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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 CAP FOR
EXISTING CONTINUING CONNECTED TRANSACTION;
RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 7 to 33 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 36 to 61 of this circular and a letter from the Independent Board Committee is set out on pages 34 to 35 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 at 11 a.m. on Wednesday, 23 December 2020, 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 Tuesday, 22 December 2020) 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.

2 December 2020

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DEFINITIONS

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

“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Audit Committee”	audit committee of the Board
“Board”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“Company”	Xinte Energy Co., Ltd., a joint stock company with limited liability incorporated under the laws of the PRC on 16 October 2012
“Continuing Connected Transaction(s)”	has the same meaning as ascribed to it under the Listing Rules
“Connected Person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Deposit Services”	the deposit services to be provided by TBEA Finance to the Group under the New Financial Services Framework Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the second extraordinary general meeting of 2020 of the Company to be held at the Conference Room, International Conference Center at No. 189, South Beijing Road, Changji, Xinjiang, the PRC at 11:00 a.m. on Wednesday, 23 December 2020

DEFINITIONS

“Existing Coal Procurement Framework Agreement”	the coal procurement framework agreement entered into by the Company and TBEA on 15 December 2017, as amended by the supplemental agreement entered into between the Company and TBEA on 23 September 2020
“Existing Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and TBEA Finance on 30 April 2019
“Existing Miscellaneous Services Framework Agreement”	the miscellaneous construction services framework agreement entered into by the Company and TBEA on 15 December 2017
“Existing Product Procurement Framework Agreement”	the product procurement framework agreement entered into by the Company and TBEA on 15 December 2017
“Existing Products Sales Framework Agreement”	the products sales framework agreement entered into between the Company and TBEA on 12 September 2019
“Existing TBEA Framework Agreements”	the Existing Product Procurement Framework Agreement, the Existing Coal Procurement Framework Agreement, the Existing Miscellaneous Services Framework Agreement and the Existing Products Sales Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising of all independent non-executive Directors established to advise the Independent Shareholders in respect of the Supplemental Product Procurement Framework Agreement, the New Framework Agreements and the proposed annual caps thereunder

DEFINITIONS

“Independent Financial Adviser”	Sorrento Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Supplemental Product Procurement Framework Agreement, the New Framework Agreements and their proposed annual caps thereunder
“Independent Shareholders”	Shareholders other than TBEA Group
“Latest Practicable Date”	26 November 2020, being the latest practicable date before printing of this circular for the purpose of ascertaining certain information for inclusion 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
“New Coal Procurement Framework Agreement”	the coal procurement framework agreement entered into by the Company and TBEA on 10 November 2020
“New Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and TBEA Finance on 10 November 2020
“New Framework Agreements”	the New TBEA Framework Agreements and the New Financial Services Framework Agreement
“New Miscellaneous Services Framework Agreement”	the miscellaneous services framework agreement entered into by the Company and TBEA on 10 November 2020
“New Product Procurement Framework Agreement”	the product procurement framework agreement entered into by the Company and TBEA on 10 November 2020

DEFINITIONS

“New Products Sales Framework Agreement”	the products sales framework agreement entered into between the Company and TBEA on 10 November 2020
“New TBEA Framework Agreements”	the New Product Procurement Framework Agreement, the New Coal Procurement Framework Agreement, the New Miscellaneous Services Framework Agreement and the New Products Sales Framework Agreement
“PBOC”	the People’s Bank of China
“percentage ratios”	has the meaning ascribed to that term in Chapter 14 of the Listing Rules
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Procurement Requirements”	requirements issued to the Company’s procurement department by the Group based on its business needs
“PV”	photovoltaic
“Qualified Supplier(s)”	supplier(s) assessed as qualified and listed as qualified supplier(s)
“Qualified Supplier Application”	application as a Qualified Supplier submitted during the Company’s Qualified Supplier assessment process
“Revised 2020 Annual Cap”	the revised anticipated maximum annual amount of the transactions contemplated under the Supplemental Product Procurement Framework Agreement for the year ending 31 December 2020 which is aggregated with the existing anticipated maximum annual amount of the transactions contemplated under the remaining Existing TBEA Framework Agreements
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“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 the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the same meaning as ascribed to it under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company
“Supplemental Product Procurement Framework Agreement”	the supplemental agreement entered into between the Company and TBEA on 10 November 2020 amending the maximum amount of product procurement fee payable to TBEA Group for the year ending 31 December 2020
“TBEA”	TBEA Co., Ltd. (特變電工股份有限公司), a joint stock company incorporated in the PRC on 26 February 1993 and listed on the Shanghai Stock Exchange (stock code: 600089)
“TBEA Finance”	TBEA Group Finance Co., Ltd. (特變電工集團財務有限公司), a company incorporated in the PRC with limited liability on 29 November 2018 as well as a non-bank financial institution approved by CBIRC and a subsidiary of TBEA
“TBEA Group”	TBEA and its associates (excluding the Group)
“Xinjiang Joinworld”	Xinjiang Joinworld Co., Ltd. (新疆眾和股份有限公司), a joint stock company incorporated in the PRC with limited liability on 13 February 1996 and listed on the Shanghai Stock Exchange (stock code: 600888)

DEFINITIONS

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

LETTER FROM THE BOARD

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
Ms. Guo Junxiang
Mr. Qin Xiaodong

Independent Non-executive Directors:

Mr. Qin Haiyan
Mr. Yang Deren
Mr. Wong, Yui Keung Marcellus

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, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

2 December 2020

To the Shareholders

Dear Sir or Madam,

**REVISED ANNUAL CAP FOR
EXISTING CONTINUING CONNECTED TRANSACTION;
RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A. INTRODUCTION

Reference is made to the announcement of the Company dated 10 November 2020 in relation to, amongst others, the revision of the annual cap under the Existing Product Procurement Framework Agreement for the year ending 31 December 2020, the New Framework Agreements and the proposed annual caps thereunder.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with the following information to enable you to make informed decision on whether to vote for or against the resolutions to be proposed at the EGM:

- (i) further information of the Supplemental Product Procurement Framework Agreement, the New Framework Agreements and the proposed annual caps thereunder and other information prescribed by the Listing Rules;
- (ii) the letter from Sorrento Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Product Procurement Framework Agreement, the New Framework Agreements and the proposed annual caps thereunder;
- (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; and
- (iv) the notice convening the EGM for considering and, if thought fit, approving the Supplemental Product Procurement Framework Agreement, the New Framework Agreements and the proposed annual caps thereunder.

B. REVISED ANNUAL CAP FOR EXISTING CONTINUING CONNECTION TRANSACTION

1. Background

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

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

In 2020, due to the construction of wind and PV power stations, the Group's demand for the power transmission and transformation products of TBEA Group increased and based on the product procurement contracts signed between January and October 2020; potential procurement transactions to be entered into in November to December 2020; and the transaction amounts that

LETTER FROM THE BOARD

occurred between January and October 2020, it is anticipated that the existing annual cap for the year ending 31 December 2020 for the procurement of products from TBEA Group by the Group under the Existing Product Procurement Framework Agreement may not be sufficient to meet the expected transaction amount for the year ending 31 December 2020. The Board has decided to revise the corresponding annual cap and entered into the Supplemental Product Procurement Framework Agreement on 10 November 2020. Except for the annual cap, all other terms of the Existing Product Procurement Framework Agreement remain unchanged.

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

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

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

* As supplemented by the Supplemental Product Procurement Framework Agreement.

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

C. RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

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

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

1. Product Procurement Framework Agreement with TBEA

1.1 Background of the transaction

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

1.2 Reasons for and benefit of conducting the transaction

In view of past collaborating experience with TBEA Group, the quality of TBEA Group's products is good and enjoys a leading position in the power transmission and transformation industry. In recent years, the Group has used TBEA Group's products such as transformers, wires and cables in PV and wind power station construction and the Group's

LETTER FROM THE BOARD

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

2. Coal Procurement Framework Agreement with TBEA

2.1 Background of the transaction

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

2.2 Reasons for and benefit of conducting the transaction

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

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3. Miscellaneous Services Framework Agreement with TBEA

3.1 Background of the transaction

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

The New Miscellaneous Services Framework Agreement is subject to the obtaining of the approval from the Independent Shareholders and has a term of three years, commencing from 1 January 2021 and expiring on 31 December 2023, and may be extended subject to mutual consent and compliance with Listing Rules. The relevant subsidiaries or associates of both parties will enter into separate agreements, which will set out specific terms and conditions (including pricing, settlement terms, and quality standards) on the basis of the normal commercial terms provided in the New Miscellaneous Services Framework Agreement.

3.2 Reasons for and benefit of conducting the transaction

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

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4. Product Sales Framework Agreement with TBEA

4.1 Background of the transaction

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

4.2 Reasons for and benefit of conducting the transaction

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

Silicon metal is the main raw material used by the Group for the production of polysilicon. With a large procurement volume and stable procurement channels, the Group has certain bargaining power and is able to obtain a procurement price lower than market price. The Group produces liquid alkali which are used in the production process of polysilicon products, with an annual production capacity of 35,000 tons. A portion of the surplus is available for sale after deducting internal consumption. In addition, the Group has built a complete system for raw water treatment, where procured raw water is treated for further use in industrial production. The system is capable of treating up to 60,000 cubic meters of raw water per day. After satisfying the internal demand for producing polysilicon, the Group still has residual production capacity. Sales of the aforementioned products by the Group to TBEA Group help to take full advantage of the economies of scale and bargaining power in industrial raw material procurement of the Group and to make use of the residual production capacity for liquid alkali and industrial water to generate revenue for the Group.

