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)

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY

ACQUISITION

On 6 December 2024, the Company entered into the Equity Interest Transfer Agreement with Xinjiang Tianchi and the Target Company, pursuant to which, Xinjiang Tianchi agreed to sell and the Company agreed to acquire 49% of the equity interest in the Target Company at a consideration of RMB1,507,725,800. Upon completion of the Acquisition, the Company will hold 49% of the equity interest in the Target Company, and the financial statements of the Target Company will not be consolidated into the financial statements of the Group but the investment revenue from the Target Company will be accounted and recognized by the Company using the equity method.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xinjiang Tianchi is a subsidiary of TBEA, while TBEA directly and indirectly holds approximately 64.52% of the total issued share capital of the Company and thus is the controlling shareholder of the Company. As such, Xinjiang Tianchi is a connected person of the Company. As Xinjiang Tianchi holds 100% of the equity interest in the Target Company, the Target Company is also a connected person of the Company under the Listing Rules. Therefore, the Acquisition contemplated under the Equity Interest Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition is subject to the announcement requirement under Chapter 14 of the Listing Rules and the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee comprising of all Independent Non-executive Directors has been established to advise the Independent Shareholders in respect of the Acquisition contemplated under the Equity Interest Transfer Agreement. Kingsway Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further information on the Acquisition; (ii) the letter of advice from the Independent Financial Adviser; (iii) the recommendation from the Independent Board Committee; (iv) the EGM notice; and (v) other information prescribed by the Listing Rules is expected to be sent to shareholders of the Company on or before 31 December 2024 in accordance with the Listing Rules.

ACQUISITION

On 6 December 2024, the Company entered into the Equity Interest Transfer Agreement with Xinjiang Tianchi and the Target Company, pursuant to which, Xinjiang Tianchi agreed to sell and the Company agreed to acquire 49% of the equity interest in the Target Company at a consideration of RMB1,507,725,800. Upon completion of the Acquisition, the Company will hold 49% of the equity interest in the Target Company, and the financial statements of the Target Company will not be consolidated into the financial statements of the Group but the investment revenue from the Target Company will be accounted and recognized by the Company using the equity method.

The principal terms of the Equity Interest Transfer Agreement are set out as follows:

Parties:	Xinjiang Tianchi, as the seller The Company, as the acquirer The Target Company
Date:	6 December 2024
Equity Interest of the Target Company to be Acquired:	49% of the equity interest in the Target Company and all rights and obligations attached

Consideration:	The consideration was determined to be RMB1,507,725,800 after arm's length negotiations with reference to the appraised value of the Target Company. The Company will complete the payment in monetary funds within 15 business days after the Equity Interest Transfer Agreement becomes effective.
Corporate Governance Arrangement:	Upon completion of the Acquisition, the board of directors of the Target Company will consist of three directors, of which two are to be appointed by Xinjiang Tianchi and one is to be appointed by the Company. The chairman of the board of directors will be a director appointed by Xinjiang Tianchi.
Agreement in Force:	The Equity Interest Transfer Agreement shall come into effect after it being signed and stamped with official seals by authorized representatives of each party and the transaction contemplated thereunder has been considered and approved by the general meeting of the Company.
Procedures for Closing and the Acquisition:	The effective date of the Equity Interest Transfer Agreement is the closing date. From the closing date, the Company shall enjoy the corresponding rights stipulated and conferred by laws, regulations and articles of association, such as profit distribution, capital injection and entitlement to the distribution of remaining assets, and undertake the corresponding obligations as a shareholder. The Target Company shall complete the registration of its shareholders, amendment of its articles of association and other industrial and commercial registration procedures within one month after the Equity Interest Transfer Agreement comes into effect, and shall issue the capital contribution certificate and provide the amended business license to its shareholders.

PROFIT FORECAST BASED ON THE INCOME APPROACH ADOPTED IN THE VALUATION REPORT

The appraised value of the total shareholders' equity of the Target Company is RMB3,076,991,400 as set out in the Valuation Report prepared by the Valuer based on the income approach with 31 August 2024 as the Valuation Benchmark Date. As the valuation of the Target Company was based on the income approach, it is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

A summary of the Valuation Report containing, among other things, the key assumptions, valuation model and input parameters of the valuation is set out in Appendix I to this announcement.

The Board has confirmed that the profit forecasts have been made after due and careful enquiry. Please see the letter from the Board in Appendix II to this announcement.

The Accountant, SHINEWING Certified Public Accountants LLP, has reviewed the accounting policies and calculations of the profit forecasts in the Valuation Report and has reported on the calculation of the income approach on which the valuation was based. Please see the letter from the Accountant in Appendix III to this announcement.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who provided opinion and advice in this announcement:

Name	Qualification
SHINEWING Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))	Certified Public Accountants
Beijing Shengming Assets Appraisal Co., Ltd. (北京晟明資產評估有限公司)	Independent Valuer

To the best of the Board's knowledge, information and belief and having made all reasonable enquiries, the experts are third parties independent of the Group and its connected persons. As at the date of this announcement, each of the experts:

(i) has given, and has not withdrawn, its written consent to the publication of this announcement that includes its letter and all references to its name in the form and context in which they appear; and

(ii) does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate any person to subscribe for securities in any member of the Group.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability on 25 September 2013 and is a wholly-owned subsidiary of Xinjiang Tianchi as at the date of this announcement. The sole business invested by the Target Company is the North No. 1 Power Plant Project, which was put into operation in October 2019, and its main businesses are thermal power generation, the production and sales of heat and steam.

