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新特能源

XINTE ENERGY CO., LTD.

新特能源股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1799)

ANNOUNCEMENT FURTHER ANNOUNCEMENT REGARDING THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE TBEA FRAMEWORK AGREEMENTS

This announcement is made by Xinte Energy Co., Ltd. pursuant to Chapter 14A and Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong).

References are made to (i) the announcements of the Company dated 15 December 2017 and 1 March 2018, where the Stock Exchange has aggregated and treated the TBEA Procurement Transactions as if one transaction pursuant to Rules 14A.81, 14A.82 and 14A.83 of the Listing Rules; and (ii) the Circular in relation to, inter alia, the entering into of the New Product Procurement Framework Agreement (Type 1), the New Coal Procurement Framework Agreement (Type 2) and the New Miscellaneous Services Framework Agreement (Type 4) with TBEA.

BACKGROUND

On 15 December 2017, the Company entered into the following agreements (among others) with TBEA for a term of three years commencing from 1 January 2018:

- (i) New Product Procurement Framework Agreement (Type 1);
- (ii) New Coal Procurement Framework Agreement (Type 2); and
- (iii) New Miscellaneous Services Framework Agreement (Type 4).

As disclosed in the Company's announcement dated 15 December 2017, when entering into Type 1 Transaction, Type 2 Transaction and Type 4 Transaction, all relevant percentage ratios of the annual estimated transaction amount for the Type 1 Transaction, Type 2 Transaction and Type 4 Transaction individually and separately calculated according to Rule 14.07 of the Listing Rules are higher than 0.1% but lower than 5%, therefore, the original proposed annual caps for the Type 1 Transaction, Type 2 Transaction and Type 4 Transaction are subject to the annual reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular and shareholders' approval requirements.

As disclosed in the announcement of the Company dated 1 March 2018, the Stock Exchange may aggregate all continuing connected transactions with a connected person pursuant to Rule 14A.83 of the Listing Rules. Since (i) TBEA is the Company's controlling shareholder, TBEA and its associates are connected persons of the Company and the TBEA Procurement Transactions are of similar nature as they all involved the procurement of products and services for the Company's energy related business, and (ii) the TBEA Framework Agreements were entered on the same date with the same party, the Stock Exchange has aggregated and treated the TBEA Procurement Transactions as if one transaction pursuant to Rules 14A.81, 14A.82 and 14A.83 of the Listing Rules. Accordingly, the TBEA Framework Agreements and the proposed annual caps in respect of the TBEA Procurement Transactions contemplated thereunder were required to be aggregated and submitted as a whole to the shareholders for their consideration and approval. At the same time, the Board also conducted transactions based on individual agreements. Since at least one of the relevant percentage ratios under the Listing Rules in respect of the TBEA Procurement Transactions contemplated under the TBEA Framework Agreements as aggregated is more than 5%, the transactions contemplated under the TBEA Framework Agreements as aggregated are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the original proposals in relation to Type 1 Transaction, Type 2 Transaction and Type 4 Transaction (before the Stock Exchange aggregated the three types of transactions at its discretion under the Listing Rules) were submitted to the Board for review separately as three proposals, the Company submitted the transactions contemplated under the TBEA Framework Agreements to the EGM in the same way for review.

For the avoidance of doubt, since Type 1 Transaction, Type 2 Transaction and Type 4 Transaction were not required to be submitted to the general meeting individually and separately for consideration and approval, the three types of transactions contemplated under the TBEA Framework Agreements were treated as a single transaction when submitted to the general meeting for consideration and approval. The Approved Total Annual Cap of RMB900,000,000 was approved at the EGM.

TRANSACTION AMOUNT FOR THE TBEA PROCUREMENT TRANSACTIONS

During the year ended 31 December 2018, the Group had the following non-exempt continuing connected transactions with TBEA:

Type of transaction	Actual transaction amount for the year ended 31 December 2018 (RMB)	Estimated transaction amount for the year ended 31 December 2018 (RMB)
Type 1 Transaction	511,754,736	350,000,000
Type 2 Transaction	148,169,200	300,000,000
Type 4 Transaction	<u>230,285,599</u>	<u>250,000,000</u>
Total transaction amount/total annual cap	<u><u>890,209,535</u></u>	<u><u>900,000,000</u></u>

In the course of reviewing the underlying transaction data collected as part of the Company's annual review by the Company's management for the purpose of preparing the consolidated financial statements of the Company for the year ended 31 December 2018, it came to the Company's attention that for the year ended 31 December 2018, the Type 1 Actual Transaction Amount was RMB511,754,736, which is higher than the Type 1 Estimated Transaction Amount. However, the TBEA Total Actual Transaction Amount was lower and well within the Approved Total Annual Cap.