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5. Financial Services Framework Agreement with TBEA Finance

5.1 Background of the transaction

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

5.2 Reasons for and benefit of conducting the transaction

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

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

Furthermore, as a professional platform for centralized fund management, TBEA Finance will have stronger bargaining power for commercial banks after collecting the deposits of all member companies of TBEA Group and depositing them together at TBEA Finance's cooperative banks. The scale of collective deposit from the TBEA Group will be much larger than single deposit of any member company in the TBEA Group which is able to

LETTER FROM THE BOARD

obtain a much higher interest rate for its deposit at banks. Hence, TBEA Finance will be able to provide the Group with more favorable terms, such as interest rates and charges, than those offered by the Major Cooperative Commercial Banks.

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

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

D. PRICING BASIS

1. The New Products Procurement Framework Agreement and New Miscellaneous Services Framework Agreement

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

- Business departments of the Group will on the basis of their business needs submit Procurement Requirements to the Company's procurement department.
- Once the Company's procurement department receives the Procurement Requirements, it will on the basis of the Procurement Requirements extend the tender invitation to Qualified Suppliers to invite them to participate in bidding and market price comparisons. For further details on the Company's assessment standards for Qualified Suppliers, please refer to the section headed "Assessment of Qualified Suppliers".

LETTER FROM THE BOARD

- Based on the Company's internal procurement procedure requirements, it will invite no less than five suppliers to participate in bidding. When there are no less than three assessable tenders, the Company will start the assessment process.
- The bid assessment committee (comprised of representatives from the procurement department (including the procurement and supply chain management department), the supervisory department (including the finance, legal and audit departments), the engineering department, the technical department and the tender management department, other senior management staff (including the general manager, deputy general manager(s) and the chief accountant (excluding Connected Persons)) and representatives from the department which made the initial Procurement Requirements will consider factors such as product features and quality requirements, in order to consider the tender which best fits business needs and satisfies the tender requirements.
- Based on the foregoing factors, the bid assessment committee (focused only on bid assessment) will assess the tender and make the final decision to accept the tender. For further details on the assessment procedures, please refer to the section headed "Assessment Factors and Process" below.
- Once a tender is chosen, the procurement department of the Company will contact the bidder and negotiate miscellaneous terms of the agreement. However, the price and quality terms of the products will not be further discussed, and the original bidding terms will be adopted in the final contract. Once the terms are finalised, the Group will enter into a contract with the supplier and arrange for delivery of the product. The entire procurement process generally takes five to seven days.

2. The New Coal Procurement Framework Agreement

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

- The final coal supplier will be determined after considering multiple factors, including whether the coal supplied comply with the coal quality requirements of the furnace used in the Group's self-owned power plant, prices, supplier distance, transportation costs, supplier's scale, supplier's management and whether the supplier can provide sufficient and stable supplies.

LETTER FROM THE BOARD

- The Company will collect sale price data from different coal suppliers located in the same or neighbouring regions whom are able to provide coal which meets the requirements of the Group's standards.
- Through conducting fair negotiations with coal suppliers (including independent third-parties), the Group can determine a reasonable procurement price for the procurement of coal.

In order to obtain a fair and reasonable price which is in line with the prevailing market trend, in determining the procurement price of coal, as part of the procurement procedures, the Group will invite quotations from at least five suppliers (including TBEA Group) as a reference of the prevailing market prices for the coal to be procured before it places an order. After obtaining at least three quotations, including the quotation from TBEA Group, all quotations will be reviewed and evaluated from both the technical and commercial perspectives by the Company's procurement department and the quotation from the TBEA Group will be compared against the independent quotations. The procurement of coal will only be placed with TBEA Group when the price and terms offered by the TBEA Group are more competitive and favourable than the other quotations offered by the independent suppliers.

3. The New Products Sales Framework Agreement

The industrial raw materials, namely silicon metal and liquid alkali, and industrial water provided by the Group to the TBEA Group under the New Products Sales Framework Agreement are off-the-shelf products which are the same products being sold to all other independent customers for their industrial needs. The historical price charged by the Group are as follows;

- For silicon metal: the usual price charged by the Group is in the range of RMB11,000/ton to RMB16,000/ton;
- For liquid alkali: the usual price charged by the Group is in the range of RMB400/ton to RMB1,100/ton; and
- For industrial water: as at the Latest Practicable Date, the Group charged a fixed price of RMB4.74 per cubic meter.

LETTER FROM THE BOARD

In addition, the prices were determined in the following manners:

- (i) Prices of industrial raw materials namely silicon metal and liquid alkali are determined by taking into account the quantity and quality of the comparable orders, and with reference to prices of the same or similar products provided by the Group to independent third party customers;
- (ii) Where there are no comparable orders that comply with (i), prices are determined in accordance to the equivalent prevailing market prices of the same or similar products and the relevant quotes are obtained from the industry websites. Prices of silicon metal and liquid alkali are determined in accordance to the price of same products stated on China Ferroally Online* (中國鐵合金在綫) (www.cnfeol.com) and Zhuo Chuang Information* (卓創資訊) (www.sci99.com), respectively. China Ferroally Online and Zhuo Chuang Information are market transaction data platforms for commodities recognised by market participants to obtain reliable and representative real time price quotation of silicon metal and liquid alkali quoted by other suppliers in the market; and
- (iii) The price of industrial water shall be determined with reference to the quotation of urban tap water provided by Urumqi Water Industry Group Co., LTD. (烏魯木齊水業集團有限公司) (“**Urumqi Water**”). Urumqi Water, a stated-owned company held by State-owned Assets Supervision and Administration Commission of Xinjiang Uygur Autonomous Region, is an integrated service provider in municipal water treatment and water supply industries in Urumqi. Urumqi Water had a majority market share and coverage of the daily capacity of the water treatment and water supply in most areas in Urumqi. Taking into account Urumqi Water’s majority market share in the water treatment and water supply industries in Urumqi, making reference to the price charged by Urumqi Water for industrial water allows the Group to understand the latest trend and movement of the market price of industrial water and helps the Group to determine the price to be charged by it.

4. The New 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 the PBOC; (ii) the deposit interest rates offered by the Major Cooperative Commercial Banks; and (iii) the deposit interest rates offered by TBEA Finance to any member companies (excluding the Group) in the TBEA Group with same credit ratings for comparable deposits for the same term, if applicable.

LETTER FROM THE BOARD

E. HISTORICAL TRANSACTION AMOUNTS UNDER THE EXISTING TBEA FRAMEWORK AGREEMENTS

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

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

Based on the latest information available as at the Latest Practicable Date, after taking into account the procurement transactions of approximately RMB30 million occurred between the Group and the TBEA Group from 1 November 2020 to the Latest Practicable Date, the amount of products purchased by the Group from TBEA Group between 1 January 2020 and the Latest Practicable Date was approximately RMB345 million, and the actual transaction amount is within the existing annual cap under the Existing Procurement Framework Agreement for the year ending 31 December 2020.

LETTER FROM THE BOARD

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

F. PROPOSED ANNUAL CAPS UNDER THE NEW FRAMEWORK AGREEMENTS

1. New TBEA Framework Agreements

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

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

New Product Procurement Framework Agreement

The National Energy Administration (國家能源局) announced the scale of grid parity and bidding projects in 2020 and the installed capacity of bidding PV power generation projects was 25.97GW, and the installed capacity of grid parity wind and PV power projects

LETTER FROM THE BOARD

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

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

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

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

New Coal Procurement Framework Agreement

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

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

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

LETTER FROM THE BOARD

New Miscellaneous Services Framework Agreement

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

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

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

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

New Products Sales Framework Agreement

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

LETTER FROM THE BOARD

2. New Financial Services Framework Agreement

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

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

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

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

G. ASSESSMENT OF QUALIFIED SUPPLIERS

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

LETTER FROM THE BOARD

applicant. Suppliers shall submit their applications through the information platform according to supplier management regulations, including product specifications and price range for new applicants.

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

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

H. THE TENDER PROCESS AND THE ASSESSMENT OF TENDERS

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

LETTER FROM THE BOARD

Factors	Weight	Assessment standards and procedures
Price	70%	<ul style="list-style-type: none">• The Company sets the benchmark price by sampling not less than three tenders and taking the mean price discounted by 10%;• If the bid price is set at over 2% of benchmark price, 4 points shall be deducted from the bid;• If the bid price is set at over 1% of benchmark price, 2 points shall be deducted from the bid;• If the bid price is set at over 30% of benchmark price, the bid will be cancelled; and• If the bid price is set at under 30% of the benchmark price, the assessment committee will also take into account the estimated costs of the product and the following factors to consider whether the price provided is reasonable.
Technical level, safety and quality	20%	<ul style="list-style-type: none">• Whether product standards and major constituents satisfy technical requirements;• Whether major constituents of products are produced by reputable brands and are of superior quality;• Whether the bidder has obtained the necessary quality accreditation;• Whether the bidder had previously supplied defective products and the Company's rate of return with the products; and• Whether the supplier can timely discover and resolve the Company's questions and difficulties.

LETTER FROM THE BOARD

Factors	Weight	Assessment standards and procedures
Business operations	10%	<ul style="list-style-type: none">• Whether the tender satisfies delivery requirements;• Historical records of delayed delivery; and• Payment terms provided by the bidder.

