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

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

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

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## **新特能源**

**XINTE ENERGY CO., LTD.**

**新特能源股份有限公司**

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

**(Stock code: 1799)**

**(1) PROPOSED ISSUANCE OF DOMESTIC SHARES  
UNDER SPECIFIC MANDATE;  
(2) CONNECTED TRANSACTION IN RESPECT OF SUBSCRIPTION OF  
DOMESTIC SHARES BY THE CONTROLLING SHAREHOLDER;  
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;  
AND  
(4) NOTICES OF THE SECOND EXTRAORDINARY GENERAL MEETING  
OF 2021 AND CLASS MEETINGS**

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



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A letter from the Board is set out on pages 7 to 29 of this circular. A letter from Sorrento Capital Limited containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-23 of this circular and a letter from the Independent Board Committee is set out on page IBC-1 of this circular.

The notices convening the EGM, the first H Shares Shareholders class meeting of 2021 and the first Domestic Shares Shareholders class meeting of 2021 of the Company to be held at the Conference Room, International Conference Center at No.189, South Beijing Road, Changji, Xinjiang, the PRC on Monday, 28 June 2021 at 11:00 a.m., Monday, 28 June 2021 at 11:30 a.m. (or immediately after the conclusion or adjournment of the EGM, whichever is later) and Monday, 28 June 2021 at 12:00 noon (or immediately after the conclusion or adjournment of the first H Shares Shareholders class meeting of 2021, whichever is later) respectively, are set out on pages EGM-1, HCM-1 and DCM-1 of this circular.

Whether or not you intend to attend such Meetings, you are reminded to complete the forms of proxy enclosed with this circular, in accordance with the instructions printed thereon and return the same to the Company's Board secretary office (in case of Domestic Shares Shareholders), at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC, or the Company's H Share registrar in Hong Kong (in case of H Shares Shareholders), Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 24 hours before the respective time fixed for holding such Meetings or any adjournment thereof. Completion and delivery of the said forms of proxy will not prevent you from attending, and voting in person at the Meetings or at any adjourned meetings if you so wish.

11 June 2021

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## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“Class Meetings”	the first H shareholders class meeting of 2021 and the first domestic shareholders class meeting of 2021 of the Company to be held immediately after the conclusion of the EGM, to consider, and if thought fit, to approve, among other things, the Issuance of Domestic Shares
“close associate”	has the meaning as ascribed to it in the Listing Rules
“Company”	Xinte Energy Co., Ltd. (新特能源股份有限公司), a joint stock company incorporated in the PRC with limited liability on 20 February 2008
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning as ascribed to it in the Listing Rules
“core connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	a director or all directors of the Company
“Domestic Share Subscription Agreement(s)”	the definitive subscription agreement(s) to be entered into between the Company and each of TBEA and Jinglong Technology in relation to the Issuance of Domestic Shares
“Domestic Share(s)”	ordinary domestic share(s) with par value of RMB1.00 each in the share capital of the Company

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## DEFINITIONS

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“Domestic Shares Shareholder(s)”	holder(s) of the Domestic Shares
“EGM”	the second extraordinary general meeting of 2021 of the Company to be held at the Conference Room, International Conference Center at No. 189, South Beijing Road, Changji, Xinjiang, the PRC at 11:00 a.m. on Monday, 28 June 2021, to consider and if thought fit, to approve, among other things, the Issuance of Domestic Shares and the TBEA Subscription
“General Mandate”	the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 16 June 2020 or to be continued at the annual general meeting of the Company to be held on 16 June 2021
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) with a par value of RMB1.00 each in the share capital of the Company, which were listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars
“H Share Benchmark Price”	(i) the closing price of the H Shares on the date of entering into the Domestic Share Subscription Agreements; or (ii) the average closing price of the H Shares in the five trading days immediately prior to the date of entering into the Domestic Share Subscription Agreements (whichever is higher)
“H Shares Shareholder(s)”	holder(s) of the H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“Independent Board Committee”	an independent board committee consisting of all independent non-executive Directors (namely Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus)
“Independent Financial Adviser”	Sorrento Capital Limited, a licensed corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the TBEA Subscription
“Independent Shareholders”	Shareholders other than TBEA and its associates
“Inner Mongolia Xinte”	Inner Mongolia Xinte Silicon Materials Co., Ltd* (內蒙古新特硅材料有限公司), a company incorporated in the PRC with limited liability on 9 February 2021 and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Issuances”	the Issuance of Domestic Shares and the Issuance of H Shares
“Issuance of Domestic Shares”	non-public issuance of not more than 177,304,874 Domestic Shares to eligible subscribers (including TBEA) through the Specific Mandate
“Issuance of H Shares”	allotment and issuance of new H Shares under the General Mandate to the Public
“Jinglong Technology”	Jinglong Technology Holdings Limited* (晶龍科技控股有限公司), a company incorporated in the PRC with limited liability on 17 September 2013
“Latest Practicable Date”	9 June 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this circular

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## DEFINITIONS

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“Letter(s) of Intent”	the letter(s) of intent dated 29 April 2021 provided by each of TBEA and Jinglong Technology to the Company, expressing their intention to subscribe for the shares to be issued under the Issuance of Domestic Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Meetings”	the EGM and Class Meetings
“Place Down”	placing down of existing H Shares to the Public by TBEA and/or its close associates
“PRC” or “China”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Public”	persons who are not core connected persons of the Company
“Public Float Requirement”	the requirement of at least 25% of total issued Shares to be held by the Public under the Listing Rules
“PV”	photovoltaic
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	a specific mandate for the Issuance of Domestic Shares to be granted by the Shareholders at the Meetings
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Subscribers”	TBEA and Jinglong Technology
“Subscription Shares”	the new Domestic Shares to be issued under the Issuance of Domestic Shares
“substantial shareholder”	has the meaning as ascribed to it in the Listing Rules
“Supervisor(s)”	a supervisor or all supervisors of the Company
“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 Subscription”	subscription of the Domestic Shares by TBEA under the Issuance of Domestic Shares
“Theoretical Dilution Effect”	has the meaning ascribed to it under Rule 7.27B of the Listing Rules
“Xinjiang New Energy”	TBEA Xinjiang New Energy Co., Ltd.* (特變電工新疆新能源股份有限公司), a joint stock company incorporated in the PRC with limited liability on 30 August 2000 and a non wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Xinjiang Tebian”	Xinjiang Tebian (Group) Co., Ltd.* (新疆特變電工集團有限公司), a company with limited liability incorporated in the PRC on 27 January 2003, holding 4.85% equity interest in our Company as at the Latest Practicable Date. Xinjiang Tebian is a connected person of the company as it is a 30%-controlled company of Mr. Zhang Xin, who is a connected person of the company by virtue of his position as a Director
“%”	per cent

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## DEFINITIONS

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“100,000-ton Polysilicon Project”      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

*Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Where appropriate, amounts set out in this circular have been rounded to the nearest second decimal place to facilitate easy reading. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.*

*References to the singular number include references to the plural and vice versa and references to one gender include every gender.*



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LETTER FROM THE BOARD

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**新特能源**

**XINTE ENERGY CO., LTD.**

**新特能源股份有限公司**

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

**(Stock code: 1799)**

*Executive Directors:*

Mr. Zhang Jianxin (*Chairman*)

Mr. Yin Bo

Mr. Xia Jinjing

*Non-executive Directors:*

Mr. Zhang Xin

Ms. Guo Junxiang

*Independent Non-executive Directors:*

Mr. Qin Haiyan

Mr. Yang Deren

Mr. Wong, Yui Keung Marcellus

*Registered office:*

No. 2249, Zhongxin Street

Ganquanpu Economic and Technological  
Development Zone (Industrial Park)

Urumqi, Xinjiang

the PRC

*Headquarters and principal place of  
business in the PRC:*

No. 2249, Zhongxin Street

Ganquanpu Economic and Technological  
Development Zone (Industrial Park)

Urumqi, Xinjiang

the PRC

*Principal place of business in Hong Kong:*

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

11 June 2021

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED ISSUANCE OF DOMESTIC SHARES  
UNDER SPECIFIC MANDATE;  
(2) CONNECTED TRANSACTION IN RESPECT OF SUBSCRIPTION OF  
DOMESTIC SHARES BY THE CONTROLLING SHAREHOLDER;  
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;  
AND  
(4) NOTICES OF THE SECOND EXTRAORDINARY GENERAL MEETING  
OF 2021 AND CLASS MEETINGS**

**INTRODUCTION**

Reference is made to the announcements of the Company dated 29 April 2021 and 14 May 2021, in relation to the proposed Issuance of Domestic Shares and the TBEA Subscription.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide the Shareholders with, amongst other things, (i) details of the Issuance of Domestic Shares, the TBEA Subscription and the amendments to the Articles of Association; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the TBEA Subscription; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the TBEA Subscription; and (iv) notices of the Meetings.

### A. PROPOSED ISSUANCE OF DOMESTIC SHARES UNDER SPECIFIC MANDATE

On 29 April 2021, the Board considered and approved the proposal in relation to the Issuance of Domestic Shares and proposed to seek approval from the Shareholders in relation to the granting of Specific Mandate at the Meetings, to approve and authorize the Board to issue not more than 177,304,874 Domestic Shares to the Subscribers. On 14 May 2021, the Board approved the amendment to the plan for the Issuance of Domestic Shares. The plan for the Issuance of Domestic Shares and the Specific Mandate shall be submitted to the Meetings, for consideration by way of special resolution; and will be implemented in accordance with applicable rules and regulations after the Issuance of Domestic Shares being approved by the relevant regulatory authorities and the conditions precedent to the Issuance of Domestic Shares being satisfied. Details of the plan for the Issuance of Domestic Shares are set out below:

**(I) Type and par value of Shares to be issued** : domestic ordinary shares, to be subscribed for in RMB by domestic investors, with par value of RMB1.00 each.

**Number of Shares to be issued** : the number of Domestic Shares to be issued will not exceed 177,304,874 shares, which represent (i) 20% of the existing issued Domestic Shares; (ii) approximately 16.67% of the issued Domestic Shares as enlarged by the allotment and issuance of the Subscription Shares; and (iii) approximately 12.87% of the issued Shares as enlarged by the allotment and issuance of the Subscription Shares.

The final number of Domestic Shares to be issued is subject to (i) the approval of regulatory authorities (including CSRC, which is required pursuant to the Administrative Measures for the Supervision of Unlisted Public Companies (Revised in 2019) (<http://www.csrc.gov.cn/pub/newsite/gzgsb/fgbzcfg/202010/P020201016556618721758.pdf>)); and (ii) the Company continuing to comply with the Public Float Requirement upon completion of the Issuance of Domestic Shares.

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## LETTER FROM THE BOARD

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**Subscribers** : TBEA and Jinglong Technology

The Board will determine the number of Domestic Shares to be subscribed for by each Subscriber after discussions with each of them.

The TBEA Subscription is not inter-conditional with the subscription of Domestic Shares by Jinglong Technology.

Jinglong Technology will not become a substantial shareholder of the Company as a result of its subscription of Domestic Shares under the Issuance of Domestic Shares.

**Pricing principle** : the issue price will be determined by the Board according to the principles below at the final issuance:

- (i) the issue price shall be equivalent to or not lower than the issue price of any issuance of new H Shares conducted by the Company prior to completion of the Issuance of Domestic Shares (if any);
- (ii) the issue price will be equivalent to or not less than 80% of the H Share Benchmark Price on the date of entering into the Domestic Share Subscription Agreements; and
- (iii) reference to the liquidity of the Domestic Shares.

The exchange rate of the issue price will be the average central parity rate of Hong Kong dollars against Renminbi quoted by the People's Bank of China in the five business days immediately prior to the date of the Domestic Share Subscription Agreements.

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## LETTER FROM THE BOARD

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As the issue price will be based on the H Share Benchmark Price, and not lower than 80% of (i) the closing price of the H Shares on the date of the Domestic Share Subscription Agreements or (ii) the average closing price of the H Shares in the five trading days immediately prior to the date of the Domestic Share Subscription Agreements, the issue price will be set to ensure that it will not result in a Theoretical Dilution Effect of 25% or more. Please refer to the section headed “C. Effect on the Shareholding Structure of the Company” of this circular for the Theoretical Dilution Effect under various situations.

If any ex-right or ex-dividends activities (such as dividend distributions) are undertaken by the Company during the period after the issue price has been determined and before completion of the Issuance of Domestic Shares, the issue price will be adjusted according to the following formula:

$P_1 = P_0 - D$ , where “ $P_0$ ” represents the effective issue price before adjustment; “ $D$ ” represents the cash dividend payable for each Share (tax inclusive); and “ $P_1$ ” represents the effective issue price after adjustment.

- Method of issuance** : the issuance of the Domestic Shares to selected subscribers by way of non-public issuance under the Specific Mandate.
- Profit distribution of the retained distributable profit** : the retained profit before the Issuance of Domestic Shares will be shared by existing and new Shareholders upon the Issuance of Domestic Shares in proportion to their respective shareholdings.
- Conditions precedent** :
- (i) the Issuance of Domestic Shares being approved by the Shareholders at the Meetings;
  - (ii) the Issuance of Domestic Shares being approved by the relevant regulatory authorities (including the Stock Exchange and CSRC);

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## LETTER FROM THE BOARD

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- (iii) the Company entering into the Domestic Share Subscription Agreement(s) with each of the Subscribers and such agreement(s) not being terminated in accordance with its terms; and
- (iv) the Company continuing to comply with the Public Float Requirement upon completion of the Issuance of Domestic Shares.

