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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)

DISCLOSEABLE TRANSACTION

DEEMED DISPOSAL

INVESTMENT AGREEMENT

On 21 February 2020, the Company, Guiding Fund and Crystal Silicon Hightech entered into the Investment Agreement, pursuant to which Guiding Fund agreed to make a capital injection in the amount of RMB600,000,000 to Crystal Silicon Hightech. Upon completion of the Capital Injection, Crystal Silicon Hightech will be held as to 68.65% by the Company, 25.65% by Guiding Fund and 5.70% by Socus Silicon, and will remain a subsidiary of the Company.

LISTING RULES IMPLICATIONS

Upon completion of the Capital Injection, the Company's interest in Crystal Silicon Hightech will decrease from 92.34% to 68.65%. As such, the Capital Injection and the entering into of the Investment Agreement will constitute a deemed disposal under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Injection exceed 5% but are below 25%, the Capital Injection constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and will be subject to reporting and announcement requirements under the Listing Rules.

INTRODUCTION

On 21 February 2020, the Company, Guiding Fund and Crystal Silicon Hightech entered into the Investment Agreement. Pursuant to which, Guiding Fund agreed to make a capital injection in the amount of RMB600,000,000 to Crystal Silicon Hightech to acquire 25.65% of the equity in Crystal Silicon Hightech. Proceeds from the Capital Injection will be used by Crystal Silicon Hightech to improve the quality of polysilicon products as well as extension of silicon-based and zirconium-based industrial chain; repayment of shareholder loans and bank facilities related to the main business, and replenishment of its working capital.

Investment Agreement

The principal terms of the Investment Agreement are summarized as follows:

Date	21 February 2020
Parties	(i) the Company; (ii) Guiding Fund; and (iii) Crystal Silicon Hightech

Subject Matter

Guiding Fund agreed to make a capital injection in the amount of RMB600,000,000 to Crystal Silicon Hightech to acquire 25.65% of the equity in Crystal Silicon Hightech.

Consideration and Use of Proceeds

The amount of the Capital Injection payable by Guiding Fund to Crystal Silicon Hightech is RMB600,000,000. Such consideration shall be made in cash to Crystal Silicon Hightech within ten working days upon signing of the Investment Agreement and upon completion of the procedures to change to a joint supervision bank account. The transaction will be completed on the date when Guiding Fund pays the Capital Injection amount to Crystal Silicon Hightech.

The percentage of Crystal Silicon Hightech's equity acquired by Guiding Fund through a capital injection of RMB600,000,000 was arrived at after arm's length negotiation between the parties to the Investment Agreement, which has taken into consideration of, among others, the audited net asset value of Crystal Silicon Hightech as at 31 December 2018 and its business prospects and development direction.

Proceeds from the Capital Injection received by Crystal Silicon Hightech will be used to improve the quality of polysilicon products as well as extension of silicon-based and zirconium-based industrial chain; repayment of shareholder loans and bank facilities related to the main business, and replenishment of its working capital. To ensure that the proceeds are used for the above designated purposes, Crystal Silicon Hightech and Guiding Fund will change the account Guiding Fund pays in the Capital Injection amount into a joint supervision bank account within 30 working days after the Investment Agreement becomes effective, and capital expenditure from that account will only be paid out with the written consent of Guiding Fund.

Shareholding Structure

The shareholding structure of Crystal Silicon Hightech immediately before and after the completion of the Investment Agreement is as follows:

Name of shareholder	Before the completion of the Investment Agreement		Immediately after the completion of the Investment Agreement	
	Amount of registered capital of Crystal Silicon Hightech (RMB)	Percentage	Amount of registered capital of Crystal Silicon Hightech (RMB)	Percentage
The Company	1,605,859,840	92.34%	1,605,859,840	68.65%
Guiding Fund	—	—	600,000,000	25.65%
Socus Silicon	133,300,000	7.66%	133,300,000	5.70%
Total:	<u>1,739,159,840</u>	<u>100.00%</u>	<u>2,339,159,840</u>	<u>100.00%</u>

Corporate Governance

After completion of the Capital Injection, the board of directors of Crystal Silicon Hightech shall comprise five directors. Three directors and one director shall be nominated by the Company and Guiding Fund respectively; and the chairman shall be a director nominated by the Company, and resolutions of the board of directors must be approved by more than half of the directors.