The following table provides a summary of the consolidated financial information of the Target Company for the periods as stated below:

	For the year ended 31 December 2022 (audited) *RMB (million)*	**For the year ended 31 December 2023 (audited)** *RMB (million)*
Net profit before tax and non-recurring profit and loss items	746.60	914.98
Net profit after tax and non-recurring profit and loss items	637.56	802.52

According to the audited financial information, the total assets and net assets of the Target Company as at 31 August 2024 were approximately RMB4,048.00 million and RMB1,689.49 million, respectively.

INFORMATION ON XINJIANG TIANCHI

Xinjiang Tianchi is a company incorporated in the PRC with limited liability on 29 November 2002 and is a subsidiary of TBEA. As at the date of this announcement, TBEA, a joint stock company incorporated in the PRC and listed on the Shanghai Stock Exchange (stock code: 600089) and a controlling shareholder of the Company, directly holds 85.78% of the equity interest in Xinjiang Tianchi. The principal businesses of Xinjiang Tianchi are the mining and sales of coal, generation and sales of electricity and heat.

INFORMATION ON THE COMPANY

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

REASONS FOR AND BENEFITS OF THE ACQUISITION

1. **Affected by the supply and demand relationship in the polysilicon industry, the Group's profitability has fluctuated significantly and even suffered losses in recent years. In order to reduce significant fluctuations in performance, the Group has actively deployed a new profit contribution unit to improve the profit structure and enhance the operational resilience and risk resistance.**

   The Group generates revenue and profit mainly from three business segments, including the research and development, production and sales of the high-purity polysilicon and the development and construction and operation of wind power and PV power plants. Since the second half of 2023, affected by the slowdown in the growth rate of PV terminal installations and the substantial increase in the supply of polysilicon, there has been an imbalance between supply and demand in the PV industry chain, and the price of polysilicon has irrationally fallen. In April 2024, the polysilicon price declined below the cash cost of polysilicon manufacturers, and the entire polysilicon industry was in a comprehensive loss from the second quarter of 2024. Despite the continuous reduction in the cost of the Group's polysilicon products and the substantial improvement in quality, the Group's performance declined sharply and recorded losses in the first half of 2024. In view of the current supply and demand between upstream and downstream of the PV industry chain, the oversupply in the polysilicon market cannot be fundamentally improved in the short term, and it will take a certain period of time for the backward capacity to be phased out. In the face of increasingly fierce market competition, even if the polysilicon price rises after the phase-out of such capacity, the Group's profit margin will be also greatly narrowed as compared with previous years.

   In order to safeguard the interests of the Company and its shareholders, there is an urgent need for the Group to deploy a new and stable profit contribution unit, improve the profit structure of the Group, reduce the adverse impact on the results of the Group caused by polysilicon market price fluctuations, and enhance the Group's operational resilience and risk resistance.

2. **The thermal power generation industry in which the Target Company operates is an important support for the security of power supply in China.**

The North No. 1 Power Plant Project is a 2×660MW thermal power plant. Thermal power has always been the dominant type of power supply in China. As at the end of 2023, the total installed power capacity in China reached 2.92 billion kW, with a compound growth rate of approximately 9.8% over the past five years, of which the installed capacity of thermal power was approximately 1.39 billion kW as at the end of 2023 (accounting for 47.6% of the total installed power capacity); and the total power generation in China reached 9.46 trillion kWh in 2023, with a compound growth rate of approximately 6% over the past five years, of which the thermal power generation was approximately 6.27 trillion kWh in 2023 (accounting for 66.3% of the total power generation), taking on more than 60% of the power generation task. Therefore, it will still occupy a dominant position in power supply and peak power generation, and serve as the "ballast" for safeguarding power security in China. Especially in the context of the rapid development of new energy, the fluctuation of intermittent energy such as wind power and PV power has brought greater challenges to the stable operation of the power grid, and the flexible adjustment ability of the thermal power can balance the grid load, smooth the fluctuation of new energy and help the stable operation of the power grid. Therefore, taking into account the analysis of China's national conditions, the thermal power will continue to be an important support for China's power supply security for a long period of time in the future, playing an important role in supporting the "double carbon" strategy, guaranteeing energy security and helping the stable operation of the power system.

3. **The North No. 1 Power Plant Project is an auxiliary power supply for "Ultra-High Voltage Transmission (特高壓外送)" channel, which can contribute to long-term and stable revenue.**

The North No. 1 Power Plant Project operated by the Target Company is an auxiliary power supply project of Zhundong — East China (Wannan) ±1,100 KV Ultra-High Voltage Direct Current Transmission Project (准東至華東(皖南) ±1100千伏特高壓直流輸電工程) (the "**Zhundong — Wannan Direct Current Project**"). The Zhundong — Wannan Direct Current Project, which has been put into operation since September 2019, is an ultra-high voltage direct current transmission project with the highest voltage level, the longest transmission distance and the largest transmission capacity worldwide. From 2021 to 2023, the Zhundong — Wannan Direct Current Project recorded electricity transmission of 55 billion kWh, 63.2 billion kWh and 62 billion kWh respectively to other areas, ranking first among the ultra-high voltage projects in China for three consecutive years.