As at the Latest Practicable Date, save as condition (iv), none of the conditions precedent has been fulfilled; and none of them are waivable. If any of the above conditions precedent is not fulfilled, the Issuance of Domestic Shares will not proceed. Based on the public float of the Company as at the Latest Practicable Date, subject to the fulfillment of condition (iv), the maximum number of Subscription Shares will be 49,009,720 shares.

Should the number of Subscription Shares be less than 177,304,874 shares and the Subscribers remain interested to subscribe for those Shares, subject to the maximum number of shares that each of them will subscribe as stated in the Letters of Intent, the proportion of shares subscribed by TBEA and Jinglong Technology will be 94.36% and 5.64% of the Subscription Shares, respectively, which was calculated based on the shares that each of them intended to subscribe for divided by the maximum number of Subscription Shares. Hence, if 49,009,720 shares are issued, 46,245,570 and 2,764,150 Subscription Shares will be allocated to TBEA and Jinglong Technology, respectively.

**Lock-up period** : the transfer of the Subscription Shares will comply with the relevant provisions of the Company Law of the PRC and other laws and regulations and the Articles of Association regarding the transfer of shares. Save for the above, there are no other restrictions on the transfer arrangement on the Subscription Shares.

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## LETTER FROM THE BOARD

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**Validity period** : twelve months from the date on which resolutions on the Issuance of Domestic Shares are approved at the Meetings.

### **(II) Timing of Issuance**

Upon approval of the Issuance of Domestic Shares by the Shareholders and the relevant regulatory authorities, and during the validity period of the plan for the Issuance of Domestic Shares, the Company will select appropriate window(s) to complete the Issuance of Domestic Shares depending on market conditions.

### **(III) Specific Mandate for the Issuance of Domestic Shares**

The Issuance of Domestic Shares will be conducted under the Specific Mandate, and will constitute a variation of class rights of the Domestic Shares Shareholders and H Shares Shareholders under the Articles of Association. Pursuant to the Articles of Association and Rule 19A.38 of the Listing Rules, the Company will convene the Meetings to seek approval from the Shareholders in relation to the granting of the Specific Mandate to conduct the Issuance of Domestic Shares.

### **(IV) Ranking of the Subscription Shares**

The Domestic Shares to be issued and allotted under the Issuance of Domestic Shares will rank pari passu in all respect with the Domestic Shares in issue.

### **(V) Letters of Intent**

On 29 April 2021, the Company received the executed Letters of Intent from each of TBEA and Jinglong Technology, which are legally binding. The principal terms of the Letters of Intent are as follows:

#### **Number of subscription shares**

TBEA and Jinglong Technology agreed to subscribe for not more than 167,304,874 and 10,000,000 Subscription Shares, respectively, provided that the Public Float Requirement is fulfilled.

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## LETTER FROM THE BOARD

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### **Subscription price**

The subscription price will be determined by the Board based on the pricing principle set out in the section headed “Proposed Issuance of Domestic Shares under Specific Mandate — (I) Pricing principle” of this circular.

### **Other terms**

The Company will enter into the Domestic Share Subscription Agreement with Jinglong Technology in respect of the Issuance of Domestic Shares and with TBEA in respect of the TBEA Subscription as and when appropriate, provided that the terms of the Domestic Share Subscription Agreements conform with the plan for the Issuance of Domestic Shares.

The Company has not entered into the definitive Domestic Share Subscription Agreements with the Subscribers as the subscription price for the Issuance of Domestic Shares and the consideration to be paid by the Subscribers for the Subscription Shares has not been determined.

For details of the TBEA Subscription, please refer to the section headed “Connected Transaction in Respect of Subscription of Domestic Shares by the Controlling Shareholder” of this circular.

### **(VI) Reasons for and Benefits of the Issuance of Domestic Shares**

#### **To strengthen the polysilicon production capacity**

In order to seize the rapid development opportunities of the global PV industry, further enhance the core competitiveness of the Group’s polysilicon products and increase profitability, a resolution was passed at the Company’s general meeting, approving the Company’s implementation of the construction of the 100,000-ton Polysilicon Project. It is expected that the total capital injection required for the 100,000-ton Polysilicon Project will be RMB3.5 billion. To reduce the funding pressure of the 100,000-ton Polysilicon Project and speed up its construction, the Company intends to use part or all of the proceeds from the Issuance of Domestic Shares for the construction of the 100,000-ton Polysilicon Project by way of capital increase into Inner Mongolia Xinte. The total proceeds allocated to the 100,000-ton Polysilicon Project which is the capital increase to Inner Mongolia Xinte will not exceed RMB2 billion, and if the proceeds are less than RMB2 billion, they will be entirely used for the capital increase to Inner Mongolia Xinte.

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## LETTER FROM THE BOARD

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Construction of the 100,000-ton Polysilicon Project is planned to commence in the second quarter of 2021 with an expected construction period of 18 months. The quality of polysilicon products produced after the 100,000-ton Polysilicon Project is completed will all reach the electronic level, which can meet the production needs of N-type silicon wafer; and the Group's total polysilicon production capacity will be 180,000 to 200,000 tons per annum. The production cost of polysilicon can be further reduced through technological innovation, process optimization and large-scale production, etc., in order to increase the Company's core competitiveness.

### **To replenish working capital for wind power and PV projects**

In the past three years, the Group has been developing and constructing PV and wind power projects of approximately 1.5-2GW per year. As the prospects for new energy industry continue to improve in the future, the Group's installed capacity will continue to expand. Xinjiang New Energy is principally engaged in the development and operation of the Group's wind power and PV projects. As of 31 December 2020, Xinjiang New Energy had a relatively high debt-to-asset ratio of approximately 73.7%, which has constrained the Group's further development. The funding required for wind power and PV projects are usually comprised of capital and bank borrowings, which accounts for 30% and 70% of the total funding, respectively. If the developer is unable to contribute the capital required, financial institutions are unable to approve the line of credit required, and the project cannot be launched. On the other hand, if the debt-to-asset ratio of the developer is too high, it may affect the financial institution's assessment of the developer's financial risk, and the financial institutions may reduce the facility line or increase the interest rate of those facilities, thereby affecting the financing of the projects or increasing the developer's financial expenses.

Hence, having considered the proportion of bank borrowings for wind power and PV projects, if there are remaining proceeds from the Issuance of Domestic Shares for the Company's capital increase to Xinjiang New Energy, such remaining proceeds will be able to reduce Xinjiang New Energy's debt-to-asset ratio and the Company will try to maintain Xinjiang New Energy's debt-to-asset ratio at approximately 70%. Conversely, if there are no remaining proceeds to be used for the capital increase to Xinjiang New Energy, Xinjiang New Energy's debt-to-asset ratio shall remain unchanged upon completion of the Issuance of Domestic Shares.

### **To reduce the financial risk**

In order to expand the Group's business scale and enhance its competitive advantage, the Group has continued to increase the size of its bank borrowings. The large amount of interest-bearing liabilities such as bank borrowings have led to a relatively high level of



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## LETTER FROM THE BOARD

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liabilities of the Group, which restricted the Group's ability to further obtain debt financing, and was unfavorable for the Group to seize market opportunities to further expand its business scale.

Therefore, the proceeds from the Issuance of Domestic Shares will raise the Group's net asset value, provide capital for construction of the 100,000-ton Polysilicon Project and replenish working capital for wind power and PV projects, which is favorable for enhancing the Group's overall competitiveness through increasing the Group's polysilicon production capacity and enlarging the scale of PV and wind power projects, improving the Company's financial position and enhancing the Group's ability to obtain debt financing, risk resistance capacity and profitability.

### **(VII) Fund raising alternatives considered by the Company**

Apart from the Issuance of Domestic Shares, the Board considered other fund raising alternatives before resorting to the Issuance of Domestic Shares. An analysis of each of these alternatives is set out as follows:

#### **Issuance of H Shares under the General Mandate**

The Company has kept all options open and considered the Issuance of H Shares before conducting the Issuance of Domestic Shares. Reference is made to the announcement of the Company dated 10 May 2021 in relation to the Company's submission of application materials for the Issuance of H Shares to the CSRC and receipt of the CSRC Acceptance Notice of the Application for Administrative Permission (Acceptance No. 211065). The CSRC reviewed the application materials of the Issuance of H Shares submitted by the Company and considered it to be complete and decided to accept the application for further processing.

However, based on the closing price of the H Shares as at the Latest Practicable Date and the number of H Shares that can be issued under the General Mandate, it is expected that the proceeds raised thereunder will not be sufficient to support the capital required for the 100,000-ton Polysilicon Project even if the Issuance of H Shares is fully underwritten, hence the Company shall also consider other fund raising activities, including the issuance of Shares under a specific mandate.

As at the Latest Practicable Date, no concrete plan for the Issuance of H Shares has been formulated. The Issuance of H Shares, inter alia, the timing, pricing and the number of shares to be issued (if any) will be determined with reference to subsequent market conditions, the capital requirements of the Company and relevant rules and regulations. The Company will apply to the Stock Exchange for the listing of, and permission to deal in the H

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## LETTER FROM THE BOARD

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Shares to be issued thereunder if the transaction materializes; and announcement(s) will be made by the Company on any major updates and progress, if any, in relation to the Issuance of H Shares as and when appropriate.

The Issuance of H Shares is not conditional on the completion of the Issuance of Domestic Shares. The Issuance of Domestic Shares is conditional on the Company complying with the Public Float Requirement, hence if the Company intends to issue more than 49,009,720 Domestic Shares (assuming the number of Shares held by the Public as at the Latest Practicable Date remains unchanged), the Company will take corporate actions (including but not limited to the Issuance of H Shares) to increase the Company's public float. On the other hand, the Issuance of Domestic Shares is not conditional on the completion of the Issuance of H Shares if the Company intends to issue not more than 49,009,720 Domestic Shares (assuming the number of Shares held by the Public as at the Latest Practicable Date remains unchanged).

### **Debt financing**

Debt financing is not feasible as (i) the Group is required to set aside a proportion of capital required when using debt financing for the construction of PV projects according to the Standard conditions for PV manufacturing industry (《光伏製造行業規範條件》) ([https://www.miit.gov.cn/jgsj/dzs/wjfb/art/2021/art\\_f4ad5ce6359a457395cfe931c69bd777.html](https://www.miit.gov.cn/jgsj/dzs/wjfb/art/2021/art_f4ad5ce6359a457395cfe931c69bd777.html)) issued by Ministry of Industry and Information Technology of the PRC; (ii) the Group will incur further financial expenses, including an annual interest rate of approximately 3% to 6% based on the term of the facility; (iii) the increase in leverage of the Group will lead to higher financial risk; (iv) the renewal of the debt financing upon maturity is uncertain; and (v) debt financing will lead to a relatively high gearing ratio of the Company, which restricts the Company from seizing market opportunities and expanding its business scale.

### **Issuance of corporate bonds and renewable corporate bonds**

Issuance of corporate bonds is not feasible with the current development of the Group according to the business plan on capital requirement as (i) the Group will incur further administrative and financial expenses for the issuance of corporate bonds such as fees for the assessment of credit rating, bookrunner and the coupon; (ii) the fund raised is not guaranteed unless the corporate bonds provides competitive or high coupon rates, high credit rating, short lock-up period or low conversion price (if convertible bonds are issued) to attract subscription from the potential investors.

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## LETTER FROM THE BOARD

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### **Rights issue**

Rights issue is not feasible for the Company as (i) the amount of funds raised is uncertain unless the rights shares are fully subscribed by existing Shareholders or underwriter(s) agree to a hard underwriting obligation but it is difficult for the Company to identify potential underwriter(s) willing to accept such obligation given the expected amount to be raised from the Issuance of Domestic Shares; and (ii) the underwriting commission for the rights issue of approximately 2% to 2.5% in general are relatively higher as no underwriting commission will be incurred for the Issuance of Domestic Shares.

Having taken into account the above alternatives and each of their restrictions, in particular, (i) the insufficient amount of funds that could be raised under the Issuance of H Shares; (ii) the uncertainty to renew debt financing upon maturity or obtain new bank facilities; and (iii) the uncertain amount of funds raised under the issuance of corporate bonds and rights issue, the Directors (including the independent non-executive Directors) are of the view that the Issuance of Domestic Shares will be able to raise funds for the Company within a shorter time frame together with sufficient funds for its future development plans, which is in the interest of the Company and the Shareholders as a whole.

### **Restrictions of issuing Domestic Shares pursuant to the General Mandate**

The Group has approached all Domestic Shareholders in relation to the Issuance of Domestic Shares, but only Jinglong Technology and TBEA expressed their interest to subscribe as at the Latest Practicable Date. Other than where independent shareholders' approval has been obtained, an issue of securities to a connected person pursuant to a general mandate is only permitted in the circumstances set out in Rule 14A.92 of the Listing Rules. In this connection, as the TBEA Subscription does not fall within any of the exemptions under Rule 14A.92 of the Listing Rules, the Issuance of Domestic Shares cannot be conducted pursuant to the General Mandate, hence the Company shall seek the Independent Shareholders' approval for the granting of the Specific Mandate.

