leased to any member of the Group, or are proposed to be acquired or disposed of by or lease to any member of the Group.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.xinteenergy.com>) from the date of this circular up to and including the date of the EGM:

- (a) the Supplemental Framework Agreements;
- (b) the consent referred to in the paragraph of “Qualification of Expert and Consent” of this Appendix;
- (c) the letter from the Independent Board Committee, full text of which is set out on page 32 of this circular;
- (d) the letter from Sorrento Capital Limited, full text of which is set out on pages 33 to 58 of this circular.

## 12. MISCELLANEOUS

- (a) The registered address of the Company and the principal place of business of the Company in the PRC is at No. 2249, Zhongxin Street, Ganquanpu Economic and Technological Development Zone (Industrial Park), Urumqi, Xinjiang, the PRC.
- (b) The joint company secretaries of the Company are Ms. Zhang Juan and Ms. Ng Wing Shan. Ms. Ng Wing Shan is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.
- (c) The principal place of business of the Company in Hong Kong is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wanchai, Hong Kong.

- (d) The H share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
  
- (e) The Chinese text of this circular shall prevail over the English text in the event of inconsistency.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

### NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING OF 2021

**NOTICE IS HEREBY GIVEN** that the third extraordinary general meeting of 2021 (the “**EGM**”) of Xinte Energy Co., Ltd. (the “**Company**”) will 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. to consider and, if thought fit, approve the resolutions set out below.

#### ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the supplemental product procurement framework agreement entered into between the Company and TBEA Co., Ltd. (“**TBEA**”) on 13 October 2021 (the “**Supplemental Product Procurement Framework Agreement (TBEA)**”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, the transactions contemplated thereunder and the proposed revised annual caps thereunder, be and are hereby confirmed and approved;
- (b) the supplemental coal procurement framework agreement entered into between the Company and TBEA on 13 October 2021 (the “**Supplemental Coal Procurement Framework Agreement**”), a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose, the transactions contemplated thereunder and the proposed revised annual caps thereunder, be and are hereby confirmed and approved;
- (c) the supplemental miscellaneous services framework agreement entered into between the Company and TBEA on 13 October 2021 (the “**Supplemental Miscellaneous Services Framework Agreement (TBEA)**”), a copy of which is tabled at the meeting and marked “C” and initialled by the chairman of the meeting for identification purpose, the transactions contemplated thereunder and the proposed revised annual caps thereunder, be and are hereby confirmed and approved;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (d) the supplemental product sales framework agreement entered into between the Company and TBEA on 13 October 2021 (the “**Supplemental Product Sales Framework Agreement**”), a copy of which is tabled at the meeting and marked “D” and initialled by the chairman of the meeting for identification purpose, the transactions contemplated thereunder and the proposed revised annual caps thereunder, be and are hereby confirmed and approved;
- (e) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated therein and the completion of the Supplemental Product Procurement Framework Agreement (TBEA), Supplemental Coal Procurement Framework Agreement, Supplemental Miscellaneous Services Framework Agreement (TBEA) and Supplemental Product Sales Framework Agreement.”

2. “**THAT:**

- (a) the supplemental financial services framework agreement entered into between the Company and TBEA Group Finance Co., Ltd. on 13 October 2021 (the “**Supplemental Financial Services Framework Agreement**”), a copy of which is tabled at the meeting and marked “E” and initialled by the chairman of the meeting for identification purpose, the transactions contemplated thereunder and the proposed revised annual caps thereunder, be and are hereby confirmed and approved;
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated therein and the completion of the Supplemental Financial Services Framework Agreement.”

3. “**THAT:**

- (a) the supplemental product procurement framework agreement entered into between the Company and Xinjiang Tebian (Group) Co., Ltd. (“**Xinjiang Tebian**”) on 13 October 2021 (the “**Supplemental Product Procurement Framework Agreement (Xinjiang Tebian)**”), a copy of which is tabled at the meeting and marked “F” and initialled by the chairman of the meeting for identification purpose, the transactions contemplated thereunder and the proposed revised annual caps thereunder, be and are hereby confirmed and approved;
- (b) the supplemental miscellaneous services framework agreement entered into between the Company and Xinjiang Tebian on 13 October 2021 (the “**Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian)**”), a copy of which is tabled at the

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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meeting and marked “G” and initialled by the chairman of the meeting for identification purpose, the transactions contemplated thereunder and the proposed revised annual caps thereunder, be and are hereby confirmed and approved;

- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated therein and the completion of the Supplemental Product Procurement Framework Agreement (Xinjiang Tebian) and Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian).”
4. To consider and approve the adoption of China Accounting Standards for Business Enterprises for the preparation of the financial statements.
5. To consider and approve the termination of appointment of PricewaterhouseCoopers as the Company’s international auditor, the appointment of SHINEWING Certified Public Accountants LLP as the Company’s auditors until the conclusion of the next annual general meeting of the Company, and to approve and authorise the Board to determine its remuneration.

### SPECIAL RESOLUTION

6. To consider and approve the amendments to the articles of association of the Company.

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

Xinjiang, the PRC  
2 November 2021

*Notes:*

1. **Important:** A circular setting out details of the resolutions to be approved in this EGM and the form of proxy of the EGM will be dispatched and published by the Company in due course.
2. In order to determine shareholders of the Company (the “**Shareholders**”) who are eligible to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 17 November 2021 to Monday, 22 November 2021, both days inclusive, during which no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on Wednesday, 17 November 2021 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Board secretary office (in case of holders of domestic shares), at No. 399, South Changchun Road, New Downtown, Urumqi,

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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Xinjiang, the PRC, or the Company's H share registrar (in case of holders of H shares), Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 16 November 2021 for registration.

3. Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies (whether he/she is a Shareholder) to attend and vote at the EGM (or any adjournment thereof) on his/her behalf. The proxy needs not be a Shareholder of the Company.
4. Shareholders must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant Shareholder or by a person duly authorised by the relevant Shareholder in writing ("**power of attorney**"). If the form of proxy is signed by the person authorised by the relevant Shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarised. If a corporate Shareholder appoints a person other than its legal representative to attend the EGM (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate Shareholder or signed by its director or any other person duly authorised by that corporate Shareholder as required by the Articles.
5. To be valid, the form of proxy and the relevant notarised power of attorney (if any) and other relevant authority (if any) as mentioned in note 4 above must be delivered to the Company's Board secretary office at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC (for holders of domestic shares), or the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) no later than 24 hours before the time appointed for the EGM (or any adjournment thereof) (i.e. no later than 11 a.m. on Sunday 21 November 2021).
6. A Shareholder or his/her proxy should produce proof of identity when attending the EGM (or any adjournment thereof). If a corporate Shareholder's legal representative or any other person duly authorised by such corporate Shareholder attends the EGM (or any adjournment thereof), such legal representative or other person shall produce his/her proof of identity, and proof of designation as legal representative or the valid authorisation document (as the case may be).
7. The EGM (or any adjournment thereof) is expected to take less than half a day. Shareholders or their proxies who attend the EGM (or any adjournment thereof) shall be responsible for their own travel and accommodation expenses.
8. The contact information of the Board secretary office of the Company is as follows:

Address: No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC  
Contact person: Ms. Zhang Juan  
Tel: +86-991-3665888

*As at the date of this notice, the Board 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 Benny as independent non-executive Directors.*