The North No.1 Power Plant Project had a gross margin of approximately 54% in 2023 with a sound revenue level. Benefiting from the growth of electricity demand in East China and the steady improvement of transmission capacity of the Zhundong — Wannan Direct Current Project, as well as the resource location advantages of Zhundong coal — electricity base where the North No.1 Power Plant Project is located, even considering the implementation of the "dual carbon" strategy in the future and the gradual increase in the proportion of new energy generation, the on-grid electricity and revenue level of the North No. 1 Power Plant Project may decrease slightly but will remain stable. Coupled with the low cost of power generation, the North No. 1 Power Plant Project still will have good and stable economic benefits. The Target Company has distributed cumulative cash dividends of approximately RMB2.56 billion to its shareholders from the date of its incorporation to the date of this announcement. Upon completion of the Acquisition, the Company will hold 49% of the equity interest in the Target Company, and the investment revenue from the Target Company will be accounted and recognized by using the equity method, and will be entitled to stable cash dividends and therefore can partially offset the adverse impact of the polysilicon market downturn on the Group's profitability.

4. **The Group possesses self-owned power plant and has professionals and rich experience in thermal power plant management, which enables it to secure profits by appointing director to participate in the management of the Target Company.**

The Group's polysilicon production base in Ganquanpu is equipped with a thermal power generation self-owned power plant, which has been put into operation since 2013 and contributes stable power energy to polysilicon production every year. The Group has a professional thermal power management team, which has the capability and experience in the operation of thermal power plants. After acquiring 49% equity interest in the Target Company, the Company will appoint a Director to participate in the business management of the Target Company, enabling the Company to control investment risks and provide strong support for the sustainable and healthy development of the Target Company, thereby ensuring favorable investment returns for the Company.

FINANCIAL IMPACT OF THE ACQUISITION ON THE COMPANY

Upon completion of the Acquisition, the Company will hold 49% of the equity interest in the Target Company, and the financial statements of the Target Company will not be consolidated into the financial statements of the Group. The North No. 1 Power Plant Project operated by the Target Company has sound and sustainable economic benefits. After the acquisition of 49% equity interest in the Target Company, the Group will account for the Target Company under the equity method and will realize better investment returns, which is conducive to further enhancing the Group's operational resilience and risk resistance, and facilitating the Group's healthy and sustainable development in the long term.

BOARD CONFIRMATION

As at the date of this announcement, as each of the Directors, namely Zhang Xin, Huang Hanjie and Yang Xiaodong, holds a position and/or an interest in TBEA and/or Xinjiang Tianchi, they are deemed to have a material interest in the Acquisition and are required to abstain from voting on the relevant Board resolutions. Save for the above Directors, none of other Directors has been or is deemed to be materially interested in the aforesaid connected transaction.

The Directors (excluding the Independent Non-executive Directors, who will express their opinion after taking into account the recommendations from the Independent Financial Adviser) are of the view that the terms of the Equity Interest Transfer Agreement are determined after arm's length negotiations on normal commercial terms and the transaction contemplated thereunder is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole, although it is not conducted in the ordinary and usual course of business of the Company due to the transaction nature.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xinjiang Tianchi is a subsidiary of TBEA, while TBEA directly and indirectly holds approximately 64.52% of the total issued share capital of the Company and thus is the controlling shareholder of the Company. As such, Xinjiang Tianchi is a connected person of the Company. As Xinjiang Tianchi holds 100% of the equity interest in the Target Company, the Target Company is also a connected person of the Company under the Listing Rules. Therefore, the Acquisition contemplated under the Equity Interest Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition is subject to the announcement requirement under Chapter 14 of the Listing Rules and the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company will seek approval from the Independent Shareholders at the EGM in respect of the Acquisition contemplated under the Equity Interest Transfer Agreement. Such resolution will be put forward by way of an ordinary resolution and decided by way of poll at the EGM. TBEA Group shall abstain from voting on the resolution at the EGM relating to the approval of the Acquisition contemplated under the Equity Interest Transfer Agreement.

The Independent Board Committee comprising of all Independent Non-executive Directors has been established to advise the Independent Shareholders in respect of the Acquisition contemplated under the Equity Interest Transfer Agreement. Kingsway Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further information on the Acquisition; (ii) the letter of advice from the Independent Financial Adviser; (iii) the recommendation from the Independent Board Committee; (iv) the EGM notice; and (v) other information prescribed by the Listing Rules is expected to be sent to shareholders of the Company on or before 31 December 2024 in accordance with the Listing Rules.

