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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)

FURTHER REVISION OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS; AND NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2022

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

SUNWAH KINGSWAY

新華滙富

Kingsway Capital Limited

A letter from the Board is set out on pages 7 to 30 of this circular. A letter from the Independent Financial Adviser, Kingsway Capital Limited containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 57 of this circular and a letter from the Independent Board Committee is set out on page 31 of this circular.

The notice convening the EGM to be held at the Conference Room, No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC on Thursday, 8 December 2022 at 11:00 a.m., is set out on pages EGM-1 to EGM-3 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 Wednesday, 7 December 2022) 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.

22 November 2022

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DEFINITIONS

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

“100,000-ton Polysilicon Project in Inner Mongolia”	the 100,000-ton-per-annum high-purity polysilicon green energy circular economy construction project in Tumed Right Banner, Baotou City, Inner Mongolia Autonomous Region, the PRC
“200,000-ton Polysilicon Project in Zhundong”	the 200,000-ton-per-annum high-end electronic-grade polysilicon green low-carbon circular economy construction project in the Changji Zhundong Industrial Park in Xinjiang Uygur Autonomous Region, the PRC
“30%-controlled company”	has the meaning ascribed to it under the Listing Rules
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	audit committee of the Board
“Board”	the board of Directors
“CAGR”	compound annual growth rate
“Company”	Xinte Energy Co., Ltd. (新特能源股份有限公司), a company incorporated in the PRC with limited liability on 20 February 2008, which was converted into a joint stock limited liability company on 16 October 2012, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1799)
“Continuing Connected Transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Domestic Share(s)”	ordinary domestic share(s) with par value of RMB1.00 each in the share capital of the Company
“EGM”	the second extraordinary general meeting of 2022 of the Company to be held at the Conference Room, No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC on Thursday, 8 December 2022 at 11:00 a.m.
“Existing Annual Caps”	the existing anticipated maximum annual amount for the transactions contemplated under the Existing Framework Agreements for the years ending 31 December 2022 and 2023 which were revised by the Existing Supplemental Framework Agreements entered into on 13 October 2021
“Existing Framework Agreements”	the Existing TBEA Framework Agreements and the Existing Xinjiang Tebian Framework Agreements
“Existing Miscellaneous Services Framework Agreement (TBEA)”	the miscellaneous services framework agreement entered into between the Company and TBEA on 10 November 2020, under which the annual caps were revised by the Existing Supplemental Framework Agreements entered into on 13 October 2021
“Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian)”	the miscellaneous services framework agreement entered into between the Company and Xinjiang Tebian on 10 November 2020, under which the annual caps were revised by the Existing Supplemental Framework Agreements entered into on 13 October 2021
“Existing Product Procurement Framework Agreement (TBEA)”	the product procurement framework agreement entered into between the Company and TBEA on 10 November 2020, under which the annual caps were revised by the Existing Supplemental Framework Agreements entered into on 13 October 2021

DEFINITIONS

“Existing Product Procurement Framework Agreement (Xinjiang Tebian)”	the product procurement framework agreement entered into between the Company and Xinjiang Tebian on 10 November 2020, under which the annual caps were revised by the Existing Supplemental Framework Agreements entered into on 13 October 2021
“Existing TBEA Framework Agreements”	the Existing Product Procurement Framework Agreement (TBEA), the existing coal procurement framework agreement, the Existing Miscellaneous Services Framework Agreement (TBEA) and the existing product sales framework agreement entered into between the Company and TBEA on 10 November 2020, under which the annual caps were revised by the Existing Supplemental Framework Agreements entered into on 13 October 2021
“Existing Xinjiang Tebian Framework Agreements”	the Existing Product Procurement Framework Agreement (Xinjiang Tebian) and the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian) entered into between the Company and Xinjiang Tebian on 10 November 2020, under which the annual caps were revised by the Existing Supplemental Framework Agreements entered into on 13 October 2021
“Existing Supplemental Framework Agreements”	the supplemental framework agreements entered into between the Company and each of TBEA and Xinjiang Tebian on 13 October 2021 to revise certain annual caps of the continuing connected transactions for the years ended/ending 31 December 2021, 2022 and 2023
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Shares”	foreign shares listed overseas with a par value of RMB1.00 per share in the share capital of the Company, which are subscribed and traded in Hong Kong dollars, and listed on the Stock Exchange

DEFINITIONS

“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors established to advise the Independent Shareholders in respect of the Supplemental Framework Agreements and the Revised Annual Caps thereunder
“Independent Financial Adviser”	Kingsway Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Supplemental Framework Agreements and the Revised Annual Caps
“Independent Shareholders”	Shareholders other than TBEA Group and/or Xinjiang Tebian Group (as the case may be)
“Latest Practicable Date”	17 November 2022, being the latest practicable date before printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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, Macau Special Administrative Region of the PRC and Taiwan
“PV”	photovoltaic
“Qualified Supplier(s)”	supplier(s) assessed as qualified and listed as qualified suppliers(s)

DEFINITIONS

“Revised Annual Caps”	the revised anticipated maximum annual amount for the transactions contemplated under the Supplemental Framework Agreements for the years ending 31 December 2022 and 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Substations”	the construction of the 220kV substation and 10kV substation under the design plan of the 200,000-ton Polysilicon Project in Zhudong in 2023
“Supplemental Framework Agreements”	the Supplemental TBEA Framework Agreements and the Supplemental Xinjiang Tebian Framework Agreements
“Supplemental Miscellaneous Services Framework Agreement (TBEA)”	the supplemental agreement entered into between the Company and TBEA on 17 October 2022 to revise the maximum amount payable to TBEA Group in respect of miscellaneous services transactions for the years ending 31 December 2023
“Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian)”	the supplemental agreement entered into between the Company and Xinjiang Tebian on 17 October 2022 to revise the maximum amount payable to Xinjiang Tebian Group in respect of miscellaneous services transactions for the years ending 31 December 2022 and 2023

DEFINITIONS

“Supplemental Product Procurement Framework Agreement (TBEA)”	the supplemental agreement entered into between the Company and TBEA on 17 October 2022 to revise the maximum amount payable to TBEA Group in respect of product procurement transactions for the years ending 31 December 2022 and 2023
“Supplemental Product Procurement Framework Agreement (Xinjiang Tebian)”	the supplemental agreement entered into between the Company and Xinjiang Tebian on 17 October 2022 to revise the maximum amount payable to Xinjiang Tebian Group in respect of product procurement transactions for the years ending 31 December 2022 and 2023
“Supplemental TBEA Framework Agreements”	Supplemental Miscellaneous Services Framework Agreement (TBEA) and Supplemental Product Procurement Framework Agreement (TBEA)
“Supplemental Xinjiang Tebian Framework Agreements”	the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) and Supplemental Product Procurement Framework Agreement (Xinjiang Tebian)
“TBEA”	TBEA Co., Ltd. (特變電工股份有限公司), a joint stock company incorporated in the PRC with limited liability on 26 February 1993 and listed on the Shanghai Stock Exchange (stock code: 600089)
“TBEA Group”	TBEA and its associates (excluding the Group)
“Xinjiang Tebian”	Xinjiang Tebian Group Co., Ltd. (新疆特變電工集團有限公司), a company incorporated in the PRC with limited liability on 27 January 2003
“Xinjiang Tebian Group”	Xinjiang Tebian and its associates
“%”	per cent.

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

Mr. Huang Hanjie

Ms. Guo Junxiang

Independent Non-executive Directors:

Mr. Cui Xiang

Mr. Chen Weiping

Mr. Tam, Kwok Ming Banny

Registered office:

No. 2249, Zhongxin Street

Ganquanpu Economic and
Technological Development Zone
(Industrial Park)

Urumqi, Xinjiang, the PRC

Headquarters and

principal place of business in the PRC:

No. 2249, Zhongxin Street

Ganquanpu Economic and
Technological Development Zone
(Industrial Park)

Urumqi, Xinjiang, the PRC

Principal place of business in Hong Kong:

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

22 November 2022

To the Shareholders

Dear Sir or Madam,

**FURTHER REVISION OF ANNUAL CAPS FOR EXISTING
CONTINUING CONNECTED TRANSACTIONS;
AND
NOTICE OF THE SECOND EXTRAORDINARY
GENERAL MEETING OF 2022**

INTRODUCTION

Reference is made to the announcement of the Company dated 17 October 2022 in relation to, amongst others, entering into the Supplemental Framework Agreements for further revision of certain annual caps under the Existing Framework Agreements for the years ending 31 December 2022 and 2023.

LETTER FROM THE BOARD

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

A. FURTHER REVISION OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS

1. REASONS FOR ENTERING INTO THE SUPPLEMENTAL FRAMEWORK AGREEMENTS

Under the global strategic background of “carbon emission peak and carbon neutrality”, in order to grasp the rapid development opportunities in the new energy field, and speed up the industry layout, in 2022, the Group has confirmed to (i) implement the 200,000-ton Polysilicon Project in Zhundong; (ii) increase its investment in the construction of the Substations; and (iii) develop and construct more wind power resources requiring additional towers for wind turbines to be purchased.

The total investment amount for the 200,000-ton Polysilicon Project in Zhundong is approximately RMB17.6 billion. The 200,000-ton Polysilicon Project in Zhundong comprises of two phases with a construction period of 24 months commencing from June 2022, which are expected to be put into production successively in 2023 and 2024. The procurement process for phase one of the project was partially completed. As polysilicon production requires stable power supply, substation is a key facility to guarantee the stability of the power supply. In order to guarantee the stability of the power supply of the 200,000-ton Polysilicon Project in Zhundong and to ensure it to be put into production in an early manner, the Company decided to build the Substations under the design plan of the 200,000-ton Polysilicon Project in Zhundong by its own funds. Further details about the Substations are set out under heading of “2.3 Revision of Annual Caps under the Existing Miscellaneous Services Framework Agreement (TBEA)” in this circular.

To echo the global developmental objective of “carbon emission peak and carbon neutrality”, the Group has further strengthened the construction and operation for wind power and PV power stations since 2022. It is expected that the installed capacity of the wind power and PV power stations constructed each year will be approximately 3GW–4GW, thus the Group will obtain more contracts and invest more in wind power construction projects.

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Given the products and services required for each phase of the 200,000-ton Polysilicon Project in Zhundong are substantially in line with the Group's completed 100,000-ton Polysilicon Project in Inner Mongolia, together with the partial upgrades and improvements made, the products required, such as transformers, cables, switch enclosures, electrical enclosures, as well as the need for engineering labour service are basically the same, the Group considered the historical transaction amount for the 100,000-ton Polysilicon Project in Inner Mongolia is a suitable basis for determining the transaction amount for the 200,000-ton Polysilicon Project in Zhundong, which will be a double of transaction amount for products and miscellaneous services under the 100,000-ton Polysilicon Project in Inner Mongolia from TBEA Group and Xinjiang Tebian Group.

Having considered, in particular, (i) the 200,000-ton Polysilicon Project in Zhundong is of similar nature of the 100,000-ton Polysilicon Project in Inner Mongolia so that the estimated transaction amount of the 200,000-ton Polysilicon Project in Zhundong will consequentially double the corresponding transaction amount derived from the scale increment as compared to the 100,000-ton Polysilicon Project in Inner Mongolia; (ii) the Group's plan to invest in the 200,000-ton Polysilicon Project in Zhundong was not mature when the Existing Annual Caps were determined in 2021; (iii) the first phase of the 200,000-ton Polysilicon Project in Zhundong is expected to commence operation in 2023 while the second phase will commence operation in 2024 which in turn triggered the project to incur larger transaction amount for its construction in the preceding years (i.e. 2022 and 2023); (iv) the construction need of the Substations in 2023; and (v) the Group's increasing demand for towers for wind turbines as the Group is increasing the installed capacity of the wind power stations, the Group expects that certain existing annual caps for the years ending 31 December 2022 and 2023 for Continuing Connected Transactions under the Existing Framework Agreements will not be able to satisfy the Group's needs of the products and services from TBEA Group and Xinjiang Tebian Group. Therefore, the Group intends to further revise the corresponding annual caps and entered into the Supplemental Framework Agreements with TBEA Group and Xinjiang Tebian Group on 17 October 2022, respectively.

Details of the Revised Annual Caps under each of the Supplemental Framework Agreements are set out below.

2. REVISION OF CERTAIN ANNUAL CAPS UNDER THE EXISTING TBEA FRAMEWORK AGREEMENTS

2.1 Background

On 10 November 2020, the Company entered into the Existing TBEA Framework Agreements with TBEA with a term from 1 January 2021 to 31 December 2023, and entered into the Existing Supplemental Framework Agreements on 13 October 2021 to revise certain annual caps for the years ending 31 December 2021, 2022 and 2023. Pursuant to the Existing TBEA Framework

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Agreements, TBEA Group provides the Group with (i) products including transformers, wires, cables and other equipment; (ii) coal; and (iii) miscellaneous services primarily including services for construction of the substation and booster stations. The Group also provides TBEA Group with products including industrial raw materials (i.e. silicon metal and liquid alkali) and industrial water.

