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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)

INSIDE INFORMATION

PROPOSED ADOPTION OF EMPLOYEE SHARE OWNERSHIP SCHEME

This announcement is made by the Company (together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

On 15 March 2022, the Board considered and approved the resolution on the proposed adoption of the Employee Share Ownership Scheme. The implementation of the Employee Share Ownership Scheme is subject to the approval at the EGM.

A summary of the principal terms of the Employee Share Ownership Scheme is set out below:

- Basic principles:
- (i) To be in compliance with the relevant requirements of the PRC laws, regulations and the Articles of Association;
 - (ii) Equal incentives and restraints with taking into account the current significant contribution of the core management team while focusing on the future development of the Company;
 - (iii) To be operable to achieve the long-term sustainable development of the Company considering its current status and development strategies;

- (iv) The Company has the discretion to implement and the employees can voluntarily participate the Employee Share Ownership Plan without any compulsive behaviour by way of apportionment or forced distribution;
- (v) The Participants shall undertake their own risks for gains or losses, and enjoy equal rights with other investors.

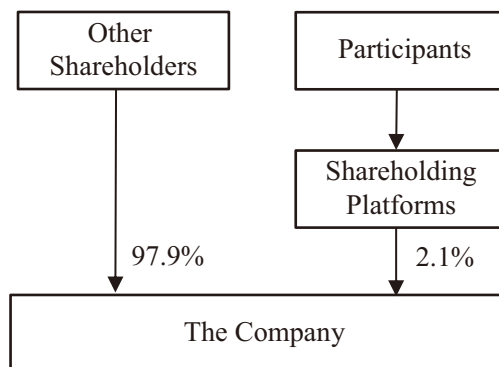
Subject Shares:

Domestic Shares, with all rights and obligations of Shareholders attached thereto, will be purchased by the Participants to have their ownership registered after the grant of the Subject Shares by the Company to the Participants at a certain price. The Subject Shares tend to be allocated on a one-time basis with an emphasis on historical and current contributions. There is no grant assessment conditions for the Employee Share Ownership Scheme, but the transfer of the Subject Shares after the grant to the Participants is subject to certain restrictions and the number of which must be reduced within the period specified in the Employee Share Ownership Scheme.

Shareholding Method:

The Participants indirectly hold the Shares through the Shareholding Platforms. The Shareholding Platforms are recorded in the register of Shareholders of the Company as Shareholder and the Participants are the partners of the Shareholding Platforms. Each Participant will own the Shares through holding interest in the corresponding Partnership.

The indirect shareholding structure between the Participants and the Company is as follows:



Shareholding Platform: The Shareholding Platform is in the form of a limited partnership. The Participants will enter into partnership agreements to establish 11 Partnerships as the Shareholding Platforms under the Employee Share Ownership Scheme.

The Company has established a Management Committee, which determines the general partner of each Partnership, whilst all other Participants are limited partners. The general partner shall execute the matters of the Partnership and the limited partners do not directly participate in the operation and management of the Partnership.

The registered capital, the list of partners and the equity interest of each Partnership shall be determined by the Management Committee based on the details of the Participants and the Subject Shares granted to them. The Participants shall be indirectly entitled to the corresponding interests of the Subject Shares based on their equity interest held in the Partnership.

Participants: The Participants mainly include the Company's (i) Directors, supervisors and senior management; (ii) middle management; (iii) core technical employees and core business employees; and (iv) other Participants identified by the Board. The number of Participants who meet the above conditions and participate in the Employee Share Ownership Scheme will not exceed 500.

The Participants shall be as employees of the Group at the time when the Subject Shares are granted.

Grant of Subject Shares: (i) Grant Date

The Grant Date shall be the date of which the Employee Share Ownership Scheme was considered and approval at the EGM.

