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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)

MAJOR TRANSACTION

(1) CAPITAL INJECTION TO INNER MONGOLIA XINTE AND DEEMED DISPOSAL OF EQUITY INTEREST IN INNER MONGOLIA XINTE; AND (2) GRANT OF REPURCHASE OPTIONS

CAPITAL INJECTION AGREEMENT

On 18 June 2021, the Company, Inner Mongolia Xinte and the Investors entered into the Capital Injection Agreement, pursuant to which:

- (a) the registered capital of Inner Mongolia Xinte will be increased from RMB60,000,000 to RMB3,500,000,000, of which the Company and the Investors will inject capital amounting to RMB2,810,000,000 and RMB630,000,000 to Inner Mongolia Xinte, respectively; and
- (b) the Company agreed to grant the Repurchase Option to each of the Investors, whereby each Investor shall have the right at any time during the Repurchase Option Period to request the Company to repurchase all or part of its equity interests in Inner Mongolia Xinte when the Repurchase Conditions are triggered.

As at the date of this announcement, Inner Mongolia Xinte is a wholly-owned subsidiary of the Company. Upon the completion of the Capital Injection, the Company, Jinko Energy and JA Solar Technology will hold 82%, 9% and 9% equity interests in Inner Mongolia Xinte, respectively. Inner Mongolia Xinte will become a non-wholly-owned subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Company.

If the Investors exercise the Repurchase Option, the highest possible monetary value payable by the Company will not exceed RMB857,000,000.

LISTING RULES IMPLICATION

The shareholding of the Company in Inner Mongolia Xinte will be reduced from 100% to 82% upon the completion of the Capital Injection, hence, the Capital Injection by the Investors constitutes a deemed disposal under Rule 14.29 of the Listing Rules. At the same time, the Company's obligation to inject capital to Inner Mongolia Xinte constitutes a transaction of capital injection in a joint venture.

Given that the exercise of the Repurchase Option is not at the discretion of the Company, the transaction contemplated under the Capital Injection Agreement shall be deemed as if the Repurchase Option had been exercised pursuant to the Listing Rules. Hence, the capital commitment of the Company, the deemed disposal of equity interest in Inner Mongolia Xinte to the Investors and the highest possible monetary value payable by the Company under the Repurchase Option shall be aggregated; and as the highest applicable percentage ratio of the transactions exceeds 25% but is lower than 75%, the transactions contemplated under the Capital Injection Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders or their respective associates have any material interests in the Capital Injection Agreement and the transaction contemplated thereunder, thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Capital Injection Agreement and the transactions contemplated thereunder. The Company has obtained the written shareholder's approval of TBEA (the controlling shareholder of the Company holding 783,921,287 Shares, representing approximately 65.33% of the total issued share capital of the Company, as at the date of this announcement), in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules for approving the Capital Injection Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, further details of the Capital Injection Agreement and the transactions contemplated thereunder shall be dispatched to the Shareholders within 15 business days from the date of this announcement in accordance with the Listing Rules. As additional time is required for the Company to prepare and finalize the information to be included in the Circular, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules. It is expected that the Circular will be dispatched to the Shareholders on or before 6 August 2021. The Company will make further announcements after it has obtained the waiver from the Stock Exchange.

I. INTRODUCTION

On 18 June 2021, the Company, Inner Mongolia Xinte and the Investors entered into the Capital Injection Agreement, pursuant to which:

- (a) the registered capital of Inner Mongolia Xinte will be increased from RMB60,000,000 to RMB3,500,000,000, of which the Company and the Investors will inject capital amounting to RMB2,810,000,000 and RMB630,000,000 to Inner Mongolia Xinte, respectively; and
- (b) the Company agreed to grant the Repurchase Option to each of the Investors, whereby the Investors shall have the right at any time during the Repurchase Option Period to request the Company to repurchase all or part of their equity interests in Inner Mongolia Xinte when the Repurchase Conditions are triggered.