2.2 Revision of Annual Caps under the Existing Product Procurement Framework Agreement (TBEA)

The Company intends to revise the Existing Annual Caps under the Existing Product Procurement Framework Agreement (TBEA) for product procurement from TBEA Group for 2022 and 2023 from RMB900 million and RMB700 million to RMB1.6 billion and RMB1.6 billion, respectively.

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

The historical transaction amount for the 100,000-ton Polysilicon Project in Inner Mongolia completed by the Group in relation to the procurement of transformers, cables and other products from TBEA Group by way of bidding and competitive negotiations reached approximately RMB800 million. When estimating the Existing Annual Caps under the Existing Product Procurement Framework Agreement (TBEA), the Company mainly taken into consideration of the construction of 100,000-ton Polysilicon Project in Inner Mongolia, the construction of wind power and PV projects. For the Revised Annual Caps under the Supplemental Product Procurement Framework Agreement (TBEA) for 2022 and 2023, the Company has only taken into account of the construction of the 200,000-ton Polysilicon Project in Zhundong which has triggered the increase in demand for the product procurement by doubling the 200,000-ton project construction scale as compared to the original 100,000-ton project construction scale. Therefore, the Group expects the total transaction amount for procuring transformers, cables and other products from TBEA Group for the construction of the 200,000-ton Polysilicon Project in Zhundong to be approximately RMB1.6 billion. Taking into account the progress of the construction, the total transaction amount of the 200,000-ton Polysilicon Project in Zhundong for 2022 and 2023 would be RMB700 million and RMB900 million, respectively.

The actual transaction amount under the Existing Product Procurement Framework Agreement (TBEA) of approximately RMB802 million for the nine months ended 30 September 2022 utilized approximately 89% of the existing annual cap for the year ending 31 December 2022 (among

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which approximately RMB245 million was utilized for the 200,000-ton Polysilicon Project in Zhundong, RMB337 million was utilized for the 100,000-ton Polysilicon Project in Inner Mongolia and RMB221 million was utilized for wind power and PV projects). There will be some potential procurement transactions for products of approximately RMB800 million which have been and to be entered (under final negotiation) between the Group and the TBEA Group from October to December 2022 and the potential procurement transactions for products mainly include the products procurement for the 200,000-ton Polysilicon Project in Zhundong of approximately RMB455 million and the construction of wind power and PV projects of approximately RMB342 million. Therefore, based on the actual and potential transactions, the aggregate transaction amount of the purchase of products for wind power and PV projects for year ending 31 December 2022 is approximately RMB563 million. Furthermore, with reference to the CAGR of approximately 21.1% in respect of the historical transaction amount for wind power and PV projects of the purchase of products from 2020 to 2022, the estimated transaction amount for wind power and PV projects for the year ending 31 December 2023 is approximately RMB700 million.

A summary table of the breakdown of the Revised Annual Cap of the Supplemental Product Procurement Framework Agreement (TBEA) is listed below:

	2022	2023
	<i>(RMB million)</i>	<i>(RMB million)</i>
products procurement for the 100,000-ton Polysilicon Project in Inner Mongolia	337	N/A
products procurement for the 200,000-ton Polysilicon Project in Zhundong	700	900
products procurement for wind power and PV projects	563	700
Total	1,600	1,600

There was not any material fluctuation in the price of the products under the Existing Product Procurement Framework Agreement (TBEA).

Having considered (i) the long-term business relationship with TBEA Group; (ii) TBEA's power transmission and transformation products are of high quality and occupy the leading position in the industry; (iii) procurement amount for power transmission and transformation products and equipments required for each phase of the 200,000-ton Polysilicon Project in Zhundong are basically same as those for the 100,000-ton Polysilicon Project in Inner Mongolia, and is expected to be doubled due to larger scale of the 200,000-ton Polysilicon Project in Zhundong; and (iv) the Group has conducted and TBEA Group has participated and won the bid for certain products and equipments required for construction of the 200,000-ton Polysilicon

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Project in Zhundong and the number of bids won by TBEA Group for the supply of products is in line with that of the 100,000-ton Polysilicon Project in Inner Mongolia, hence TBEA Group is expected to be capable of supplying certain products for the 200,000-ton Polysilicon Project in Zhundong.

Having taken into consideration the construction schedule for the 200,000-ton Polysilicon Project in Zhundong and the delivery schedule as agreed in the contracts, it is expected that the annual caps under the Existing Product Procurement Framework Agreement (TBEA) for 2022 and 2023 would not be able to satisfy the Group's needs for production and operation and its need for projects construction.

2.3 Revision of Annual Caps under the Existing Miscellaneous Services Framework Agreement (TBEA)

The Company intends to revise the Existing Annual Caps under the Existing Miscellaneous Services Framework Agreement (TBEA) for miscellaneous services from TBEA Group for 2023 from RMB500 million to RMB900 million.

TBEA has rich experience in engineering construction based on its large number of overseas power transmission and transformation full-package construction projects. Historically, the miscellaneous services provided by TBEA Group to the Group mainly included construction of substation and booster stations for polysilicon projects, PV and wind power projects, which were key to ensure the stable power supply of polysilicon production and the connection of PV and wind power stations to the main power grid. TBEA has a strong advantage in terms of service quality and price as well as delivery schedule.

TBEA has participated in and is able to complete the construction of substation and booster stations of the Group's various polysilicon projects, wind power and PV projects with outstanding quality. Pursuant to the design plan of the 200,000-ton Polysilicon Project in Zhundong, the Group will construct the Substations by its own funds in 2023 to ensure sufficient power supply for the 200,000-ton Polysilicon Project in Zhundong with a construction budget of approximately RMB400 million. As the scale and design of the Substations are basically the same as that of the substations for the 100,000-ton Polysilicon Project in Inner Mongolia, when determining the budget amount of the Substations, the Company mainly considered the actual investment amount required for the construction of the supporting substations for the 100,000-ton Polysilicon Project in Inner Mongolia. As the 100,000-ton Polysilicon Project in Inner Mongolia is the first polysilicon project invested by the Company in Inner Mongolia, and for the purpose of attracting investment and attracting the Company to invest in Inner Mongolia, having considered the large amount of this investment and after negotiation, the local government of Tumed Right Banner, Baotou City (the "**Tumed Right Banner Government**") funded and built the substations for the 100,000-ton Polysilicon Project in Inner Mongolia. TBEA Group was selected by the Tumed Right

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Banner Government as the general contractor for the construction of the substations for the 100,000-ton Polysilicon Project in Inner Mongolia by way of public bid, with the winning bid amount of approximately RMB391 million. In general, the availability of government funding for similar projects is determined by the local preferential policies. Therefore, such funding availability may vary among different localities where the project is located. As the 200,000-ton Polysilicon Project in Zhundong is subject to different preferential policy, the Company based on the applicability of the policy, decided to raise funds by itself to build the Substations.

Having considered (i) the historical investment amount of the supporting substations for the 100,000-ton Polysilicon Project in Inner Mongolia funded and built by the Tumed Right Banner Government is a suitable basis for determining the budget for the Substations due to their similar scale and design; (ii) TBEA Group has won the bid of the construction of the substations for the 100,000-ton Polysilicon Project in Inner Mongolia and the winning bid amount was approximately RMB391 million; and (iii) the Company will fund and build the Substations by its self-raised funds, and based on the feasibility study report in respect of the budget for the Substations, the Company decided that the budget for the construction of the Substations is approximately RMB400 million.

In respect of the wind power and PV projects, aggregate transaction amount of the actual and potential transaction of the miscellaneous services for wind power and PV projects for the year ending 31 December 2022 is approximately RMB362 million. Furthermore, with reference to the CAGR of approximately 24.2% in respect of the historical transaction amount for wind power and PV projects of the procurement of miscellaneous services from 2020 to 2022, and having considered that (a) the historical transaction amount between the Group and the TBEA Group from 2020 to 2022 was relatively volatile; and (b) prevention of any inadequate use of the annual cap, the Company would take a relative cautious approach for accessing the annual cap for the year ending 31 December 2023 with an increment of approximately 30%. Therefore, the estimated transaction amount for wind power and PV projects for the year ending 31 December 2023 is approximately RMB470 million.

The actual transaction amount incurred under the Existing Miscellaneous Services Framework Agreement (TBEA) of approximately RMB226 million for the nine months ended 30 September 2022, representing the utilization of approximately 45% of the existing annual cap for the year ending 31 December 2022. Although the utilization rate of the annual cap for the Existing Miscellaneous Services Framework Agreement (TBEA) was below 50% as at 30 September 2022, the Company expects that, with the following factors being taken into account, the procurement amount will significantly increase in the fourth quarter of 2022 and the existing annual cap will nearly be utilized on its entirety: (i) the Group's PV and wind power stations are usually required to be completed and on-grid before the end of the year; therefore, the fourth quarter will normally be the peak period of construction so that the Group's demand for products and miscellaneous services will increase dramatically. The Group has completed the bidding process and relevant procurement contracts have been or will be executed before year end; and (ii) the 100,000-ton Polysilicon Project in Inner Mongolia will undergo further testing in the second half of 2022 and

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will trigger certain demand. Based on the expected construction needs of power station projects of the Group and the testing and acceptance of the 100,000-ton Polysilicon Project in Inner Mongolia, the existing annual cap is expected to be substantially utilized in the fourth quarter of 2022.

A summary table of the breakdown of the Revised Annual Cap of the Supplemental Miscellaneous Services Framework Agreement (TBEA) is listed below:

	2023
	<i>(RMB million)</i>
Substations for the 200,000-ton Polysilicon Project in Zhundong	400
miscellaneous services procurement for the 200,000-ton Polysilicon Project in Zhundong	30
miscellaneous services procurement for wind power and PV projects	470
Total	900

Save as the projects mentioned above, no other projects have been considered by the Company when determining the revised annual cap under the Existing Miscellaneous Services Framework Agreement (TBEA) for 2023. There was not any material fluctuation in the price of the miscellaneous services under the Existing Miscellaneous Services Framework Agreement (TBEA).

Having considered (i) the long-term business relationship between the Group and TBEA Group; (ii) TBEA has rich experience in construction of substation and booster stations for polysilicon projects, PV and wind power projects; (iii) the Group's business plan on the construction of the Substations which is expected to be completed in 2023 with the budget for constructing these Substations is approximately RMB400 million; and (iv) the construction experience of other similar project and competitive price offered by TBEA, TBEA Group is likely to win the bid for the provision of miscellaneous services for construction of the Substations.

Having taking into consideration of the above, and based on (i) the construction schedule of the Substations in 2023; and (ii) TBEA Group is likely to win the bid for the provision of miscellaneous services for constructing the Substations, it is expected that the annual cap under the Existing Miscellaneous Services Framework Agreement (TBEA) for 2023 would not be able to satisfy the Group's requirement for TBEA Group's miscellaneous services to ensure the Group's stable production and operation and its need for projects construction.

In light of the above, the Board believes that the Supplemental TBEA Framework Agreements and the Revised Annual Caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

LETTER FROM THE BOARD

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

	Year ending 31 December 2022		Year ending 31 December 2023	
	Existing Annual Caps (RMB'000)	Revised Annual Caps (RMB'000)	Existing Annual Caps (RMB'000)	Revised Annual Caps (RMB'000)
Transaction regarding purchase of products by the Group from TBEA Group	900,000	1,600,000*	700,000	1,600,000*
Transaction regarding purchase of coal by the Group from TBEA Group (including transportation fee)	600,000	600,000	750,000	750,000
Transaction regarding purchase of miscellaneous services by the Group from TBEA Group	500,000	500,000	500,000	900,000*
Transaction regarding sales of products by the Group to TBEA Group	200,000	200,000	200,000	200,000
Aggregate annual cap (tax exclusive)	<u>2,200,000</u>	<u>2,900,000*</u>	<u>2,150,000</u>	<u>3,450,000*</u>

* As revised by the Supplemental TBEA Framework Agreements

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

3.1. Background

On 10 November 2020, the Company entered into the Existing Xinjiang Tebian Framework Agreements with Xinjiang Tebian with a term from 1 January 2021 to 31 December 2023 and entered into the Existing Supplemental Framework Agreements on 13 October 2021 to revise the annual caps for the years ending 31 December 2021, 2022 and 2023. Pursuant to the Existing Xinjiang Tebian Framework Agreements, the Group will procure products and miscellaneous services (including engineering labour services, installation of electricity and gas facilities) from Xinjiang Tebian Group.

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3.2 Revision of Annual Caps under the Existing Product Procurement Framework Agreement (Xinjiang Tebian)

The Company intends to revise the Existing Annual Caps under the Existing Product Procurement Framework Agreement (Xinjiang Tebian) for product procurement from Xinjiang Tebian Group for 2022 and 2023 from RMB250 million and RMB250 million to RMB500 million and RMB600 million, respectively.