I. INTERNAL CONTROLS

1. New TBEA Framework Agreements

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

- the Company has adopted a transaction management system on connected transactions. Business departments of the Company are required to conduct updates of separate agreements for the Continuing Connected Transactions, and regularly report the execution status of each connected transactions to the secretary of the Board. The secretary of the Board will then inform the Board of any important information thereof;
- the Audit Committee is responsible for the data collection and monitoring of connected transactions, and for conducting evaluation on the fairness of the transaction and pricing terms. It will discuss with relevant subsidiaries and business departments to determine the annual caps and execution status of the connected transactions. It will also report to the Board and the board of supervisors on the Group's connected transactions on quarterly basis. If it is anticipated that there is a need to revise the annual caps, the Company will comply with the relevant requirements under the Listing Rules to issue an announcement, and/or seek the independent Shareholders' approval after the Board's review and approval (as required);
- the Company has strengthened training in relation to the review and decision-making processes and information disclosure requirements of connected transactions, further promoting awareness among the relevant business departments in the corresponding compliance requirements;
- the independent non-executive Directors have reviewed and will continue to review the non-exempt Continuing Connected Transactions to ensure such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant

LETTER FROM THE BOARD

to the terms of such agreements. The auditors of the Company will also conduct an annual review on the transaction amount and terms of such non-exempt Continuing Connected Transactions;

- all individual connected transactions agreement shall obtain approval from the headquarters of the Company before being entered into. Also, members of the senior management of the Company will collectively monitor the actual transaction amount of the Group's Continuing Connected Transactions;
- the Company will impose control on the actual transaction amount of Continuing Connected Transactions, and focus on controlling the individual amount of each type of Continuing Connected Transactions; and
- the secretary of the Board will collect information on Continuing Connected Transactions at the beginning of each month, and cross-check the consolidated amount of Continuing Connected Transactions in the previous month with the financial staff of the relevant Connected Person.

2. New Financial Services Framework Agreement

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

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- (iii) TBEA Finance will provide the finance department of the Company with the relevant information, and the finance department will independently review such information. If there is any change on the regulation of interest rates promulgated by PBOC, the finance department of the Company will communicate and discuss with TBEA Finance to ensure that TBEA Finance will correspondingly adjust the deposit interest rates in accordance with the relevant new regulation on applicable interest rates as promulgated by PBOC and in compliance with the pricing policies of the New Financial Services Framework Agreement.
- (iv) According to the New Financial Services Framework Agreement, the Group shall be entitled to monitor or inspect the deposits handled by TBEA Finance and its financial statements from time to time to ensure its liquidity and protection given to the Group's deposits at TBEA Finance. TBEA Finance shall cooperate with the reasonable requests of the Group in respect of the aforesaid. The finance department of the Company will closely monitor the transactions under the New Financial Services Framework Agreement and will report to the management of the Company on a monthly basis. Where TBEA Finance fails to allow the Group to withdraw its deposits, the Group has the right to deduct the same amount from the loans TBEA Finance has provided to the Group, and to terminate the New Financial Services Framework Agreement unilaterally; in case of loss of funds due to the fault of TBEA Finance, TBEA Finance shall fully compensate the Group for such loss, and the Company has the right to terminate the New Financial Services Framework Agreement unilaterally. Pursuant to the regulatory requirements of the CBIRC, TBEA undertakes to increase the capital of TBEA Finance based on the actual needs of resolving payment difficulty upon the emergency, particularly including but not limited to, providing liquidity support to TBEA Finance when TBEA Finance has difficulty in making payment and replenish the capital of TBEA Finance in a timely manner upon the occurrence of capital erosion as a result of operating losses of TBEA Finance.
- (v) TBEA Finance is subject to the supervision of the CBIRC which regularly conducts credit rating on its operations every year. The Group will promptly obtain the regulatory rating reports issued by the regulatory authorities on TBEA Finance to understand its operations.
- (vi) 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.

LETTER FROM THE BOARD

J. INFORMATION ON THE PARTIES

The Company is a global leader in the manufacturing of polysilicon as well as in the development and operation of wind 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 and static VAR generators), which are used for the engineering and construction contracting business of the Company or sold to independent third parties.

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

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

TBEA Finance is a company incorporated in the PRC with limited liability on 29 November 2018 and a subsidiary of TBEA, with registered capital of RMB1,000 million as 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.

Xinjiang Joinworld is a joint stock company incorporated in the PRC with limited liability on 13 February 1996, with a registered capital of RMB1,024,705,400 as at the Latest Practicable Date and TBEA holds 31.14% of Xinjiang Joinworld's equity interest. It is specialized in producing and selling high-purity aluminium, electronic aluminium foil, etched foil, raw materials for foil-forming electronic components, aluminium and aluminium products, aluminium alloy and carbon.

K. LISTING RULES IMPLICATIONS

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

LETTER FROM THE BOARD

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.

1. Revised Annual Cap for Existing Continuing Connected Transaction

Pursuant to rule 14A.54 of the Listing Rules, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules applicable to the transactions under the Existing Product Procurement Framework Agreement before its cap is exceeded. As the Existing TBEA Framework Agreements are entered into between the same parties, according to rule 14A.81 of the Listing Rules, the transactions contemplated under them are required to be aggregated and treated as if they were one transaction. After aggregation, since the highest applicable percentage ratios in respect of the Revised 2020 Annual Cap exceeds 5%, the transactions contemplated under the Existing TBEA Framework Agreements (based on the Revised 2020 Annual Cap) are subject to the annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Renewal of Existing Continuing Connected Transactions

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

As the highest percentage ratio in respect of the Deposit Services under the New Financial Services Framework Agreement exceed 5%, the Financial Services Framework Agreement and the proposed cap for the Deposit Services on a daily basis are subject to the annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Board Confirmation

Each of Mr. Zhang Xin, a Director and Ms. Guo Junxiang, a Director holds positions at and/or interests in TBEA and/or TBEA Finance, and they are deemed to have material interest and have abstained from voting at the Board meeting with respect to the review and approval of the transactions contemplated under the Supplemental Product Procurement Framework Agreement and the New Framework Agreements. The Directors (including the independent non-executive Directors, after taking into account the recommendations of the Independent Financial Adviser) are of the view that the Supplemental Product Procurement Framework Agreement and the New Framework Agreements are in the ordinary and usual course of business of the Group and on normal commercial terms and the proposed annual caps thereunder, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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

Pursuant to the Listing Rules, the Independent Board Committee has been formed to advise the Independent Shareholders on the Supplemental Product Procurement Framework Agreement, the New Framework Agreements and the proposed annual caps thereunder. The members of the Independent Board Committee are Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus. 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 Product Procurement Framework Agreement, the New Framework Agreements and the proposed annual caps thereunder are in the interests of the Company and the Shareholders as a whole and make recommendation(s) on voting.

L. EGM

The EGM will be held at the Conference Room, International Conference Center at No. 189, South Beijing Road, Changji, Xinjiang, the PRC at 11:00 a.m. on Wednesday, 23 December 2020, to consider and, if thought fit, to approve the Supplemental Product Procurement Framework Agreement, the New Framework Agreements and the proposed annual caps thereunder. The notice of the EGM and a form of proxy for use at the EGM is 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 Product Procurement Framework Agreement and the New Framework Agreements at the EGM. As at the Latest Practicable Date, TBEA holds approximately 65.43% in aggregate of the total issued share

LETTER FROM THE BOARD

capital of the Company, including 783,921,287 Domestic Shares and 1,223,200 H Shares held through TBEA (Hong Kong) Co., Ltd., and is the Controlling Shareholder and a Connected Person of the Company. As such, TBEA Group shall abstain from voting 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 Friday, 18 December 2020 to Wednesday, 23 December 2020, both days inclusive, during which no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company after the close of business on Thursday, 17 December 2020 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 Thursday, 17 December 2020 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 Tuesday, 22 December 2020) or any adjourned meeting thereof.

Pursuant to rule 13.39(4) of the Listing Rules, all votes of shareholders 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.

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.

LETTER FROM THE BOARD

M. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 34 to 35 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 36 to 61 of this circular, considers that the Supplemental Product Procurement Framework Agreement, the New Framework Agreements and the proposed annual caps thereunder 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 resolution to be proposed at the EGM to approve the Supplemental Product Procurement Framework Agreement, the New Framework Agreements and the proposed annual caps thereunder.

N. 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

2 December 2020

To the Independent Shareholders

Dear Sir or Madam,

**REVISED ANNUAL CAP FOR
EXISTING CONTINUING CONNECTED TRANSACTION;
AND
RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company to the Shareholders dated 2 December 2020 (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 Product Procurement Framework Agreement, the New Framework Agreements and the proposed annual caps thereunder and to advise the Independent Shareholders as to whether, in our opinion, its terms are fair and reasonable so far as the Independent Shareholders are concerned. 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 Product Procurement Framework Agreement, the New Framework Agreements and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group; its terms are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

concerned; and (ii) the Supplemental Product Procurement Framework Agreement, the New Framework Agreements and the proposed annual caps thereunder is 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 Product Procurement Framework Agreement, the New Framework Agreements, and the proposed annual caps thereunder at the EGM.