Based on the understanding of the Company, the Company has obtained Shareholders' approval for the TBEA Procurement Transactions and the Approval Total Annual Cap as a whole.

DIFFERENCE IN THE TYPE 1 ACTUAL TRANSACTION AMOUNT AND TYPE 1 ESTIMATED TRANSACTION AMOUNT

The Company started to carry out the 36,000-ton Polysilicon Project in April 2018 in order to consolidate the Company's leading position in the photovoltaic industry by continuously improving its polysilicon production capacity and quality and further reducing product costs.

The Project was originally planned to be completed and put into operation in mid-2019. However, after considering the price trend of polysilicon and the production expansion of other companies in the same industry, the Company has decided to accelerate the construction of the Project in the last quarter of 2018 to have its major work to be preliminarily completed by the end of 2018 and put into operation by the end of the first quarter of 2019. As a leading power transmission and transformation enterprise in the PRC, TBEA provides high quality products such as transformers, wires and cables. Therefore, through compliance procedures such as tendering or business negotiations, the Company signed specific procurement contracts with TBEA and its subsidiaries for the purchase of products used in the construction of the Project.

In 2018, the Company entered into Type 1 Transaction for the Project with a total amount of RMB284 million. The construction of the Project was accelerated in the last quarter of 2018, and in order to align with the progress of the Project, most of the products including transformers (including ancillary equipment), wires, cables and other equipment originally to be procured in the first half of 2019 were delivered earlier than scheduled and the relevant transactions were mainly conducted in November and December 2018.

During the preparation of the consolidated financial statements of the Company for the year ended 31 December 2018, the Company's management was made aware that the Type 1 Actual Transaction Amount has deviated and exceeded the Type 1 Estimated Transaction Amount stated in the announcement of the Company dated 15 December 2017 and the Circular. However, the Board has confirmed that the TBEA Total Actual Transaction Amount which deviates from the estimated transaction amount was due to the procurements for the construction of the Project and is lower than the Approved Total Annual Cap.

The total annual cap as aggregated under the TBEA Framework Agreements has been approved at the EGM and the Company has been approved to conduct TBEA Procurement Transactions in accordance with the Approved Total Annual Cap. However, since the Type 1 Estimated Transaction Amount has deviated from the Type 1 Actual Transaction Amount, the Board will submit a proposal at the 2018 annual general meeting for the Independent Shareholders to review and confirm the Type 1 Actual Transaction Amount.

INTERNAL MEASURES ADOPTED BY THE COMPANY TO ENHANCE THE STANDARD OF CORPORATE GOVERNANCE AND FOR FUTURE COMPLIANCE

In order to avoid reoccurrence of similar cases in the future, the Company has reviewed the internal control system as set out in the Circular and would like to enhance the internal control system to ensure that the scrutiny of continuing connected transaction is conducted in a more thorough and stringent way and to strengthen the reporting system of the Group:

1. The Company will engage an internal control consultant to review the internal control system in relation to the governance of the continuing connected transaction(s) and provide advice on how to further improve the system.
2. To ensure the Company's conformity with the pricing policy from time to time, the Company has adopted a series of internal controls for its daily operations. Such internal review measures will be conducted and supervised by the relevant business departments, Directors, supervisors, secretary of the Board and the audit committee of the Board:
 - the Company has adopted a further enhanced transaction management system on connected transactions. According to the system, business departments of the Company are required to conduct updates of separate agreements for the continuing connected transactions, and report on a regular basis to the secretary of the Board in respect of the execution status of such connected transactions. The secretary of the Board will then inform the Board of any important information thereof;
 - the audit committee of the Board is also responsible for the data collection and monitoring of connected transactions, and conducting evaluation on the fairness of the transaction terms and the pricing terms. It will discuss with the Company's subsidiaries and business departments to determine the annual caps and execution of the Company's connected transactions. It will also report to the Board and the supervisors on the Group's connected transactions on a quarterly basis. If based on the monitoring report it is anticipated that there is a need to revise the annual caps, the Company will comply with the relevant requirements under the Listing Rules to issue an announcement, 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 Company will, based on the regulations of the Listing Rules, strengthen training provided to its employees in relation to the review and decision-making processes and information disclosure requirements of connected transactions, and further promote awareness among the relevant business departments in the corresponding compliance requirements; and
 - the independent non-executive Directors have also 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 pricing and annual caps of such non-exempt continuing connected transactions.