Xinjiang Tebian is the backbone manufacturing enterprise within the industry for producing products such as switch enclosures and other electrical equipment, and its products are very competitive. Switch enclosures and other electrical equipment are necessities for the ordinary production and operation of the Group. The Group has been continuously purchasing switch enclosures and other electrical equipment from Xinjiang Tebian Group for the polysilicon projects, wind power and PV power stations. In addition, based on the rich experience in manufacturing, the Xinjiang Tebian Group has been manufacturing towers for wind turbines since 2021, with a production capacity of 80,000 tonnes per year. It has already delivered or won the bidding of the Group's tower order with a total amount of approximately RMB200 million. It is expected that the Group's procurement of towers for wind turbines from Xinjiang Tebian Group will further increase as Xinjiang Tebian Group continues to enhance its production capacity.

The historical transaction amount for the 100,000-ton Polysilicon Project in Inner Mongolia completed by the Group in relation to the procurement of switch enclosures, electrical enclosures and other products from Xinjiang Tebian Group by way of bidding reached approximately RMB200 million.

When designing the Existing Annual Caps under the Existing Product Procurement Framework Agreement (Xinjiang Tebian), the Company mainly taken into consideration of the construction of 100,000-ton Polysilicon Project in Inner Mongolia, the construction of wind power and PV projects. For the Revised Annual Caps under the Supplemental Product Procurement Framework Agreement (Xinjiang Tebian) for 2022 and 2023, the Company has only taken into account of the construction of the 200,000-ton Polysilicon Project in Zhundong and the additional demand for tower for wind turbines arising from the construction of wind power projects, which has triggered the increase in demand for the product procurement. Therefore, the Group expects the total transaction amount for procuring switch enclosures, electrical enclosures and other products from Xinjiang Tebian Group for the construction of the 200,000-ton Polysilicon Project in Zhundong to be approximately RMB400 million. Taking into account the progress of the construction, the total transaction amount of the 200,000-ton Polysilicon Project in Zhundong for 2022 and 2023 would be RMB200 million and RMB200 million, respectively.

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In addition, to echo the global developmental objective of “carbon emission peak and carbon neutrality”, the Group has further strengthened the construction and operation for wind power and PV power stations since 2022. It is expected that the installed capacity of the wind power and PV power stations constructed each year will be approximately 3GW–4GW, thus the Group will obtain more contracts and invest more in the construction of wind power and PV power resources. The Group estimates to install approximately 800MW of the wind power stations with tower purchased of approximately RMB600 million of which approximately 20%–30% of the total tower purchased from Xinjiang Tebian in 2022. Since the Group expects to increase the installed capacity of the wind power to approximately 1GW–1.5GW in 2023, the purchase of tower is expected to increase proportionally. As such, it is expected that the addition tower procurement amount of the Group from Xinjiang Tebian Group in 2022 and 2023 would be approximately RMB50 million and RMB150 million, respectively.

The actual transaction amount incurred under the Existing Product Procurement Framework Agreement (Xinjiang Tebian) of approximately RMB108 million for the nine months ended 30 September 2022, representing the utilization of approximately 43% of the existing annual cap for the year ending 31 December 2022 (among which approximately RMB1 million was utilized for the 200,000-ton Polysilicon Project in Zhundong, RMB67 million was utilized for the 100,000-ton Polysilicon Project in Inner Mongolia and RMB40 million was utilized for wind power and PV projects). Although the utilization rate of the annual cap for the Existing Product Procurement Framework Agreement (Xinjiang Tebian) is below 50% as at 30 September 2022, the Company expects, with the below factors being taken into account, the procurement amount will be significantly increased in the fourth quarter of 2022 and the existing annual cap can nearly be utilized on its entirety by then: (i) the Group’s PV and wind power stations are usually required to be completed and on-grid before the end of the year; therefore, the fourth quarter will normally be the peak period of construction so that the Group’s demand for procurement of switch enclosures, electrical enclosures and other products will increase dramatically. The Group has completed the bidding process and relevant procurement contracts have been or will be executed before year end; and (ii) the 100,000-ton Polysilicon Project in Inner Mongolia will undergo further testing in the second half of 2022 and will trigger certain demand. Based on the expected construction needs of power station projects of the Group and the testing and acceptance of the 100,000-ton Polysilicon Project in Inner Mongolia, the existing annual cap is expected to be substantially utilized in the fourth quarter of 2022.

There will be some potential procurement transactions for products of approximately RMB400 million which have been and to be entered (under final negotiation) between the Group and the Xinjiang Tebian Group from October to December 2022 and the potential procurement transactions for products mainly include the products procurement for the 100,000-ton Polysilicon Project in Inner Mongolia of approximately RMB50 million, the 200,000-ton Polysilicon Project in Zhundong of approximately RMB199 million and the construction of wind power and PV projects

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of approximately RMB143 million. Therefore, based on the actual and potential transactions, the aggregate transaction amount of the purchase of products for wind power and PV projects for the year ending 31 December 2022 is approximately RMB183 million (including approximately RMB50 million for additional tower procurement). Furthermore, with reference to the CAGR of approximately 165.3% in respect of the historical transaction amount for wind power and PV projects of the purchase of products from 2020 to 2022, the estimated transaction amount for wind power and PV projects for the year ending 31 December 2023 is approximately RMB400 million. The Company takes a relative conservative approach for accessing such annual cap for the year ending 31 December 2023 with an increment of approximately 120% by taking into account the below factors: (a) the high increment of the change of the transaction amount from the year ending 31 December 2021 to the year ending 31 December 2022 due to the production of tower from Xinjiang Tebian Group; (b) the increasing capacity of the tower from Xinjiang Tebian Group; and (c) the increase of production capacity of tower from Xinjiang Tebian Group.

A summary table of the breakdown of the Revised Annual Cap of the Supplemental Product Procurement Framework Agreement (Xinjiang Tebian) is listed below:

	2022	2023
	<i>(RMB million)</i>	<i>(RMB million)</i>
products procurement for the 100,000-ton Polysilicon Project in Inner Mongolia	117	N/A
products procurement for the 200,000-ton Polysilicon Project in Zhundong	200	200
products procurement for wind power and PV projects	183 ¹	400 ²
Total	500	600

Note 1: including approximately RMB50 million for additional tower procurement to be incurred due to the increase in the installed capacity of the wind power and PV projects.

Note 2: including approximately RMB150 million for additional tower procurement to be incurred due to the increase in the installed capacity of the wind power and PV projects.

There was not any material fluctuation in the price of the products under the Existing Product Procurement Framework Agreement (Xinjiang Tebian).

Having considered the long-term business relationship between the Group and Xinjiang Tebian Group, and more importantly, the large size and weight of towers for wind turbines which increased their transportation cost, transportation radius is an important factor in selecting supplier of towers for wind turbines. Xinjiang Tebian's production bases of towers for wind turbines are

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situated in Xinjiang and Inner Mongolia, hence has the advantage of short transportation radius and strong supply capacity. Therefore, Xinjiang Tebian is more likely to win the bid for products for the relevant construction projects.

Having taken into consideration of the above and the construction schedule for the 200,000-ton Polysilicon Project in Zhundong and the delivery schedule for wind and PV power stations construction projects as agreed in the contracts, it is expected that the annual caps under the Existing Product Procurement Framework Agreement (Xinjiang Tebian) for 2022 and 2023 would not be able to satisfy the Group's needs for production and operation and its need for projects construction.

3.3 Revision of the Annual Caps under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian)

The Company intends to revise the Existing Annual Caps under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian) for miscellaneous services from Xinjiang Tebian Group for 2022 and 2023 from RMB500 million and RMB500 million to RMB700 million and RMB700 million, respectively.

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

The historical transaction amount for the 100,000-ton Polysilicon Project in Inner Mongolia completed by the Group in relation to the procurement of miscellaneous services such as road and wall infrastructure and factory renovation from Xinjiang Tebian Group by way of bidding reached approximately RMB200 million.

When designing the Existing Annual Caps under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian), the Company mainly taken into consideration of the construction of 100,000-ton Polysilicon Project in Inner Mongolia, the construction of wind power and PV projects. For the Revised Annual Caps under the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) for 2022 and 2023, the Company has only taken into account of the construction of the 200,000-ton Polysilicon Project in Zhundong which has triggered the increase in demand for the service procurement by virtue of doubling the 200,000-ton project construction scale as compared to the original 100,000-ton project construction scale. Therefore, the Group expects the total procurement amount of miscellaneous services from

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Xinjiang Tebian Group for the construction of the 200,000-ton Polysilicon Project in Zhundong to be approximately RMB400 million. Taking into account the progress of the construction, the total transaction amount of the 200,000-ton Polysilicon Project in Zhundong for 2022 and 2023 would be RMB200 million and RMB200 million, respectively.

The actual transaction amount incurred under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian) of approximately RMB205 million for the nine months ended 30 September 2022, representing the utilization of approximately 41% of the existing annual cap for the year ending 31 December 2022 (among which approximately RMB97 million was utilized for the 200,000-ton Polysilicon Project in Zhundong, RMB15 million was utilized for the 100,000-ton Polysilicon Project in Inner Mongolia and RMB93 million was utilized for wind power and PV projects). Although the utilization rate of the annual cap for the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian) was below 50% as at 30 September 2022, the Company expects that, with the below factors being taken into account, the procurement amount will significantly increase in the fourth quarter of 2022 and the existing annual cap can nearly be utilized on its entirety by then: (i) the Group's PV and wind power stations are usually required to be completed and on-grid before the end of the year; therefore, the fourth quarter will normally be the peak period of construction so that the Group's demand for procurement of switch enclosures, electrical enclosures and other products will increase dramatically. The Group has completed the bidding process and relevant procurement contracts have been or will be executed before year end; and (ii) the 100,000-ton Polysilicon Project in Inner Mongolia will undergo further testing in the second half of 2022 and will trigger certain demand. Based on the expected construction needs of power station projects of the Group and the testing and acceptance of the 100,000-ton Polysilicon Project in Inner Mongolia, the existing annual cap is expected to be substantially utilized in the fourth quarter of 2022.

There will be some potential procurement transactions for miscellaneous services of approximately RMB500 million which have been and to be entered (under final negotiation) between the Group and the Xinjiang Tebian Group from October to December 2022 and the potential transactions for miscellaneous services include the miscellaneous services for the 100,000-ton Polysilicon Project in Inner Mongolia of approximately RMB37 million, the 200,000-ton Polysilicon Project in Zhundong of approximately RMB103 million and the construction of wind power and PV projects of approximately RMB355 million. Therefore, based on the actual and potential transactions of the miscellaneous services, the aggregate transaction amount for wind power and PV projects for year ending 31 December 2022 is approximately RMB448 million. Furthermore, with reference to the CAGR of approximately 66.8% in respect of the historical transaction amount for wind power and PV projects of the procurement of miscellaneous services from 2020 to 2022, the estimated transaction amount for wind power and PV projects for the year ending 31 December 2023 is approximately 500 million. The Company takes a relative conservative approach for accessing such annual cap for the year ending 31

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December 2023 with an increment of approximately 10% by taking into account the below factors: (a) the high increment of the change of the transaction amount from the year ending 31 December 2021 to the year ending 31 December 2022; and (b) the availability of the manpower from Xinjiang Tebian Group as a portion of their manpower will be allocated to the 200,000-ton Polysilicon Project in Zhundong.

A summary table of the breakdown of the Revised Annual Cap of the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) is listed below:

	2022	2023
	<i>(RMB million)</i>	<i>(RMB million)</i>
miscellaneous services procurement for the 100,000-ton Polysilicon Project in Inner Mongolia	52	N/A
miscellaneous services procurement for the 200,000-ton Polysilicon Project in Zhundong	200	200
miscellaneous services procurement for wind power and PV projects	448	500
Total	700	700

There was not any material fluctuation in the price of the miscellaneous services under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian).

Having considered the above and the long-term business relationship between the Group and Xinjiang Tebian Group, Xinjiang Tebian Group is more likely to win the bid for the provision of miscellaneous services for such projects, hence the annual caps under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian) for 2022 and 2023 would not be able to satisfy the Group's needs for production and operation and its need for projects construction.