### **(VIII) Use of Proceeds**

The net proceeds (after deducting related costs) from the Issuance of Domestic Shares will be used for the construction of the 100,000-ton Polysilicon Project, and replenishment of working capital for the development of wind power and PV resources by way of capital increase to Inner Mongolia Xinte and Xinjiang New Energy, respectively.

The total proceeds allocated to the 100,000-ton Polysilicon Project which is the capital increase to Inner Mongolia Xinte will not exceed RMB2 billion, and if the proceeds is less than RMB2 billion, it will be entirely used for the capital increase to Inner Mongolia Xinte.

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## LETTER FROM THE BOARD

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Before the proceeds from the Issuance of Domestic Shares are available, the Company will implement the 100,000-ton Polysilicon Project with its own funds and/or bank borrowings in accordance with its actual progress, and will replace the pre-invested funds with the proceeds once they are received.

The remaining proceeds (if any) will be used to supplement the working capital for the development of wind power and PV resources.

### **(IX) Grant of Authority to the Board to Handle Matters in Relation to the Issuance of Domestic Shares**

A proposal will be put forward at the Meetings for the Shareholders to authorize the Board, which would in turn authorise Mr. Zhang Jianxin, an executive Director and chairman of the Board; Ms. Guo Junxiang, a non-executive Director; and Ms. Zhang Juan, the joint company secretary of the Company, to severally or jointly handle matters in relation to the Issuance of Domestic Shares, including but not limited to:

1. signing and submitting the applications, reports and other documents related to the Issuance of Domestic Shares to the regulatory authorities, and completing certain procedures such as those for approval, registration, filing, licensing and authorization;
2. determining the specific plan for the Issuance of Domestic Shares, including the determination of the number of shares to be issued, the subscribers, the final price, the offering time and method, the lock-up period, the execution, implementation, modification and termination of any agreements, contracts or other documents related to the Issuance of Domestic Shares, the specific investment amount to be invested with the proceeds from the Issuance of Domestic Shares and other relevant matters; making corresponding adjustments to the specific plan of the Issuance of Domestic Shares and other related matters (including the suspension and termination of the plan) except for matters that are required to be re-voted at meetings pursuant to the requirements of relevant laws, regulations, normative documents and the Articles of Association;
3. negotiating and signing the Domestic Share Subscription Agreements with the Subscribers and confirming any amendments to the Domestic Share Subscription Agreements;
4. handling the relevant work in relation to obtaining the approvals from the Stock Exchange and/or other relevant regulatory authorities for the Issuance of Domestic Shares;

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## LETTER FROM THE BOARD

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5. engaging and appointing domestic and foreign lawyers and other advisors in relation to the Issuance of Domestic Shares, and signing the engagement agreements and other relevant legal documents according to the actual needs of the Issuance of Domestic Shares;
6. making appropriate amendments to the relevant contents of the plan for the Issuance of Domestic Shares according to the actual situation of the Issuance of Domestic Shares and the approval documents of the relevant regulatory authorities;
7. signing, implementing, modifying and completing all the documents related to the Issuance of Domestic Shares and conducting all the desirable or appropriate actions and matters related to the Issuance of Domestic Shares;
8. approving the publication of the announcements, circulars and notices related to the Issuance of Domestic Shares on the websites of the Stock Exchange and the Company, and submitting the relevant forms, documents or other information to the Stock Exchange;
9. making corresponding amendments to the provisions in the Articles of Association, and completing the alteration, filing and registration with the Company's registration and regulatory authorities and other relevant government authorities upon the completion of the Issuance of Domestic Shares; and
10. taking all necessary actions to handle other matters related to the Issuance of Domestic Shares in compliance with the relevant laws and regulations.

### **B. CONNECTED TRANSACTION IN RESPECT OF SUBSCRIPTION OF DOMESTIC SHARES BY THE CONTROLLING SHAREHOLDER**

The Company received the Letter of Intent from TBEA on 29 April 2021, pursuant to which, TBEA has expressed its intention to subscribe for not more than 167,304,874 Domestic Shares to be issued under the Issuance of Domestic Shares.

The terms of TBEA's subscription under the Issuance of Domestic Shares, including but not limited to the number of Domestic Shares to be subscribed and the subscription price, will be finalised in the Domestic Share Subscription Agreement to be entered into, provided that the terms of the Domestic Share Subscription Agreement conform with the plan for the Issuance of Domestic Shares and the Company is in compliance with the Public Float Requirement.

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## LETTER FROM THE BOARD

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### **Number of Subscription Shares**

The maximum number of Domestic Shares to be subscribed by TBEA, i.e. 167,304,874 Domestic Shares, represents (i) approximately 18.87% of the existing issued Domestic Shares; (ii) approximately 15.73% of the issued Domestic Shares as enlarged by the allotment and issuance of the Subscription Shares; and (iii) approximately 12.15% of the issued Shares as enlarged by the allotment and issuance of the Subscription Shares, provided that the Public Float Requirement is fulfilled.

### **Subscription Price**

Whilst the subscription price of the TBEA Subscription is not fixed as at the Latest Practicable Date, the Company will ensure that the subscription price will be determined based on the pricing principle set out in the section headed “Proposed Issuance of Domestic Shares under Specific Mandate — (I) Pricing principle” of this circular. It is expected that TBEA will pay the aggregate subscription price in monetary funds upon satisfaction of the conditions precedent of the Domestic Share Subscription Agreement, and the relevant terms will be finalized in the Domestic Share Subscription Agreement.

Pursuant to the Letter of Intent provided by TBEA, given that the subscription price of the TBEA Subscription will be (i) equivalent to or not lower than the issue price of any issuance of new H Shares conducted by the Company prior to completion of the Issuance of Domestic Shares (if any); (ii) a discount of not more than 20% of the prevailing price of the H Shares by making reference to the H Share Benchmark Price; and (iii) making reference to the liquidity of Domestic Shares. Based on the above, the Board (including the independent non-executive Directors) considers that the pricing mechanism is fair and reasonable and in the interests of the Company and Shareholders as a whole.

### **Reasons for and Benefits of the TBEA Subscription**

The TBEA Subscription aims to further provide capital for construction of the 100,000-ton Polysilicon Project and indicates TBEA’s confidence in the Group and its support to the Group’s business development, which is conducive to further enhancing the profitability and sustainable development capabilities of the Group, lowering its gearing ratio and enhancing its risk resistance capacity.

Taking into account that (i) the terms of the Domestic Share Subscription Agreement to be entered into between the Company and TBEA shall conform with the plan for the Issuance of Domestic Shares, in particular, the subscription price of TBEA will be equivalent to or not lower than the issue price of any issuance of new H Shares conducted by the Company prior to

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## LETTER FROM THE BOARD

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completion of the Issuance of Domestic Shares (if any), market conditions and in compliance with the regulatory requirements; (ii) TBEA will subscribe for the Domestic Shares with immediately available funds; and (iii) the proceeds raised from the TBEA Subscription will improve the financial position of the Company and is beneficial to the Company (please refer to the section headed “Proposed Issuance of Domestic Shares Under Specific Mandate — (VI) Reasons for and Benefits of the Issuance of Domestic Shares” of this circular). The Directors (including the independent non-executive Directors, after taking into account the advice of the Independent Financial Adviser) are of the view that although the TBEA Subscription is not in the ordinary and usual course of business of the Group, its terms are on normal commercial terms, and are fair and reasonable, and the TBEA Subscription is in the interests of the Company and the Shareholders as a whole.

As each of Mr. Zhang Xin and Ms. Guo Junxiang holds positions in TBEA, they have abstained from voting on Board resolutions related to the TBEA Subscription in accordance with the requirements of the Articles of Association. Save for the aforesaid Directors, none of the Directors have a material interest in the TBEA Subscription and therefore, no other Director has to abstain from voting on the related Board resolutions.

### **Listing Rules Implications**

As at the Latest Practicable Date, TBEA and its associates held approximately 65.43% of the total issued Shares. Therefore, TBEA is a controlling shareholder and a connected person of the Company, and the TBEA Subscription constitutes a connected transaction of the Company and is subject to the compliance of notice, announcement and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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### C. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

#### Effect of the Issuance of Domestic Shares

Assuming that there are no other changes to the total issued share capital of the Company and the number of Shares held by the Shareholders (excluding the Subscribers) from the Latest Practicable Date to the date of the completion of the Issuance of Domestic Shares, save for the Issuance of Domestic Shares (including the TBEA Subscription), on the premise of compliance with the Public Float Requirement at all times, and based on the public float of the Company as at the Latest Practicable Date, the maximum number of Subscription Shares will be 49,009,720 shares. The shareholding structure of the Company (1) as at the Latest Practicable Date; and (2) immediately upon completion of the Issuance of Domestic Shares (assuming TBEA and Jinglong Technology subscribes for 46,245,570 and 2,764,150 Subscription Shares, respectively) is set out below:

	As at the Latest Practicable Date		Immediately upon completion of the Issuance of Domestic Shares	
	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares
<b>Non-public</b>				
TBEA and its close associates	785,144,487	65.43%	831,390,057	66.56%
Jinglong Technology	14,619,883	1.22%	17,384,033	1.39%
Other Domestic Shares Shareholders	87,983,200	7.33%	87,983,200	7.04%
<b>Public</b>				
Public H Shares Shareholders	312,252,430	26.02%	312,252,430	25.00%
<b>Total</b>	<b><u>1,200,000,000</u></b>	<b><u>100.00%</u></b>	<b><u>1,249,009,720</u></b>	<b><u>100.00%</u></b>

*Note:* This is for illustration of the shareholding structure upon completion of the Issuance of Domestic Shares (including the TBEA Subscription) only, whereby the Company has adjusted the number of Subscription Shares based on the Public Float Requirement, such that it will be in compliance of the Public Float Requirement at all times.

Assuming the issue price for the Issuance of Domestic Shares is 80% of the closing price of the H Shares on the date which the issue price is fixed, the Theoretical Dilution Effect upon completion of the Issuance of Domestic Shares will be 0.78%.



## LETTER FROM THE BOARD

Alternatively, other specific and feasible plans may be carried out to increase the Company's public float prior to the Issuance of Domestic Shares (including but not limited to, the Place Down or the Issuance of H Shares), such that more Subscription Shares can be issued. For illustrative purpose only, the following tables set out certain possible shareholding structures upon completion of the Issuance of Domestic Shares, the Place Down and/or the Issuance of H Shares.

### 1. Effect of the Place Down and the Issuance of Domestic Shares

Assuming that there are no other changes to the total issued share capital of the Company and the number of Shares held by the Shareholders (excluding the Subscribers and their associates) from the Latest Practicable Date to the date of the completion of the Issuance of Domestic Shares, save for the Place Down and the Issuance of Domestic Shares, on the premise of compliance with the Public Float Requirement at all times, and based on the public float of the Company as at the Latest Practicable Date, the maximum number of Subscription Shares will be 53,902,520 shares. The shareholding structure of the Company (1) as at the Latest Practicable Date; (2) immediately upon completion of the Place Down (assuming TBEA and its close associates place down all existing H Shares); and (3) immediately upon completion of the Place Down and the Issuance of Domestic Shares (assuming TBEA and Jinglong Technology subscribes for 50,862,416 and 3,040,104 Subscription Shares, respectively) is set out below:

	As at the Latest Practicable Date		Immediately upon completion of the Place Down		Immediately upon completion of the Place Down and Issuance of Domestic Shares	
	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares	Number of shares	Approximate percentage of total issued Shares
<b>Non-public</b>						
TBEA and its close associates	785,144,487	65.43%	783,921,287	65.33%	834,783,703	66.57%
Jinglong Technology	14,619,883	1.22%	14,619,883	1.22%	17,659,987	1.41%
Other Domestic Shares						
Shareholders	87,983,200	7.33%	87,983,200	7.33%	87,983,200	7.02%
<b>Public</b>						
Public H Shares shareholders	312,252,430	26.02%	313,475,630	26.12%	313,475,630	25.00%
<b>Total</b>	<b>1,200,000,000</b>	<b>100.00%</b>	<b>1,200,000,000</b>	<b>100.00%</b>	<b>1,253,902,520</b>	<b>100.00%</b>

*Note:* This is for illustration of the shareholding structure upon completion of the Place Down and the Issuance of Domestic Shares (including the TBEA Subscription) only, whereby the Company has adjusted the number of Subscription Shares based on the Public Float Requirement, such that it is in compliance of the Public Float Requirement at all times.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, based on the knowledge of the Directors, no concrete plan for the Place Down was contemplated by TBEA and its close associates; and the Issuance of Domestic Shares will not be conditional on the Place Down. Further announcement(s) will be made by the Company in relation to the Place Down as and when appropriate according to the requirements of the Listing Rules if it materializes.

Assuming the issue price for the Issuance of Domestic Shares is 80% of the closing price of the H Shares on the date which the issue price is fixed, the Theoretical Dilution Effect upon completion of the Place Down and Issuance of Domestic Shares will be 0.86%.