As at the date of this announcement, Inner Mongolia Xinte is a wholly-owned subsidiary of the Company. Upon completion of the Capital Injection, the Company, Jinko Energy and JA Solar Technology will hold 82%, 9% and 9% equity interests in Inner Mongolia Xinte respectively, which will remain a subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Company.

II. CAPITAL INJECTION AGREEMENT

The principal terms of the Capital Injection Agreement are summarized as follows:

Date

18 June 2021

Parties

- (1) Company;
- (2) Investors; and
- (3) Inner Mongolia Xinte

Capital Injection

Upon the completion of the Capital Injection, the registered capital of Inner Mongolia Xinte will be increased from RMB60,000,000 to RMB3,500,000,000. The Company and the Investors agreed to make the capital injection in Inner Mongolia Xinte, of which the Company and the Investors contributed RMB2,810,000,000 and RMB630,000,000, respectively. There is no premium for the Capital Injection and the consideration of the Capital Injection was determined as RMB1/registered capital RMB1 after negotiation.

The following table sets forth the shareholders and their shareholding in Inner Mongolia Xinte as at the date of this announcement and upon the completion of the Capital Injection:

Shareholders	As at the date of this announcement		Upon the completion of the Capital Injection	
	<i>Registered capital (RMB0' 000)</i>	<i>Percentage of shareholding (%)</i>	<i>Registered capital (RMB0' 000)</i>	<i>Percentage of shareholding (%)</i>
Company	6,000	100	287,000	82
Jinko Energy	—	—	31,500	9
JA Solar Technology	—	—	31,500	9
Total	<u>6,000</u>	<u>100</u>	<u>350,000</u>	<u>100</u>

The total amount of capital commitment to be made by each of the Investors and the Company in respect of the Capital Injection was determined with reference to the capital required to construct the 100,000-ton Polysilicon Project and the parties' shareholding in Inner Mongolia Xinte; and after arm's length negotiations between the Company and the Investors.

The Capital Injection Agreement will be effective upon signing by the parties and the necessary internal approvals having been obtained by each of the Company and the Investors.

Payment Terms

All funds for the Capital injection shall be paid in cash. The total capital commitment payable by the Company under the Capital Injection Agreement will be paid by its internal resources, including but not limited to the proceeds from the Company's issuance of H shares under the general mandate and/or the issuance of domestic shares under the specific mandate (the "**Proceeds**").

Within 10 working days after the Capital Injection Agreement becomes effective, the Company, Jinko Energy and JA Solar Technology shall contribute RMB1,088,000,000, RMB126,000,000 and RMB126,000,000, respectively to Inner Mongolia Xinte. Inner Mongolia Xinte will complete the equity change registration upon receipt of such capital contributions, which are expected to be completed within one month.

On 30 June 2021 or 10 working days after the Proceeds are in place (whichever is later, but no later than 31 December 2021), the Company, Jinko Energy and JA Solar Technology shall contribute RMB1,722,000,000, RMB189,000,000 and RMB189,000,000, respectively to Inner Mongolia Xinte.

Use of Proceeds

The proceeds received by Inner Mongolia Xinte through the Capital Injection shall be used for the polysilicon business of Inner Mongolia Xinte (including the investment and construction of the 100,000-ton Polysilicon Project) and other purposes considered and approved by the board of directors of Inner Mongolia Xinte, but shall not be used for other business unrelated to the polysilicon business, the shareholder's loan of Inner Mongolia Xinte or other connected transactions that have not been approved by the board of directors and shareholders' meeting of Inner Mongolia Xinte.

Distribution of Profit

During the joint venture period, each shareholder of Inner Mongolia Xinte shall be legally entitled to share the profit of Inner Mongolia Xinte in proportion to their paid-in capital contributions and to bear the losses in proportion to their subscribed capital contributions.