In light of the above, the Board believes that the Supplemental Xinjiang Tebian Framework Agreements and the Revised Annual Caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

	Year ending 31 December 2022		Year ending 31 December 2023	
	Existing Annual Caps (RMB'000)	Revised Annual Caps (RMB'000)	Existing Annual Caps (RMB'000)	Revised Annual Caps (RMB'000)
Transaction regarding purchase of products by the Group from Xinjiang Tebian Group	250,000	500,000*	250,000	600,000*
Transaction regarding purchase of miscellaneous services by the Group from Xinjiang Tebian Group	500,000	700,000*	500,000	700,000*
Aggregate annual cap (tax exclusive)	750,000	1,200,000*	750,000	1,300,000*

* As revised by the Supplemental Xinjiang Tebian Framework Agreements

4. PRICING BASIS

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

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

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- 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.
- However, for certain equipment, which are highly customized, involves complex manufacturing process or can only be transported for a limited distance, the number of Qualified Suppliers participating in the tender may be less than three. Under such situation, the Company shall invite at least one qualified independent third party supplier to conduct competitive negotiation to ensure that the products and services of the supplier selected satisfies the Company's requirements and the price is fair.
- The bid assessment committee (comprised of representatives from the procurement department (including the procurement department and supply chain management department), the supervisory department (including the finance, legal and audit departments), the engineering department, the technical department and the tender department, other senior management staff (including the general manager, deputy general manager(s) and the chief accountant) and representatives from the department which made the initial procurement needs) will consider factors such as product features and quality requirements, in order to consider the tender which best fits business needs and satisfies the tender requirements.
- Based on the foregoing factors, the bid assessment committee (focused only on bid assessment) will assess the tender and make the final decision on whether to accept the tender.
- Once a tender is accepted, the procurement department of the Company will contact the bidder and negotiate miscellaneous terms of the agreement. However, the price and quality terms of the products will not be further discussed, and the original bidding terms will be adopted in the final contract. Once the terms are finalised, the Company will enter into a contract with the supplier and arrange for delivery of the product and service. The entire procurement process generally takes five to seven working days.

5. ASSESSMENT OF QUALIFIED SUPPLIERS

The Qualified Suppliers assessment committee of the Group's procurement department will conduct regular assessments of the suppliers on the Qualified Suppliers list. The Group's procurement department is responsible for seeking Qualified Suppliers according to the Group's needs, and collect market data (including price trends of raw materials of the relevant products) from the Qualified Suppliers for conducting industrial studies. New suppliers may also approach the Group with a Qualified Supplier application. Upon receiving a new Supplier application, the

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Group's procurement department will send a requirement list and collect background information of the new applicant. New suppliers shall submit their applications through the information platform according to supplier management regulations, including product specifications and price range from new applicants.

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

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

As at the Latest Practicable Date, the number of Qualified Suppliers under scope of the Supplemental Product Procurement Framework Agreement (TBEA), the Supplemental Miscellaneous Services Framework Agreement (TBEA), the Supplemental Product Procurement Framework Agreement (Xinjiang Tebian) and the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) are 61, 190, 30 and 294, respectively.

6. INTERNAL CONTROLS

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

- the Group has adopted a transaction management system on connected transactions. Business departments of the Group are required to conduct updates of separate agreements for the Continuing Connected Transactions, and regularly report the execution status of each connected transaction to the secretary of the Board. The secretary of the Board will then inform the Board of any important information thereof;

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- the Audit Committee is also responsible for the data collection and monitoring of connected transactions, and for conducting evaluation on the fairness of the transaction terms and pricing terms. It will discuss with subsidiaries and business departments to review the execution status of the connected transactions and determine the annual caps. It will also report to the Board and the board of supervisors on the Group's connected transactions on a quarterly basis. If it is anticipated that there is a need to revise the annual caps, the Company will comply with the relevant requirements under Listing Rules to issue an announcement, report to the Independent Board Committee and/or seek Independent Shareholders' approval after the Board's review and approval (as the case may be);
- the Group has strengthened training in relation to the review and decision-making processes and information disclosure requirements of connected transactions, further promoting awareness among the relevant business departments in the corresponding compliance requirements;
- the independent non-executive Directors have reviewed and will continue to review the non-exempt Continuing Connected Transactions to ensure such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditors of the Company will also conduct an annual review on the transaction amount and annual caps of such non-exempt Continuing Connected Transactions;
- all individual connected transactions agreements shall obtain approval from the headquarters of the Company before being entered into. Also, members of the senior management of the Company will collectively monitor the actual transaction amount of the Group's Continuing Connected Transactions;
- the Company will impose control on the actual transaction amount of Continuing Connected Transactions, and focus on controlling the individual amount of each type of Continuing Connected Transactions; and
- the secretary of the Board will collect data on Continuing Connected Transactions at the beginning of each month, and cross-check the consolidated amount of Continuing Connected Transactions in the previous month with the financial staff of the relevant Connected Person.

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7. INFORMATION OF THE PARTIES

The Company is a global leading manufacturer of polysilicon as well as developer and operator of wind power and PV resources. Its main businesses include the production of polysilicon and the provision of engineering and construction contracting and operating services for PV and wind power projects. The Company is also engaged in the manufacturing of supporting equipment (mainly inverters, flexible direct current converter valve and static VAR generators), which are used for the engineering and construction contracting business of the Company or sold to independent third parties.

TBEA is a joint stock company incorporated in the PRC on 26 February 1993, and listed on the Shanghai Stock Exchange (stock code: 600089). As at the Latest Practicable Date, its registered capital is RMB3,873,825,826. TBEA and its close associates (excluding the Group) are mainly engaged in: (i) production and sales of transformers, inductors, wires, cables and other electrical and machinery equipment; (ii) construction and contracting of domestic and international power transmission and transformation projects, hydro and geothermal power projects; (iii) coal mining and sales; and (iv) generation and sales of electricity and heat.

Xinjiang Tebian is a company incorporated in the PRC with limited liability on 27 January 2003. As at the Latest Practicable Date, its registered capital is RMB75,000,000. The main business of Xinjiang Tebian is the production and sales of accessories for electrical and mechanical products and transformer, providing engineering services and industrial investment. As at the Latest Practicable Date, to the knowledge of the Company, Mr. Zhang Xin, Mr. Chen Weilin and the remaining 8 natural person shareholders holds 64.12%, 32.95% and 2.93% of Xinjiang Tebian's equity interest, respectively. Mr. Chen Weilin and the remaining 8 natural person shareholders are not Connected Persons of the Company nor connected with the Connected Persons of the Company.

8. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, TBEA is directly and indirectly interested in approximately 64.52% of the total issued share capital of the Company. Thus, TBEA is a Controlling Shareholder and Connected Person of the Company, and the transactions between the Group and TBEA Group constitute Connected Transactions of the Company.

As at the Latest Practicable Date, Mr. Zhang Xin directly and indirectly holds 64.12% of Xinjiang Tebian's equity interest, thus, Xinjiang Tebian is a 30%-controlled company of Mr. Zhang Xin, a Director. Therefore, Xinjiang Tebian is a Connected Person of the Company, and the transactions between the Group and Xinjiang Tebian Group constitute Connected Transactions of the Company.

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Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the relevant requirements under Chapter 14A of the Listing Rules if it proposes to revise the annual caps under the Existing TBEA Framework Agreements and the Existing Xinjiang Tebian Framework Agreements. As the Existing TBEA Framework Agreements and the Existing Xinjiang Tebian Framework Agreements are entered into between the same parties, according to Rule 14A.81 of the Listing Rules, the respective transactions contemplated under them are required to be aggregated and treated as if they were one transaction. After aggregation, since the highest applicable percentage ratios in respect of the Revised Annual Caps under each of the Supplemental TBEA Framework Agreements and Supplemental Xinjiang Tebian Framework Agreements exceed 5%, each of them is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

9. BOARD CONFIRMATION

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

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

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

B. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

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advise the Independent Board Committee and the Independent Shareholders as to whether the Supplemental Framework Agreements and the Revised Annual Caps thereunder are in the interests of the Company and the Shareholders as a whole and make recommendation(s) on voting.

C. EGM

The EGM will be held at the Conference Room, No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC on Thursday, 8 December 2022 at 11:00 a.m., to consider and, if thought fit, to approve the Supplemental Framework Agreements and the Revised Annual Caps thereunder. The notice of the EGM and a form of proxy for use at the EGM are enclosed with this circular.

Any shareholder and his or her or its associates with a material interest in the resolution will abstain from voting on the resolution on the entering into of the Supplemental Framework Agreements at the EGM. As at the Latest Practicable Date, TBEA holds directly and indirectly approximately 64.52% in aggregate of the total issued share capital of the Company, including 921,286,161 Domestic Shares and 1,223,200 H Shares held through TBEA (HONGKONG) CO., LIMITED (“**TBEA (HONG KONG)**”), and is the Controlling Shareholder and a Connected Person of the Company. As such, TBEA Group shall abstain from voting on the resolutions on the entering into of the Supplemental TBEA Framework Agreements at the EGM. As at the Latest Practicable Date, Xinjiang Tebian is a 30%-controlled company of Mr. Zhang Xin, a Director, and thus is a Connected Person of the Company. As at the Latest Practicable Date, Xinjiang Tebian Group directly and indirectly holds 86,759,908 Shares, which represents approximately 6.07% in aggregate of the total number of Shares of the Company. As such, Xinjiang Tebian Group shall abstain from voting on the resolutions on the entering into of the Supplemental Xinjiang Tebian Framework Agreements at the EGM.

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

In order to determine the Shareholders who are eligible to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 2 December 2022 to Thursday, 8 December 2022, both days inclusive, during which no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Thursday, 8 December 2022 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

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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, 1 December 2022 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 Wednesday, 7 December 2022) or any adjourned meeting thereof.

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.

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 the Directors or any other person duly authorised by that corporate Shareholder as required by the articles of association of the Company.

D. VOTING BY POLL AT EGM

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

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

E. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 31 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 32 to 57 of this circular, considers that the Supplemental Framework Agreements and the transactions contemplated thereunder (based on the Revised Annual Caps) are in the interests of the Company and its Shareholders as a whole and are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Supplemental Framework Agreements and the Revised Annual Caps thereunder.

F. 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

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)

22 November 2022

To the Independent Shareholders

Dear Sir or Madam,

FURTHER REVISION OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to the Shareholders dated 22 November 2022 (the “**Circular**”) to which this letter forms a part of. Terms defined in the Circular shall have the same meanings as those used in this letter unless the context otherwise requires.

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

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

Yours faithfully,

Independent Board Committee

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

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Kingsway 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.



22 November 2022

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

Dear Sirs,

FURTHER REVISION OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Product Procurement Framework Agreement (TBEA), the Supplemental Miscellaneous Services Framework Agreement (TBEA), the Supplemental Product Procurement Framework Agreement (Xinjiang Tebian) and the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) (the “**Supplemental Framework Agreements**”) together with the proposed revised annual caps (the “**Revised Annual Caps**”), details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 22 November 2022 (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.

According to the Letter from the Board, as a result of the Group’s investment and construction of the 200,000-ton Polysilicon Project in Zhudong and the construction of wind power stations, the Group had an increased demand for the procurement of products and miscellaneous services from TBEA Group and Xinjiang Tebian Group. The Group expects that certain existing annual caps for the years ending 31 December 2022 and 2023 for Continuing Connected Transactions under the Existing Framework Agreements will not be able to satisfy the Group’s needs of the products and services from TBEA Group and Xinjiang Tebian Group. Therefore, the Group intends to further revise the corresponding annual caps and entered into the Supplemental Framework Agreements with TBEA Group and Xinjiang Tebian Group on 17 October 2022, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, TBEA is directly and indirectly interested in approximately 64.52% of the total issued share capital of the Company. Thus, TBEA is a Controlling Shareholder and Connected Person of the Company, and the transactions between the Group and TBEA Group constitute Connected Transactions of the Company.

As at the Latest Practicable Date, Mr. Zhang Xin directly and indirectly holds 64.12% of Xinjiang Tebian's equity interest, thus, Xinjiang Tebian is a 30%-controlled company of Mr. Zhang Xin, a Director. Therefore, Xinjiang Tebian is a Connected Person of the Company, and the transactions between the Group and Xinjiang Tebian Group constitute Connected Transactions of the Company.

Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the relevant requirements under Chapter 14A of the Listing Rules if it proposes to revise the annual caps under the Existing TBEA Framework Agreements and the Existing Xinjiang Tebian Framework Agreements. As the Existing TBEA Framework Agreements and the Existing Xinjiang Tebian Framework Agreements are entered into between the same parties, according to Rule 14A.81 of the Listing Rules, the respective transactions contemplated under them are required to be aggregated and treated as if they were one transaction. After aggregation, since the highest applicable percentage ratios in respect of the Revised Annual Caps under each of the Supplemental TBEA Framework Agreements and Supplemental Xinjiang Tebian Framework Agreements exceed 5%, each of them is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are independent pursuant to Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Framework Agreements and their Revised Annual Caps. 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 not been engaged as any financial adviser to the Company. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Framework Agreements together with the Revised Annual Caps.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Framework Agreements and their Revised Annual Caps, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

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

Information of the Company

The Company is a global leading manufacturer of polysilicon as well as developer and operator of wind power and PV resources. Its main businesses include the production of polysilicon and the provision of engineering and construction contracting and operating services for PV and wind power projects. The Company is also engaged in the manufacturing of supporting equipment (mainly inverters, flexible direct current converter valve and static VAR generators), which are used for the engineering and construction contracting business of the Company or sold to independent third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Information of TBEA

TBEA is a joint stock company incorporated in the PRC on 26 February 1993, and listed on the Shanghai Stock Exchange (stock code: 600089). As at the Latest Practicable Date, its registered capital is RMB3,873,825,826. TBEA and its close associates (excluding the Group) are mainly engaged in: (i) production and sales of transformers, inductors, wires, cables and other electrical and machinery equipment; (ii) construction and contracting of domestic and international power transmission and transformation projects, hydro and geothermal power projects; (iii) coal mining and sales; and (iv) generation and sales of electricity and heat.