DEFINITIONS

"Accountant"	SHINEWING Certified Public Accountants LLP, the auditor of the Company and a third party independent of the Group and its connected persons
"Acquisition"	pursuant to the Equity Interest Transfer Agreement, the Company agreed to acquire and Xinjiang Tianchi agreed to sell 49% equity interest in the Target Company at a consideration of RMB1,507,725,800
"Board"	the board of Directors of the Company
"Company"	Xinte Energy Co., Ltd. (新特能源股份有限公司), a company incorporated in the PRC with limited liability on 20 February 2008, which was converted into a joint stock company with limited liability on 16 October 2012, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1799)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the general meeting of the Company to be convened and held as soon as practicable to consider and, if thought fit (among others), approve the Acquisition contemplated under the Equity Interest Transfer Agreement
"Equity Interest Transfer Agreement"	the equity interest transfer agreement dated 6 December 2024 entered into among the Company, Xinjiang Tianchi and the Target Company in relation to the transfer of 49% equity interest in the Target Company

"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent Board committee comprising of all Independent Non-executive Directors established to advise the Independent Shareholders in respect of the Acquisition contemplated under the Equity Interest Transfer Agreement
"Independent Financial Adviser"	Kingsway Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the transaction contemplated under the Equity Interest Transfer Agreement
"Independent Non-executive Director(s)"	the independent non-executive Director(s) of the Company
"Independent Shareholder(s)"	shareholders other than TBEA and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"MW"	megawatt, a unit of power. The capacity of a power project is generally expressed in MW
"North No. 1 Power Plant Project"	the Wucaiwan north No. 1 power plant 2×660MW pithead thermal power plant project in Zhundong, Xinjiang
"percentage ratio(s)"	has the meaning ascribed to it in Chapter 14 of the Listing Rules
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it under the Listing Rules

"Target Company"	Xinjiang Zhundong TBEA Energy Co., Ltd.* (新疆准東特變能源有限責任公司), a company incorporated in the PRC with limited liability on 25 September 2013 and is a wholly-owned subsidiary of Xinjiang Tianchi as at the date of this announcement
"TBEA"	TBEA Co., Ltd. (特變電工股份有限公司), a joint stock company incorporated in the PRC on 26 February 1993 and listed on the Shanghai Stock Exchange (stock code: 600089). As at the date of this announcement, TBEA directly and indirectly holds 64.52% of the equity interest of the Company and is a controlling shareholder of the Company
"TBEA Group"	TBEA and its associates (excluding the Group)
"Valuation Report"	the valuation report dated 20 November 2024 prepared by the Valuer in respect of the Target Company for the purpose of the Acquisition
"Valuer"	Beijing Shengming Assets Appraisal Co., Ltd.* (北京晟明資產評估有限公司), a third party independent of the Group and its connected persons
"Xinjiang Tianchi"	Xinjiang Tianchi Energy Co., Ltd.* (新疆天池能源有限責任公司), a company incorporated in the PRC with limited liability on 29 November 2002. As at the date of this announcement, TBEA directly holds 85.78% of its equity interest
"%"	per cent

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

Xinjiang, the PRC
6 December 2024

As at the date of this announcement, the Board consists of Mr. Zhang Jianxin, Mr. Yang Xiaodong, Ms. Kong Ying and Mr. Hu Weijun as executive directors; Mr. Zhang Xin and Mr. Huang Hanjie as non-executive directors; and Mr. Cui Xiang, Mr. Chen Weiping and Mr. Tam, Kwok Ming Banny as independent non-executive directors.

* *For identification purpose only*

1. VALUATION SUBJECT AND VALUATION SCOPE

The valuation subject is the value of the total shareholders' equity of the Target Company as at 31 August 2024 (the "**Valuation Benchmark Date**").

The valuation scope covers all the assets and liabilities of the Target Company in the valuation scope as at the Valuation Benchmark Date. As at the Valuation Benchmark Date, the audited book value of total assets of the Target Company was RMB4,048,000,300; the book value of liabilities of the Target Company was RMB2,358,514,600 and the book value of net assets of the Target Company was RMB1,689,485,700. Among them, current assets of the Target Company amounted to RMB959,906,500 and non-current assets of the Target Company amounted to RMB3,088,093,800; current liabilities of the Target Company amounted to RMB788,737,000 and non-current liabilities of the Target Company amounted to RMB1,569,777,600.

The above information on assets and liabilities is extracted from the financial statement of the Target Company for the eight months ended 31 August 2024, audited by Urumqi Branch of SHINEWING Certified Public Accountants LLP. The valuation was carried out based on the audited financial statement of the Target Company.

2. PRINCIPAL ASSUMPTIONS

(1) Basic Assumptions

1) Transaction assumption: Assuming that all assets to be valued are in the course of transaction and the valuation performed by the Valuer is based on comparable market including terms of transaction of the valued assets.

2) Open market assumption: Open market assumption is an assumption on the conditions of the market that the assets are intended to enter and how the assets will be affected under such market conditions. Open market refers to the fully developed and sound market conditions, which is a competitive market with voluntary purchasers and sellers, and in which purchasers and sellers are of equal standing and have opportunities and time to get access to sufficient market information; and parties to the transaction trade voluntarily, rationally, without duress or restriction.

3) Continuous use of assets assumption: Continuous use assumption is an assumption on the conditions of the market that the assets are intended to enter and the status of the assets under such market conditions. It is assumed that, firstly, the valued assets are under use, and secondly, the assets under use will be used continuously. Under the continuous use assumption, since the change of usage or the optimal utilization conditions of the assets are not taken into account, thus the scope of use of the valuation result is limited.