### 2. Effect of the Issuance of H Shares

Assuming that there are no other changes to the total issued share capital of the Company other than the Issuance of H Shares, which shall amount to not more than 62,695,126 H Shares (pursuant to the General Mandate) from the Latest Practicable Date to the date of the completion of the Issuance of H Shares, the shareholding structure (1) as at the Latest Practicable Date; and (2) immediately upon completion of the Issuance of H Shares is set out below:

	As at the Latest Practicable Date	Approximate percentage of total issued Shares	Immediately upon completion of the Issuance of H Shares	Approximate percentage of total issued Shares
	Number of Shares		Number of Shares	
<b>Non-public</b>				
TBEA and its close associates	785,144,487	65.43%	785,144,487	62.18%
Jinglong Technology	14,619,883	1.22%	14,619,883	1.16%
Other Domestic Shares Shareholders	87,983,200	7.33%	87,983,200	6.97%
<b>Public</b>				
Places under the Issuance of H Shares	—	—	62,695,126	4.97%
Existing Public H Shares Shareholders	312,252,430	26.02%	312,252,430	24.73%
<b>Total</b>	<b><u>1,200,000,000</u></b>	<b><u>100.00%</u></b>	<b><u>1,262,695,126</u></b>	<b><u>100.00%</u></b>

## LETTER FROM THE BOARD

### 3. Effect of the Issuances

Assuming that there are no other changes to the total issued share capital of the Company and the number of Shares held by Shareholders (excluding the Subscribers and their associates) from the Latest Practicable Date to the date of the completion of the Issuances, save for the Issuances, the shareholding structure of the Company (1) as at the Latest Practicable Date; (2) immediately upon completion of the Issuance of H Shares (assuming the number of H Shares to be issued is 62,695,126 shares); and (3) immediately upon completion of the Issuances (assuming the number of H Shares to be issued is 62,695,126 shares and TBEA and Jinglong Technology subscribe for 167,304,874 and 10,000,000 Subscription Shares, respectively) is set out below:

	As at the Latest Practicable Date		Immediately upon completion of the Issuance of H Shares		Immediately upon completion of the Issuances	
	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares
<b>Non-public</b>						
TBEA and its close associates	785,144,487	65.43%	785,144,487	62.18%	952,449,361	66.14%
Jinglong Technology	14,619,883	1.22%	14,619,883	1.16%	24,619,883	1.71%
Other Domestic Shares						
Shareholders	87,983,200	7.33%	87,983,200	6.97%	87,983,200	6.11%
Sub-total	887,747,570	73.98%	887,747,570	70.31%	1,065,052,444	73.96%
<b>Public</b>						
Places under the Issuance of H Shares	—	—	62,695,126	4.97%	62,695,126	4.35%
Existing Public H Shares						
Shareholders	312,252,430	26.02%	312,252,430	24.73%	312,252,430	21.68%
Sub-total	312,252,430	26.02%	374,947,556	29.69%	374,947,556	26.04%
<b>Total</b>	<b>1,200,000,000</b>	<b>100.00%</b>	<b>1,262,695,126</b>	<b>100.00%</b>	<b>1,440,000,000</b>	<b>100.00%</b>

Assuming the issue price for the Issuances is 80% of the closing price of the H Shares on the date which the issue price is fixed, the Theoretical Dilution Effect upon completion of the Issuances will be 3.33%.

### Fund-Raising Activities in the Past Twelve Months

The Directors confirm that the Company has not carried out any fund-raising activities in relation to the issuance of its equity securities within the 12 months immediately preceding the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### **D. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Upon completion of the Issuances, the Articles of Association, in particular, article 20, will be amended to reflect the relevant changes of the total share capital, the number of each class of shares and its proportion upon completion of the Issuances. The Board intends to seek the Shareholders' approval at the EGM to authorize the Board or its authorized representatives to make corresponding amendments to the Articles of Association in accordance with the results of the Issuances.

### **E. INFORMATION RELATING TO THE PARTIES**

#### **Information of the Company**

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

#### **Information of TBEA**

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

#### **Information of Jinglong Technology**

Jinglong Technology is a company incorporated in the PRC with limited liability on 17 September 2013. As at the Latest Practicable Date, its registered capital is RMB300 million, and is principally engaged in the sales of materials and housing leasing. Based on publicly available records and to the best knowledge of the Board having made due inquiries, the ultimate beneficial owner of Jinglong Technology is Mr. Jin Baofang, who is independent of the Company and is not a connected person of the Company.

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## LETTER FROM THE BOARD

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

The Company has established the Independent Board Committee comprising all independent non-executive Directors to advise the Independent Shareholders on the TBEA Subscription; and has appointed Sorrento Capital Limited as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders as to whether the TBEA Subscription is entered into on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **G. EGM AND CLASS MEETINGS**

The Company will convene the EGM and submit resolutions for the purpose of considering and if thought fit, approving, inter alia, the Issuance of Domestic Shares and the TBEA Subscription. The Company will also convene the Class Meetings and submit resolutions to seek the approval of Domestic Shares Shareholders and H Shares Shareholders, respectively, for the Issuance of Domestic Shares.

TBEA and its associates shall abstain from voting on the proposals in relation to the TBEA Subscription considered at the EGM. Save as disclosed, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Issuance of Domestic Shares and the TBEA Subscription and shall abstain from voting in relation to the resolutions at the Meetings. As at the Latest Practicable Date, TBEA and its associates held 785,144,487 Shares, representing approximately 65.43% of the total issued share capital of the Company; and there were (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon TBEA and its associates; and (ii) no obligation or entitlement of TBEA or its associates, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

The notices convening the EGM, the first H Shares Shareholders class meeting of 2021 and the first Domestic Shares Shareholders class meeting of 2021 of the Company to be held at the Conference Room, International Conference Center at No.189, South Beijing Road, Changji, Xinjiang, the PRC on Monday, 28 June 2021 at 11:00 a.m., Monday, 28 June 2021 at 11:30 a.m. (or immediately after the conclusion or adjournment of the EGM, whichever is later) and Monday, 28 June 2021 at 12:00 noon (or immediately after the conclusion or adjournment of the first H Shares Shareholders class meeting of 2021, whichever is later) respectively, are set out on page EGM-1, HCM-1 and DCM-1 of this circular.

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## LETTER FROM THE BOARD

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Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 23 June 2021 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify to attend and vote at the Meetings, 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 Wednesday, 23 June 2021 for registration.

Shareholders who intend to appoint a proxy to attend the Meetings shall complete and return the accompanying forms of proxy in accordance with the instructions printed thereon. For holders of H Shares, the forms of proxy should be returned to Computershare Hong Kong Investor Services Limited and for holders of Domestic Shares, the forms 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 Meetings or any adjourned meeting thereof.

### **Voting by Poll at the Meetings**

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of shareholders of a listed issuer at the issuer's EGM and/or Class Meetings 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 and/or Class Meetings will therefore demand a poll for the resolution put to the vote at the EGM and/or Class Meetings pursuant to the Articles of Association.

### **H. RECOMMENDATIONS**

Your attention is drawn to the letter from the Independent Board Committee set out on page IBC-1 of this circular. The Directors (including the Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-23 of this circular consider that the TBEA Subscription is in the interests of the Company and are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the TBEA Subscription.

The Directors (including the independent non-executive Directors) consider that the Issuance of Domestic Shares and proposed amendments to the Articles of Association as described in this circular are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favour of the resolutions to be proposed at the EGM and/or class meetings and to approve the Issuance of Domestic Shares and proposed amendments to the Articles of Association.

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## LETTER FROM THE BOARD

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### I. ADDITIONAL INFORMATION

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

**This circular is solely for the purpose of providing the Shareholders and potential investors with information in connection with the Issuance of Domestic Shares and the TBEA Subscription and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company. As the Issuance of Domestic Shares and the TBEA Subscription are subject to the satisfaction of certain conditions precedent and there are uncertainties involved, the Issuance of Domestic Shares and the TBEA Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Company's securities.**

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

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

11 June 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RESPECT OF SUBSCRIPTION OF  
DOMESTIC SHARES BY THE CONTROLLING SHAREHOLDER**

We refer to the circular issued by the Company to the Shareholders dated 11 June 2021 (the “**Circular**”) to which this letter forms a part of. Terms defined in this 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 TBEA Subscription and to advise the Independent Shareholders in respect of the TBEA Subscription. Sorrento Capital Limited has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from the Independent Financial Adviser” as set out in this Circular. Having considered the principal factors and reasons, and the advice of Independent Financial Adviser as set out in their letter of advice, we are of the opinion that (i) the TBEA Subscription, though not in the ordinary and usual course of business of the Group, is in line with the business strategy of the Group; (ii) the terms of the TBEA Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the TBEA Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders to vote in favour of the resolution approving the TBEA Subscription at the EGM.

Yours faithfully,

Independent Board Committee

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

*Independent non-executive Directors*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



11 June 2021

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

Dear Sirs,

### **CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED NON-PUBLIC ISSUANCE OF DOMESTIC SHARES UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the TBEA Subscription and the transactions contemplated thereunder, 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 11 June 2021 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

On 29 April 2021, the Board considered and approved the proposal in relation to the Issuance of Domestic Shares and proposed to seek approval from the Shareholders in relation to the granting of Specific Mandate at the Meetings, to approve and authorize the Board to issue not more than 177,304,874 Domestic Shares to the Subscribers.

On 29 April 2021, the Company received the Letter of Intent from TBEA, pursuant to which TBEA expressed its intention to subscribe for not more than 167,304,874 Domestic Shares to be issued under the Issuance of Domestic Shares.

On 14 May 2021, the Board approved the amendment to the plan for the Issuance of Domestic Shares. The plan for the Issuance of Domestic Shares and the Specific Mandate shall be submitted to the Meetings, for consideration by way of special resolution; and will be implemented

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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in accordance with applicable rules and regulations after the Issuance of Domestic Shares being approved by the relevant regulatory authorities and the conditions precedent to the Issuance of Domestic Shares being satisfied.

As at the Latest Practicable Date, TBEA and its associates held approximately 65.43 % of the total issued Share of the Company. Therefore, TBEA is a controlling shareholder and a connected person of the Company, and the TBEA Subscription constitutes a connected transaction of the Company and is subject to the compliance of notice, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus (all being the independent non-executive Directors), has been established to advise the Independent Shareholders as to whether (i) the terms of TBEA Subscription are entered into on normal commercial term and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the TBEA Subscription is in the interest of the Company and Shareholders as a whole; and (iii) to vote in favour of the resolutions to be proposed at the EGM. We, Sorrento Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are independent pursuant to Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Issuance of Domestic Shares. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Within the two years prior to the Latest Practicable Date, we have acted as independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to continuing connected transactions of the Company, details of which are set out in the circulars of the Company dated 15 October 2019, 8 October 2020 and 2 December 2020 respectively. Apart from normal professional fees paid to us in connection with the aforesaid appointment, no arrangements exist whereby we have received any fees or benefits from the Company or any other party to the transactions during the two years prior to the Latest Practicable Date, therefore we consider such relationship would not affect our independence.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have considered, among other things, (i) the Circular; (ii) the Letter of Intent from TBEA; (iii) the annual report of the Company for each of the year ended 31 December 2019 and the year ended 31 December 2020 (the “**2019 Annual Report**” and “**2020 Annual Report**”); (iv) the circular of the Company dated 5 March 2021 and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the poll results of the extraordinary general meeting of the Company dated 25 March 2021 in relation to the 100,000-ton-per-annum high-purity polysilicon green energy circular economy construction project; (v) the announcement of the Company dated 10 May 2021 in relation to the new H shares that could be issued by the Company pursuant to the General Mandate; (vi) the announcement of the Company dated 14 May 2021 in relation to the amendment to the issuance of domestic shares under specific mandate; and (vii) relevant market data and information available from public sources and the website of the Stock Exchange. We have also relied on all relevant information and representations supplied, and the opinions expressed, by the Directors and the management of the Company. We have assumed that all such information and representations contained or referred to in the Circular are true and accurate in all material respects as at the date thereof. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company, and they have confirmed that no material information have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, nor have we conducted an independent investigation into the business affairs, operations, financial position or future prospects of each of the Company, the Subscriber, and any of their respective subsidiaries and associates and parties acting in concert with them.

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

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the TBEA Subscription, we have taken into consideration the following principal factors and reasons:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### I. Background to and reasons of the TBEA Subscription

#### a) Information of the Company

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

The table below sets forth a summary of the financial highlights of the Group for the three years ended 31 December 2020 as extracted from the 2019 Annual Report and the 2020 Annual Report:

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the year ended 31 December 2020</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Audited)	(Audited)	(Audited)
Revenue	12,053,742	8,722,113	13,506,505
Finance expenses — net	(354,853)	(375,964)	(552,918)
Profit for the year	1,110,642	516,793	892,453
	<b>As at 31 December 2018</b>	<b>As at 31 December 2019</b>	<b>As at 31 December 2020</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Audited)	(Audited)	(Audited)
Cash and cash equivalents	3,856,408	2,747,045	1,773,792
Borrowings and notes payable	17,086,168	20,765,959	22,357,471
Net assets	11,290,056	13,848,677	14,559,393

The Group's revenue amounted to approximately RMB8,772.1 million for the year ended 31 December 2019, representing a decrease of approximately 27.6% as compared with the revenue for the year ended 31 December 2018. As stated in the 2019 Annual Report, such decrease was mainly

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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due to the sharp decrease in the price of polysilicon, decrease of scale for ECC projects undertaken by the Group and the decrease of construction revenue of per MW resulting from technological progress in new energy industry. The Group's revenue amounted to approximately RMB13,506.5 million for the year ended 31 December 2020, representing an increase of approximately 54.9% as compared with the revenue for the year ended 31 December 2019, which was mainly due to the increase in the sales of products due to the capacity release of the Group's 36,000 tons/year high-purity polysilicon project (the "**36,000-ton Polysilicon Project**"), increase in the scale of the Group's transferred PV and wind power projects and the increase in scale of the Group's BOO projects which resulted in increased capacity of power generation.