Yours faithfully,

Independent Board Committee

Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

2 December 2020

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

Dear Sirs,

(1) REVISED ANNUAL CAP FOR EXISTING CONTINUING CONNECTED TRANSACTION; AND (2) RENEWAL OF 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 together with the proposed revised annual cap (the “**Revised Annual Cap**”), the New Product Procurement Framework Agreement, the New Coal Procurement Framework Agreement, the New Miscellaneous Services Framework Agreement, the New Products Sales Framework Agreement and the New Financial Services Framework Agreement in relation to the terms of the Continuing Connected Transactions contemplated under the New TBEA Framework Agreements and the New Financial Services Framework Agreement and their respective proposed 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 2 December 2020 (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, in 2020, due to the construction of wind and PV power stations, the Group’s demand for the power transmission and transformation products of TBEA Group increased and based on the product procurement contracts signed between January and October 2020; potential procurement transactions to be entered into in November to December 2020; and the transaction amounts that occurred between January to October 2020, it is anticipated that the existing annual cap for the year ending 31 December 2020 for the procurement of products

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from TBEA Group by the Group under the Existing Product Procurement Framework Agreement may be not sufficient to meet the expected transaction amount for the year ending 31 December 2020. The Board has decided to revise the corresponding annual cap and entered into the Supplemental Product Procurement Framework Agreement on 10 November 2020 (the “**Annual Cap Revision**”). Except for the annual cap, all other terms of the Existing Product Procurement Framework Agreement remain unchanged.

As set out in the Letter from the Board, in view of the expiration of the Existing TBEA Framework Agreements and the Existing Financial Services Framework Agreement on 31 December 2020, and in consideration of the developmental needs and financial needs of the Company, the Company proposed to renew the Existing TBEA Framework Agreements and the Existing Financial Services Framework Agreement and proposes to determine the annual caps for the three years ending 31 December 2023. On 10 November 2020, the Company entered into the New TBEA Framework Agreements and the New Financial Services Framework Agreement.

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

Pursuant to rule 14A.54 of the Listing Rules, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules applicable to the transactions under the Existing Product Procurement Framework Agreement before its cap is exceeded. As the Existing TBEA Framework Agreements are entered into between the same parties, according to rule 14A.81 of the Listing Rules, the transactions contemplated under them are required to be aggregated and treated as if they were one transaction. After aggregation, since the highest applicable percentage ratios in respect of the Revised 2020 Annual Cap exceeds 5%, the transactions contemplated under the Existing TBEA Framework Agreements (based on the Revised 2020 Annual Cap) are subject to the annual reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Since the New TBEA Framework Agreements were entered on the same date with the same parties, the transactions contemplated under each of the New TBEA Framework Agreements are required to be aggregated and treated as if one transaction pursuant to rule 14A.81 of the Listing Rules. Accordingly, the annual caps in respect of the each of New TBEA Framework Agreements are aggregated and used when calculating the relevant percentage ratios. As the highest percentage

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ratios of the proposed annual caps for the transactions contemplated under the New TBEA Framework Agreements (as aggregated) calculated according to rule 14.07 of the Listing Rules is higher than 5%, the New TBEA Framework Agreements (as aggregated), and their proposed annual cap are subject to the annual reporting, announcement and independent shareholders' approval requirements as set out under Chapter 14A of the Listing Rules.

As the highest percentage ratio in respect of the Deposit Services under the New Financial Services Framework Agreement exceed 5%, the Deposit Services under the Financial Services Framework Agreement and the proposed cap for the Deposit Services on a daily basis are subject to the announcement requirement under Chapter 14 of the Listing Rules and the annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus (all being the independent non-executive Directors), has been established to advise the Independent Shareholders as to (i) whether the Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements and the New Financial Services Framework Agreement are 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 whether the terms and their respective annual caps thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned; 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 Product Procurement Framework Agreement, the New TBEA Framework Agreements and the New Financial Services Framework Agreement and their proposed annual caps. 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, details of which are set out in the circulars of the Company dated 15 October 2019 and 8 October 2020 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.

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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 enquires 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 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 enquires, 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 Product Procurement Framework Agreement, the New TBEA Framework Agreements and the New Financial Services Framework Agreement and their respective proposed 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.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions 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 Product Procurement Framework Agreement, the New TBEA Framework Agreements and the New Financial Services Framework Agreement

Information of the Company

The Company is a global leader in the manufacturing of polysilicon as well as in the development and operation 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 and static VAR generators), which are used for the engineering and construction contracting business of the Company or sold to independent third parties.

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 RMB3,714,312,789. TBEA and its close associates (excluding the Group) is mainly engaged in: (i) production and sales of transformers, inductors, wires, cables and other electrical and machinery equipment; and (ii) construction and contracting of domestic and international power transmission and transformation projects, hydro and geothermal power projects.

Information of Xinjiang Tianchi

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

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Information of Xinjiang Joinworld

Xinjiang Joinworld is a joint stock company incorporated in the PRC with limited liability on 13 February 1996, with a registered capital of RMB1,024,705,400 as at the Latest Practicable Date and TBEA holds 31.14% of Xinjiang Joinworld's equity interest. It is specialised in producing and selling high-purity aluminium, electronic aluminium foil, etched foil, raw materials for foil-forming electronic components, aluminium and aluminium products, aluminium alloy and carbon.

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.

2. Reasons for and benefits of entering into the Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements and the New Financial Services Framework Agreement

Background of the Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements and the New Financial Services Framework Agreement

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

As disclosed in the Letter from the Board, in view of the expiration of the Existing TBEA Framework Agreements and the Existing Financial Services Framework Agreement on 31 December 2020, and in consideration of the developmental needs and financial needs of the Company, the Company proposes to renew the Existing TBEA Framework Agreements and the Existing Financial Services Framework Agreement and proposes to determine the

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annual caps for the three years ending 31 December 2023. On 10 November 2020, the Company entered into the New TBEA Framework Agreements and the New Financial Services Framework Agreement.

Benefits of entering into the Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements and the New Financial Services Framework Agreement

As discussed with the management of the Company, the Group has maintained a long-term relationship with TBEA Group of more than 13 years and did not have any material disputes or complaints against TBEA Group in relation to the quality of products supplied or services provided by TBEA Group. The entering into of each of the New TBEA Framework Agreements by the Company with TBEA are in substance the extension of the established business relationship between the Group and TBEA Group under the Existing TBEA 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 under the New TBEA Framework Agreements, which will continue to ensure the quality and reliability of the Group's products and wind and PV power projects. The Company is generally satisfied with the quality of the products and services rendered by the TBEA Group under the Existing TBEA Framework Agreement and believe that the long term relationship between the Group and the TBEA Group and their familiarisation with the Group's business operations would continue to benefit the Group.

As further discussed with the management of the Company, TBEA Finance will 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 less favourable than the interest rate offered by the major cooperate commercial banks to the Group.

Having considered that (i) the Group has maintained business relationship with TBEA Group of more than 13 years; (ii) the Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements and the New Financial Services Framework Agreement allow the Group to satisfy their business needs; (iii) the Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements and the New Financial Services Framework Agreement do not restrict the Group to have limited selection of suppliers, customers or banks; and (iv) the other terms of the Supplemental Product Procurement Framework Agreement remain the same as the Existing Product Procurement Framework Agreement, we concur with the Directors' view that the entering into

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the Supplemental Product Procurement Framework Agreement, the New TBEA Framework Agreements and the New Financial Services Framework Agreement 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 Product Procurement Framework Agreement, the New TBEA Framework Agreements and the New Financial Services Framework Agreement

1. The Supplemental Product Procurement Framework Agreement and the New Products Procurement Framework Agreement

Pricing basis:

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

- i) Business departments of the Group will on the basis of their business needs submit Procurement Requirements to the Company's procurement department.
- ii) Once the Company's procurement department receives the Procurement Requirements, it will on the basis of the Procurement Requirements extend the tender invitation to Qualified Suppliers to invite them to participate in bidding and market price comparisons. For further details on the Company's assessment standards for Qualified Suppliers, please refer to the section headed "Assessment of Qualified Suppliers" in the Letter from the Board.
- iii) 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.
- iv) The bid assessment committee (comprised of representatives from the procurement department (including the procurement and supply chain management department), the supervisory department (including the finance, legal and audit departments), the engineering department, the technical department and the tender management department, other senior management staff (including the general manager, deputy general manager(s) and the chief accountant (excluding Connected Persons)) and representatives from the department which made the initial Procurement

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Requirements 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.

- v) Based on the foregoing factors, the bid assessment committee (focused only on bid assessment) will assess the tender and make the final decision to accept the tender. For further details on the assessment procedures, please refer to the section headed “Assessment Factors and Process” in the Letter from the Board.
- vi) Once a tender is chosen, the procurement department of the Company will contact the bidder and negotiate miscellaneous terms of the agreement. However, the price and quality terms of the products will not be further discussed, and the original bidding terms will be adopted in the final contract. Once the terms are finalised, the Group will enter into a contract with the supplier and arrange for delivery of the product. The entire procurement process generally takes five to seven days.

We have conducted the below works in relation to the pricing basis of the transformers (including ancillary equipment), wires, cables and other equipment under the New Product Procurement Framework Agreement:

- for transformers, we have randomly obtained three invoices between the Group and TBEA Group for each of the two years ended 31 December 2019 and ten months ended 31 October 2020 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 those of the similar product purchased from independent third parties; and
- for wires and cables, we have randomly obtained three invoices between the Group and TBEA for each of the two years ended 31 December 2019 and ten months ended 31 October 2020 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;

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With reference to the invitation to the Qualified Supplier for bidding tender process and market price comparisons that has and will be adopted by the Group, given (i) the three invoices for each type of products under the Existing Product Procurement Framework 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 each of the two years ended 31 December 2019 and the ten months ended 31 October 2020; (ii) the total amount of the above selected products from the invoices we obtained represented approximately 8.2%, 11.0% and 15.2% of the total historical transaction amount under the Existing Product Procurement Framework for each of the two years ended 31 December 2019 and the ten months ended 31 October 2020; and (iii) 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 2019, 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.