4) Continuing operation assumption: It is an assumption for valuation made by considering the entire assets of the enterprise as the valuation target. That means the enterprise, as a business entity, continues to operate towards its business goals under the external environment it is in. It is assumed that the operators of the enterprise are responsible for and capable of taking up obligations; the enterprise operates in a lawful manner and makes appropriate profit to maintain the ability to operate continuously.

(2) General Assumptions

1) It is assumed that there are no major changes in the national macro-economic situations and the relevant current laws, regulations and policies; there are no significant changes in the political, economic and social environment in the regions where the parties to this transaction are located.

2) It is assumed that the Target Company continues to operate in respect of the actual conditions of the assets as at the Valuation Benchmark Date.

3) It is assumed that the operators of the Target Company are responsible and that the management of the Target Company is capable of fulfilling their duties.

4) It is assumed that the industry in which the Target Company operates its businesses maintains a trend of stable development and there are no significant changes in industry policies, management systems and related regulations.

5) Unless otherwise stated, it is assumed that the Target Company fully complies with all relevant laws and regulations.

6) It is assumed that the accounting policies adopted in the future by the Target Company are generally consistent with the accounting policies adopted in the preparation of the Valuation Report in all material aspects.

7) There are no material changes in the interest rates, exchanges rates, tax bases and rates, policy-based levies, etc.

8) It is assumed that, on the basis of the existing management approach and standards of the Target Company, the business scope and approach in the future are in line with the current direction.

9) It is assumed that there are no other force majeure or unforeseeable factors that may give rise to material adverse impacts on the Target Company.

10) It is assumed that the Target Company has balanced cash inflows and cash outflows after the Valuation Benchmark Date.

11) It is assumed that the Target Company's future annual electricity prices remain the same as at present.

(3) Special Assumptions

1) This valuation is subject to the specific valuation purposes set out in the Valuation Report.

2) Every asset for this valuation is premised on the actual inventory as of the Valuation Benchmark Date, and the current market value of the relevant assets is based on the effective domestic prices as of the Valuation Benchmark Date.

3) In this valuation, it is assumed that all basic information and financial information provided by the client and the Target Company are true, correct and complete.

4) During the future operating period, the Target Company will not materially change its business scope and mode, and its structure of principal businesses, income and cost composition; and the Target Company's future business sales strategies and cost control will remain the same as their status in the last few years without significant changes. The management's business plan and additional investment will be realized as scheduled.

3. SCOPE OF WORK

In conducting this valuation, the Valuer has performed the following:

1) Co-ordinated with the representatives of the Company and the Target Company to obtain the necessary information and documents for valuation;

2) Gathered the relevant information of the Target Company, including the legal documents, financial statements, etc.;

3) Discussed with the Company and the Target Company to understand the history, business model, operation, business development plans, etc. of the Target Company for valuation purpose;

4) Carried out research in the relevant sectors and collected the relevant information from reliable sources for analysis;

5) Studied the available information of the Target Company and considered the basis and assumptions of valuation conclusion; and

6) Selected an appropriate valuation method to analyze the relevant data; estimated the value of the total shareholders' equity of the Target Company as at the Valuation Benchmark Date and prepared the Valuation Report.

4. VALUATION APPROACHES AND VALUATION ANALYSIS

According to the requirements of the asset valuation standards, when conducting enterprise valuation, the Valuer shall consider the applicability of the three basic approaches, namely the asset-based approach, the income approach and the market approach, according to the valuation purpose, the valuation subject, the type of value and the information collection to choose the valuation approach.

The asset-based approach refers to the valuation approach in which, based on the balance sheet of the valuation subject on the Valuation Benchmark Date, the value of on-balance sheet and identifiable off-balance sheet assets and liabilities of the enterprise shall be reasonably evaluated so as to determine the value of the valuation subject. The income approach refers to the valuation approach in which the expected income shall be capitalized or discounted so as to determine the value of the valuation subject. The market approach refers to the valuation approach in which the valuation subject shall be compared with comparable listed companies or comparable transaction cases so as to determine the value of the valuation subject.

As there are few cases of similar equity transaction in China, or although there are similar cases, it is difficult to collect information, such as the transaction background and comparable factors etc., and it is difficult to quantify the impacts of comparable factors on the enterprise value. It is also difficult to find information on comparable companies in the capital market that are similar to the Target Company in terms of asset size and structure, scope of operation and profitability, and therefore the market approach is not applicable to this valuation. The asset-based approach evaluates the fair market value of assets from the perspective of asset replacement, it can only reflect the value of the Target Company's assets, but the asset-based approach cannot comprehensively and reasonably reflect the profitability of the assets and the growth of the enterprise, and cannot cover the value of intangible assets such as contracts in execution, customer resources, patents, goodwill, human resources, etc. On the other hand, the income approach appraises the value of the Target Company by discounting the expected future earnings, which not only considers the assets of the Target Company measured in accordance with accounting principles, but also considers the resources actually owned or controlled by the enterprise that cannot be reflected in the balance sheet, such as contracts in execution, customer resources, sales network, potential projects, enterprise qualifications, human resources, etc. The contributions of these resources are reflected in the net cash flow of the Target Company. Therefore, the valuation conclusion under the income approach can better reflect the overall profitability and growth of the Target Company, and the Target Company has the basis and conditions for continuing operation and the future returns and risks can be predicted and quantified. Therefore, the income approach was finally selected for this valuation.