The Group's net finance expenses amounted to approximately RMB376.0 million for the year ended 31 December 2019, representing an increase of approximately 6.0% as compared with the finance expenses for the year ended 31 December 2018. As disclosed in the 2019 Annual Report, such increase was mainly due to the expansion of borrowings size of the Group, resulting in an increase in interest expense. The Group's net finance expenses amounted to approximately RMB552.9 million for the year ended 31 December 2020, representing an increase of approximately 47.1% as compared with the finance expenses for the year ended 31 December 2019, which was mainly due to the increase in interest expenses resulting from the completion of the 36,000-ton Polysilicon Project of the Group as stated in the 2020 Annual Report.

The profit for the year of the Group for the year ended 31 December 2018 and 31 December 2019 recorded approximately RMB1,110.6 million and RMB516.8 million respectively, representing a decrease of approximately 53.5%. As stated in the 2019 Annual Report, such decrease in profit for the year of the Group for the year ended 31 December 2019 was mainly due to the sharp decrease in the price of polysilicon. The profit for the year of the Group for the year ended 31 December 2020 recorded approximately RMB892.5 million, representing an increase of approximately 72.7% as compared with the profit for the year of the Group for the year ended 31 December 2019, which was mainly from the increases in sale of polysilicon as advised by the management of the Company.

As disclosed in the 2019 Annual Report and 2020 Annual Report, the cash and cash equivalents of the Group as at 31 December 2019 was approximately RMB2,747.0 million, representing a decrease of approximately 28.8% as compared to that as at 31 December 2018 which was mainly due to the significant increase in equipment procurement expenditure for the ECC business of the Group and the large amount of funds spent on the construction of the Group's 36,000-ton Polysilicon Project and BOO projects as stated in the 2019 Annual Report, and further decreased to approximately RMB1,773.8 million as at 31 December 2020, representing a decrease of approximately 35.4% as compared to that as at 31 December 2019, which was mainly due to the increase in the scale of the construction expenditure of the Group's BOO projects, bank borrowing and trade payable as stated in the 2020 Annual Report.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The total borrowings and notes payable of the Group as at 31 December 2019 was approximately RMB20,766.0 million, representing an increase of approximately 21.5% as compared to that as at 31 December 2018 which was mainly due to the increased scale of bank borrowing for expanded its scale of power plant operation business as advised by the management of the Company. The borrowings and notes payable of the Group further increased to approximately RMB22,357.5 million as at 31 December 2020, representing an increase of approximately 7.6% as compared to the total borrowings and notes payable as at 31 December 2019 which was mainly due to the increase in BOO projects as advised by the management of the Company.

The net assets of the Group as at 31 December 2019 was approximately RMB13,848.7 million, representing an increase of approximately 22.7% as compared to that as at 31 December 2018 and further increased to approximately RMB14,559.4 million as at 31 December 2020, representing an increase of approximately 5.1% as compared to that as at 31 December 2019. As disclosed in the 2019 Annual Report and the 2020 Annual Report, the Group's total asset as at 31 December 2020 mainly included properties, plant and equipment, inventories, and trade and notes receivable of approximately RMB25,504.7 million, RMB2,260.5 million and RMB6,092.5 million respectively.

### ***b) Information of TBEA***

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

### ***c) Reasons for and benefits of the Issuance of Domestic Shares and TBEA Subscription***

According to the Letter from the Board, the reason for the Issuance of Domestic Shares are to (i) reduce the funding pressure of the 100,000-ton Polysilicon Project and speed up its construction; (ii) replenish working capital for wind power and PV projects if there are remaining proceeds from the Issuance of Domestic Shares; and (iii) improve the Group's financial position and enhance the Group's ability to obtain debt financing, risk resistance capacity and profitability.

According to the Letter from the Board, it is expected that the total capital injection required for the 100,000-ton Polysilicon Project will be RMB3.5 billion. According to the 2019 Annual Report and 2020 Annual Report, the cash and cash equivalents of the Group as at 31 December 2020 was approximately RMB1,773.8 million, representing a decrease of approximately 54.0% as

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compared to that as at 31 December 2018. As advised by the management of the Company, the decrease was mainly due to the large amount of funds spent on the construction of the Group's 36,000-ton Polysilicon Project and BOO projects. We noted that the cash and cash equivalents of the Group as at 31 December 2020 is not sufficient to cover the capital needed for the 100,000-ton Polysilicon Project.

Save for the above, as discussed with the management of the Company, the Company has been committed to continuously improve the production level and product quality and construction of wind and PV power projects in recent years. Such rapid development and expansion lead to an increase in the Company's liability burden due to the increase in bank facilities. As disclosed in the 2019 Annual Report and 2020 Annual Report, the debt to asset of the Company recorded approximately 68.4%, 66.8% and 68.1% for the three years ended 31 December 2020, respectively. Furthermore, the Company's interest-bearing liabilities of total liabilities amounted for approximately 53.05%, 57.94%, and 52.46% for the three years ended 31 December 2020, respectively. Although the interest-bearing liabilities such as bank facilities could provide support and protection in the Company's continuous expansion of business scale, a large number of interest-bearing liabilities also have led to maintenance of high corporate liabilities, increase in annual finance cost and interest payable of the Company. Therefore, the Group intend to reserves more capital to prevent further tightening of the grant of bank facility in order to meet their business plan and schedule in future.

### *d) Use of proceeds*

As stated in the Letter from the Board, the net proceeds (after deducting related cost) from the Issuance of Domestic Shares will be used for the construction of the 100,000-ton Polysilicon Project, and replenishment of working capital for the development wind power and PV resources by way of capital increase to Inner Mongolia Xinte and Xinjiang New Energy, respectively.

The total proceeds allocated to the 100,000-ton Polysilicon Project which is the capital increase to Inner Mongolia Xinte will not exceed RMB2 billion, and if the proceeds is less than RMB2 billion, it will be entirely used for the capital increase to Inner Mongolia Xinte. Before the proceeds from the Issuance of Domestic Shares are available, the Company will implement the 100,000-ton Polysilicon Project with its own funds and/or bank borrowings in accordance with its actual progress, and will replace the pre-invested funds with the proceeds once they are received. The remaining proceeds (if any) will be used to supplement the working capital for the development of wind power and PV resources.

As advised by the management of the Company, the Company has closely followed the national policy guidance of the PRC and the Group completed approximately 1.5GW to 2GW of PV and wind power projects per year in recent year through the Company's subsidiary, Xinjiang

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New Energy. The management of the Company is of the view that with the rapid growth of new energy installations, the development PV and wind power projects will bring stable long-term revenue to the Group in future. However, the debt to asset ratio of Xinjiang New Energy was approximately 73.7% as at 31 December 2020, such high debt to asset ratio has restricted Xinjiang New Energy development opportunities. To diversify the financial risk of the Xinjiang New Energy, upon the completion of the Issuance of Domestic Shares, the remaining proceeds (if any) of net proceeds of the Company will be allocated to the replenishment of working capital for the wind power and PV resources development through capital injection to Xinjiang New Energy.

### *e) Industry overview*

#### *Polysilicon Production*

According to the statistics of Silicon Industry of China Nonferrous Metals Industry Association, the global polysilicon production capacity recorded approximately 525,000 tons with total demand of approximately 543,000 tons while China had a polysilicon output of approximately 396,000 tons and with total demand of approximately 509,000 tons in 2020. The above has indicated that the demand of polysilicon is higher than its supply in the global and nation-wide market in 2020. As advised by the management of the Company, the generation cost of PV power has decreased year by year and solar energy has become one of the lowest price of energy resources in recent years. The demand of polysilicon is expected to increase as polysilicon is the key material to produce photovoltaic products. Furthermore, the Group expects the commencement of construction of the 100,000-ton Polysilicon Project in the first half of 2021. The commencement of the new polysilicon project will also enhance the quality of polysilicon products into electronic level where enable the Group to meet the production needs of N-type silicon wafers. After the 100,000-ton Polysilicon Project is completed, the management of the Company advised that the Group's total polysilicon production capacity will reach approximately 180,000 to 200,000 tons per year. Thus, such project could improve the production volume and quality of polysilicon and reduce costs by leveraging on the scale effect to maintain and enhance the Company's industry-leading position.

#### *Development of the wind and PV power*

According to the 《可再生能源發展“十三五”規劃》 (13th Five-Year Plan for the development of renewable energy\*) issued by the National Development and Reform Commission of the PRC ([http://www.nea.gov.cn/135916140\\_14821175123931n.pdf](http://www.nea.gov.cn/135916140_14821175123931n.pdf)), it proposed to achieve the target that non-fossil energy will account for 15% and 20% of primary energy consumption by 2020 and 2030 respectively in PRC, the Company target to accelerate the establishment of clean and low-carbon modern energy system and promote the sustainable and healthy development of the renewable energy industry. According to the 2021政府工作報告 (2021 Government Working Report\*)



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(<http://www.gov.cn/guowuyuan/zfgzbg.htm>), China strives to reach the peak of carbon dioxide emission and achieve carbon neutrality. China government will work on the action plan to reach the peak of carbon dioxide emission by 2030 and will strengthen the development of clean energy. As discussed with the management of the Company, the Group will closely monitor with any action plan from the China government and provide more effort and resource to develop the business of the Group in order to meet the goal set by the China government.

*f) Financial alternatives available to the Group*

The Company has not conducted any fund raising activities in relation to the issuance of its equity securities within the twelve months immediately prior to the Latest Practicable Date.

As stated in the Letter from the Board, apart from the Issuance of Domestic Shares, the Board had considered other fund raising alternatives before resorting to the Issuance of Domestic Shares. An analysis of each of these alternatives is set out as follows:

*Issuance of H Shares under the General Mandate*

The Company has kept all options open and considered the Issuance of H Shares before conducting the Issuance of Domestic Shares. Reference is made to the announcement of the Company dated 10 May 2021. The Company has submitted the application materials in relation to the Issuance of H Shares to the CSRC and received the CSRC Acceptance Notice of the Application for Administrative Permission (Acceptance No. 211065). The CSRC reviewed the application materials of the Issuance of H Shares submitted by the Company and considered it to be complete and decided to accept the application for further processing.

However, based on the closing price of the H Shares as at the Latest Practicable Date and the number of H Shares that can be issued under the General Mandate, it is expected that the proceeds raised thereunder will not be sufficient to support the capital required for the 100,000-ton Polysilicon Project even if the Issuance of H Shares is fully underwritten, hence the Company shall also consider other fund raising activities, including the issuance of Shares under a specific mandate. We noted that the maximum number of Issuance of H Shares are 62,695,126 H Shares (pursuant to the General Mandate). By considering the closing price of the Share of the Company on 29 April 2021 (the “**Last Trading Day**”) of HK\$22 and as at the Latest Practicable Date of HK\$14.78 and the maximum discount to placing price of Issuance of H Shares of 20%, the theoretical amount raised will be approximately HK\$1.1 billion (approximately RMB904.8 million) and approximately HK\$741.3 million (approximately RMB607.9 million) respectively. Taking into account the expected total capital required for the 100,000-ton Polysilicon Project of RMB3.5

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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billion and the cash and cash equivalents of the Group as at 31 December 2020 of approximately RMB1.8 billion, we concur the view of the Company that the proceeds raised by the Issuance of H Shares will not be sufficient to support the capital required for the 100,000-ton Polysilicon Project.

As at the Latest Practicable Date, no concrete plan for the Issuance of H Shares has been formulated. The Issuance of H Shares, inter alia, the timing, pricing and the number of shares to be issued (if any) will be determined with reference to subsequent market conditions, the capital requirements of the Company and relevant rules and regulations. The Company will apply to the Stock Exchange for the listing of, and permission to deal in the H Shares to be issued thereunder if the transaction materializes; and announcement(s) will be made by the Company on any major updates and progress, if any, in relation to the Issuance of H Shares as and when appropriate.

The Issuance of H Shares is not conditional on the completion of the Issuance of Domestic Shares. The Issuance of Domestic Shares is conditional on the Company complying with the Public Float Requirement, hence if the Company intends to issue more than 49,009,720 Domestic Shares (assuming the number of Shares held by the Public as at the Latest Practicable Date remains unchanged), corporate actions (including but not limited to the Issuance of H Shares) will be taken to increase the Company's public float. On the other hand, the Issuance of Domestic Shares is not conditional on the completion of the Issuance of H Shares if the Company intends to issue not more than 49,009,720 Domestic Shares (assuming the number of Shares held by the Public as at the Latest Practicable Date remains unchanged).