The remaining profit after tax of Inner Mongolia Xinte after making up for the losses and making contributions to the reserve fund shall be distributed in the form of dividends to the shareholders. As approved by the resolution at the shareholders' meeting of Inner Mongolia Xinte, when the net operating cash flow of Inner Mongolia Xinte in the following year is sufficient for the payment of dividends, Inner Mongolia Xinte will distribute at least 60% of the distributable profit of the previous year by the end of June each year to shareholders in the form of dividends based on the proportion of paid-in capital contributions.

Other Terms

After the 100,000-ton Polysilicon Project is put into production, Inner Mongolia Xinte and the Company shall prioritize the supply of polysilicon to the Investors, which shall be implemented based on the terms set out in the sales agreement and polysilicon supply framework agreement to be signed between Inner Mongolia Xinte, the Group's member companies and the Investors. Inner Mongolia Xinte will enter into the polysilicon supply framework agreement with the Investors by 18 July 2021, which shall sets out the terms for the procurement and purchase of polysilicon and its fulfillment. The price of polysilicon sold by the Group to the Investors shall be determined in accordance with market pricing principles, and shall not be higher than that of polysilicon of the same quality that Inner Mongolia Xinte to be sold to the Group or its connected persons during the same period. The Investors shall also give priority to purchasing products of Inner Mongolia Xinte under the same conditions.

Management of Inner Mongolia Xinte

According to the Capital Injection Agreement, upon out completion of the Capital Injection, the corporate governance structure of Inner Mongolia Xinte is as follows:

1. Shareholders' Meeting

The following matters must be approved by shareholders representing more than 90% of the voting rights:

- (i) Increase or decrease of registered capital;
- (ii) Merger, division, change of corporate form, dissolution and liquidation, etc.;
- (iii) Amendments to the company's articles of association;
- (iv) Provision of guarantee in the cases as set out below:
 - a. The single guarantee amount exceeds 10% of Inner Mongolia Xinte's audited net assets of the most recent period;
 - b. The total external guarantees of Inner Mongolia Xinte and its subsidiaries exceed 50% of the audited net assets of Inner Mongolia Xinte of the most recent period;
 - c. The asset-liability ratio of the object exceeds 70%;

- d. The guarantee amount has exceeded 30% of the audited total assets of Inner Mongolia Xinte of the most recent period in the twelve consecutive months preceding; or
 - e. Guarantees provided to shareholders, actual controllers and their connected persons; and
- (v) To determine the amount of connected transactions and pricing principles of Inner Mongolia Xinte; to determine connected transactions whose annual accumulative amount has reached 30% or above of Inner Mongolia Xinte's audited net assets of the most recent period.

Except for the above matters, other matters shall be approved by more than half of the shareholders with voting rights.

2. Board of Directors

The board of directors of Inner Mongolia Xinte shall be comprised of 5 directors, of which 3 shall be nominated by the Company and 1 shall be nominated by each Investor.

Pre-Emptive Rights and Right of Co-Sale

When the Company or the Investors transfer the equity interest of Inner Mongolia Xinte, other shareholders of Inner Mongolia Xinte have the pre-emptive rights to purchase based on their shareholding in Inner Mongolia Xinte under the same conditions, except for transfers to the connected persons of the transferor.

The Company undertakes that after the Capital Injection, the shareholding ratio of the Group in Inner Mongolia Xinte will be not lower than 50% of the total capital contributions. If any members of the Group intend to dispose of all or part of its equity interests in Inner Mongolia Xinte and hence loses its position as the holding company of Inner Mongolia Xinte, and the Investors have no intention to acquire all or part of the equity interest in Inner Mongolia Xinte that the Group intends to sell, the Investors are entitled to request the transferee to purchase all or part of its equity interests in Inner Mongolia Xinte at the same consideration, otherwise the Group shall not dispose such equity interests.