- (ii) The number and allocation of the Subject Shares to be granted

The total number of Subject Shares⁽¹⁾ involved in the Employee Share Ownership Scheme shall not exceed 30,000,000 Shares, representing not more than 2.10% of the Company's total share capital as at the date of this announcement. Taking into comprehensive account the importance of duties, performance and personal development potential, the number of Subject Shares granted to the Participants is specified in the table below:

| Name | Position | Number of shares to be granted ('000 Shares) |
|---|-------------------------------------|---|
| Zhang Jianxin | Chairman, executive Director | 1,000 |
| Yin Bo | Executive Director, general manager | 1,000 |
| Xia Jinjing | Executive Director | 250 |
| Cao Huan | Employee representative supervisor | 180 |
| Guo Hao | Employee representative supervisor | 70 |
| Gan Xinye | Deputy general manager | 250 |
| Yang Long | Deputy general manager | 250 |
| Li Xiliang | Deputy general manager | 250 |
| Liu Xiubing | Deputy general manager | 250 |
| Zheng Weijie | Chief accountant | 200 |
| Zhang Juan | Secretary to the Board | 180 |
| Middle management, core technical and business employees and other participants identified by the Board (not more than 489) | | not more than 26,120 |
| Total | | not more than <u>30,000</u> |

Note:

- (1) The total number of the Subject Shares represents the number of Shares indirectly held by the Participants through the Partnerships, which will be converted into the corresponding equity interest in the Partnership.

The Subject Shares shall not be pledged, guaranteed or used to repay debts.

(iii) Grant Price

The Grant Price of the Subject Shares will be set at RMB13.73 per Share with reference to the latest issuance price of the Domestic Shares.

If there is any dividend distribution, capitalization of capital reserve or bonus issue of the Company after the implementation of the Employee Share Ownership Scheme and before the completion of the registration of Shares by the Participants, the price of the Subject Shares shall be subject to ex-rights or ex-dividend adjustment (i.e. with non-weighted voting right).

(iv) Source of the Subject Shares

The Subject Shares under the Employee Share Ownership Scheme shall be the Domestic Shares held by TBEA which will be transferred to the Partnerships. The Participants shall establish 11 Partnerships with monetary fund, and each Partnership is the transferee of the Domestic Shares transferred by TBEA.

(v) Source of funds

The source of funds for the Participants to participate in the Employee Share Ownership Scheme shall be the legal remuneration or self-raised funds obtained through other means as permitted by laws and regulations. The Company shall not provide the Participants with loans or any other forms of financial assistance, including guarantees for any loans obtained by the Participants. The Participants shall undertake that the source of such funds is legal.

Lock-up period: The lock-up period of the Employee Share Ownership Scheme shall start from the Grant Date to the end of 36 months after the listing date of the Company's A Shares. If the Company fails to materialize the A Share Offering and there is no further plan for it at that time, the "Special exit circumstances" as stated below will be automatically triggered. In such circumstances, the lock-up period shall be 3 years from the Grant Date.

Exit mechanism: (1) Exit during the lock-up period

(i) During the lock-up period, the Participants may continue to hold all or part of the Subject Shares in the following positive exit circumstances, among which, in the event of the Participants' death arising out of and in the course of his/her employment, the interests to which the Participants is entitled under the Employee Share Ownership Scheme shall be enjoyed by his successor, and such successor shall undertake that the realization of the interests shall be complied with the relevant provisions of the Employee Share Ownership Scheme. If the Participants decide to exit or partially exit, such portion of the Subject Shares held by them shall be transferred to the general partners of the Partnerships or a third party designated by the general partners at the Grant Price. Positive exit circumstances include:

- (a) the Participants' termination of labor relationship with the Company at the mandatory retirement age;
- (b) the Participants' incapacity arising out of and in the course of his/her employment;
- (c) the Participants' death or declared death arising out of and in the course of his/her employment;
- (d) the Participants' request for the partial transfer of the Subject Shares due to personal reasons while maintaining a labor relationship with the Company; and
- (e) other positive exit circumstances as determined by the Company.

- (ii) During the lock-up period, the Participants must exit from the Employee Share Ownership Scheme in the event of any neutral exit circumstances as follows, and the Subject Shares must be mandatorily transferred. The Subject Shares held by them shall be transferred to the general partners of the Partnership or a third party designated by the general partners at the Grant Price. Neutral exit circumstances include:
 - (a) the Participants' expiry of labor contracts without renewal;
 - (b) the Participants' resignation after negotiation and in agreement with the Company;
 - (c) the Participants' unsuitability for further employment with unilateral termination of employment or labor contracts by the Company;
 - (d) the Participants' incapacity not arising out of or in the course of his/her employment;
 - (e) the Participants' death or declared death not arising out of or in the course of his/her employment; and
 - (f) other neutral exit circumstances as determined by the Company.