5. VALUATION MODEL AND INPUT PARAMETERS

(1) Overview

In accordance with the purpose of this valuation, coupled with relevant regulations of the PRC and the Practice Standards for Asset Appraisal — Enterprise Value, the discounted cash flow (DCF) method has been adopted to estimate the value of the equity capital according to the income approach.

DCF method is a method to appraise the enterprise value by converting the expected future cash flow of the enterprise into the present value. That is, by estimating the expected future cash flow of the enterprise and adopting the appropriate discount rate, the expected cash flow is converted into the present value to obtain the enterprise value. The basic conditions for its application are that the enterprise has the basis and conditions for continuous operation; there is a relatively stable corresponding relationship between operation and income, and future income and risk can be predicted and quantified. The key in using the discounted cash flow approach lies in the forecast of expected future cash flow, as well as the objectivity and reliability of data collection and processing. When the forecast of the expected future cash flow is relatively objective and fair and the selection of the discount rate is relatively reasonable, the valuation result will be more objective and will be easily accepted by the market.

(2) Valuation Concept

According to the due diligence of this valuation as well as the asset composition and business operation characteristics of the Target Company, the basic concept of this valuation is to estimate the value of the total shareholders' equity of the Target Company on the basis of its audited financial statements. That is, first of all, the DCF method is adopted to estimate the value of the operating assets of the Target Company by sources of revenue, and the value of the total shareholders' equity of the Target Company is reached after deducting the increase in working capital, principal and interest payments for repayment of debt capital and all capital expenditures required to maintain the projected cash flow growth.

(3) Valuation Model

1) Basic model

$E = P + C_1 + C_2$ *Formula 1*

Wherein:

E: Value of total shareholders' equity;

P: Value of operating assets;

C_1: Value of surplus assets;

C_2: Appraised value of non-operating assets;

In particular, the appraised value of operating assets (P) in Formula 1 is derived according to the following formula:

$P = \sum_{t=1}^{n}[R_t \times (1 + r)^{-t}]$ *Formula 2*

Wherein:

R_t: Free cash flows of equity in period t of the explicit projection period;

t: Number of explicit projection period 1, 2, 3, …, n;

r: Discount rate;

2) Income indicator

In this valuation, the free cash flows of equity are used as an income indicator of operating assets, which is basically defined as: Free cash flows of equity = net profit + depreciation and amortization – increase in working capital – capital expenditure – repayment of principal of interest-bearing debt + new borrowings of interest-bearing debt

Based on the history of the industry in which the Target Company operates and the future market development, the free cash flows of equity in the designed operating life of 20 years are estimated. The free cash flow in the future operation period is discounted and added up to calculate the value of the operating assets of the Target Company.

3) Discount rate

In this valuation, the capital asset pricing model (CAMP) is selected to determine the discount rate r:

$$r = R_f + \beta \times ERP + R_c$$

Wherein:

R_f: Risk-free rate of return;

β : Risk coefficient;

ERP: Equity risk premium;

R_c: Enterprise-specific risk adjustment coefficient;

4) Valuation assumptions and parameters

According to the Valuation Report, as of the Valuation Benchmark Date, the valuation of the Target Company was RMB3,076,991,400. The key valuation assumptions and parameters for the valuation of the Target Company are set out below:

In 2023, the operating revenue of the Target Company was RMB1,982,142,400, and from January to August 2024, the operating revenue was RMB1,313,641,000. Affected by the national double carbon policy, coal power plays a fundamental role in ensuring reliable power supply, system peak adjustment, bulk coal control and low-cost power and heat supply. With the rapid growth of the installations of new energy power generation, coal power generation indicators are being squeezed. Over a long period in the future, the Target Company's revenue is expected to show a certain degree of decline. The compound annual reduction rate is approximately 1.55% from 2024 to 2039.

The Target Company's revenue is mainly divided into electricity sales, heat supply, gas supply, etc. Its production costs mainly consist of power costs, labor, and manufacturing costs. The percentage of costs of the Target Company for the last two years and one period are set out below:

Items	**2022**		**2023**		**January to August 2024**	
	Amount: RMB'0,000	*Percentage*	*Amount: RMB'0,000*	*Percentage*	*Amount: RMB'0,000*	*Percentage*
Power costs	41,146.12	49.56%	38,988.66	43.43%	27,040.54	49.53%
Labor	6,690.81	8.06%	12,625.50	14.06%	5,875.30	10.76%
Manufacturing costs	35,182.55	42.38%	38,161.81	42.51%	21,680.30	39.71%
Total	83,019.49	100.00%	89,775.97	100.00%	54,596.14	100.00%

Based on the Target Company's average percentage of costs for the last two years and one period, among the production costs, power costs represented about 50%, and labor and manufacturing costs in aggregate represented about 50%, and such trend has been maintained during the forecast period.