Exit Mechanism of Guiding Fund

Exit Events

Should any of the following events occur, Guiding Fund shall have the right to require the Company, its connected persons or its designated persons to repurchase all of the equity interest of Guiding Fund in Crystal Silicon Hightech at the Transfer Price (as defined below):

- (1) within five years after completion of the Capital Injection, the cumulative cash dividend paid by Crystal Silicon Hightech to Guiding Fund is less than 60% of the Capital Injection amount paid by Guiding Fund to Crystal Silicon Hightech;
- (2) there is material deviation between the data and information provided by Crystal Silicon Hightech and the actual situation or concealment, misleading, false statement or suspected fraud in the process of information disclosure;
- (3) Crystal Silicon Hightech or the Company intentionally and materially violates the Investment Agreement or articles of associations, and fails to make improvements within 15 days from the date of the written reminder of Guiding Fund;
- (4) the business license of Crystal Silicon Hightech is revoked, ordered to close down or deregistered, liquidation and transfer of core assets or other events that have a significant impact on the renewal of Crystal Silicon Hightech occur for any reason;
- (5) the Company pledges its equity in Crystal Silicon Hightech or creates any other encumbrances without the consent of Guiding Fund;
- (6) there are material changes in Crystal Silicon Hightech or its existing shareholders that had or will have a material impact on the operation of Crystal Silicon Hightech;
- (7) Crystal Silicon Hightech fails to engage an accounting firm qualified for securities business to audit its financial statements, and issue the audit report before April 30 of each year, apart from cases where the audit report is issued after April 30 due to force majeure;
- (8) the Company directly or indirectly sells, grants or otherwise disposes any equity of Crystal Silicon Hightech held by it without the written consent of Guiding Fund; and

- (9) the following matters are conducted without the written consent of Guiding Fund:
- (i) apart from employee shareholding platform, Crystal Silicon Hightech accepts investment from new investors at a price below RMB1 per share or carries out any other actions that may reduce the effective shareholding ratio held by Guiding Fund in Crystal Silicon Hightech;
 - (ii) the business scope and principal business of Crystal Silicon Hightech is subject to substantial adjustment or any termination or major changes in the existing business of Crystal Silicon Hightech;
 - (iii) all or most of the goodwill of Crystal Silicon Hightech are sold or disposed;
 - (iv) a transaction or a series of transactions are carried out resulting in the transfer of more than 50% of the voting rights in Crystal Silicon Hightech or its subsidiaries;
 - (v) any important trademark and patents or intellectual property rights owned by Crystal Silicon Hightech are sold, transferred, pledged or surrendered;
 - (vi) the power, priority, rights, special nature or related restrictions of Guiding Fund in Crystal Silicon Hightech are varied; and
 - (vii) proceeds from the Caption Injection received by Crystal Silicon Hightech being used to improve the quality of polysilicon products as well as extension of silicon-based and zirconium-based industrial chain; repayment of shareholder loans and bank facilities related to the main business, and replenishment of its working capital.

Transfer Price

If any of the aforesaid exit events occurs, the consideration payable by the Company, its connected persons or its designated persons to repurchase the equity of Crystal Silicon Hightech held by Guiding Fund (“**Transfer Price**”) shall be calculated as follows:

The amount of the Capital Injection paid by Guiding Fund to Crystal Silicon Hightech \times $(1+3\% \times T \div 360) -$ Dividends obtained by Guiding Fund whilst being a shareholder of Crystal Silicon Hightech

T = number of days from the date on which Guiding Fund pays the Capital Injection (inclusive) to the date on which the Company pays the Transfer Price in full (exclusive)

Anti-dilution

Any further fund-raising activities of Crystal Silicon Hightech (including employee shareholding platform) shall be approved by Guiding Fund. Apart from capital injections by employee shareholding platform to Crystal Silicon Hightech, Guiding Fund is entitled to subscribe the new registered capital of Crystal Silicon Hightech at the same conditions and prices pursuant to its shareholding ratio. If other shareholders of Crystal Silicon Hightech with pre-emptive rights waive their pre-emptive rights, Guiding Fund has the priority to take up the portion that such shareholders have surrendered.