Information of Xinjiang Tebian

Xinjiang Tebian is a company incorporated in the PRC with limited liability on 27 January 2003. As at the Latest Practicable Date, its registered capital is RMB75,000,000. The main business of Xinjiang Tebian is the production and sales of accessories for electrical and mechanical products and transformer, providing engineering services and industrial investment. As at the Latest Practicable Date, to the knowledge of the Company, Mr. Zhang Xin, Mr. Chen Weilin and the remaining 8 natural person shareholders holds 64.12%, 32.95% and 2.93% of Xinjiang Tebian's equity interest, respectively. Mr. Chen Weilin and the remaining 8 natural person shareholders are not Connected Persons of the Company nor connected with the Connected Persons of the Company.

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

As stated in the Letter from the Board and discussed with the management of the Company, under the global strategic background of “carbon emission peak and carbon neutrality” and polysilicon is an integral part of clean energy production, in order to grasp the rapid development opportunities in the new energy field, and speed up the industry layout, in 2022, the Group has confirmed to (1) implement the 200,000-ton Polysilicon Project in Zhundong with a total investment amount of RMB17.6 billion; (ii) increase its investment in the construction of the Substations; and (iii) develop and construct more wind power resources requiring additional towers for wind turbines to be purchased. The 200,000-ton Polysilicon Project in Zhundong will be constructed in two phases with a construction period of 24 months, which are expected to be put into operation successively in 2023 and 2024. As discussed with the management of the Company, in order to ensure the completion of the above project with guaranteed quality and quantity and to rapidly realise economic benefits, it is expected that the Group will purchase more transformers, cables, switch enclosures, electrical equipment, other products and miscellaneous services for 2022 to 2023 from TBEA Group and Xinjiang Tebian Group. We have reviewed the internal minutes in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

relation to the construction of 200,000-ton Polysilicon Project in Zhundong from the senior management of the Company and noted that the Group intend to increase the polysilicon production in order to grasp the rapid development opportunities in the new energy field.

We also found certain PRC policies to support the develop of green power industry in PRC. According to 《關於完善能源綠色低碳轉型體制機制和政策措施的意見》(Opinions on Improving Institutional Mechanisms and Policy Measures for Green and Low-Carbon Energy Transformation*) issued by the National Development and Reform Commission and the National Energy Administration (“NEA”) on 30 January 2022, a complete basic system and policy system for green and low-carbon energy development will be basically established, a pattern of energy production and consumption will be formed in which non-fossil energy will both basically meet the incremental energy demand and replace the fossil energy stock on a large scale, and the capacity of energy security will be comprehensively enhanced by 2030. According to 《關於印發〈2022年能源工作指導意見〉的通知》(Notice on the Issuance of the Guiding Opinions on Energy Work in 2022*) issued by NEA on 17 March 2022, it is to promote green and low-carbon transformation of the energy, and speed up the achievement of carbon emissions peaking and carbon neutrality.

We also noted from the interim report of the Company for the six months ended 30 June 2022, the polysilicon segment recorded revenue of RMB10,360.86 million for the six months ended 30 June 2022, representing an increase of 193.34% over the corresponding period of 2021, and achieved gross profit of RMB6,833.72 million for the six months ended 30 June 2022, representing an increase of 337.29% over the corresponding period of 2021.

As stated in the Letter from the Board, TBEA’s power transmission and transformation products are of high quality and occupy the leading position in the industry. Transformers, cables and other products are essential for the Group’s daily production and operation. The Group has been continuously procuring transformers, cables and other products from TBEA Group for the polysilicon projects and wind power and PV power stations. TBEA has rich experience in engineering construction based on its large number of overseas power transmission and transformation full-package projects. Historically, the miscellaneous services provided by TBEA Group to the Group mainly included construction of substation and booster stations for polysilicon projects, PV and wind power projects, which were key to ensure the stable power supply of polysilicon production and the connection of PV and wind power stations to the main power grid. TBEA has a strong advantage in terms of service quality and price as well as delivery schedule.

As stated in the Letter from the Board, Xinjiang Tebian is the backbone manufacturing enterprise within the industry for producing products such as switch enclosures and other electrical equipment, and its products are very competitive. Switch enclosures and other electrical equipment are necessities for the ordinary production and operation of the Group. The Group has been

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

continuously purchasing switch enclosures and other electrical equipment from Xinjiang Tebian Group for the polysilicon projects, wind power and PV power stations. In addition, based on the rich experience in manufacturing, the Xinjiang Tebian Group has started to engage in the tower manufacturing business since 2021, with a tower production capacity of 80,000 tonnes per year. It has already delivered or won the bidding of the Group's tower order with a total amount of approximately RMB200 million. Xinjiang Tebian Group possesses rich experience in installation of civil works infrastructure construction and renovation, and consistently provides quality ancillary services in civil works infrastructure construction, renovation and installation. In recent years, Xinjiang Tebian Group provided miscellaneous services such as civil construction infrastructure, renovation and installation services to the Group's polysilicon projects, wind power and PV projects, and it has a strong advantage in service quality and price.

As further discussed with the management of the Company, the Group wants to achieve its annual business goal and the Group usually have more business planning during the first half of the year. As such, the Group usually have more business operation and purchases more products and miscellaneous services during the second half of the year, in particular the fourth quarter of the year. We have reviewed the historical transaction for the wind and PV power projects for the year ended 31 December 2021 and noted that the total purchases from TBEA Group or Xinjiang Tebian Group from October to December 2021 for products and miscellaneous services was over 60% to the total purchases for products and miscellaneous services from TBEA Group or Xinjiang Tebian Group for the year ended 31 December 2021.

As discussed with the management of the Company, the Group has maintained business with TBEA Group and Xinjiang Tebian Group of more than 16 years and did not have any material disputes or complaints against TBEA Group and Xinjiang Tebian Group in relation to the quality of products supplied or serviced provided by TBEA Group and Xinjiang Tebian Group. The entering into of the Supplemental TBEA Framework Agreements by the Company with TBEA and the Supplemental Xinjiang Tebian Framework Agreements by the Company with Xinjiang Tebian are in substance the extension of the established business relationship between the Company and TBEA and Xinjiang Tebian under the Existing TBEA Framework Agreements and the Existing Xinjiang Tebian Framework Agreements which will continue to benefit the Group, being the purchaser, by ensuring continuous provision of goods and services to and by the Group through leveraging on the extensive resources and well-developed technical services of TBEA Group and Xinjiang Tebian Group under the Supplemental TBEA Framework Agreements and the Supplemental Xinjiang Tebian Framework Agreements, which will continue to ensure the quality and reliability of the Group's products.

Having considered that (i) the long-term business relationship with TBEA and Xinjiang Tebian contributing to a reliable and stable supply to the Group; (ii) the Supplemental Framework Agreements allow the Group to satisfy their business needs; (iii) the Supplemental Framework

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Agreements do not restrict the Group to have limited selection of suppliers; and (iv) the other terms of the Supplemental Framework Agreements remain unchanged as the Existing Framework Agreements, we concur with the Directors' view that the entering into the Supplemental Framework Agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Principal basis of the Revised Annual Caps

As discussed with the management of the Company, the existing annual caps under the Existing Framework Agreements obtained in 2021 is enough for their original business plan. However, the Group has started to prepare to implement 200,000-ton Polysilicon Project in Zhundong in March 2022 due to further increase the market share of the Group's polysilicon products, echo the global developmental objective of "carbon emission peak and carbon neutrality", and enhance its core competitiveness and profitability and there is an additional demand for the procurement of products and miscellaneous services in relation to the construction of the 200,000-ton Polysilicon Project in Zhundong and the investment in more wind power construction projects, the Board expected that certain existing annual caps for the years ending 31 December 2022 and 2023 for the relevant Continuing Connected Transactions under the Existing Framework Agreements will not be able to satisfy the Group's needs for production and operation and its need for projects construction for the years ending 31 December 2022 and 2023. For the Revised Annual Caps, the Company has only taken into account of the additional demand for the procurement of products and miscellaneous services in relation to the construction of the 200,000-ton Polysilicon Project in Zhundong and the additional demand for tower for wind turbines arising from the construction of wind power and PV projects, which has triggered the increase in demand for the product procurement and procurement of miscellaneous services.

The increment of the annual caps under the Supplemental Framework Agreements is due to (i) the estimated transaction amount for the construction of the 200,000-ton Polysilicon Project in Zhundong; (ii) the construction of the 220kV substation and 10kV substation (the "**Substation**") under the design plan of the 200,000-ton Polysilicon Project in Zhundong in 2023 of approximately RMB400 million. As polysilicon production requires stable power supply, substation is a key facility to guarantee the power supply. In order to guarantee the stability of the power supply of the 200,000-ton Polysilicon Project in Zhundong and to ensure it to be put into production in an early manner, the Company decided to build the Substations under the design plan of the 200,000-ton Polysilicon Project in Zhundong by its own funds; and (iii) the addition tower for wind turbines procurement for wind power construction projects of approximately RMB200 million.

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Given the products and services required for each phase of the 200,000-ton Polysilicon Project in Zhundong are substantially in line with that of the Group's completed 100,000-ton Polysilicon Project in Inner Mongolia, together with the partial upgrades and improvements made, the products required, such as transformers, cables, switch enclosures, electrical enclosures, as well as the need for engineering labour service are basically the same, as such, the Board considered that the estimated transaction amount for products and miscellaneous services under the 200,000-ton Polysilicon Project in Zhundong will be a double of transaction amount for products and miscellaneous services under the 100,000-ton Polysilicon Project in Inner Mongolia from TBEA Group and Xinjiang Tebian Group. We have reviewed the feasibility study reports of 100,000-ton Polysilicon Project in Inner Mongolia and 200,000-ton Polysilicon Project in Zhundong and the requirement for 200,000-ton Polysilicon Project in Zhundong is basically double to 100,000-ton Polysilicon Project in Inner Mongolia, such as production line, scale, production capacity. A summary of the historical transaction amount for the 100,000-ton Polysilicon Project in Inner Mongolia and the estimated amount for the 200,000-ton Polysilicon Project in Zhundong are set out below:

	100,000-ton Polysilicon Project in Inner Mongolia (Historical amount) <i>(RMB' million)</i>	200,000-ton Polysilicon Project in Zhundong (Estimated amount) <i>(RMB' million)</i>
Products purchased from TBEA Group	800	1,600
Products purchased from Xinjiang Tebian Group	200	400
Miscellaneous services provided by Xinjiang Tebian Group	200	400

For 100,000-ton Polysilicon Project in Inner Mongolia, the Group commenced the construction in March 2021 and substantially completed in June 2022. 100,000-ton Polysilicon Project in Inner Mongolia is under testing and expect to fully operate by the end of 2022. With the construction experience of 100,000-ton Polysilicon Project in Inner Mongolia, the Group commenced the first phrase of the 200,000-ton Polysilicon Project in Zhundong in June 2022 and it is expected to commence the operation in the first half year of 2023. The second phrase of the 200,000-ton Polysilicon Project in Zhundong will be started in June 2023 and it is expected to commence the operation in the first half year of 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As further discussed with the management of the Company, the invitation of tender for the first phrase of 200,000-ton Polysilicon Project in Zhundong started in March 2022 and the time for invitation of tender for the second phrase will be started at first half year of 2023. The Group do not expect material fluctuation in the price of products and miscellaneous services as (i) there was not any material fluctuation in the price of products and miscellaneous services under the Existing Framework Agreements; and (ii) the time from Latest Practicable Date to the expected time for invitation of tender is not long. We have reviewed the monthly price of the products and the miscellaneous services fee from 2021 to September 2022 and noted that there was no material fluctuation in the price of products and miscellaneous services and concur the view that the price of products and miscellaneous services fee will not have material fluctuation under the Supplemental Framework Agreements given the time from Latest Practicable Date to the expected time for invitation of tender is not long.