### *Debt financing*

Debt financing is not feasible as (i) the Group is required to set aside a proportion of capital required when using debt financing for the construction of PV projects according to the 《光伏製造行業規範條件》 (Standard conditions for PV manufacturing industry\*) ([https://www.miit.gov.cn/jgsj/dzs/wjfb/art/2021/art\\_f4ad5ce6359a457395cfe931c69bd777.html](https://www.miit.gov.cn/jgsj/dzs/wjfb/art/2021/art_f4ad5ce6359a457395cfe931c69bd777.html)) issued by Ministry of Industry and Information Technology of the PRC; (ii) the Group will incur further financial expenses, including an annual interest rate of approximately 3% to 6% based on the term of the facility; (iii) the increase in leverage of the Group will lead to higher financial risk; (iv) the renewal of the debt financing upon maturity is uncertain; and (v) debt financing will lead to a relatively high gearing ratio of the Company, which restricts the Company from seizing market opportunities and expanding its business scale.

### *Issuance of corporate bonds and renewable corporate bonds*

Issuance of corporate bonds is not feasible with the current development of the Group according to the business plan on the capital requirement as (i) the Group will incur further administrative and financial expenses for the issuance of corporate bonds such as fees for

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assessment of credit rating, bookrunner and the coupon; (ii) the fund raised is not guaranteed unless the corporate bonds provides competitive or high coupon rates, high credit rating, short lock-up period or low conversion price (if convertible bonds are issued) to attract subscription from the potential investors.

As discussed with the management of the Company, as the Group intends to (i) reduce or maintain the existing gearing ratio of the Group for the prevention of higher financial risk; and (ii) prevent any material dilution effect if issuance of convertible bond with low conversion price, the Group considers that competitive or high coupon rates, short lock-up period or low conversion price (if issuance of convertible bonds) will not be able to offer to attract subscription by the potential investors.

### *Rights issue*

Rights issue is not feasible for the Company as:

- (i) the amount of funds raised is uncertain unless the rights shares are fully subscribed by existing Shareholders or underwriter(s) agree to a hard underwriting obligation but it is difficult for the Company to identify potential underwriter(s) willing to accept such obligation given the expected amount to be raised from the Issuance of Domestic Shares; and
- (ii) the underwriting commission for the rights issue of approximately 2% to 2.5% in general are relatively higher as no commission will be incurred in the Issuance of Domestic Shares.

As part of our analysis, we have identified exercises regarding rights issue which involved the engagement of underwriter(s) during the six months period from 30 October 2020 up to the Last Trading Day as announced by companies listed on the Stock Exchange (the “**Rights Issue Comparables**”). We are of the view that the Rights Issue Comparables, which represent an exhaustive list, can fairly represent the recent market trend in relation to rights issue with the engagement of underwriter of other listed companies which involved rights issue with the engagement of underwriter and consider that a period of six months being a reasonable period to provide an overview of the recent rights issue exercises which are reflective of the latest market conditions and sentiments. To the best of our knowledge and as far as we are aware of, we found ten transactions which met the said criteria.

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<b>Company</b>	<b>Stock code</b>	<b>Date of announcement</b>	<b>Underwriting commission</b>	<b>Expected amount raised from rights issue</b>
State Energy Group International Assets Holdings Limited	918	8 April 2021	1% to one of the two underwriters No commission to one of the two underwriters	Approximately HK\$200 million
China Demeter Financial Investments Limited	8120	29 March 2021	No commission	No more than HK\$49.6 million
Kaisa Group Holdings Ltd	1638	26 March 2021	2.5%	Approximately HK\$2.6 billion
Enterprise Development Holdings Limited	1808	19 February 2021	1%	Approximately HK\$46.2 million
Cornerstone Financial Holdings Limited	8112	27 January 2021	3%	Approximately HK\$30.04 million
Esprit Holdings Limited	330	27 January 2021	1.625%	Approximately HK\$689 million to HK\$700 million
Roma Group Limited	8072	20 January 2021	2.5%	Approximately HK\$62.9 million to HK\$66.4 million
Chinlink International Holdings Limited	997	14 December 2020	2.5%	Approximately HK\$328.0 million to HK\$329.7 million
Global Strategic Group Limited	8007	20 November 2020	3%	Approximately HK\$58.35 million
Top Form International Limited	333	4 November 2020	No commission	Approximately HK\$43.0 million

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As shown in the above table, the underwriting commission is usually involved and the underwriting commission is higher if the amount raised from rights issue is higher in recent market trend. By considering the maximum number of Shares to be issued under the Issuance of Domestic Shares of 177,304,874 and the closing price of the Share of the Company as at the Last Trading Day of HK\$22, the theoretical amount raised will be HK\$3.9 billion. The theoretical underwriting commission to be paid will be HK\$39 million and HK\$98 million with underwriting commission 1% and 2.5% respectively if no existing Shareholder subscribes the rights share.

Having taken into account of the above assessment, in particular, (i) the uncertainty to renew debt financing upon maturity or obtain new bank facilities; (ii) the uncertain amount of funds raised under the issuance of corporate bonds and rights issue; (iii) the capital required for the business development of the Group; (iv) the prevention of the higher financial risk; and (v) insufficient proceeds raised from Issuance of H Shares (if any) to support the 100,000-ton Polysilicon Project, we concur with the Directors' view that the Issuance of Domestic Shares will be able to raise funds for the Company within a shorter time frame together with sufficient funds for its future development plans, which is in the interest of the Company and the Shareholders as a whole.

*g) Subscriber of the Domestic Shares*

As discussed with the management of the Company, the Group has tried to approach all existing Domestic Shareholders and each of the Domestic Shareholders can subscribe the Domestic Shares to be issued under the Issuance of Domestic Shares according to their existing shareholding structure. However, only Jinglong Technology and TBEA showed their intention to subscribe as at the Latest Practicable Date. TBEA is also supportive to the Group's business development and provided the Letter of Intent to subscribe for not more than 167,304,874 Domestic Shares to be issued under the Issuance of Domestic Shares which is the difference between the total number of Domestic Shares to be issued under the Issuance of Domestic Shares and the number of Domestic Shares to be issued under the Issuance of Domestic Shares to be subscribed by Jinglong Technology.

After taking into account that (i) the use of proceeds from the Issuance of Domestic Shares is in line with the business strategies of the Company; (ii) the large capital commitment is needed for the 100,000-ton Project and the development of the wind and PV projects; (iii) Issuance of the Domestic Shares is a more feasible option compared to the other sources of funding (except for the new H shares that could be issued by the Company pursuant to the General Mandate) based on the alternatives explored by the Company; and (iv) the limitation of the subscriber for Domestic Shares, we concur with the Directors' view that the TBEA Subscription is in the interests of the Company and the Shareholders as a whole, as far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### II. Details of the plan for the Issuance of Domestic Shares and the Letter of Intent from TBEA

#### *Issuance of Domestic Shares*

Please refer to the section headed “PROPOSED ISSUANCE OF DOMESTIC SHARES UNDER SPECIFIC MANDATE” in the Letter from the Board for the details of the terms for the Issuance of Domestic Shares.

#### *Letter of Intent from TBEA*

Pursuant to the Letter of Intent from TBEA, TBEA has expressed its intention to subscribe for not more than 167,304,874 Domestic Shares to be issued under the Issuance of Domestic Shares.

The terms of TBEA Subscription under the Issuance of Domestic Shares, including but not limited to the number of Domestic Shares to be subscribed and the subscription price, will be finalised in the Domestic Share Subscription Agreement to be entered into, provided that the terms of the Domestic Share Subscription Agreement conform with the plan for the Issuance of Domestic Shares and the Company is in compliance with the Public Float Requirement.

#### *Subscription Price and method of pricing*

As stated in the Letter from the Board, the issue price will be determined by the Board according to the principles below at the final issuance:

1. the issue price shall be equivalent to or not lower than the issue price of any issuance of new H Shares conducted by the Company prior to completion of the Issuance of Domestic Shares (if any);
2. the issue price will be equivalent to or not less than 80% of the H Share Benchmark Price on the date of entering into the Domestic Share Subscription Agreements. “H Share Benchmark Price” refers to the following (whichever is higher):
  - (i) the closing price of H Shares on the date of entering into the Domestic Share Subscription Agreement; or
  - (ii) the average closing price of the H Shares in the five trading days immediately prior to the date of the Domestic Share Subscription Agreement; and
3. reference to the liquidity of the Domestic Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the Letter from the Board, the issue price to the TBEA under the TBEA Subscription will be the same as the issue price under the Issuance of Domestic Shares. The issue price offered to TBEA under the Issuance of Domestic Shares will be the same as the issue price offered to other Domestic Shares holders. Furthermore, according to the method of pricing (1), the issue price shall be equivalent to or not be lower than the issue price of any issuance of new H Shares conducted by the Company prior to completion of the Issuance of Domestic Shares. As such, we concur with the Directors' view that the subscription Price under the TBEA Subscription is fair and reasonable.

We noted that the method of pricing (2) above is same as the pricing mechanism under the General Mandate.

To assess the fairness and reasonableness of the Subscription Price under the above method of pricing (2), we set out the following analysis for illustrative purposes:

### *Market comparable analysis*

As an alternative way for making meaningful analyses, we have tried to identify those domestic share subscription agreements entered into with fixed subscription/issue price starting from 1 January 2018 up to the date of the Announcement, being a period over three complete calendar years, comprising the date of the relevant agreement as announced by companies listed on the Stock Exchange (the “**Comparable Transactions**”) based on abovementioned criteria. To the best of our knowledge and as far as we are aware of, we have identified eight transactions which met the above criteria and the Comparable Transactions listed below are exhaustive. We consider that the Comparable Transactions are fair and representative and considered to be eligible and sufficient for us to make a meaningful comparison and analysis which met the abovementioned criteria. Moreover, we consider that a period over three calendar years being a reasonable period to provide a general overview of the recent domestic share subscription exercises which are reflective of the latest market conditions and sentiments.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Company (Stock code)	Date of announcement	Subscription/issue price (RMB)	Premium/ (discount) of subscription price over/to closing price on the last trading day	Premium/ (discount) of subscription price over/to average closing price of five trading days up to and including the last trading day
Bank of Gansu Co., Ltd. (2139)	11 December 2020	1.26	14.62%	15.50%
Xi'an Haitian Antenna Technologies Company Limited (8227)	2 August 2019	0.21	(93.77)%	(93.78)%
Hainan Meilan International Airport Company Limited (357)	24 July 2020	10.8	(73.23)%	(69.67)%
China Evergrande Group (3333)	20 June 2019	6	37.18%	31.12%
Beijing Capital International Airport Company Limited (694)	30 April 2019	6.1784	3.15%	3.36%
The Company (1799)	13 November 2018	7.78	16.7%	20.6%
Sinopharm Group Company Limited (1099)	11 July 2018	24.97	(5.6)%	(3.7)%
Jiangsu Nandasoft Technology Company Limited (8045)	11 April 2018	0.147	0.0%	6.5%
	<b>Maximum</b>		37.18%	31.12%
	<b>Minimum</b>		(93.77)%	(93.78)%
	<b>Average</b>		(12.62)%	(11.26)%
The Company (1799)		N/A	Maximum discount of 20%	Maximum discount of 20%

*Sources: Website of the Stock Exchange*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Under the above method of pricing (2), the subscription price of the Domestic Shares will not be less than 80% of the Benchmark Price when the Domestic Share Subscription Agreement is signed where the Benchmark Price will refer to the higher of the following: (i) the closing price of H shares on the day of entering into the Domestic Share Subscription Agreement; or (ii) the average closing price of the H Shares in the five trading days immediately prior to the date of the Domestic Share Subscription Agreement.

As indicated in the above table setting out the issue statistics of the Comparable Transactions, we noted that:

- (i) the discount of 20% represented by the minimum subscription price of the Domestic Subscription Shares under the price mechanism of the Domestic Share Subscription Agreement to the closing price on the last trading day, the discount of the minimum subscription price will lie within the range of premiums/discounts represented by the Comparable Transactions on the relevant last trading day immediately before the date on which the subscription agreement was signed, which ranges from a discount of approximately 93.77% to a premium of approximately 37.18% and is higher than the average discount of approximately 12.62%; and
- (ii) the discount of 20% represented by the minimum subscription price of the Domestic Subscription Shares under the price mechanism of the Domestic Share Subscription Agreement to the average closing price of five trading days up to and including the last trading day, the discount of the minimum subscription price in lie with Comparable Transactions, which also ranges from a discount of approximately 93.78% to a premium of approximately 31.12% and is higher than the average discount of approximately 11.26%.

Despite that the Company's discount of the subscription price of the Domestic Shares to the closing price per H Share as at the Last Trading Date and the average closing price of five trading days up to and including the Last Trading Day are higher than the average discount of the Comparable Transactions to the closing price per H Share as at the last trading date and the average closing price of five trading days up to and including the last trading day respectively, the subscription price of the Domestic Shares is considered fair and reasonable after taking into account that (i) the large-scale of the theoretical fund raised from the Issuance of Domestic Shares of approximately HK\$3.9 billion with reference to the closing price of the Share of the Company as at the Last Trading Day; (ii) the Domestic Shares are not listed and there is no publicly available trading price; and (iii) the subscription price of the Domestic Shares shall be equivalent to or not lower than the issue price of any new Shares conducted by the Company prior to completion of the Issuance of Domestic Shares (if any).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In light of the above, in particular, the issue price of the Issuance of Domestic Shares to TBEA will be the same or above to (i) other holders of the Domestic Shares; and (ii) other H Shares subscribers if any new H Shares issued by the Company prior to the completion of the Issuance of Domestic Shares, we concur with the Directors' view that the terms of TBEA's subscription under the Issuance of Domestic Shares is fair and reasonable, as far as the Independent Shareholders are concerned, and is entered into on normal commercial terms or same terms as other subscriber and is in the interests of the Company and the Shareholders as a whole.