If Guiding Fund does not agree on the Company's transfer of its equity in Crystal Silicon Hightech, it has priority to purchase the equity proposed to be transferred by the Company at the same conditions and prices.

INFORMATION ON THE PARTIES

Crystal Silicon Hightech

Xinjiang Xinte Crystal Silicon Hightech Co., Ltd. is a company established under the laws of the PRC with limited liability on 9 March 2018. It is principally engaged in the production and sale of 36,000 tonnes Polysilicon Project.

Set out below are certain audited financial information of Crystal Silicon Hightech prepared under the generally accepted accounting principles in the PRC for the two years ended 31 December 2017 and 2018:

	For the years ended	
	31 December	
	2017*	2018
	<i>(RMB)</i>	
(Loss) before tax	—	(89,485.61)
(Loss) after tax	—	(89,485.61)

* Crystal Silicon Hightech has not been established on 31 December 2017

The audited total asset value and net asset value of Crystal Silicon Hightech as at 31 December 2018 were RMB5,192,921,198.91 and RMB1,328,210,514.39, respectively.

The Company

Xinte Energy Co., Ltd. is a joint stock company incorporated in the PRC with limited liability on 20 February 2008. The Company is a global leading polysilicon manufacturer and wind and photovoltaic power resource developer and operator. Its main businesses include the production of polysilicon and the provision of engineering, construction and contracting services for photovoltaic and wind power projects. The Company also engages in the manufacturing of the relevant corollary devices (including inverter, flexible direct current and static reactive power compensation devices), which are used in the project construction and contracting business of the Company or sold to the third party vendors.

Guiding Fund

Urumqi Strategic Emerging Industry Xinte Energy Guiding Fund (Limited Partnership) is a limited partnership incorporated in the PRC on 29 September 2019. It will invest in the equity of the relevant enterprises established in Urumqi which are engaged in strategic emerging industries such as high-end equipment manufacturing and new material manufacturing (including the Group's major projects such as quality improvement of polysilicon products as well as extension of silicon-based and zirconium-based industrial chain). Proportion of capital contribution in Guiding Fund committed by the Company is 49.75%; and the financial results of Guiding Fund is not consolidated in that of the Company. Proportion of capital contribution in Guiding Fund committed by Urumqi Key Industry Development Fund Management Co., Ltd. and Xinjiang Hongshan Fund Management Co., Ltd. are 49.75% and 0.5%, respectively. To the best knowledge of the Directors after making reasonable enquiries, Urumqi Key Industry Development Fund Management Co., Ltd. is wholly owned by Urumqi State-owned Assets Management (Group) Co., Ltd.; and the actual controller of Xinjiang Hongshan Fund Management Co., Ltd. is Wang Qiang.

For details of Guiding Fund, please refer to the Company's announcements dated 27 September 2019 and 8 October 2019.

Except for the above mentioned, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Guiding Fund and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

FINANCIAL IMPACT OF THE CAPITAL INJECTION TO THE GROUP

Upon completion of the Capital Injection, the registered capital of Crystal Silicon Hightech will increase from RMB1,739,159,840 to RMB2,339,159,840 and Crystal Silicon Hightech will be owned as to 68.65%, 25.65% and 5.70% by the Company, Guiding Fund and Socus Silicon, respectively. Crystal Silicon Hightech remains a non-wholly-owned subsidiary of the Company and its financial results will continue to be consolidated in that of the Group. It is expected that no gain or loss will be recorded by the Group from the Capital Injection.