The discount rate is determined with reference to the Guidelines for Asset Valuation Expert Guideline No. 12 — Calculation of Discount Rates in Valuation of Enterprises by the Income Approach (《資產評估專家指引第12號 — 收益法評估企業價值中折現率的測算》) formulated by the China Appraisal Society. The discounted free cash flow model of equity is adopted, and CAPM is used to determine the discount rate.

(1) Determination of risk-free rate of return

This valuation was based on the assumption of continuing operation, and the revenue period of the Target Company is 20 years. The yield of 10-year treasury bonds is used as the risk-free interest rate in this valuation, i.e., $R_f = 2.41\%$.

(2) Determination of equity risk premium

The equity risk premium is defined as the difference between the average market rate of return and the risk-free rate of return. Among them, the average market rate of return is calculated based on the stock trading price index of Shanghai Stock Exchange and Shenzhen Stock Exchange by using the weighted average of the annualized monthly rates of return from 1992 to 2023. The calculation method is the geometric average rate of return. The calculated equity risk premium is 5.82%.

(3) Determination of risk coefficient

By considering the comparability between the Target Company and the comparable companies in terms of business type, enterprise scale, profitability, growth, industrial competitiveness, enterprise development stage and other stages, appropriate comparable companies were selected. Using the SSE Composite Index as the benchmark index, and based on data from the RoyalFlush iFinD Information Financial Terminal, the estimation was made by using market prices as of the Valuation Benchmark Date. The calculation period spans 250 weeks prior to the Valuation Benchmark Date, resulting in an estimated β for the stock risk coefficient of the comparable companies. The average value of these estimates was used as the expected market risk coefficient (β) for the Target Company, which is 1.4333. The details are as follows in the table below:

Stock code	Stock name	β
600744.SH	HuaYin Electric Power	1.3082
000037.SZ	Shenzhen Nanshan Power A	1.5257
000767.SZ	Jinneng Holding Shanxi Electric Power	1.2015
001896.SZ	Yuneng Holdings	1.6979
Average		**1.4333**

(4) Determination of specific risk adjustment coefficient

Enterprise-specific risk adjustment coefficient refers to the specific risks of an enterprise relative to its comparable enterprises, and the influencing factors mainly include: the operation stage of the enterprise, historical operating conditions, the development stage of the main products, the distribution of the enterprise's business, products and regions, the internal management and control mechanism of the company, the experience and qualifications of the management personnel, the scale of the enterprise's operations, the reliance on the major customers and suppliers, financial risks, the risks of laws, environmental protection and other aspects.

Taking the above factors into consideration, the specific risk adjustment coefficient in this valuation is determined to be 3%.

(5) The discount rate is 13.75% when it is brought into the CAPM.

(6) Sensitivity analysis

Sensitivity analysis of the impact of changes in discount rate on valuation:

When the discount rate of the Target Company changes by -1%, -0.5%, 0, 0.5% and 1%, the sensitivity analysis is calculated as follows:

Unit: RMB'0,000

Target Company	Related indicators	Discount rate -1%	Discount rate -0.5%	Current calculation	Discount rate +0.5%	Discount rate +1%
Xinjiang Zhundong TBEA Energy Co., Ltd. (新疆准東特變能源有限責任公司)	Valuation	325,871.20	316,570.05	307,699.14	299,241.19	291,178.20
	Valuation change	18,172.06	8,870.91	—	-8,457.95	-16,520.94
	Percentage change in valuation	5.91%	2.88%	—	-2.75%	-5.37%

Based on the above factors, the major parameters for the assets valuation of the Target Company are as follows:

Major parameters	Input	Source
Discount rate	13.75%	Capital asset pricing model (CAPM)
Risk-free rate of return	2.41%	10-year long-term treasury bond yield from the Ministry of Finance of the PRC
Equity risk premium (ERP)	5.82%	It is determined based on the Shanghai Composite Index and Shenzhen Composite Index of the Chinese stock market as at the Valuation Benchmark Date
Risk coefficient	1.4333	It is determined based on the average of the β values of public companies engaging in the same industry
Enterprise-specific risk adjustment factor	3.00%	It is determined based on the risk differences with comparable companies in terms of the operation stage of the enterprise, the development stage of the main products, the business operation of the enterprise, the internal management and control mechanism of the company, the experience and qualifications of the management personnel, the scale of the enterprise's operations, the reliance on the major customers and suppliers, financial risks, the risks of laws, environmental protection and other aspects
Income tax rate	15.00%	Corporate income tax rate for the western development

6. VALID PERIOD OF THE VALUATION

The valid period of the valuation conclusion is one year, i.e. from 31 August 2024 to 30 August 2025.

7. LIMITATIONS ON THE USE OF VALUATION REPORT

(1) The Valuation Report shall only be used for the valuation purposes and usages specified in the Valuation Report. The asset valuation institution and its asset valuation professionals shall not be liable if the clients or other users of the Valuation Report fail to use the Valuation Report in accordance with the provisions of laws and administrative regulations and the scope of use specified in the Valuation Report.