Revised Annual Cap under the Supplemental Product Procurement Framework Agreement and the annual cap under the New Product Procurement Framework Agreement

A summary of the historical amount under the Existing Product Procurement Framework Agreement for the two years ended 31 December 2019 and the ten months ended 31 October 2020, the Revised Annual Cap and the proposed annual cap under the New Product Procurement Framework Agreement for the three years ending 31 December 2023 are set out in the table below:

Historical transaction amount			Revised Annual Cap	Proposed annual caps		
Year ended 31 December 2018	Year ended 31 December 2019	For the period ended 31 October 2020	Year ending 31 December 2020	Year ending 31 December 2021	Year ending 31 December 2022	Year ending 31 December 2023
(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
511,755	216,928	314,955	400,000	450,000	450,000	450,000

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As shown in the above table, the actual transaction amount of approximately RMB315.0 million recorded for the ten months ended 31 October 2020 has already utilized approximately 90% of the existing annual cap under the Existing Products Procurement Framework Agreement for the year ending 31 December 2020. As advised by the management of the Company, there will be some potential procurement transactions to be entered between the Group and TBEA Group from November to December 2020 for four projects as the Group will face the risk of cancellation of bidding or lower electricity prices if these projects cannot be connected to the grid at the end of 2020. The potential transaction amount will be approximately RMB80.1 million (the “**Potential Transactions**”). We have reviewed the breakdown of the Potential Transactions for those four projects.

As discussed with the management of the Company, the estimated total cost for transformers (including ancillary equipment), wires and cables are approximately RMB840 million for each of the year 2021 to 2023 for the planned power station construction with at least 2GW. As the Group has and will continue to adopt bidding tender process and market price comparisons to select the better price for the transformers (including ancillary equipment), wires and cables, we considered the number of the bidding tender process and market price comparisons offered by the Group and invited TBEA Group for bidding tender process and market price comparisons in 2018, 2019 and the ten months ended 31 October 2020. There were 358, 146 and 254 bidding tender process and market price comparisons which invited TBEA Group in 2018, 2019 and the ten months ended 31 October 2020, respectively, among which TBEA Group won 118, 78 and 90 bidding tender process and market price comparisons, representing approximately 33.0%, 53.4% and 35.4% successful rate respectively.

Having taken into consideration of the above, in particular, (i) the Potential Transactions; (ii) the Group’s business plan on the construction of power stations with at least 2GW for each of the year 2021 to 2023 and the demand for the transformers (including ancillary equipment), wires and cables; (iii) the historical transaction amount between the TBEA Group and the Group were in line with the Group’s construction plan; and (iv) the highest historical successful rate of TBEA Group of approximately 53.4%, we are of the view that the Revised Annual Cap and the proposed annual caps under the New Products 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.

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2. *The New Coal Procurement Framework Agreement*

Pricing basis:

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

- i) 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 plants, prices, supplier distance, transportation costs, supplier's scale, supplier's management and whether the supplier can provide sufficient and stable supplies.
- ii) The Company will collect sale price data from different coal suppliers located in the same or neighbouring regions whom are able to provide coal which meets the requirements of the Group's standards.
- iii) Through conducting fair negotiations with coal suppliers (including independent third-parties), the Group can determine a reasonable procurement price for the procurement of coal.

In order to obtain a fair and reasonable price which is in line with the prevailing market trend, in determining the procurement price of coal, as part of the procurement procedures, the Group will invite quotations from at least five suppliers (including TBEA Group) as a reference of the prevailing market prices for the coal to be procured before it places an order. After obtaining at least three quotations, including the quotation from TBEA Group, all quotations will be reviewed and evaluated from both the technical and commercial perspectives by the Company's procurement department and the quotation from the TBEA Group will be compared against the independent quotations. The procurement of coal will only be placed with TBEA Group when the price and terms offered by the TBEA Group are more competitive and favourable than the other quotations offered by the independent suppliers.

We have conducted the below works in relation to the pricing basis of the coal under the New Coal Procurement Framework Agreement:

- we have randomly obtained three invoices between the Group and TBEA Group for coal procurement for each of the two years ended 31 December 2019 and the ten months ended 31 October 2020 and three invoices between the Group and the

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independent third parties of similar products. We noted that the prices of the products purchased from TBEA were not less favourable than that of the product purchased from independent third parties.

By considering the limit of Qualified Suppliers for coal, 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 each of the two years ended 31 December 2019 and the ten months ended 31 October 2020; (ii) the total amount of the above selected products from the invoices we obtained represented approximately 16.5%, 11.8% and 15.8% of the total historical transaction amount under the Existing Coal Procurement Framework Agreement for each of the two years ended 31 December 2019 and the ten months ended 31 October 2020 respectively; and (iii) 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 2019, we consider that it is reasonably fair and the prices offered by TBEA Group had no less favourable than the prices offered by independent third parties.

Annual caps and its basis of determination

A summary of the historical amount under the Existing Coal Procurement Framework Agreement and the supplemental agreement which was entered into between the Company and TBEA on 23 September 2020 amending the maximum amounts of coal procurement fee (including transportation cost) payable to TBEA Group for the year ending 31 December 2020 for the two year ended 31 December 2019 and ten months ended 31 October 2020 and the proposed annual caps under the New Coal Procurement Framework Agreement for the three years ending 31 December 2023 are set out in the table below:

Historical transaction amount			Proposed annual caps		
Year ended	Year ended	For the	Year ending	Year ending	Year ending
31	31	period	31	31	31
December	December	ended 31	December	December	December
2018	2019	October	2021	2022	2023
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
148,169	266,443	320,731	450,000	480,000	520,000

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With reference to the circular of the Company dated 8 October 2020 in relation to the revised annual caps for Continuing Connected Transaction and the latest transaction amount up to 31 October 2020, the annualised transaction amount for the year ending 31 December 2020 is expected to be approximately RMB388.3 million. As discussed with the management of the Company, the price of the coal fluctuated rapidly in the past few years, especially from 2019 to 2020, the price of coal and the respective transportation services increased by approximately 11% and 7% respectively from 2019 to 2020. We have obtained and reviewed the invoices for the transactions between the Group and the independent third party and noted that the price of coal increased not less than approximately 10% from 2019 to 2020 (the “**Increment**”). Although the current price of the coal remain relatively stable in the rest of 2020, the Company expects that the price of coal may be further increase in the coming few years after their discussion with the representative of Xinjiang Tianchi. As such, the Company set up the annual caps under the New Coal Procurement Framework Agreement with an increment of approximately 10% with reference to the Increment for each of the three years ending 31 December 2023 in order to prevent any further fluctuation on the price of coal and supply enough coal for the increasing polysilicon production of the Group.

Having taken into consideration of the (i) the annualised proposed transaction amount for the year ending 31 December 2020; (ii) long term business relationship between the Xinjiang Tianchi; and (iii) the potential fluctuation of the price of the coal, we are of the view that the proposed annual caps under the New 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.

3. *The New Miscellaneous Services Framework Agreement*

Pricing basis:

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

- i) Business departments of the Group will on the basis of their business needs submit Procurement Requirements to the Company’s procurement department.

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- ii) Once the Company's procurement department receives the Procurement Requirements, it will on the basis of the Procurement Requirements extend the tender invitation to Qualified Suppliers to invite them to participate in bidding and market price comparisons. For further details on the Company's assessment standards for Qualified Suppliers, please refer to the section headed "Assessment of Qualified Suppliers" in the Letter from the Board.
- iii) 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.
- iv) The bid assessment committee (comprised of representatives from the procurement department (including the procurement and supply chain management department), the supervisory department (including the finance, legal and audit departments), the engineering department, the technical department and the tender management department, other senior management staff (including the general manager, deputy general manager(s) and the chief accountant (excluding Connected Persons)) and representatives from the department which made the initial Procurement Requirements 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.
- v) Based on the foregoing factors, the bid assessment committee (focused only on bid assessment) will assess the tender and make the final decision to accept the tender. For further details on the assessment procedures, please refer to the section headed "Assessment Factors and Process" in the Letter from the Board.
- vi) Once a tender is chosen, the procurement department of the Company will contact the bidder and negotiate miscellaneous terms of the agreement. However, the price and quality terms of the products will not be further discussed, and the original bidding terms will be adopted in the final contract. Once the terms are finalised, the Group will enter into a contract with the supplier and arrange for delivery of the product. The entire procurement process generally takes five to seven days.

We have conducted the below works in relation to the pricing basis of the miscellaneous construction services under the New Miscellaneous Services Framework Agreement:

- we have randomly obtained the three invoices between the Group and TBEA Group for each of the two years ended 31 December 2019 and ten months ended 31 October 2020 and three invoices between the Group and the independent third parties of similar services. 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;

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With reference to the invitation to the Qualified Supplier for bidding tender process and market price comparisons that has and will be adopted by the Group, given (i) the three invoices for miscellaneous construction services under the Existing Miscellaneous Services 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 each of the two years ended 31 December 2019 and the ten months ended 31 October 2020; (ii) the total services amount from the invoices we obtained represented approximately 1.5%, 5.1% and 8.7% of the total historical transaction amount under the Existing Miscellaneous Services Framework for each of the two years ended 31 December 2019 and ten months ended 31 October 2020 respectively; and (iii) 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 2019, 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.