### III. Effects on the shareholding structure of the Company

#### *Effect of the Issuance of Domestic Shares*

As stated in the Letter from the Board, assuming that there are no other changes to the total issued share capital of the Company and the number of Shares held by the Shareholders (excluding the Subscribers) from the Latest Practicable Date to the date of the completion of the Issuance of Domestic Shares, save for the Issuance of Domestic Shares (including the TBEA Subscription) on the premise of compliance with the Public Float Requirement at all times, and based on the public float of the Company as at the Latest Practicable Date, the maximum number of Subscription Shares will be 49,009,720 shares. The shareholding structure of the Company (1) as at the Latest Practicable Date; and (2) immediately upon completion of the Issuance of Domestic Shares (assuming TBEA and Jinglong Technology subscribes for 46,245,570 and 2,764,150 Subscription Shares, respectively) is set out below:

	<b>As at the Latest Practicable Date</b>		<b>Immediately after the completion of the Issuance of Domestic Shares</b>	
	<b>No. of Shares held</b>	<b>Approximate percentage of total issued Shares</b>	<b>No. of Shares held</b>	<b>Approximate percentage of total issued Shares</b>
<b>Non-public</b>				
TBEA Co., Ltd. and its close associates	785,144,487	65.43%	831,390,057	66.56%
Jinglong Technology	14,619,883	1.22%	17,384,033	1.39%
Other Domestic Shares Shareholders	87,983,200	7.33%	87,983,200	7.04%
<b>Public</b>				
Public H Shares Shareholders	312,252,430	26.02%	312,252,430	25.00%
Total	<u>1,200,000,000</u>	<u>100%</u>	<u>1,249,009,720</u>	<u>100%</u>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Note:* This is for illustration of the shareholding structure upon completion of the Issuance of Domestic Shares (including the TBEA Subscription) only, whereby the Company has adjusted the number of Subscription Shares based on the Public Float Requirement, such that it will be in compliance of the Public Float Requirement at all times.

Assuming the issue price for the Issuance of Domestic Shares is 80% of the closing price of the H Shares on the date which the issue price is fixed, the Theoretical Dilution Effect upon completion of the Issuance of Domestic Shares will be 0.78%.

Alternatively, other specific and feasible plans may be carried out to increase the Company's public float prior to the Issuance of Domestic Shares (including but not limited to, the Place Down or the Issuance of H Shares), such that more Subscription Shares can be issued.

For illustrative purpose only, the following tables set out the certain possible shareholding structures upon completion of the Issuance of Domestic Shares, the Place Down and/or the Issuance of H Shares.

### **1. Effect of the Place Down and the Issuance of Domestic Shares**

Assuming that there are no other changes to the total issued share capital of the Company and the number of Shares held by the Shareholders (excluding the Subscribers and their associates) from the Latest Practicable Date to the date of the completion of the Issuance of Domestic Shares, save for the Place Down and the Issuance of Domestic Shares on the premise of compliance with the Public Float Requirement at all times, and based on the public float of the Company as at the Latest Practicable Date, the maximum number of Subscription Shares will be 53,902,520 shares. The shareholding structure of the Company (1) as at the Latest Practicable Date; (2) immediately upon completion of the Place Down (assuming TBEA and its close associates place down all existing H Shares); and (3) immediately upon completion of the Place Down and the Issuance of Domestic Shares (assuming TBEA and Jinglong Technology subscribes for 50,862,416 and 3,040,104 Subscription Shares, respectively) is set out below:

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	As at the Latest Practicable Date		Immediately upon completion of the Place Down		Immediately upon completion of the Place Down and Issuance of Domestic Shares	
	Approximate percentage of total issued		Approximate percentage of total issued		Approximate percentage of total issued	
	No. of Shares	Shares	No. of Shares	Shares	No. of Shares	Shares
<b>Non-public</b>						
TBEA Co., Ltd. and its close associates	785,144,487	65.43%	783,921,287	65.33%	834,783,703	66.57%
Jinglong Technology	14,619,883	1.22%	14,619,883	1.22%	17,659,987	1.41%
Other Domestic Shares Shareholders	87,983,200	7.33%	87,983,200	7.33%	87,983,200	7.02%
<b>Public</b>						
Public H Shares Shareholders	<u>312,252,430</u>	<u>26.02%</u>	<u>313,475,630</u>	<u>26.12%</u>	<u>313,475,630</u>	<u>25.00%</u>
Total	<u><u>1,200,000,000</u></u>	<u><u>100.00%</u></u>	<u><u>1,200,000,000</u></u>	<u><u>100.00%</u></u>	<u><u>1,253,902,520</u></u>	<u><u>100.00%</u></u>

*Note:* This is for illustration of the shareholding structure upon completion of the Place Down and the Issuance of Domestic Shares (including the TBEA Subscription) only, whereby the Company has adjusted the number of Subscription Shares based on the Public Float Requirement, such that it is in compliance of the Public Float Requirement at all times.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, based on the knowledge of the Directors, no concrete plan for the Place Down was contemplated by TBEA and its close associates; and the Issuance of Domestic Shares will not be conditional on the Place Down. Further announcement(s) will be made by the Company in relation to the Place Down as and when appropriate according to the requirements of the Listing Rules if it materializes.

Assuming the issue price for the Issuance of Domestic Shares is 80% of the closing price of the H Shares on the date which the issue price is fixed, the Theoretical Dilution Effect upon completion of the Place Down and Issuance of Domestic Shares will be 0.86%.

### 2. Effect of the Issuance of H Shares

Assuming that there are no other changes to the total issued share capital of the Company other than the Issuance of H Shares, which shall amount to not more than 62,695,126 H Shares (pursuant to the General Mandate) from the Latest Practicable Date to the date of the completion of the Issuance of H Shares, the shareholding structure (1) as at the Latest Practicable Date; and (2) immediately upon completion of the Issuance of H Shares is set out below:

	As at the Latest Practicable Date		Immediately upon completion of the Issuance of H Shares	
	No. of Shares held	Approximate percentage of total issued Shares	No. of Shares held	Approximate percentage of total issued Shares
<b>Non-public</b>				
TBEA Co., Ltd. and its close associates	785,144,487	65.43%	785,144,487	62.18%
Jinglong Technology	14,619,883	1.22%	14,619,883	1.16%
Other Domestic Shares Shareholders	87,983,200	7.33%	87,983,200	6.97%
<b>Public</b>				
Places under the Issuance of H Shares	—	—	62,695,126	4.97%
Existing Public H Shares Shareholders	312,252,430	26.02%	312,252,430	24.73%
Total	<u>1,200,000,000</u>	<u>100%</u>	<u>1,262,695,126</u>	<u>100%</u>

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 3. Effect of the Issuances

Assuming that there are no other changes to the total issued share capital of the Company and the number of Shares held by Shareholders (excluding the Subscribers and their associates) from the Latest Practicable Date to the date of the completion of the Issuances, save for the Issuances, the shareholding structure of the Company (1) as at the Latest Practicable Date; (2) immediately upon completion of the Issuance of H Shares (assuming the number of H Shares to be issued is 62,695,126 shares); and (3) immediately upon completion of the Issuances (assuming the number of H Shares to be issued is 62,695,126 shares and TBEA and Jinglong Technology subscribes for 167,304,874 and 10,000,000 Subscription Shares, respectively) is set out below:

	As at the		Immediately upon		Immediately upon	
	Latest Practicable Date		completion of the Issuance		completion of the Issuances	
	Approximate		Approximate		Approximate	
	percentage		percentage		percentage	
	of total		of total		of total	
No. of	issued	No. of	issued	No. of	issued	
Shares	Shares	Shares	Shares	Shares	Shares	
<b>Non-public</b>						
TBEA Co., Ltd. and its close associates	785,144,487	65.43%	785,144,487	62.18%	952,449,361	66.14%
Jinglong Technology	14,619,883	1.22%	14,619,883	1.16%	24,619,883	1.71%
Other Domestic Shares Shareholders	87,983,200	7.33%	87,983,200	6.97%	87,983,200	6.11%
Sub-total	<u>887,747,570</u>	<u>73.98%</u>	<u>887,747,570</u>	<u>70.31%</u>	<u>1,065,052,444</u>	<u>73.96%</u>
<b>Public</b>						
Places under the Issuance of						
H Shares	—	—	62,695,126	4.97%	62,695,126	4.35%
Existing Public H Shares						
Shareholders	<u>312,252,430</u>	<u>26.02%</u>	<u>312,252,430</u>	<u>24.73%</u>	<u>312,252,430</u>	<u>21.68%</u>
Sub-total	<u>312,252,430</u>	<u>26.02%</u>	<u>374,947,556</u>	<u>29.69%</u>	<u>374,947,556</u>	<u>26.04%</u>
Total	<u>1,200,000,000</u>	<u>100.00%</u>	<u>1,262,695,126</u>	<u>100.00%</u>	<u>1,440,000,000</u>	<u>100.00%</u>

Assuming the issue price for the Issuance is 80% of the closing price of the H Shares on the date which the issue price is fixed, the Theoretical Dilution Effect upon completion of the Issuances will be 3.33%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the above tables, the dilution effect would be from approximately 0.78% to approximately 3.33% under the above different scenarios. Nonetheless, in view of (i) the reasons for and benefits of the TBEA Subscription; (ii) the terms of TBEA's subscription under the Issuance of Domestic Shares being fair and reasonable; and (iii) the Company's intention to maintain its public float, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

### RECOMMENDATION

Having considered the principal factors and reasons discussed above, although the TBEA Subscription is not in the ordinary and usual course of business of the Group, we are of the view that the entering into the TBEA Subscription is entered into on normal commercial terms or same terms as other subscriber, and the terms of TBEA's subscription under the Issuance of Domestic Shares and the transactions contemplated thereunder are fair and reasonable so far 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 proposed resolutions to be proposed at the EGM to approve the TBEA Subscription and the transactions contemplated thereunder.

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

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

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

## 1. RESPONSIBILITY STATEMENT

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

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

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

Name	Nature of Interest	The Company/ associated corporation	Number/type of shares of the Company/ associated corporation held	Approximate percentage of shareholdings in the total share capital of the Company/ associated corporation <sup>(1)</sup>	Approximate percentage of shareholdings in the relevant class of Shares of the Company <sup>(2)</sup>	Long position/short position
<b>DIRECTORS</b>						
Mr. Zhang Xin	Interest in a controlled corporation <sup>(3)</sup>	The Company	58,246,308 Domestic Shares	4.85%	6.57%	Long position
	Beneficial owner	TBEA <sup>(4)</sup>	406,403 shares	0.01%	N/A	Long position
	Interest in a controlled corporation <sup>(5)</sup>	TBEA <sup>(4)</sup>	446,982,637 shares	12.03%	N/A	Long position
Ms. Guo Junxiang	Beneficial owner	TBEA <sup>(4)</sup>	260,180 shares	0.01%	N/A	Long position



Name	Nature of Interest	The Company/ associated corporation	Number/type of shares of the Company/ associated corporation held	Approximate percentage of shareholdings in the total share capital of the Company/ associated corporation <sup>(1)</sup>	Approximate percentage of shareholdings in the relevant class of Shares of the Company <sup>(2)</sup>	Long position/short position
<b>SUPERVISORS</b>						
Mr. Han Shu	Beneficial owner	TBEA <sup>(4)</sup>	1,058 shares	0.00%	N/A	Long position
Mr. Hu Shujun	Beneficial owner	TBEA <sup>(4)</sup>	69,376 shares	0.00%	N/A	Long position
Mr. Ma Junhua	Beneficial owner	TBEA <sup>(4)</sup>	138,200 shares	0.00%	N/A	Long position

- (1) The calculation is based on the total number of 3,714,312,789 shares of TBEA and 1,200,000,000 Shares of the Company in issue as at the Latest Practicable Date.
- (2) The calculation is based on the total number of 886,524,370 Domestic Shares of the Company in issue as at the Latest Practicable Date.
- (3) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, which holds 58,246,308 Domestic Shares as at the Latest Practicable Date.
- (4) TBEA is the Company's controlling shareholder and therefore an associated corporation of the Company. As at the Latest Practicable Date, TBEA held 783,921,287 Domestic Shares and TBEA (HONGKONG) CO., LIMITED, a wholly owned subsidiary of TBEA, held 1,223,200 H Shares, which in total accounted for approximately 65.43% of the total share capital of the Company.
- (5) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, which directly holds 446,982,637 shares of TBEA as at the Latest Practicable Date.