Taking into account of (i) the estimated transaction amount of the 200,000-ton Polysilicon Project in Zhundong; (ii) the construction of Substations under the design plan of the 200,000-ton Polysilicon Project in Zhundong in 2023 of approximately RMB400 million; (iii) the aggregate addition tower for wind turbines procurement for wind power construction projects of approximately RMB200 million for two years ending 31 December 2023; and (iv) the construction schedule of the 200,000-ton Polysilicon Project in Zhundong, a summary of the proposed annual cap under the Supplemental Framework Agreements for the two years ending 31 December 2023 by different types of projects are set out in the table below:

	Proposed annual caps	
	Year ending	Year ending
	31 December	31 December
	2022	2023
	<i>(RMB' million)</i>	<i>(RMB' million)</i>
Supplemental Product Procurement Framework Agreement (TBEA)		
— 100,000-ton Polysilicon Project in Inner Mongolia	337	—
— 200,000-ton Polysilicon Project in Zhundong	700	900
— Wind power and PV projects	563	700
	1,600	1,600
Total	1,600	1,600

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	Proposed annual caps	
	Year ending 31 December 2022 <i>(RMB' million)</i>	Year ending 31 December 2023 <i>(RMB' million)</i>
Supplemental Miscellaneous Services Framework		
Agreement (TBEA)		
— 100,000-ton Polysilicon Project in Inner Mongolia	98	—
— 200,000-ton Polysilicon Project in Zhundong	40	30
— Wind power and PV projects	362	470
— Substations	—	400
	500	900
Total	500	900
Supplemental Product Procurement Framework		
Agreement (Xinjiang Tebian)		
— 100,000-ton Polysilicon Project in Inner Mongolia	117	—
— 200,000-ton Polysilicon Project in Zhundong	200	200
— Wind power and PV projects	183	400
	500	600
Total	500	600
Supplemental Miscellaneous Services Framework		
Agreement (Xinjiang Tebian)		
— 100,000-ton Polysilicon Project in Inner Mongolia	52	—
— 200,000-ton Polysilicon Project in Zhundong	200	200
— Wind power and PV projects	448	500
	700	700
Total	700	700

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Annual caps and its basis of determination

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

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

As stated in the Letter from the Board, the actual transaction amount of approximately RMB802 million recorded for the nine months ended 30 September 2022 has already utilized approximately 89.1% of the existing annual cap under the Existing Products Procurement Framework Agreement (TBEA) for the year ending 31 December 2022. Among the actual transaction amount of approximately RMB802 million, approximately RMB245 million was utilized for the 200,000-ton Polysilicon Project in Zhundong, approximately RMB337 million was utilized for the 100,000-ton Polysilicon Project in Inner Mongolia and approximately RMB221 million was utilized for wind power and PV projects.

As advised by the management of the Company, there will be some potential procurement transactions of approximately RMB800 million which have been and to be entered (under final negotiation) between the Group and the TBEA Group from October to December 2022 and the potential procurement transactions mainly include the products procurement for the 200,000-ton Polysilicon Project in Zhundong of approximately RMB455 million and the construction of wind power and PV projects of approximately RMB342 million. As such, the existing annual caps for the year ending 31 December 2022 will be not sufficient to satisfy the need for the construction of the 200,000-ton Polysilicon Project in Zhundong and there is a need to increase the annual caps for the product procurement from TBEA Group in order to avoid any delay of the Group's project construction and operation.

We have (i) reviewed the breakdown of the investment of 100,000-ton Polysilicon Project in Inner Mongolia and noted the estimated transaction for the product procurement for the 200,000-ton Polysilicon Project in Zhundong is in proportion to 100,000-ton Polysilicon

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Project in Inner Mongolia; (ii) reviewed the construction schedule of 200,000-ton Polysilicon Project in Zhundong and noted that the purchase of the products under 200,000-ton Polysilicon Project is expected to be completed by 2023, therefore, excluding the potential transaction of RMB700 million for the year ending 31 December 2022, there will be potential transaction of RMB900 million for the year ending 31 December 2023; (iii) reviewed the breakdown of the actual and potential transaction of the purchase of products for wind power and PV projects for year ending 31 December 2022 with aggregate transaction amount of approximately RMB563 million; (iv) discussed with the management of the Company for the proposed transaction for wind power and PV projects for year ending 31 December 2023 which is based on the historical actual transaction amount for wind power and PV projects with TBEA Group; and (v) reviewed the historical transaction for wind power and PV projects of the purchase of products from 2020 to 2022 and noted that the transaction amount from 2020 to 2022 is with a CAGR of approximately 21.1%.

Having taken into consideration of the above, in particular, (i) the construction schedule of the 200,000-ton Polysilicon Project in Zhundong which is expected to be completed within 24 months; (ii) the historical transaction amount for the transformers (including ancillary equipment, wires and cables) for the 100,000-ton Polysilicon Project in Inner Mongolia; (iii) the potential transaction of RMB800 million for the year ending 31 December 2022; (iv) the estimated transaction amount for wind power and PV projects for year ending 31 December 2023 with reference to the CAGR of the historical fluctuation; and (v) prevention of any potential incompliance with the Listing Rules for the connected transaction, we are of the view that the proposed annual caps under the Supplemental Products Procurement Framework Agreement (TBEA) are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other than above consideration, we have also conducted the below works in relation to access the historical transactions during the period for nine months ended 30 September 2022 under the Existing Product Procurement Framework Agreement (TBEA):

- for transformers, wires and cables, we have randomly obtained three invoices between the Group and TBEA Group for the nine months ended 30 September 2022 and three invoices between the Group and the independent third parties of similar products under each of the (i) 100,000-ton Polysilicon Project in Inner Mongolia; (ii) 200,000-ton Polysilicon Project in Zhundong; and (iii) PV and wind power construction projects. 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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Considering that the invitation to the Qualified Supplier for tender that was and will be adopted by the Group which allow the Group to identify the most competitive price from the Qualified Supplier, given (i) the three invoices for each type of products under the Existing Product Procurement Framework Agreement (TBEA) and will fall into the product category stipulated in the Supplemental Product Procurement Framework Agreement (TBEA) after the effective of the Supplemental Product Procurement Framework Agreement (TBEA) and the three invoice from third parties as aforementioned and our observation that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the nine months ended 30 September 2022 under each of the (a) 100,000-ton Polysilicon Project in Inner Mongolia; (b) 200,000-ton Polysilicon Project in Zhundong; and (c) PV and wind power construction projects; (ii) the Group have not been entered into other agreement with TBEA Group in relation to the products under Supplemental Product Procurement Framework Agreement (TBEA); 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 2021, we consider that the samples obtained were sufficient and representative and it is reasonably fair and the terms offered by TBEA Group had no less favourable than the terms offered by independent third parties.

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

Annual caps and its basis of determination

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

Existing annual caps	Proposed annual caps
Year ending 31 December 2023	Year ending 31 December 2023
<i>(RMB'000)</i>	<i>(RMB'000)</i>
500,000	900,000

As discussed with the management of the Company, the additional demand for the procurement of miscellaneous services is mainly due to the construction of the Substations under the design plan of the 200,000-ton Polysilicon Project in Zhundong in 2023 and the construction budget for the aforesaid substations of approximately RMB400 million. As

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advised by the management of the Company, although the Group will invite TBEA and several suppliers for the tender of the abovementioned substation construction, TBEA still have relatively high possibility to award in the tender because (i) TBEA has experience in the Group's other similar projects; and (ii) TBEA usually offer competitive price in other similar project, as such, the Group prefer to increase the annual cap for 2023 in order to prevent any delay in the 200,000-ton Polysilicon Project in Zhundong if TBEA awards the tender later.

We have (i) reviewed the breakdown for annual cap for the year ending 31 December 2023 and noted that the expected utilization of the annual cap for the Substation is RMB400 million and the remaining annual cap is for the construction of PV and wind power station projects and the operation of Polysilicon production; (ii) reviewed the budget of the Substations and noted that it mainly includes the design fee, equipment, installation fee and other construction fee and the fee is in line with the 100,000-ton Polysilicon Project in Inner Mongolia and we have compared the budget of the Substations and the reference of the total investment amount of approximately RMB391 million that TBEA Group was selected by Tumed Right Banner Government as the general contractor for the construction of the substations for the 100,000-ton Polysilicon Project in Inner Mongolia by way of public bid (<https://ggzyjy.nmg.gov.cn/jyxx/jsgcZbhxrgsDetail?guid=05fcfc64-25b8-4fa9-9b07-0c5540deb7ac&isOther=false>); and (iii) reviewed the breakdown of the actual and potential transaction of the miscellaneous services for wind power and PV projects for year ending 31 December 2022 with aggregate transaction amount of approximately RMB362 million ; and (iv) discussed with the management of the Company for the proposed transaction for year ending 31 December 2023 which is based on the historical actual transaction amount for wind power and PV projects with TBEA Group; and (v) reviewed the historical transaction for wind power and PV projects of the purchase of miscellaneous services from 2020 to 2022 and noted that the actual transaction amount from 2020 to 2022 is with a CAGR of approximately 24.2%. As discussed with the management of the Company, considering (a) the historical transaction amount for wind power and PV projects between the Group and the TBEA Group from 2020 to 2022 was not relatively stable; and (b) prevention of any inadequate use of the annual cap, the Company would take a relative precautious approach for accessing the annual cap for the year ending 31 December 2023 with an increment of approximately 30%.

Having taken into consideration of the above, in particular, (i) the construction schedule of the Substations under the design plan of the 200,000-ton Polysilicon Project in Zhundong which is expected to be completed in 2023; (ii) the construction experience of other similar project and competitive price offered by TBEA; (iii) the estimated transaction amount for wind power and PV projects for year ending 31 December 2023 with reference to the CAGR of the historical fluctuation; and (iv) prevention of any potential incompliance with the Listing Rules for the connected transaction, we are of the view that the proposed annual caps under the Supplemental Miscellaneous Services Framework Agreement (TBEA) are

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determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other than above consideration, we have also conducted the below works in relation to access the historical transactions during the period for nine months ended 30 September 2022 under the Existing Miscellaneous Services Framework Agreement (TBEA):

- we have randomly obtained three invoices between the Group and TBEA Group for the nine months ended 30 September 2022 and three invoices between the Group and the independent third parties of similar services under each of the (i) 100,000-ton Polysilicon Project in Inner Mongolia; and (ii) PV and wind power construction projects. We noted that the prices of the services provided by TBEA Group were not less favourable than that of the services provided by independent third parties;

Considering that the invitation to the Qualified Supplier for tender that was and will be adopted by the Group which allow the Group to identify the most competitive price from the Qualified Supplier, given (i) the three invoices for miscellaneous services under the Existing Miscellaneous Services Framework Agreement (TBEA) and will fall into the service category stipulated in the Supplemental Miscellaneous Services Framework Agreement (TBEA) after the effective of the Supplemental Miscellaneous Services Framework Agreement (TBEA) and the three invoices from third parties as aforementioned and our observation that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the nine months ended 30 September 2022 under each of the (a) 100,000-ton Polysilicon Project in Inner Mongolia; and (b) PV and wind power construction projects; (ii) the Group have not been entered into other agreement with TBEA Group in relation to the miscellaneous services under Supplemental Miscellaneous Framework Agreement (TBEA); 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 2021, we consider that the samples obtained were sufficient and representative and it is fair and reasonable and the terms offered by TBEA Group had no less favourable than the terms offered by independent third parties.

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

Annual caps and its basis of determination

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

Existing annual caps		Proposed annual caps	
Year ending	Year ending	Year ending	Year ending
31 December	31 December	31 December	31 December
2022	2023	2022	2023
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
250,000	250,000	500,000	600,000

As stated in the Letter from the Board, the actual transaction amount of approximately RMB108 million recorded for the nine months ended 30 September 2022 has already utilized approximately 43.2% of the existing annual cap under the Existing Products Procurement Framework Agreement (Xinjiang Tebian) for the year ending 31 December 2022. Among the actual transaction amount of approximately RMB108 million, approximately RMB1 million was utilized for the 200,000-ton Polysilicon Project in Zhundong, RMB67 million was utilized for the 100,000-ton Polysilicon Project in Inner Mongolia and RMB40 million was utilized for wind power and PV projects.

As advised by the management of the Company, there will be some potential procurement transactions of approximately RMB400 million which have been and to be entered (under final negotiation) between the Group and the Xinjiang Tebian Group from October to December 2022 and the potential procurement transactions mainly include the products procurement for the 100,000-ton Polysilicon Project in Inner Mongolia of approximately RMB50 million, the 200,000-ton Polysilicon Project in Zhundong of approximately RMB199 million and the construction of wind power and PV projects of approximately RMB143 million. We have reviewed the breakdown of such transactions. As such, the existing annual caps for the year ending 31 December 2022 will be not sufficient to satisfy the need for the construction of the 200,000-ton Polysilicon Project in Zhundong and there is a need to increase the annual caps for the product procurement from Xinjiang Tebian in order to avoid any delay of the Group's project construction and operation.