- (iii) During the lock-up period, the Participants must exit from the Employee Share Ownership Scheme in the event of any negative exit circumstance as follows, and the Subject Shares must be mandatorily transferred. The Subject Shares held by them shall be transferred to the general partners of the Partnership or a third party designated by the general partners at the Grant Price. In addition, the Company shall be entitled to deduct the loss caused to the Company from the Participants' contributed capital. Negative exit circumstances include:

- (a) violation of relevant PRC laws, administrative regulations or the Articles of Association, which results in significant economic loss of the Company;
- (b) serious dereliction of duty, malfeasance, fraud, bribery, solicitation of bribes, embezzlement, theft, disclosure of operation and technical secrets, and other illegal behavior and disciplinary violations that cause significant damage to the Company;
- (c) malicious termination of employment, such as unilateral termination or cancellation of the contract, or non-renewal of the contract without the consent of the Company;
- (d) holding a position in a peer industry or competing with the Company during the employment that cause damage to the Company's interests; and
- (e) other negative exit circumstances detrimental to the Company's interests as determined by the Company.

(2) Exit after the lock-up period

After the expiration of the lock-up period, if the Company completes the A Share Offering, the Partnership will decrease its shareholding in the Company according to the prevailing market price, or the Management Committee will decide whether to liquidate the Partnerships at that time. The Participants will realize the corresponding gains according to their shares in the Partnerships. In the event of any negative exit circumstances as described above, the Company is entitled to deduct the loss caused to the Company from the Participants' contributed capital and gains.

The reduction in the Company's Shares by the Shareholding Platforms is subject to the relevant laws and regulations at the time, and the specific executor of the reduction-related matters is the general partner of the Partnership.

(3) Special exit circumstances

After three years from the Grant Date, if the Company has not completed the A Share Offering and no longer has any plan for it, the Participants may, through the Partnership, decide whether to transfer its Shares in the Company to TBEA or other third party at a transfer price to be determined through negotiation.

(4) Exit management

(i) Window period management: During the lock-up period of the Employee Share Ownership Scheme, the window period is from 1 June to 30 June and 1 December to 31 December of each year, during which the transfer of Shares by the Participants and the change of industrial and commercial registration are processed centrally, and the returns will be refunded to the personal accounts of the Participants according to the corresponding circumstances. The Participants may only submit such application during the window period of each year subject to the Company's unified arrangement and handling.

(ii) Black-out period for the offering: Once the Company applies for the A Share Offering with the CSRC, the black-out period for the offering will start and the window period will be closed, during which no change of Shares will be made pending the completion of the A Share Offering of the Company.

Cash dividend
management:

In the event of cash dividend made by the Company, the Participants may participate in the dividend distribution through the Partnerships.

Management of the changes in the Subject Shares:

In the event of transfer of surplus reserve into share capital or bonus issue of the Company during the lock-up period, the Shares newly acquired by the Participants accordingly shall be locked up and shall not be transferred. The lock-up period of such Shares shall be the same as the lock-up period of the original Subject Shares held by the Participants.

In the event of a change in the total share capital of the Company, such as an allotment or issuance of Shares, all the Participants under the Employee Share Ownership Scheme shall decide whether and how to participate through the Partnerships.

Non-compete provisions:

The Participants are subject to the non-compete provisions. During the term of the employment and for a period within two years after the termination of employment, the Participants shall not, directly or indirectly, as an individual or as an owner, licensor, licensee, itself, agent, employee, independent contractor, landlord, partner, lessor, shareholder, director or manager of a business or in any other name:

- (i) invest in or engage in a business of the same or the competitive nature as the Company, or establish an organization engaged in a competing business;
- (ii) without the prior written consent of the Company, hold any position, including shareholders, partners, directors, supervisors, managers, employees, agents, consultants, etc. in other enterprises, public institutions and social groups that manufacture or operate similar products or provide similar services as the Company; and

- (iii) persuade, induce, encourage or otherwise cause (a) any management or employee of the Company or its subsidiaries to terminate the employment of such management or employee with the Company or its subsidiaries; (b) any customer, supplier, licensee, licensor or other person or entity having an actual or potential business relationship with the Company or its subsidiaries (including any potential customer, supplier or licensee, etc.) to terminate or otherwise change its business relationship with the Company or its subsidiaries.

If the Participants violate the above rules, the Company shall be entitled to require the return of all proceeds from the transfer and/or sale of the Subject Shares within two years prior to the date of termination of employment.