3. To enhance the supervision of the actual transaction amount of subsequent continuing connected transaction(s):
- the Company will enhance the control on the actual transaction amount of the connected transactions by expanding the scope of review and scrutiny for the continuing connected transactions, the control will also focus on (i) the aggregate amount of connected transactions; and (ii) the individual amount of each type of connected transaction;
 - the Company will strengthen the training provided for financial officers of the Group, require the heads of the financial departments to review the data and statistics to increase their accuracy and ensure the financial data of the Group will be duly circulated to the senior management of the Company for review in a timely manner; and
 - the secretary of the Board will collect the data of the connected transactions of the preceding month from the finance officers of the Group at the beginning of each month and verify the aggregate amount of the connected transactions of the preceding month with the finance officers of the relevant connected person in a timely manner in order to ensure timely discovery of any omission of data of the Company's finance department to avoid omissions or errors.

DEFINITIONS

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

“Approved Total Annual Cap”	the aggregated total annual cap of the TBEA Procurement Transactions approved at the EGM
“Board”	the board of directors of the Company
“Circular”	the circular of the Company dated 27 March 2018
“Company”	Xinte Energy Co., Ltd. (新特能源股份有限公司), a joint stock limited company incorporated in the PRC and its H Shares are listed on the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules

“continuing connected transaction(s)” or “connected transactions(s)”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the first extraordinary general meeting for the year 2018 held by the Company on 16 April 2018
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares in the Company’s share capital with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Independent Shareholders”	Shareholders other than connected person of the Company, inter alia TBEA and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Coal Procurement Framework Agreement (Type 2)” or “Type 2 Transaction”	the coal procurement framework agreement entered into by the Company and TBEA on 15 December 2017
“New Miscellaneous Services Framework Agreement (Type 4)” or “Type 4 Transaction”	the miscellaneous services framework agreement entered into by the Company and TBEA on 15 December 2017
“New Product Procurement Framework Agreement (Type 1)” or “Type 1 Transaction”	the product procurement framework agreement entered into by the Company and TBEA on 15 December 2017
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project” or “36,000-ton Polysilicon Project”	the investment into and construction of a 36,000-ton-per-annum high-purity polysilicon industrial upgrade project
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of Shares

“Shares”	shares in the share capital of the Company, with a nominal value of RMB1.00 each, including domestic shares of the Company and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the same meaning as ascribed to it under the Listing Rules
“TBEA”	TBEA Co., Ltd. (特變電工股份有限公司), a joint stock company incorporated in the PRC on 26 February 1993, and the Company’s controlling shareholder
“TBEA Framework Agreements”	New Product Procurement Framework Agreement (Type 1), New Coal Procurement Framework Agreement (Type 2), and New Miscellaneous Services Framework Agreement (Type 4)
“TBEA Total Actual Transaction Amount”	the actual transaction amount under the TBEA Framework Agreements as at 31 December 2018
“TBEA Procurement Transactions”	transactions contemplated under Type 1 Transaction, Type 2 Transaction, and Type 4 Transaction
“Type 1 Actual Transaction Amount”	the actual transaction amount under the New Product Procurement Framework Agreement (Type 1) for the year ended 31 December 2018
“Type 1 Estimated Transaction Amount”	the estimated transaction amount under the New Product Procurement Framework Agreement (Type 1) for the year ended 31 December 2018

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

Xinjiang, the PRC
27 March 2019

As of the date of this announcement, the Board of the Company consists of Mr. Zhang Jianxin, Mr. Xin Bo and Mr. Xia Jinjing as executive Directors; Mr. Zhang Xin and Ms. Guo Junxiang as non-executive Directors; Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus as independent non-executive Directors.