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As further advised by the management of the Company, to echo the global developmental objective of “carbon emission peak and carbon neutrality”, the Group has further strengthened the construction and operation for wind power and PV power stations since 2022. It is expected that the installed capacity of the wind power and PV power stations constructed each year will be approximately 3GW–4GW, thus the Group will obtain more contracts and invest more in wind power construction projects. As discussed with the management of the Company, having considered the large size and weight of towers for wind turbines, the transportation cost is an important factor in selecting supplier of towers for wind turbines. Xinjiang Tebian’s production bases of towers for wind turbines are situated in Xinjiang and Inner Mongolia and has the advantage for the transportation of wind turbines and supply capacity. Therefore, Xinjiang Tebian is more likely to win the bid for the wind stations construction projects. The Group estimate to install approximately 800MW of the wind power stations with tower purchased of approximately RMB600 million of which approximately 20% to 30% of the total tower purchased from Xinjiang Tebian Group in 2022. Since the Group expected to increase the installed capacity of the wind power to approximately 1GW-1.5GW in 2023, the purchase of tower is expected to increase proportionally. As such, it is expected that the addition tower procurement amount of the Group from Xinjiang Tebian Group from October to December 2022 and full year of 2023 would be approximately RMB50 million and RMB150 million, respectively. We have reviewed the historical installation record and the purchase amount of tower and noted the same.

We have (i) reviewed the breakdown of the investment of 100,000-ton Polysilicon Project in Inner Mongolia and noted the estimated transaction for the product procurement for the 200,000-ton Polysilicon Project in Zhundong is in proportion to the 100,000-ton Polysilicon Project in Inner Mongolia; (ii) the construction schedule of 200,000-ton Polysilicon Project in Zhundong and noted that the purchase of the products under 200,000-ton Polysilicon Project is expected to be completed by 2023, therefore, excluding the potential transaction of approximately RMB200 million for the year ending 31 December 2022, there will be potential transaction of RMB200 million for the year ending 31 December 2023; (iii) reviewed the breakdown of the actual and potential transaction of the purchase of products for wind power and PV projects for year ending 31 December 2022 with aggregate transaction amount of approximately RMB183 million (including approximately RMB50 million for additional tower procurement); and (iv) discussed with the management of the Company for the proposed transaction for wind power and PV projects for year ending 31 December 2023 which is based on the historical actual transaction amount for wind power and PV projects with Xinjiang Tebian Group; and (v) reviewed the historical transaction for wind power and PV projects of the purchase of products from 2020 to 2022 and noted that the actual transaction amount from 2020 to 2022 is with a CAGR of approximately 165.3%. As discussed with the management of the Company, considering (a) the high increment of the

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change of the transaction amount from the year ended 31 December 2021 to the year ending 31 December 2022 due to the procurement of tower from Xinjiang Tebian Group; (b) the increasing capacity of the tower from Xinjiang Tebian Group; and (c) the capacity of the production of tower from Xinjiang Tebian Group, the Company would take a relative conservative approach for accessing the annual cap for the year ending 31 December 2023 with an increment of approximately 120%.

Having taken into consideration of the above, in particular, (i) the construction schedule of the 200,000-ton Polysilicon Project in Zhundong which is expected to be completed within 24 months; (ii) the historical transaction amount for the switch enclosures, electrical equipment and other products for 100,000-ton Polysilicon Project in Inner Mongolia; (iii) the potential transaction of RMB400 million for the year ending 31 December 2022; (iv) the estimated transaction amount for wind power and PV projects for year ending 31 December 2023 with reference to the CAGR of the historical fluctuation; (v) the continuous need for tower for wind turbine; (vi) the increment on the annual installation of wind power projects; and (vii) prevention of any potential incompliance with the Listing Rules for the connected transaction, we are of the view that the proposed annual caps under the Supplemental Products Procurement Framework Agreement (Xinjiang Tebian) are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Other than above consideration, we have also conducted the below works in relation to access the historical transactions during the period for nine months ended 30 September 2022 under the Existing Product Procurement Framework Agreement (Xinjiang Tebian):

- for switch enclosures and electrical equipment, we have randomly obtained three invoices between the Group and Xinjiang Tebian for the nine months ended 30 September 2022 and three invoices between the Group and the independent third parties of similar products under each of the (i) 100,000-ton Polysilicon Project in Inner Mongolia; (ii) 200,000-ton Polysilicon Project in Zhundong; and (iii) PV and wind power construction projects. We noted that the prices of the products purchased from Xinjiang Tebian Group were not less favourable than that of the product purchased from independent third parties;
- for tower, we have randomly obtained three invoices between the Group and Xinjiang Tebian for the nine months ended 30 September 2022 and three invoices between the Group and the independent third parties of similar products under wind power construction projects. We noted that the prices of the products purchased from Xinjiang Tebian Group were not less favourable than that of the product purchased from independent third parties.

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Considering that the invitation to the Qualified Supplier for tender that was and will be adopted by the Group which allow the Group to identify the most competitive price from the Qualified Supplier, given (i) the three invoices for each type of products under the Existing Product Procurement Framework Agreement (Xinjiang Tebian) and will fall into the product category stipulated in the Supplemental Product Procurement Framework Agreement (Xinjiang Tebian) after the effective of the Supplemental Product Procurement Framework Agreement (Xinjiang Tebian) and the three invoice from third parties as aforementioned and our observation that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the nine months ended 30 September 2022 under each of the (a) 100,000-ton Polysilicon Project in Inner Mongolia; (b) 200,000-ton Polysilicon Project in Zhundong; and (c) PV and wind power construction projects; (ii) the three invoices for tower under the Existing Product Procurement Framework Agreement (Xinjiang Tebian) and the three invoice from third parties as aforementioned and our observation that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the nine months ended 30 September 2022 under wind power construction projects; (iii) the Group have not been entered into other agreement with Xinjiang Tebian Group in relation to the products under Supplemental Product Procurement Framework Agreement (Xinjiang Tebian); 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 2021, we consider that the samples obtained were sufficient and representative and it is reasonably fair and the terms offered by Xinjiang Tebian Group had no less favourable than the terms offered by independent third parties.

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

Annual caps and its basis of determination

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

Existing annual caps		Proposed annual caps	
Year ending	Year ending	Year ending	Year ending
31 December	31 December	31 December	31 December
2022	2023	2022	2023
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
500,000	500,000	700,000	700,000

As stated in the Letter from the Board, the actual transaction amount of approximately RMB205 million recorded for the nine months ended 30 September 2022 has already utilized approximately 41.0% of the existing annual cap under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian) for the year ending 31 December 2022. Among the actual transaction amount of approximately RMB205 million, approximately RMB97 million was utilized for the 200,000-ton Polysilicon Project in Zhundong, RMB15 million was utilized for the 100,000-ton Polysilicon Project in Inner Mongolia and RMB93 million was utilized for wind power and PV projects.

As advised by the management of the Company, there will be some potential transaction for miscellaneous services of approximately RMB500 million which have been and to be entered (under final negotiation) between the Group and the Xinjiang Tebian Group from October to December 2022 and the potential transaction for miscellaneous services include the miscellaneous services for the 100,000-ton Polysilicon Project in Inner Mongolia of approximately RMB37 million, the 200,000-ton Polysilicon Project in Zhundong of approximately RMB103 million and the construction of wind power and PV projects of approximately RMB355 million. As such, the existing annual caps for the year ending 31 December 2022 will be not sufficient to satisfy the need for the construction of the 200,000-ton Polysilicon Project in Zhundong and there is a need to increase the annual caps for the miscellaneous services from Xinjiang Tebian in order to avoid any delay of the Group's project construction and operation.

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We have (i) reviewed the breakdown of the investment of 100,000-ton Polysilicon Project in Inner Mongolia and noted the estimated transaction for the miscellaneous services for the 200,000-ton Polysilicon Project in Zhundong is in proportion to the 100,000-ton Polysilicon Project in Inner Mongolia; (ii) reviewed the construction schedule of 200,000-ton Polysilicon in Zhundong and noted that the purchase of the miscellaneous services under the 200,000-ton Polysilicon Project in Zhundong is expected to be completed by 2023, therefore, excluding the potential transaction of RMB200 million for the year ending 31 December 2022, there will be potential transaction of RMB200 million for the year ending 31 December 2023; (iii) reviewed the breakdown of the actual and potential transaction of the miscellaneous services for wind power and PV projects for year ending 31 December 2022 with aggregate transaction amount of approximately RMB448 million; (iv) discussed with the management of the Company for the proposed transaction for wind power and PV projects for year ending 31 December 2023 which is based on the historical actual transaction amount for wind power and PV projects with Xinjiang Tebian Group; and (v) reviewed the historical transaction for wind power and PV projects of the purchase of miscellaneous services from 2020 to 2022 and noted that the actual transaction amount from 2020 to 2022 is with a CAGR of approximately 66.8%. As discussed with the management of the Company, considering (a) the high increment of the change of the transaction amount from the year ended 31 December 2021 to the year ending 31 December 2022; (b) the availability of the manpower from Xinjiang Tebian Group as a portion of their manpower will be allocated to the 200,000-ton Polysilicon Project in Zhundong, the Company would take a relative conservative approach for accessing the annual cap for the year ending 31 December 2023 with an increment of approximately 10%.

Having taken into consideration of the above, in particular, (i) the construction schedule of the 200,000-ton Polysilicon Project in Zhundong which is expected to be completed within 24 months; (ii) the historical transaction amount for miscellaneous services for the 100,000-ton Polysilicon Project in Inner Mongolia; (iii) the potential transaction of RMB500 million for the year ending 31 December 2022; (iv) the estimated transaction amount for wind power and PV projects for year ending 31 December 2023 with reference to the historical amount and the availability of the manpower of Xinjiang Tebian; and (v) prevention of any potential incompliance with the Listing Rules for the connected transaction, we are of the view that the proposed annual caps under the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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Other than above consideration, we have conducted the below works in relation to access the historical transactions during the period for nine months ended 30 September 2022 under the Existing Miscellaneous Services Framework Agreement (Xinjiang Tebian):

- we have randomly obtained the three invoices between the Group and Xinjiang Tebian Group for the nine months ended 30 September 2022 and three invoices between the Group and the independent third parties of similar services under each of the (i) 100,000-ton Polysilicon Project in Inner Mongolia; (ii) 200,000-ton Polysilicon Project in Zhundong; and (iii) PV and wind power construction projects. We noted that the prices of the services provided by Xinjiang Tebian Group were not less favourable than that of the services provided by independent third parties;

Considering that the invitation to the Qualified Supplier for tender that was and will be adopted by the Group which allow the Group to identify the most competitive price from the Qualified Supplier, given (i) the three invoices for miscellaneous services under the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) and will fall into the service category stipulated in the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) after the effective of the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian) and the three invoice from third parties as aforementioned and our observation that pricing of the relevant transactions was equivalent or comparable to those offered to or quoted by third parties independent for the nine months ended 30 September 2022 under each of the (i) 100,000-ton Polysilicon Project in Inner Mongolia; (ii) 200,000-ton Polysilicon Project in Zhundong; and (iii) PV and wind power construction projects; (ii) the Group have not been entered into other agreement with Xinjiang Tebian Group in relation to the Xinjiang Tebian under Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian); 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 pricing of the connected transactions, on a sample basis, are not in accordance with the Company's pricing policies as mentioned in the annual report of the Company for the year ended 31 December 2021, we consider that the samples obtained were sufficient and representative and it is reasonably fair and the terms offered by Xinjiang Tebian Group had no less favourable than the terms offered by independent third parties.

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3. Internal control measures within the Group

Internal control for the Supplemental Framework Agreements

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

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

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

We have assessed the internal control policy for continuing connected transactions of the Group by (i) reviewing the internal control policy document and the flowchart of the connected transaction approval process; (ii) reviewing the meeting record regarding the continuing connected transaction for the first half year of 2022; and (iii) discussing with the representative of the Group in relation to the internal control policy. In addition, we also understand from the representative of the Company that the audit committee (including independent non-executive Directors) was and will review and supervise the effective implementation of the internal control system annually. Also, the auditor of the Company would review each of the continuing connected transactions of the Company and confirm to the Board that (i) the transactions have received the approval by the Board on an annual basis; (ii) the transactions have been entered into in accordance with the pricing policies as set out in the relevant agreements governing such transactions; and (iii) the transactions have been performed in accordance with the terms of the relevant agreements governing such transactions. We believe that such internal control procedure abided by the internal control policy document and the abovementioned monitoring system can effectively ensure that the existing and possible future transactions entered/to be entered with any connected parties are/will be on normal commercial terms and not prejudicial to the interests of the Group and the Independent Shareholders.

Having considered, in particular, (i) the internal control measures will be in place to ensure all connected transactions of the Company are properly controlled and monitored; and (ii) the ongoing review by, the Audit Committee and the auditors of the Company of the terms of the continuing connected transactions and the relevant annual caps not being exceeded, we are of the view that the Company has established effective internal control procedures to ensure the Supplemental Framework Agreements will be conducted on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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RECOMMENDATION

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

Note: Mr. Rabo Leung is licensed under the Securities and Futures Ordinance as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Leung has over 20 years of experience in the corporate finance industry in Hong Kong.