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

### 3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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

Name of Shareholder	Nature of Interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares <sup>(1)</sup>	Approximate percentage of shareholdings in the total share capital <sup>(1)</sup>	Long position/ short position
TBEA	Beneficial owner	Domestic Shares	783,921,287	88.43%	65.33%	Long position
Xinjiang Tebian	Beneficial owner	Domestic Shares	58,246,308	6.57%	4.85%	Long position
Mr. Chen Weilin <sup>(2)</sup>	Interest in a controlled corporation	Domestic Shares	58,246,308	6.57%	4.85%	Long position
GF Securities Co., Ltd. <sup>(3)</sup>	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Holdings (Hong Kong) Corporation Limited <sup>(3)</sup>	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Investment (Hong Kong) Company Limited <sup>(3)</sup>	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Energy Investment Limited <sup>(3)</sup>	Beneficial owner	H Shares	29,239,766	9.33%	2.44%	Long position

*Notes:*

- (1) The calculation is based on the total number of 1,200,000,000 shares of the Company in issue as at the Latest Practicable Date, in which 313,475,630 are H Shares and 886,524,370 are Domestic Shares.
- (2) Mr. Chen Weilin holds 33.61% equity interest in Xinjiang Tebian, which holds 58,246,308 Domestic Shares. As a result, Mr. Chen Weilin is deemed to have an interest in 58,246,308 Domestic Shares held by Xinjiang Tebian under the SFO.
- (3) GF Investment (Hong Kong) Company Limited holds 81% of the equity interest of GF Energy Investment Limited, GF Holdings (Hong Kong) Corporation Limited holds 100% of the equity interest of GF Investment (Hong Kong) Company Limited. GF Securities Co., Ltd. holds 100% of the equity interest of GF Holdings (Hong Kong) Corporation Limited. Accordingly, under SFO, GF Securities Co., Ltd., GF Holdings (Hong Kong) Corporation Limited and GF Investment (Hong Kong) Company Limited are deemed to be interested in the 29,239,766 H Shares held by GF Energy Investment Limited.

#### 4. COMMON DIRECTORS

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

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

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

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

#### 6. SERVICE CONTRACTS

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

#### 7. MATERIAL ADVERSE CHANGE

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

#### 8. DIRECTORS AND SUPERVISORS’ INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

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

- (a) none of the Directors or Supervisors was materially interested in any contract or arrangement, which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group; and

(b) so far as the Directors are aware, none of the Directors or Supervisors nor their respective close associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**9. QUALIFICATION OF EXPERT AND CONSENT**

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

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

- (a) As at the Latest Practicable Date, Sorrento Capital Limited does not have any beneficial interest in the share capital of any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) As at the Latest Practicable Date, Sorrento Capital Limited has given, and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and the reference to its name included herein in the form and context in which they respectively appear.
- (c) As at the Latest Practicable Date, Sorrento Capital Limited does not have any interest in any assets which have been since 31 December 2020 (being the date to which the latest published audited annual accounts of the Company were made up), acquired or disposed of by or lease to any member of the Group, or are proposed to be acquired or disposed of by or lease to any member of the Group.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (a) the consent referred to in the paragraph of "Qualification of Expert and Consent" of this Appendix;
- (b) the letter from the Independent Board Committee, full text of which is set out on page IBC-1 of this circular;
- (c) the Letter of Intent provided by TBEA to the Company; and
- (d) the letter from Sorrento Capital Limited, the full text of which is set out on pages IFA-1 to IFA-23 of this circular.

**11. 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. 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.
- (b) The joint company secretaries of the Company are Ms. Zhang Juan and Ms. Ng Wing Shan. Ms. Ng Wing Shan is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.
- (c) The 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.
- (d) The English names of the PRC entities, projects, and the PRC governmental authorities referred to in this circular are translated for identification purposes. The English text of this circular (other than the names of the PRC entities, projects and the PRC governmental authorities) shall prevail over the Chinese 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 2021

**NOTICE IS HEREBY GIVEN** that the second extraordinary general meeting of 2021 (the “**EGM**”) of Xinte Energy Co., Ltd. (the “**Company**”) will be held at the Conference Room, International Conference Center at No. 189, South Beijing Road, Changji, Xinjiang, the People's Republic of China (the “**PRC**”) at 11:00 a.m. on Monday, 28 June 2021 to consider and, if thought fit, approve the resolutions set out below.

### SPECIAL RESOLUTIONS

1. To consider and individually approve the following items in respect of the plan regarding the non-public issuance of domestic shares by way of specific mandate (the “**Issuance of Domestic Shares**”):
  - 1.1 Type and par value of shares to be issued
  - 1.2 Number of shares to be issued
  - 1.3 Subscribers
  - 1.4 Pricing principle
  - 1.5 Method of issuance
  - 1.6 Distribution of retained profit
  - 1.7 Lock-up period
  - 1.8 Validity period
  - 1.9 Use of proceeds

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## NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2021

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- 1.10 Authorization to the Board to complete matters related to the Issuance of Domestic Shares.
2. To consider and approve the authorisation of the amendments to the articles of association of the Company as the Board thinks fit to reflect the latest capital structure of the Company as a result of the completion of the Issuance of the Domestic Shares.

### ORDINARY RESOLUTION

3. To consider and approve TBEA Co., Ltd., its associates and/or its respective designated entities to participate in the subscription of the domestic shares to be issued under the Issuance of Domestic Shares.

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

Xinjiang, the PRC, 8 June 2021

*Notes:*

1. **Important:** A circular setting out further details of the resolutions of the EGM will be dispatched and published by the Company in due course.
2. Shareholders of the Company (“**Shareholders**”) whose names appear on the register of members of the Company at the close of business on Wednesday, 23 June 2021 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Board secretary office (in case of holders of domestic shares), at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC, or the Company’s H share registrar (in case of holders of H shares), Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 23 June 2021 for registration.
3. Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies (whether he/she is a Shareholder) to attend and vote at the EGM (or any adjournment thereof) on his/her behalf. The proxy needs not be a Shareholder.
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 of association of the Company.

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## NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2021

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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).
6. A Shareholder or his/her proxy should produce proof of identity when attending the EGM (or any adjournment thereof). If a corporate Shareholder's legal representative or any other person duly authorised by such corporate Shareholder attends the EGM (or any adjournment thereof), such legal representative or other person shall produce his/her proof of identity, and proof of designation as legal representative or the valid authorisation document (as the case may be).
7. The EGM (or any adjournment thereof) is expected to take less than half a day. Shareholders or their proxies who attend the EGM (or any adjournment thereof) shall be responsible for their own travel and accommodation expenses.
8. The contact information of the Board secretary office of the Company is as follows:

Address: No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC

Contact person: Ms. Zhang Juan

Tel: +86-991-3665888

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



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## NOTICE OF H SHARES SHAREHOLDERS CLASS MEETING

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# 新特能源

**XINTE ENERGY CO., LTD.**

**新特能源股份有限公司**

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

**(Stock code: 1799)**

## NOTICE OF THE FIRST H SHARES SHAREHOLDERS CLASS MEETING OF 2021

**NOTICE IS HEREBY GIVEN** that the first class meeting for holders of H shares of 2021 (the “**H Shares Shareholders Class Meeting**”) of Xinte Energy Co., Ltd. (the “**Company**”) will be held at the Conference Room, International Conference Center at No. 189, South Beijing Road, Changji, Xinjiang, the People's Republic of China (the “**PRC**”) at 11:30 a.m. on Monday, 28 June 2021 (or immediately after the conclusion or adjournment of the second extraordinary meeting of 2021 of the Company to be convened on the same day, whichever is later) to consider and, if thought fit, approve the following resolution:

### **SPECIAL RESOLUTIONS**

1. To consider and individually approve the following items in respect of the plan regarding the non-public issuance of domestic shares by way of specific mandate (the “**Issuance of Domestic Shares**”):
  - 1.1 Type and par value of shares to be issued
  - 1.2 Number of shares to be issued
  - 1.3 Subscribers
  - 1.4 Pricing principle
  - 1.5 Method of issuance
  - 1.6 Distribution of retained profit
  - 1.7 Lock-up period
  - 1.8 Validity period
  - 1.9 Use of proceeds

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## NOTICE OF H SHARES SHAREHOLDERS CLASS MEETING

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1.10 Authorization to the Board to complete matters related to the Issuance of Domestic Shares.

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

Xinjiang, the PRC, 8 June 2021

*Notes:*

1. **Important:** A circular setting out further details of the resolutions of the H Shares Shareholders Class Meeting will be dispatched and published by the Company in due course.
2. Shareholders of H Shares of the Company (“**H Shares Shareholders**”) whose names appear on the register of members of the Company at the close of business on Wednesday, 23 June 2021 shall be entitled to attend and vote at the H Shares Shareholders Class Meeting. In order for the H Shares Shareholders to qualify to attend and vote at the H Shares Shareholders Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H share registrar, 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 Wednesday, 23 June 2021 for registration.
3. H Shares Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies (whether he/she is an H Shares Shareholder) to attend and vote at the H Shares Shareholders Class Meeting (or any adjournment thereof) on his/her behalf. The proxy does not need to be an H Shares Shareholder.
4. H Shares 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 H Shares Shareholder or by a person duly authorised by the relevant H Shares Shareholder in writing (“**power of attorney**”). If the form of proxy is signed by the person authorised by the relevant H Shares Shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarised. If a corporate H Shares Shareholder appoints a person other than its legal representative to attend the H Shares Shareholders Class Meeting (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate H Shares Shareholder or signed by its director or any other person duly authorised by that corporate H Shares Shareholder as required by the articles of association of the Company.
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 H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 24 hours before the time appointed for the H Shares Shareholders Class Meeting (or any adjournment thereof).

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## NOTICE OF H SHARES SHAREHOLDERS CLASS MEETING

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6. An H Shares Shareholder or his/her proxy should produce proof of identity when attending the H Shares Shareholders Class Meeting (or any adjournment thereof). If a corporate H Shares Shareholder's legal representative or any other person duly authorised by such corporate H Shares Shareholder attends the H Shares Shareholders Class Meeting (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 H Shares Shareholders Class Meeting (or any adjournment thereof) is expected to take thirty minutes. Shareholders or their proxies who attend the H Shares Shareholders Class Meeting (or any adjournment thereof) shall be responsible for their own travel and accommodation expenses.

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

# 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 FIRST DOMESTIC SHARES SHAREHOLDERS CLASS MEETING OF 2021

**NOTICE IS HEREBY GIVEN** that the first class meeting for holders of domestic shares of 2021 (the “**Domestic Shares Shareholders Class Meeting**”) of Xinte Energy Co., Ltd. (the “**Company**”) will be held at the Conference Room, International Conference Center at No. 189, South Beijing Road, Changji, Xinjiang, the People's Republic of China (the “**PRC**”) at 12:00 noon on Monday, 28 June 2021 (or immediately after the conclusion or adjournment of the first class meeting of the H share shareholders of 2021 of the Company to be convened on the same day, whichever is later) to consider and, if thought fit, approve the following resolution.

### SPECIAL RESOLUTIONS

1. To consider and individually approve the following items in respect of the plan regarding the non-public issuance of domestic shares by way of specific mandate (the “**Issuance of Domestic Shares**”):
  - 1.1 Type and par value of shares to be issued
  - 1.2 Number of shares to be issued
  - 1.3 Subscribers
  - 1.4 Pricing principle
  - 1.5 Method of issuance
  - 1.6 Distribution of retained profit
  - 1.7 Lock-up period
  - 1.8 Validity period
  - 1.9 Use of proceeds

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## NOTICE OF DOMESTIC SHARES SHAREHOLDERS CLASS MEETING

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1.10. Authorization to the Board to complete matters related to the Issuance of Domestic Shares.

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

Xinjiang, the PRC, 8 June 2021

*Notes:*

1. **Important:** A circular setting out further details of the resolutions of the Domestic Shares Shareholders Class Meeting will be dispatched and published by the Company in due course.
2. Shareholders of domestic Shares of the Company (“**Domestic Shares Shareholders**”) whose names appear on the register of members of the Company at the close of business on Wednesday, 23 June 2021 shall be entitled to attend and vote at the Domestic Shares Shareholders Class Meeting. In order for the Domestic Shares Shareholders to qualify to attend and vote at the Domestic Shares Shareholders Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Board secretary office at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC no later than 4:30 p.m. on Wednesday, 23 June 2021 for registration.
3. Domestic Shares Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies (whether he/she is a Domestic Shares Shareholder) to attend and vote at the Domestic Shares Shareholders Class Meeting (or any adjournment thereof) on his/her behalf. The proxy needs not be a Domestic Shares Shareholder.
4. Domestic Shares 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 Domestic Shares Shareholder or by a person duly authorised by the relevant Domestic Shares Shareholder in writing (“**power of attorney**”). If the form of proxy is signed by the person authorised by the relevant Domestic Shares Shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarised. If a corporate Domestic Shares Shareholder appoints a person other than its legal representative to attend the Domestic Shares Shareholders Class Meeting (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate Domestic Shares Shareholder or signed by its director or any other person duly authorised by that corporate Domestic Shares Shareholder as required by the articles of association of the Company.
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 no later than 24 hours before the time appointed for the Domestic Shares Shareholders Class Meeting (or any adjournment thereof).
6. A Domestic Shares Shareholder or his/her proxy should produce proof of identity when attending the Domestic Shares Shareholders Class Meeting (or any adjournment thereof). If a corporate Domestic Shares Shareholder’s legal representative or any other person duly authorised by such corporate Domestic Shares Shareholder attends the Domestic Shares Shareholders Class Meeting (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).

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## NOTICE OF DOMESTIC SHARES SHAREHOLDERS CLASS MEETING

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7. The Domestic Shares Shareholders Class Meeting (or any adjournment thereof) is expected to take thirty minutes. Shareholders or their proxies who attend the Domestic Shares Shareholders Class Meeting (or any adjournment thereof) shall be responsible for their own travel and accommodation expenses.
8. The contact information of the Board secretary office of the Company is as follows:

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

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