(2) The Valuation Report shall only be used by the users of the Valuation Report specified in the Valuation Report. Except for the clients and other asset valuation users stipulated in the asset valuation entrustment contract, no other institution or individual can become the user of the Valuation Report.

(3) The users of the Valuation Report shall correctly understand and use the valuation conclusion. The valuation conclusion is not equivalent to the realizable price of the valuation subject, and the valuation conclusion shall not be considered as a guarantee for the realizable price of the valuation subject. Any excerpts, quotations, or disclosures of all or part of the contents of the Valuation Report in public media must be reviewed by the valuation institution, unless otherwise stipulated by laws, regulations, or agreements with the relevant parties.

(4) The valuation conclusion revealed in the Valuation Report is only valid for the economic behavior corresponding to the Acquisition, and the valid period for using the valuation conclusion in the Valuation Report is one year, that is, it is valid for one year from the Valuation Benchmark Date. Beyond one year, the assets shall be reassessed.

Connected Transaction and Discloseable Transaction in relation to the Acquisition of Equity Interest in the Target Company by Xinte Energy Co., Ltd.

6 December 2024

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Dear Sirs,

Reference is made to the announcement of Xinte Energy Co., Ltd. (the "**Company**") dated 6 December 2024 (the "**Announcement**"), of which this letter forms part. Unless the context otherwise requires, capitalized terms defined in the Announcement shall have the same meanings as those used in this letter.

Reference is made to the Valuation Report issued by the Valuer in respect of the valuation of the entire equity interest in the Target Company using the income approach with 31 August 2024 as the Valuation Benchmark Date, which constitutes a profit forecast as defined under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer the various aspects of the bases and assumptions on which the Valuation Report was prepared, and reviewed such valuation for which the Valuer is responsible. We have also considered the letter issued by our Accountant, SHINEWING Certified Public Accountants LLP, dated 6 December 2024 in relation to the profit forecasts, and we have also considered whether its calculations have been properly prepared in all material respects in accordance with the bases and assumptions set out in the Valuation Report. We note that the profit forecasts of the valuation in the Valuation Report are accurately calculated and consistent in all material respects with the accounting policies currently adopted by the Company.

We hereby confirm that, based on the Valuation Report, the profit forecasts have been made after due and careful enquiry by the Board.

Yours faithfully,

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

INDEPENDENT ACCOUNTANT'S REPORT ON THE DISCOUNTED FUTURE CASH FLOW FORECAST FOR THE VALUATION OF XINJIANG ZHUNDONG TBEA ENERGY CO., LTD.

To the Board of Xinte Energy Co., Ltd. (the "Company")

Our firm (hereinafter referred to as "**we**") refer to the discounted future cash flows on which the Target Company Valuation Report dated 20 November 2024 (hereinafter referred to as the "**Valuation**") prepared by Beijing Shengming Assets Appraisal Co., Ltd.* (北京晟明資產評估有限公司) in respect of the market value of the total shareholders' equity of Xinjiang Zhundong TBEA Energy Co., Ltd. (hereinafter referred to as the "**Target Company**") as at 31 August 2024 are based. The Valuation is set out in the announcement of the Company dated 6 December 2024 in relation to the acquisition of equity interest in the Target Company. The Valuation was prepared on the discounted future cash flows and is therefore regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibilities

The directors of the Company (the "**Directors**") are responsible for the preparation of the discounted future cash flows based on the bases and assumptions determined by the Directors and set out in the Valuation. Such responsibilities include performing appropriate procedures and applying appropriate basis of preparation for the discounted future cash flows used in the preparation of the Valuation; and making estimates that are reasonable based on the circumstances.

Our Independence and Quality Control

We have complied with the independence and other professional ethical requirements as set out in the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control, including formulating policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibilities of Reporting Accountant

Our responsibility is to report on the calculations of discounted future cash flows used in the Valuation in accordance with the requirements of Rule 14.60A(2) of the Listing Rules. The discounted future cash flows do not involve the adoption of any accounting policies.

Basis of Our Opinion

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires us to plan and perform procedures to obtain reasonable assurance as to whether, for the purpose of our calculations, the Directors have properly prepared the discounted future cash flows based on the bases and assumptions adopted by the Directors in the Valuation. We performed procedures for the arithmetic calculation and preparation of the discounted future cash flows on the bases and assumptions adopted by the Directors. The scope of our work was substantially less than the scope of an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express any audit opinion.

Our Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly prepared, in all material respects, in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other Matters

Without qualifying our opinion, we wish to draw your attention to the fact that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based. Nor does our work constitute an evaluation of the Target Company or an audit or review opinion on the Valuation.

The discounted future cash flows are dependent on future events and a number of assumptions that cannot be confirmed and verified in the same way as historical results, and not all assumptions remain valid throughout the period. In addition, as the discounted future cash flows are dependent on future events, it is probable that actual results will differ from the discounted future cash flows as a result of the future events and circumstances that do not develop as expected, and that such differences may be material. The work we perform is intended to be reported solely to you in accordance with Rule 14.60A(2) of the Listing Rules and for no other purpose. We do not assume any liability to any other person for any liability arising from, in connection with or relating to our work.

SHINEWING Certified Public Accountants LLP
Certified Public Accountant

Beijing, China
6 December 2024