Annual caps and its basis of determination

A summary of the historical amount under the Existing Miscellaneous Services Framework Agreement for the two years ended 31 December 2019 and the ten months ended 31 October 2020 and the proposed annual caps under the New Miscellaneous Services Framework Agreement are set out in the table below:

Historical transaction amount			Proposed annual caps		
Year ended	Year ended	For the	Year ending	Year ending	Year ending
31	31	period	31	31	31
December	December	ended 31	December	December	December
2018	2019	October	2021	2022	2023
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
230,286	40,783	199,013	300,000	300,000	300,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Group's business plans, the Group intends to construct power station projects with capacity of at least 2GW for each of the three years ending 31 December 2023 respectively. The estimated total cost for miscellaneous construction services, such as engineering construction, greenification services, installation of water, electricity, heating facilities are approximately RMB220.0 million for each of the three years ending 31 December 2023 for power station construction with at least 2GW. As the Group has and will continue to adopt tender process to select the better price for the miscellaneous construction services, we considered the number of the bidding tender process and market price comparisons offered by the Group and invited TBEA Group for bidding tender process and market price comparisons in 2018, 2019 and ten months ended 31 October 2020. There were 73, 101 and 175 bidding tender process and market price comparisons which invited TBEA in 2018, 2019 and ten months ended 31 October 2020, respectively, among which TBEA Group won 2, 13 and 5 bidding tender process and market price comparisons, representing approximately 2.7%, 12.9% and 2.9% successful rate respectively.

Having taken into consideration of the above, in particular, (i) the Company's business plan on the construction of power stations with at least 2GW for each of the year 2021 to 2023 and the demand for the miscellaneous construction services; (ii) the highest successful rate of TBEA Group with approximately 12.9%; (iii) the costs of the miscellaneous services are expected to be stable; and (iv) stable business relationship between TBEA Group and the Group, we are of the view that the proposed annual caps under the New Miscellaneous 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.

4. *The New Products Sales Framework Agreement*

Pricing basis:

The industrial raw materials, namely silicon metal and liquid alkali, and industrial water provided by the Group to the TBEA Group under the New Products Sales Framework Agreement are off-the-shelf products which are the same products being sold to all other independent customers for their industrial needs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The pricing policy under the New Products Sales Framework Agreement are as follows:

- i) Prices of industrial raw materials namely silicon metal and liquid alkali are determined by taking into account the quantity and quality of the comparable orders, and with reference to prices of the same or similar products provided by the Group to independent third party customers;
- ii) Where there are no comparable orders that comply with (i), prices are determined in accordance to the equivalent prevailing market prices of the same or similar products and the relevant quotes are obtained from the industry websites. Prices of silicon metal and liquid alkali are determined in accordance to the price of same products stated on 中國鐵合金在綫 (China Ferroally Online*) (www.cnfeol.com) and 卓創資訊 (Zhuo Chuang Information*) (www.sci99.com), respectively. China Ferroally Online and Zhuo Chuang Information are market transaction data platforms for commodities recognised by market participants to obtain reliable and representative real time price quotation of silicon metal and liquid alkali quoted by other suppliers in the market; and
- iii) The price of industrial water shall be determined with reference to the quotation of urban tap water provided by 烏魯木齊水業集團有限公司 (Urumqi Water Industry Group Co., LTD.*) (“**Urumqi Water**”). Urumqi Water, a stated-owned company held by State-owned Assets Supervision and Administration Commission of Xinjiang Uygur Autonomous Region, is an integrated service provider in municipal water treatment and water supply industries in Urumqi. Urumqi Water had a majority market share and coverage of the daily capacity of the water treatment and water supply in most areas in Urumqi. Taking into account Urumqi Water’s majority market share in the water treatment and water supply industries in Urumqi, making reference to the price charged by Urumqi Water for industrial water allows the Group to understand the latest trend and movement of the market price of industrial water and helps the Group to determine the price to be charged by it.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have conducted the below works in relation to the pricing basis of the industrial raw materials and industrial water under the New Products Sales Framework Agreement:

- for silicon metal and liquid alkali, we have randomly obtained three invoices between the Group and TBEA Group for each of the year ended 31 December 2019 and ten months ended 31 October 2020 and three invoices between the Group and the independent third parties of similar services. 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 each of the year ended 31 December 2019 and ten months ended 31 October 2020 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 (i) the three invoices for products sold under the Existing Products 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 third parties independent for each of the year ended 31 December 2019 and the ten months ended 31 October 2020; (ii) the total transaction amount from the invoices we obtained represented approximately 33.7% and 20.0% of the total historical transaction amount under the Existing Products Sales Framework Agreement for the year ended 31 December 2019 and ten months ended 31 October 2020 respectively; and (iii) 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 2019, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Annual caps and its basis of determination

A summary of the historical amount under the Existing Products Sales Framework Agreement for the two years ended 31 December 2019 and the ten months ended 31 October 2020 and the proposed annual caps under the New Products Sales Framework Agreement are set out in the table below:

Historical transaction amount			Proposed annual caps		
Year ended	Year ended	For the	Year ending	Year ending	Year ending
31	31	period	31	31	31
December	December	ended 31	December	December	December
2018	2019	October	2021	2022	2023
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
20,399	23,645	53,710	100,000	100,000	100,000

As shown in the above table, the annualised transaction amount for the year ending 31 December 2020 is expected to be approximately RMB64.5 million (the “**Annualised Amount**”). As advised by the management of the Company, approximately 44% of the Annualised Amount are for the sales of industrial water to TBEA Group. As further advised by the management of the Company, Xinjiang Joinworld provided an indicated demand for the industrial raw materials and industrial water for the year ending 31 December 2021 (the “**Indicated Demand**”) and the Indicated Demand was mainly determined by the expected operation demands of Xinjiang Joinworld. The need of the industrial raw materials of TBEA Group for the year ending 31 December 2021 is expected to increase by approximately 100% by compared to their expected need for the year ending 31 December 2020 and the demand on the industrial water for the year ending 31 December 2021 will be on the similar level for the year ending 31 December 2020. As further advised by the management of the Company, the need of the industrial raw materials and industrial water of TBEA Group for the two years ending 31 December 2023 is not yet provided, but they do not expect that there is any material change on their need as business plan or strategy of the TBEA Group does not have any material change in the coming few years. Therefore, the Group expected the annual caps for the two years ending 31 December 2023 will be the same as the annual cap for the year ending 31 December 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having taken into consideration of the above, (i) the annualised transaction amount for the year ending 31 December 2020; (ii) the Indicated Demand for the year ending 31 December 2021; and (iii) stable business plan or strategy of the TBEA Group, we are of the view that the proposed annual caps under the New Products 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.

5. *The New Financial Services Framework Agreement*

Pricing standard of the Deposit Services provided by TBEA Finance to the Group

The deposit placed by the Group with TBEA Finance shall not bear an interest rate that is lower than:

- i) the benchmark interest rate of the 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) in the TBEA Group with same credit ratings for comparable deposits for the same term, if applicable.

We have conducted the below works in relation to the pricing standard provided by the TBEA Finance to the Group under the New Financial Services Framework Agreement:

- we have randomly obtained and reviewed the three deposit contracts/records between the Group and the TBEA Finance for the year ended 31 December 2019 and ten months ended 31 October 2020 against the three receipts of deposit placed by the Group in other commercial banks for the period for the year ended 31 December 2019 and the ten months ended 31 October 2020. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that (i) the interest rates offered by the TBEA Finance for the selected deposits placed by the Group for the year ended 31 December 2019 and the ten months ended 31 October 2020 were no less favourable than the then interest rates provided to the Group by other independent commercial banks in the PRC; and (ii) various internal control measures will be put in place within the Group to ensure it complies with the terms under the New Financial Services Framework Agreement, we consider that the terms of the Deposit Services under the New 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.

Annual caps and its basis of determination

A summary of the historical amount under the Existing Financial Services Framework Agreement for the year ended 31 December 2019 and the ten months ended 31 October 2020 and the proposed annual caps under the New Financial Services Framework Agreement are set out in the table below:

	Historical amount		Proposed annual caps		
	Year ended	For the period ended	Year ending	Year ending	Year ending
	31 December 2019	31 October 2020	31 December 2021	31 December 2022	31 December 2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Maximum daily balance of deposits (including accrued interests)	483,000	601,000	1,000,000	1,000,000	1,000,000

We have reviewed the annual reports of the Company for the two years ended 31 December 2019 and the interim report of the Company for the six months ended 30 June 2020, the cash and cash equivalents were RMB2,317 million, RMB3,856million, RMB2,747 million and RMB2,495 million as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 respectively. As advised by the management of the Company, the historical daily balance in banks for the three years ended 31 December 2019 and the six months ended 30 June 2020 were generally higher than RMB2,800 million. However, as further advised by the management of the Company, at least 66% of the Group's cash and cash equivalents were generally placed in seven major commercial banks (the "**Major Banks**"). For the purpose 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 13 years, the Group usually maintain certain level of deposit in the Major Banks.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having taken into consideration of the above, (i) the cash and cash equivalents were generally over RMB2,800 million for the three years ended 31 December 2019 and the six months ended 30 June; and (ii) the Group intends to maintain business relationship with the Major Banks by placing certain level of deposits in the Major Banks, we are of the view that the proposed annual caps under the New 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.