REASONS FOR AND BENEFITS OF THE INVESTMENT AGREEMENT

The Group's 36,000 tonnes Polysilicon Project was completed and put into production in May 2019, and is currently in the pilot production phase, striving to achieve the expected targets for product quality and output in the first half of 2020, and starting to contribute to the Group's revenue. After reaching design capacity, the quality of all polysilicon products will reach electronic grade level 2 and above, will be able to supply to the market which requires high-quality mono and polysilicon materials, while some of the products can satisfy the quality requirements of semiconductor-grade electronic chips. In addition, the Group intends to increase its efforts in developing a green, low-carbon and circular economy, and extend the silicon-based and zirconium-based industry chains, allowing it to focus on the existing business while fostering new profit growth points by utilizing the industrial synergy between materials (such as silicon nitride, zirconia and organic silicon) and polysilicon production.

Urumqi advanced structural material industry cluster is one of the emerging national strategic industry clusters, and silicon-based and zirconium-based new materials are a main area to be developed in the future. Guiding Fund conducted the Capital Injection to Crystal Silicon Hightech to support the acceleration of construction of the Group's related projects. To expedite the completion of the related projects and realize its benefits as soon as possible, the Group has utilized fundings such as shareholder loans and bank facilities to pay the initial funds required for construction. Proceeds from the Capital Injection will also be used for repayment of such loans and replenishment of its working capital; which helps the Group to broaden its financing channels, enhance capital strength and reduce finance expenses, as well as build the industry eco-cluster with the support from Urumqi Municipal Government towards development and innovation of leading enterprises in new energy industry, to further utilize the advantages on cost and industrial linkage, optimize industrial layout of the Group and enhance its overall competitiveness.

Based on the foregoing reasons, the Directors (including the independent non-executive Directors) consider that the Investment Agreement was entered into on normal commercial terms, and the terms of the Investment Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Upon completion of the Capital Injection, the Company's interest in Crystal Silicon Hightech will decrease from 92.34% to 68.65%. As such, the Capital Injection and the entering into of the Investment Agreement will constitute deemed disposal under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Injection exceed 5% but are below 25%, the Capital Injection constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and will be subject to reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“36,000 tonnes Polysilicon Project”	36,000 tonnes/year high-purity polysilicon industry upgrade project
“Board”	the board of Directors of the Company
“Capital Injection”	the acquisition of 25.65% equity in Crystal Silicon Hightech by Guiding Fund through capital injection of RMB600,000,000
“Company”	Xinte Energy Co., Ltd., a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Crystal Silicon Hightech”	Xinjiang Xinte Crystal Silicon Hightech Co., Ltd.* (新疆新特晶體硅高科技有限公司), a company established under the laws of the PRC with limited liability, and a non-wholly owned subsidiary of the Company as at the date of this announcement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Guiding Fund”	Urumqi Strategic Emerging Industry Xinte Energy Guiding Fund (Limited Partnership)* (烏魯木齊戰略性新興產業新特能源引導基金(有限合夥)), a limited partnership established in the PRC
“Investment Agreement”	the investment agreement dated 21 February 2020 entered into between the Company, Guiding Fund and Crystal Silicon Hightech, pursuant to which, Guiding Fund agreed to make the Capital Injection
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Socus Silicon”	Xinjiang Socus Silicon Co., Ltd.* (新疆索科斯新材料有限公司), a company established under the laws of the PRC, holding 7.66% of the equity in Crystal Silicon Hightech as at the date of this announcement
“%”	per cent.

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

Xinjiang, the PRC
21 February 2020

As at the date of this announcement, the Board of the Company comprises executive directors Mr. Zhang Jianxin, Mr. Yin Bo and Mr. Xia Jinjing, non-executive directors Mr. Zhang Xin, Ms. Guo Junxiang and Mr. Wang Shi, and independent non-executive directors Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus.

* for identification purpose only