Repurchase Option

The Company granted an option to the Investors, and the exercise of the option is not at the discretion of the Company. Within 5 years from the date when the 100,000-ton Polysilicon Project reaches design capacity (no later than June 2023) (the “**Repurchase Option Period**”), if the actual annual output of the 100,000-ton Polysilicon Project is less than 50,000 tonnes for two consecutive years (except for the suspension or reduction of production caused by force majeure) (the “**Repurchase Conditions**”), each Investor has the right to require the Company to repurchase all or part of its equity interests in Inner Mongolia Xinte (the “**Repurchase Option**”). Within 60 days after the receipt of the Investor’s repurchase request, the Company shall complete the repurchase, and the notice requesting the Company to repurchase shall be issued within 3 months after the Repurchase Conditions are satisfied.

The repurchase price payable by the Company upon the exercise of the Repurchase Option by the Investors shall be calculated in accordance with the following formula:

$$\text{Capital contributions paid by each Investor} \times (1 + \text{average value of LPR of the year when the 100,000-ton Polysilicon Project reaches design capacity to the year of repurchase} / 365 \times \text{the number of days between the receipt of capital contributions paid by the Investor to the completion of repurchase}) - \text{the cumulative value of dividends received by each Investor}$$

The cumulative value of dividends shall be calculated using the following formula:

$$\text{Each dividend received by the Investor} \times \text{average value of LPR from the year of the distribution of each dividend to the year of repurchase} / 365 \times \text{the number of days between the receipt of each dividend to the completion of the repurchase}$$

In the event that the Investors exercise the Repurchase Option, the highest possible monetary value payable by the Company shall not exceed RMB857,000,000 (assuming that (i) the average LPR is 4.85% (i.e. the highest value of LPR for the past three years); (ii) no dividends were distributed to the Investors during the Repurchase Option Period; (iii) the Investors having exercised the Repurchase Option at the end of the Repurchase Option Period; and (iv) the period from the receipt of the capital contributions by each of the Investors to the completion of the Repurchase is 89 months).

III. REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The Board is of the view that the capital injection in Inner Mongolia Xinte by the Company and the Investors pursuant to the Capital Injection Agreement is beneficial to giving play to the professional advantages of all parties in the PV industry chain, strengthen in-depth strategic cooperation, ensure the stable sales or supply of polysilicon products of all parties, and achieve complementary advantages and win-win cooperation. At the same time, the Capital Injection can provide capital for the 100,000-ton Polysilicon Project, accelerate the construction of the project, such that its production capacity can be achieved as soon as possible, and further enhance the Group's market competitiveness.

The Board (including the independent non-executive Directors) is of the view that the terms of the Capital Injection Agreement are fair and reasonable and are made on normal commercial terms, and the Capital Injection is in the interests of the Company and its shareholders as a whole.

Financial Impact of the Capital Injection

The Capital Injection will not cause the Company to lose control over Inner Mongolia Xinte, nor will it result in any gains or losses in the consolidated income statement of the Company.

IV. LISTING RULES IMPLICATION

The shareholding of the Company in Inner Mongolia Xinte will be reduced from 100% to 82% upon the completion of the Capital Injection, hence, the Capital Injection by the investors constitutes a deemed disposal under Rule 14.29 of the Listing Rules. At the same time, the Company's obligation to inject capital to Inner Mongolia Xinte constitutes a transaction of capital injection in a joint venture.

Given that the exercise of the Repurchase Option is not at the discretion of the Company, the transaction contemplated under the Capital Injection Agreement shall be deemed as if the Repurchase Option had been exercised pursuant to the Listing Rules. Hence, the capital commitment of the Company, the deemed disposal of equity interest in Inner Mongolia Xinte to the Investors and the highest possible monetary value payable by the Company under the Repurchase Option shall be aggregated; and as the highest applicable percentage ratio of the transactions exceeds 25% but is lower than 75%, the transactions contemplated under the Capital Injection Agreement constitute a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders or their respective associates have any material interests in the Capital Injection Agreement and the transaction contemplated thereunder, thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Capital Injection Agreement and the transactions contemplated thereunder. The Company has obtained the written shareholder's approval of TBEA (the controlling shareholder of the Company holding 783,921,287 Shares, representing approximately 65.33% of the total issued share capital of the Company, as at the date of this announcement), in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules for approving the Capital Injection Agreement and the transactions contemplated thereunder.