3. Internal control measures within the Group

Internal control for the New TBEA 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 transactions to the secretary of the Board. The secretary of the Board will then inform the Board of any important information thereof;
- the Audit Committee is responsible for the data collection and monitoring of connected transactions, and for conducting evaluation on the fairness of the transaction and pricing terms. It will discuss with relevant subsidiaries and business departments to determine the annual caps and execution status of the connected transactions. It will also report to the Board and the board of supervisors on the Group's connected transactions on quarterly basis. If it is anticipated that there is a need to revise the annual caps, the Company will comply with the relevant requirements under Listing Rules to issue an announcement, and/or seek independent Shareholders' approval after the Board's review and approval (as required);
- the Company has strengthened training in relation to the review and decision-making processes and information disclosure requirements of connected transactions, further promoting awareness among the relevant business departments in the corresponding compliance requirements;

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- 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 terms of such non-exempt Continuing Connected Transactions;
- all individual connected transactions agreement shall obtain approval from the headquarters of the Company before being entered into. Also, members of the senior management of the Company will collectively monitor the actual transaction amount of the Group's Continuing Connected Transactions;
- the Company will impose control on the actual transaction amount of Continuing Connected Transactions, and focus on controlling the individual amount of each type of Continuing Connected Transactions; and
- the secretary of the Board will collect information on Continuing Connected Transactions at the beginning of each month, and cross-check the consolidated amount of Continuing Connected Transactions in the previous month with the financial staff of the relevant Connected Person.

Internal control for the New 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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) The finance department of the Company is responsible for cross-checking the interest rates when the Group has deposit needs to ensure that TBEA Finance will comply with the interest rates regulation of PBOC and comparing the interest rates and terms offered by two to three Major Cooperative Commercial Banks. Accordingly, the Company is able to ensure that the interest rates and terms for the deposits placed by the Group with TBEA Finance are on normal commercial terms or better.

- (iii) TBEA Finance will provide the finance department of the Company with the relevant information, and the finance department will independently review such information. If there is any change on the regulation of interest rates promulgated by PBOC, the finance department of the Company will communicate and discuss with TBEA Finance to ensure that TBEA Finance will correspondingly adjust the deposit interest rates in accordance with the relevant new regulation on applicable interest rates as promulgated by PBOC and in compliance with the pricing policies of the New Financial Services Framework Agreement.

- (iv) According to the New Financial Services Framework Agreement, the Group shall be entitled to monitor or inspect the deposits handled by TBEA Finance and its financial statements from time to time to ensure its liquidity and protection given to the Group's deposits at TBEA Finance. TBEA Finance shall cooperate with the reasonable requests of the Group in respect of the aforesaid. The finance department of the Company will closely monitor the transactions under the New Financial Services Framework Agreement and will report to the management of the Company on a monthly basis. Where TBEA Finance fails to allow the Group to withdraw its deposits, the Group has the right to deduct the same amount from the loans TBEA Finance has provided to the Group, and to terminate the New Financial Services Framework Agreement unilaterally; in case of loss of funds due to the fault of TBEA Finance, TBEA Finance shall fully compensate the Group for such loss, and the Company has the right to terminate the New Financial Services Framework Agreement unilaterally. Pursuant to the regulatory requirements of the CBIRC, TBEA undertakes to increase the capital of TBEA Finance based on the actual needs of resolving payment difficulty upon the emergency, particularly including but not limited to, providing liquidity support to TBEA Finance when TBEA Finance has difficulty in making payment and replenish the capital of TBEA Finance in a timely manner upon the occurrence of capital erosion as a result of operating losses of TBEA Finance.

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- (v) TBEA Finance is subject to the supervision of the CBIRC which regularly conducts credit rating on its operations every year. The Group will promptly obtain the regulatory rating reports issued by the regulatory authorities on TBEA Finance to understand its operations.

- (vi) 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 Products Procurement Framework Agreement, the New TBEA Framework Agreement and the New Financial Services Framework Agreement are entered in the ordinary and usual course of business of the Company; and (ii) the terms of the Supplemental Products Procurement Framework Agreement, the New TBEA Framework Agreement, the New Financial Services Framework Agreement and their respective 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 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) ⁽¹⁾		
Directors						
Mr. Zhang Xin	Interest in a controlled corporation ⁽³⁾	The Company	58,246,308 Domestic Shares	4.85%	6.57%	Long position
	Beneficial owner	TBEA ⁽⁴⁾	406,403 shares	0.01%	N/A	Long position
	Interest in a controlled corporation ⁽⁵⁾	TBEA ⁽⁴⁾	446,982,637 shares	12.02%	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 ⁽²⁾	Long position/ short position
				of the Company/ relevant corporation (including associated corporation) ⁽¹⁾		
Ms. Guo Junxiang	Beneficial owner	TBEA ⁽⁴⁾	260,180 shares	0.01%	N/A	Long position
Supervisors						
Mr. Han Shu	Beneficial owner	TBEA ⁽⁴⁾	1,058 shares	0.00%	N/A	Long position
Mr. Hu Shujun	Beneficial owner	TBEA ⁽⁴⁾	69,376 shares	0.00%	N/A	Long position
Mr. Ma Junhua	Beneficial owner	TBEA ⁽⁴⁾	114,000 shares	0.00%	N/A	Long position

1. The calculation is based on the total number of 3,714,312,789 shares of TBEA and 1,200,000,000 Shares of the Company in issue as at the Latest Practicable Date.
2. The calculation is based on the total number of 886,524,370 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 (Group) Co., Ltd. (“**Xinjiang Tebian**”), and as at the Latest Practicable Date, Xinjiang Tebian directly holds 4.85% 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 at the Latest Practicable Date, TBEA held 783,921,287 Domestic Shares (approximately 88.43% of the relevant class of shares) and TBEA (HONGKONG) CO., LIMITED, a wholly-owned subsidiary of TBEA, held 1,223,200 H Shares (approximately 0.39% of the relevant class of shares), which accounted for approximately 65.43% 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 of the Company ⁽¹⁾	Approximate percentage of shareholdings in the total share capital of the Company ⁽¹⁾	Long position/ short position
TBEA	Beneficial owner	Domestic Shares	783,921,287	88.43%	65.33%	Long position
Xinjiang Tebian	Beneficial owner	Domestic Shares	58,246,308	6.57%	4.85%	Long position
Mr. Chen Weilin ⁽²⁾	Interest in a controlled corporation	Domestic Shares	58,246,308	6.57%	4.85%	Long position
Explorer Sparkle Limited ⁽³⁾	Beneficial owner	H Shares	17,618,800	5.62%	1.47%	Long position
Abhaya Limited ⁽³⁾	Interest in a controlled corporation	H Shares	17,618,800	5.62%	1.47%	Long position
Wickhams Cay Trust Company Limited ⁽³⁾	Trustee	H Shares	17,618,800	5.62%	1.47%	Long position
Ms. Shi Jing ⁽³⁾	Founder of a discretionary trust	H Shares	17,618,800	5.62%	1.47%	Long position
GF Securities Co., Ltd. ⁽⁴⁾	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Holdings (Hong Kong) Corporation Limited ⁽⁴⁾	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Investment (Hong Kong) Company Limited ⁽⁴⁾	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Energy Investment Limited ⁽⁴⁾	Beneficial owner	H Shares	29,239,766	9.33%	2.44%	Long position
Fubon Financial Holding Co., Ltd. ⁽⁵⁾	Interest in a controlled corporation	H Shares	17,583,200	5.61%	1.47%	Long position
Fubon Life Insurance Co., Ltd. ⁽⁵⁾	Beneficial owner	H Shares	17,583,200	5.61%	1.47%	Long position
Li Shu	Beneficial owner	H Shares	33,675,480	10.74%	2.81%	Long position
Nirvana Code Limited ⁽⁶⁾	Beneficial owner	H Shares	73,977,120	23.60%	6.16%	Long position

Name of Shareholder	Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares of the Company ⁽¹⁾	Approximate percentage of shareholdings in the total share capital of the Company ⁽¹⁾	Long position/short position
CM International Capital Limited ⁽⁶⁾	Interest in a controlled corporation	H Shares	73,977,120	23.60%	6.16%	Long position
CMIG International Capital Limited ⁽⁶⁾	Beneficial owner	H Shares	43,859,649			
	Interest in a controlled corporation	H Shares	73,977,120			
			117,836,769	37.59%	9.82%	Long position
CMI Financial Holding Corporation ⁽⁶⁾	Beneficial owner	H Shares	43,859,649			
	Interest in a controlled corporation	H Shares	73,977,120			
			117,836,769	37.59%	9.82%	Long position
中民投亞洲資產管理有限公司 ⁽⁶⁾ (CMIG Asia Asset Management Co., Ltd.)	Beneficial owner	H Shares	43,859,649			
	Interest in a controlled corporation	H Shares	73,977,120			
			117,836,769	37.59%	9.82%	Long position
China Minsheng Investment Corp., Ltd. ⁽⁶⁾	Beneficial owner	H Shares	43,859,649			
	Interest in a controlled corporation	H Shares	73,977,120			
			117,836,769	37.59%	9.82%	Long position

Notes:

- (1) The calculation is based on the total number of 1,200,000,000 Shares in issue as at the Latest Practicable Date in which 886,524,370 Shares are Domestic Shares and 313,475,630 Shares are H Shares.
- (2) Mr. Chen Weilin holds 33.61% of the equity interest of Xinjiang Tebian, which directly holds 4.85% 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.
- (3) Explorer Sparkle Limited is 100% owned by Abhaya Limited. Abhaya Limited is 100% owned by Wickhams Cay Trust Company Limited, and Ms. Shi Jing is the founder of a discretionary trust of the trust and Wickhams Cay Trust Company Limited is the trustee. Therefore, Ms. Shi Jing, Wickhams Cay Trust Company Limited and Abhaya Limited are deemed or taken to be interested in all Shares held by Explorer Sparkle Limited in the Company for the purpose of the SFO.
- (4) GF Investment (Hong Kong) Company Limited holds 81% of the equity interest of GF Energy Investment Limited, and GF Investment (Hong Kong) Company Limited is 100% owned by GF Holdings (Hong Kong) Corporation Limited, and GF Holdings (Hong Kong) Corporation Limited is 100% owned by GF Securities Co., Ltd..