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 AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES 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 executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) 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/ associated corporation	Number/type of shares of the Company/associated corporation	Approximate percentage of shareholdings in the total share capital of the Company/ associated corporation ⁽¹⁾	Approximate percentage of shareholdings in the relevant class of shares of the Company ⁽²⁾	Long position/ short position
Directors						
Mr. Zhang Xin	Interest in a controlled corporation ⁽³⁾	The Company	86,759,908 Domestic Shares	6.07%	8.23%	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	11.54%	N/A	Long position
Mr. Huang Hanjie	Beneficial owner	TBEA ⁽⁴⁾	860,180 shares	0.02%	N/A	Long position
Ms. Guo Junxiang	Beneficial owner	TBEA ⁽⁴⁾	465,180 shares	0.01%	N/A	Long position
Mr. Zhang Jianxin	Interest in a controlled corporation ⁽⁶⁾	The Company	15,955,000 Domestic Shares	1.12%	1.51%	Long position
Mr. Yin Bo	Beneficial owner	TBEA ⁽⁴⁾	655,000 shares	0.02%	N/A	Long position

Name	Nature of Interest	The Company/ associated corporation	Number/type of shares of the Company/associated corporation	Approximate percentage of shareholdings in the total share capital of the Company/ associated corporation ⁽¹⁾	Approximate percentage of shareholdings in the relevant class of shares of the Company ⁽²⁾	Long position/ short position
	Interest in a controlled corporation ⁽⁷⁾	The Company	16,165,000 Domestic Shares	1.13%	1.54%	Long position
Mr. Xia Jinjing	Beneficial owner	TBEA ⁽⁴⁾	310,000 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. Cao Huan	Beneficial owner	TBEA ⁽⁴⁾	30,000 shares	0.00%	N/A	Long position
Mr. Guo Hao	Beneficial owner	TBEA ⁽⁴⁾	62,500 shares	0.00%	N/A	Long position

Notes:

- (1) The calculation is based on the total number of 3,873,825,826 shares of TBEA in issue and the total number of 1,430,000,000 Shares of the Company in issue as at the Latest Practicable Date.
- (2) The calculation is based on the total number of 1,053,829,244 Domestic Shares of the Company in issue as at the Latest Practicable Date.
- (3) Mr. Zhang Xin directly holds 40.08% equity interest in Xinjiang Tebian and holds 24.04% equity interest in Xinjiang Tebian through his wholly-owned Tianjin Hongyuan Innovation Enterprise Management Co., Ltd.* (天津宏遠創新企業管理有限公司), and Xinjiang Tebian held 83,863,108 Domestic Shares of the Company as at the Latest Practicable Date; Xinjiang Far Excellence Enterprise Management Consulting Co., Ltd.* (新疆遠卓企業管理諮詢有限公司), a wholly-owned subsidiary of Xinjiang Tebian, holds 2,896,800 Domestic Shares of the Company. Therefore, Mr. Zhang Xin holds approximately 6.07% of the total issued Shares of the Company through his interests in the controlled corporations.
- (4) TBEA is the Company's Controlling Shareholder and therefore an associated corporation of the Company. As at Latest Practicable Date, TBEA held 921,286,161 Domestic Shares (approximately 87.42% of the relevant class of Shares) of the Company, and TBEA (HONGKONG) CO., LIMITED, a wholly-owned subsidiary of TBEA, held 1,223,200 H Shares (approximately 0.33% of the relevant class of Shares) of the Company, which in total accounted for approximately 64.52% of the total number of issued Shares of the Company.
- (5) Mr. Zhang Xin directly holds 40.08% equity interest in Xinjiang Tebian and holds 24.04% equity interest in Xinjiang Tebian through his wholly-owned Tianjin Hongyuan Innovation Enterprise Management Co., Ltd.* (天津宏遠創新企業管理有限公司), and Xinjiang Tebian directly holds 446,982,637 shares of TBEA.
- (6) Mr. Zhang Jianxin is a limited partner of Tianjin Xinte Kangrong Enterprise Management Partnership (Limited Partnership)* (天津新特康榮企業管理合夥企業(有限合夥)) ("Xinte Kangrong") and holds 45.87% interest in it, so he is deemed to be interested in the 2,180,000 Domestic Shares of the Company held by Xinte Kangrong; in addition, Mr. Zhang Jianxin is the general partner of 5 partnership enterprises (namely Tianjin Xinte Tongxin Enterprise Management Partnership (Limited Partnership)* (天津新特同心企業管理合夥企業(有限合夥)), Tianjin Xinte Chengxin Enterprise Management Partnership (Limited Partnership)* (天津新特誠信企業管理合夥企業(有限合夥))

合夥)), Tianjin Xinte Zhuocheng Enterprise Management Partnership (Limited Partnership)* (天津新特卓誠企業管理合夥企業(有限合夥)), Tianjin Xinte Green Energy Enterprise Management Partnership (Limited Partnership)* (天津新特綠能企業管理合夥企業(有限合夥)) and Tianjin Xinte Innovation Enterprise Management Partnership (Limited Partnership)* (天津新特創新企業管理合夥企業(有限合夥))). Mr. Zhang Jianxin (as the general partner) is deemed to be interested in the total 13,775,000 Domestic Shares of the Company held by the aforesaid 5 partnership enterprises under the SFO.

- (7) Mr. Yin Bo is the general partner of 6 partnership enterprises (namely Tianjin Xinte Dingxin Enterprise Management Partnership (Limited Partnership)* (天津新特鼎信企業管理合夥企業(有限合夥)), Tianjin Xinte Chengli Enterprise Management Partnership (Limited Partnership)* (天津新特誠立企業管理合夥企業(有限合夥)), Tianjin Xinte Biantong Enterprise Management Partnership (Limited Partnership)* (天津新特變通企業管理合夥企業(有限合夥)), Xinte Kangrong, Tianjin Xinte Jianming Enterprise Management Partnership (Limited Partnership)* (天津新特簡明企業管理合夥企業(有限合夥)) and Tianjin Xinte Hexing Enterprise Management Partnership (Limited Partnership)* (天津新特和興企業管理合夥企業(有限合夥))). Mr. Yin Bo (as the general partner) is deemed to be interested in the total 16,165,000 Domestic Shares of the Company held by the aforesaid 6 partnership enterprises under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company had any interest or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporation, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, and to the best knowledge of the Directors of the Company, the following persons (other than the Directors, supervisors or chief executives of the Company) had interests or short positions 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 had been entered in the register 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 the relevant class of Shares ⁽¹⁾	Approximate	Long position/ short position
					percentage of shareholdings in the total share capital of the Company ⁽¹⁾	
TBEA	Beneficial owner	Domestic Shares	921,286,161	87.42%	64.43%	Long position
	Interest in a controlled corporation ⁽²⁾	H Shares	1,223,200	0.33%	0.09%	Long position
					64.52%	

Name of Shareholder	Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares ⁽¹⁾	Approximate percentage of shareholdings in the total share capital of the Company ⁽¹⁾	Long position/ short position
Xinjiang Tebian	Beneficial owner	Domestic Shares	83,863,108	7.96%	5.86%	Long position
	Interest in a controlled corporation ⁽³⁾	Domestic Shares	2,896,800	0.27%	0.20%	Long position
					6.07%	
The Bank of New York Mellon Corporation	Interest of corporation controlled by you ⁽⁴⁾	H Shares	25,738,439	6.84%	1.80%	Long position
	Interest of corporation controlled by you	H Shares	12,663,785	3.37%	0.89%	Lending pool
UBS Group AG	Interest of corporation controlled by you	H Shares	19,552,872	5.20%	1.37%	Long position
	Interest of corporation controlled by you	H Shares	11,421,698	3.04%	0.80%	Short position

Notes:

- (1) The calculation is based on the total number of 1,430,000,000 Shares of the Company in issue as at the Latest Practicable Date, in which 376,170,756 are H Shares and 1,053,829,244 are Domestic Shares.
- (2) TBEA indirectly holds 1,223,200 H Shares through its wholly-owned subsidiary, TBEA (HONGKONG) CO., LIMITED.
- (3) Xinjiang Tebian indirectly holds 2,896,800 Domestic Shares through its wholly-owned subsidiary, Xinjiang Far Excellence Enterprise Management Consulting Co., Ltd.* (新疆遠卓企業管理諮詢有限公司).
- (4) The Bank of New York Mellon Corporation indirectly holds 25,738,439 H Shares through its wholly-owned subsidiary, The Bank of New York Mellon.

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 executives 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 had been entered in the register required to be 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
Mr. Huang Hanjie	Executive director and president of TBEA
Ms. Guo Junxiang	Executive director of TBEA

5. INTEREST OF DIRECTORS IN COMPETING BUSINESS

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

6. SERVICE CONTRACTS

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

7. MATERIAL LITIGATION

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

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2021, 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 of the Company 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 of the Company 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 2021, 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
Kingsway 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, Kingsway 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, Kingsway 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, Kingsway Capital Limited does not have any interest in any assets which have been since 31 December 2021 (being the date to which the latest published audited annual accounts of the Company were made up), acquired or disposed of by leased to any member of the Group, or are proposed to be acquired or disposed of by or lease to any member of the Group.

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Supplemental Framework Agreements;
- (b) the consent referred to in the paragraph of “Qualification of Expert and Consent” of this Appendix;
- (c) the letter from the Independent Board Committee, full text of which is set out on page 31 of this circular;
- (d) the letter from Kingsway Capital Limited, full text of which is set out on pages 32 to 57 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. Chan Yin Wah. Ms. Chan Yin Wah is an associate director of SWCS Corporate Services Group (Hong Kong) Limited and a fellow member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.
- (c) The principal place of business of the Company in Hong Kong is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wanchai, Hong Kong.
- (d) The H share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (e) The Chinese text of this circular shall prevail over the English text in the event of inconsistency.

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 2022

NOTICE IS HEREBY GIVEN that the second extraordinary general meeting of 2022 (the “EGM”) of Xinte Energy Co., Ltd. (the “Company”) will be held at the Conference Room, No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC on Thursday, 8 December 2022 at 11:00 a.m. to consider and, if thought fit, approve the resolutions set out below.

ORDINARY RESOLUTIONS

1. “THAT:

- (a) the supplemental product procurement framework agreement entered into between the Company and TBEA Co., Ltd. (“TBEA”) on 17 October 2022 (the “**Supplemental Product Procurement Framework Agreement (TBEA)**”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, the transactions contemplated thereunder and the proposed revised annual caps, be and are hereby considered and approved;
- (b) the supplemental miscellaneous services framework agreement entered into between the Company and TBEA on 17 October 2022 (the “**Supplemental Miscellaneous Services Framework Agreement (TBEA)**”), a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose, the transactions contemplated thereunder and the proposed revised annual caps, be and are hereby considered and approved;
- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated therein and the completion of the Supplemental Product Procurement Framework Agreement (TBEA) and the Supplemental Miscellaneous Services Framework Agreement (TBEA).”

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2022

2. “**THAT:**

- (a) the supplemental product procurement framework agreement entered into between the Company and Xinjiang Tebian Group Co., Ltd. (“**Xinjiang Tebian**”) on 17 October 2022 (the “**Supplemental Product Procurement Framework Agreement (Xinjiang Tebian)**”), a copy of which is tabled at the meeting and marked “C” and initialled by the chairman of the meeting for identification purpose, the transactions contemplated thereunder and the proposed revised annual caps, be and are hereby considered and approved;
- (b) the supplemental miscellaneous services framework agreement entered into between the Company and Xinjiang Tebian on 17 October 2022 (the “**Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian)**”), a copy of which is tabled at the meeting and marked “D” and initialled by the chairman of the meeting for identification purpose, the transactions contemplated thereunder and the proposed revised annual caps, be and are hereby considered and approved;
- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated therein and the completion of the Supplemental Product Procurement Framework Agreement (Xinjiang Tebian) and the Supplemental Miscellaneous Services Framework Agreement (Xinjiang Tebian).”

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

Xinjiang, the PRC
17 November 2022

Notes:

- 1. **Important:** A circular setting out details of the aforementioned resolutions will be dispatched and published by the Company in due course, the Company has published the form of proxy for the EGM on 17 November 2022 and will dispatch it to the shareholders of the Company (the “**Shareholders**”) in due course.

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2022

2. In order to determine Shareholders who are eligible to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 2 December 2022 to Thursday, 8 December 2022, both days inclusive, during which no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on Thursday, 8 December 2022 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, 1 December 2022 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 Wednesday, 7 December 2022).
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 of the Company consists of Mr. Zhang Jianxin, Mr. Yin Bo and Mr. Xia Jinjing as executive Directors; Mr. Zhang Xin, Mr. Huang Hanjie and Ms. Guo Junxiang as non-executive Directors; and Mr. Cui Xiang, Mr. Chen Weiping and Mr. Tam, Kwok Ming Banny as independent non-executive Directors.