Implementation
procedures and
management:

- (i) The general meeting of the Company is the highest decision-making body of the Employee Share Ownership Scheme and authorizes the Board to consider and approve the implementation, changes and termination of the Employee Share Ownership Scheme after the consideration and approval of the Employee Share Ownership Scheme.
- (ii) The Management Committee is responsible for the formulation of the Employee Share Ownership Scheme, the approval of the list of the Participants and the allocation plan, the establishment of the Partnerships, the determination of the general partners, and the arrangement of the execution of the partnership agreements and other implementation documents. The Management Committee consists of the chairman of the Board, the general manager, the secretary to the Board, the chief accountant and the chief human resources officer of the Company.

- (iii) The human resources department, the finance department and the securities department of the Company are responsible for the daily management of the Employee Share Ownership Scheme, including the handling of relevant procedures such as dividend distribution, exit of the Participants, realization of income and tax payment, and change of industrial and commercial registration of the Partnerships. All Participants shall fulfill their tax obligations in accordance with the requirements of the PRC laws, and the Partnerships shall withhold and pay the taxes on their behalf.

GENERAL

The Employee Share Ownership Scheme does not constitute a share option scheme nor an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules and is a discretionary scheme of the Company.

Each of Mr. Zhang Jianxin, Mr. Yin Bo and Mr. Xia Jinjing (all being executive Directors) is a Participant, and all of them have abstained from voting on the resolution for considering and approving the proposed adoption of the Employee Share Ownership Scheme at the Board meeting. Save as disclosed above, none of the other Directors has a material interest in above matters and shall abstain from voting on relevant resolutions at the Board meeting.

The EGM will be held by the Company to consider and, if thought fit, approve, among other things, the proposed adoption of the Employee Share Ownership Scheme.

A circular containing, among other things, further details of the Employee Share Ownership Scheme and the notice convening the EGM will be despatched to the Shareholders in due course.

The Employee Share Ownership Scheme is subject to, among other things, the approval from the Shareholders, and may not materialize as described or not materialize at all. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

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| “A Share Offering” | the proposed initial public offering of A Shares by the Company and proposed offering on the Shanghai Stock Exchange |
| “Articles of Association” | the articles of association of the Company, as amended from time to time |
| “Board” | the board of directors of the Company |
| “Company” | Xinte Energy Co., Ltd. (新特能源股份有限公司), a joint stock company with limited liability incorporated under the laws of the PRC on 20 February 2008, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1799) |
| “Controlling Shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “CSRC” | China Securities Regulatory Commission |
| “Director(s)” | the director(s) of the Company |
| “Domestic Share(s)” | ordinary domestic share(s) with par value of RMB1.00 each in the share capital of the Company |
| “EGM” | the first extraordinary general meeting of 2022 to be held by the Company in due course to consider and, if thought fit, to approve, among other things, the Employee Share Ownership Scheme |
| “Employee Share Ownership Scheme” | the 2022 employee share ownership scheme proposed to be adopted by the Company |

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| “Grant Date” | the date on which the Subject Shares are granted to the Participants pursuant to the Employee Share Ownership Scheme |
| “Grant Price” | price of the Subject Shares granted to the Participants under the Employee Share Ownership Scheme |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Management Committee” | the management and implementation committee for the Employee Share Ownership Scheme established by the Company |
| “Participant(s)” | participant(s) of the Employee Share Ownership Scheme |
| “Partnerships” or “Shareholding Platforms” | the limited partnerships to be established by the Participants to hold the Domestic Shares to be transferred by TBEA |
| “PRC” or “China” | the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | Share(s) of the Company, including Domestic Shares and H Shares |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subject Share(s)” | the Domestic Share(s) to be granted to the Participants pursuant to the Employee Share Ownership Scheme |

“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), is the controlling shareholder of the Company as at the date of this announcement

“%”

per cent

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

Xinjiang, the PRC
15 March 2022

As at the date of this announcement, the Board consists of Mr. Zhang Jianxin, Mr. Yin Bo and Mr. Xia Jinjing as executive Directors; Mr. Zhang Xin, Mr. Huang Hanjie and Ms. Guo Junxiang as non-executive Directors; Mr. Cui Xiang, Mr. Chen Weiping and Mr. Tam, Kwok Ming Banny as independent non-executive Directors.