Accordingly, GF Securities Co., Ltd., GF Holdings (Hong Kong) Corporation Limited and GF Investment (Hong Kong) Company Limited are deemed to be interested in all Shares held by GF Energy Investment Limited in the Company for the purpose of the SFO.

- (5) Fubon Life Insurance Co., Ltd. is 100% owned by Fubon Financial Holding Co., Ltd.. Therefore, Fubon Financial Holding Co., Ltd. is deemed to be interested in all Shares held by Fubon Life Insurance Co., Ltd. in the Company for the purpose of the SFO.
- (6) According to the corporate substantial shareholder notices submitted to the Stock Exchange, Nirvana Code Limited is 100% owned by CM International Capital Limited, which is 100% owned by CMIG International Capital Limited. CMIG International Capital Limited is 77.40% owned by CMI Financial Holding Corporation, which is 100% owned by CMIG Asia Asset Management Co., Ltd. (a company 100% owned by China Minsheng Investment Corp., Ltd.). Therefore, China Minsheng Investment Corp., Ltd., CM International Capital Limited, CMIG International Capital Limited, CMI Financial Holding Corporation and CMIG Asia Asset Management Co., Ltd. are deemed to be interested in all Shares held by Nirvana Code Limited 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**”):

Name of Directors	Relevant Companies in which the Director is also a director
Mr. Zhang Xin	Chairman and executive director 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 2020:

Litigation of the Intermediate Court of Beijing:

In January 2017, TBEA Xinjiang New Energy Co., Ltd. (“**Xinjiang New Energy**”), a subsidiary of the Company, entered into a construction agreement (the “**Construction Agreement**”) with Xuyi High Drive Wind Power Co., Ltd. (盱眙高傳風力發電有限公司) (“**Xuyi High Drive**”), stipulating that Xinjiang New Energy shall undertake the general construction of the 99MW Integration Wind Power Project at Guanyin Temple Sanhe Farm Guantan Wind Power Plant of Xuyi High Drive (盱眙高傳觀音寺三河農場官灘風電場99MW 整裝風電工程) (the “**Project**”).

In May 2017, Xuyi High Drive entered into a finance lease agreement with Huaxia Financial Leasing Co., Ltd. (華夏金融租賃有限公司) (“**Huaxia Financial Leasing**”), and carried out financial leasing business for the Project, with a total lease principal of RMB600 million. Huaxia Financial Leasing also entered into a transfer agreement with Xuyi High Drive and Xinjiang New Energy, stipulating that Huaxia Financial Leasing will undertake the payment obligation for the procurement of the major equipment, components and materials for the Project and obtain the Project’s ownership after its completion; whilst other rights and obligations under the Construction Agreement shall continue to be fulfilled by Xuyi High Drive and Xinjiang New Energy in accordance with the Construction Agreement. If the equipment delivered by Xinjiang New Energy is seriously inconsistent with the Construction Agreement and Xuyi High Drive’s requirements, resulting in the failure of the finance lease agreement, and Huaxia Financial Leasing terminates the transfer agreement accordingly, Huaxia Financial Leasing is entitled to request Xinjiang New Energy to refund the principal and interest of the finance lease paid by it. In May 2020, Huaxia Financial Leasing filed a claim to the Second Intermediate People’s Court of Beijing Municipality (the “**Intermediate Court of Beijing**”) on the ground that the equipment delivered by Xinjiang New Energy was inconsistent with those stipulated in the Construction Agreement, and sought to recover the principal of the finance lease of RMB600 million together with the interest, litigation and preservation fees from Xinjiang New Energy. As at the Latest Practicable Date, the first instance of the litigation has been held but no judgment has been made.

Litigation of the Intermediate People's Court of Huaian:

According to the Construction Agreement, the project payment of RMB130,488,063.62 payable to Xinjiang New Energy by Xuyi High Drive has not been effected as at the date of filing the lawsuit with the Intermediate People's Court of Huaian, Jiangsu (the "**Intermediate People's Court of Huaian**"). With Huaxia Financial Leasing having filed a claim to the Intermediate Court of Beijing, even though Xinjiang New Energy is of the opinion that the claim from Huaxia Financial Leasing lacks merit, if the Intermediate Court of Beijing ultimately decides that Xinjiang New Energy shall bear the legal responsibilities, Xuyi High Drive should compensate all the losses of Xinjiang New Energy.

In June 2020, Xinjiang New Energy filed a lawsuit against Xuyi High Drive and other independent third parties with the Intermediate People's Court of Huaian, and sought the Intermediate People's Court of Huaian's confirmation that (i) the Construction Agreement shall be terminated; (ii) Xuyi High Drive shall effect the project payment of RMB130,488,063.62 and the relevant liquidated damages for late payment; (iii) Xuyi High Drive shall compensate the losses of Xinjiang New Energy as a result of its breach with a tentative amount of RMB600 million (subject to the decision of Intermediate Court of Beijing); (iv) other defendants shall be jointly and severally liable for claims (ii) and (iii); (v) Xinjiang New Energy has the priority of compensation in respect of proceeds from pledged assets and pledged power fare; and (vi) Xinjiang New Energy has the priority of compensation in respect of the Project's project payment. As at as the Latest Practicable Date, the first instance of the litigation has been held but no judgment has been made.

Please refer to the announcements of the Company dated 20 May 2020 and 22 June 2020 for further details of the Project and the litigations mentioned above.

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

References are made to the announcements in relation to the profit warning dated 14 August 2020 and the results for the six months ended 30 June 2020 dated 28 August 2020 regarding the decrease in the unaudited consolidated profit attributable to the owners of the Company for the six months ended 30 June 2020 as compared to the corresponding period in 2019, which was mainly due to (i) the fall of the sales price of polysilicon; and (ii) the reduction of the Group's engineering and construction contracting business scale which was affected by the outbreak of the COVID-19 epidemic. Save as disclosed above, 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 2019, 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 2019, 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:

Name	Qualification
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 2019 (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 made available for inspection during normal business hours on any weekday (except for public holidays) at 13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Supplemental Product Procurement Framework Agreement;
- (b) the Existing TBEA Framework Agreements;
- (c) the New Framework Agreements;
- (d) the consent referred to in the paragraph of "Qualification of Expert and Consent" of this Appendix;
- (e) the letter from the Independent Board Committee, full text of which is set out on pages 34 to 35 of this circular; and
- (f) the letter from Sorrento Capital Limited, full text of which is set out on pages 36 to 61 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 Institute of Chartered Secretaries and The Chartered Governance (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, Sunlight Tower, 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 English names of the PRC entities, PRC projects, and the PRC governmental authorities referred to in this circular are translated for identification purposes. The Chinese text of this circular shall prevail over the English text in the event of inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 SECOND EXTRAORDINARY GENERAL MEETING OF 2020

NOTICE IS HEREBY GIVEN that the second extraordinary general meeting of 2020 (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 People's Republic of China (the “**PRC**”) at 11 a.m. on Wednesday, 23 December 2020 to consider and, if thought fit, approve the resolutions set out below as ordinary resolutions.

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the supplemental product procurement framework agreement entered into between the Company and TBEA Co., Ltd. on 10 November 2020 (the “**Supplemental Product Procurement Framework Agreement**”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder, be and are hereby confirmed and approved;
- (b) the proposed revised annual cap under the Supplemental Product Procurement Framework Agreement be and is hereby approved; and
- (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.”

2. “**THAT:**

- (a) the product procurement framework agreement entered into between the Company and TBEA Co., Ltd. on 10 November 2020 (the “**Product 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

NOTICE OF EXTRAORDINARY GENERAL MEETING

thereunder and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2023, be and are hereby confirmed and approved;

- (b) the coal procurement framework agreement entered into between the Company and TBEA Co., Ltd. on 10 November 2020 (the “**Coal Procurement Framework Agreement**”), 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 annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2023, be and are hereby confirmed and approved;
- (c) the miscellaneous services framework agreement entered into between the Company and TBEA Co., Ltd. on 10 November 2020 (the “**Miscellaneous Services 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 annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2023, be and are hereby confirmed and approved;
- (d) the products sales framework agreement entered into between the Company and TBEA Co., Ltd. on 10 November 2020 (the “**Products Sales 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 annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2023, be and are hereby confirmed and approved; and
- (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 Product Procurement Framework Agreement, Coal Procurement Framework Agreement, Miscellaneous Services Framework Agreement and Product Sales Framework Agreement.”

3. “**THAT:**

- (a) the financial services framework agreement entered into between the Company and TBEA Group Finance Co., Ltd. on 10 November 2020 (the “**Financial Services Framework Agreement**”), a copy of which is tabled at the meeting and marked “F” and initialled by the chairman of the meeting for identification purpose, and the proposed deposit cap on a daily basis for the three years ending 31 December 2023, be and are hereby confirmed and approved; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (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 Financial Services Framework Agreement.”

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

Xinjiang, the PRC
2 December 2020

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 were dispatched and published by the Company on 2 December 2020.
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 Friday, 18 December 2020 to Wednesday, 23 December 2020, both days inclusive, during which no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company after the close of business on Thursday, 17 December 2020 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 Thursday, 17 December 2020 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 Tuesday, 22 December 2020).

NOTICE OF EXTRAORDINARY GENERAL MEETING

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, Ms. Guo Junxiang and Mr. Qin Xiaodong as non-executive Directors; and Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus as independent non-executive Directors.