V. GENERAL INFORMATION

Information of the Company

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

Information of Jinko Energy

Jinko Energy is a company incorporated in the PRC with limited liability on 31 May 2021. As at the date of this announcement, it has a registered capital of RMB100,000,000 and is principally engaged in investment activities and the manufacturing of PV equipment and components. According to the best knowledge of the Board after due enquiry, Jinko Energy's holding company is JinkoSolar Holding Co., Ltd. (晶科能源控股有限公司) (a company listed on the New York Stock Exchange, stock code: JKS); while Jinko Energy and its ultimate beneficial owners are independent of and not a connected person of the Company.

Information of JA Solar Technology

JA Solar Technology is a joint stock company incorporated in the PRC with limited liability on 20 October 2000 and listed on the Shenzhen Stock Exchange (stock code: 002459). As at the date of this announcement, it has a registered capital of RMB1,595,253,725 and is principally engaged in the research and development, production and sales of silicon wafers, solar cells and solar cell modules, and the development, construction and operation of PV stations, etc. According to the best knowledge of the Board after due enquiry, JA Solar Technology and its ultimate beneficial owner are independent of and not a connected person of the Company.

Information of Inner Mongolia Xinte

Inner Mongolia Xinte is a company incorporated in the PRC with limited liability on 9 February 2021 and a wholly-owned subsidiary of the Company as at the date of this announcement, it has a registered capital of RMB60,000,000 and is principally engaged in the production and sale of polysilicon. As at the date of this announcement, Inner Mongolia Xinte has not commenced any substantial operations and has no financial data.

Dispatch of Circular

A circular containing, among other things, further details of the Capital Injection Agreement and the transactions contemplated thereunder will be despatched to the Shareholders within 15 business days from the date of the announcement in accordance with the Listing Rules. As additional time is required for the Company to prepare and finalise the information to be included in the Circular, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.41 (a) of the Listing Rules. It is expected that the Circular will be despatched to the Shareholders on or before 6 August 2021. The Company will make further announcements after it has obtained the waiver from the Stock Exchange.

VI. DEFINITIONS

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

“100,000-ton Polysilicon Project”	the 100,000-ton per annum high-purity polysilicon green energy circular economy construction project in Tumed Right Banner, Baotou City, Inner Mongolia Autonomous Region, the PRC
“Board”	the board of directors of the Company
“Capital Injection”	the capital injection to be made by the Company and the Investors in Inner Mongolia Xinte pursuant to the Capital Injection Agreement, details of which are disclosed in this announcement
“Capital Injection Agreement”	the agreement entered into by the Company, Inner Mongolia Xinte and the Investors on 18 June 2021 in relation to investment and construction of the 100,000-ton Polysilicon Project and the Capital Injection and Share Expansion of Inner Mongolia Xinte
“Company”	Xinte Energy Co., Ltd., a joint stock company incorporated in the PRC with limited liability on 20 February 2008
“Controlling shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inner Mongolia Xinte”	Inner Mongolia Xinte Silicon Materials Co., Ltd.* (内蒙古新特硅材料有限公司), a company with limited liability incorporated in the PRC, and a wholly-owned subsidiary of the Company as at the date of this announcement

“Investors”	Jinko Energy and JA Solar Technology
“Jinko Energy”	Shangrao Jinko Energy Industry Development Co., Ltd.* (上饒市晶科能源產業發展有限公司), a company incorporated in the PRC with limited liability
“JA Solar Technology”	JA Solar Technology Co., Ltd. (晶澳太陽能科技股份有限公司), a joint stock company incorporated in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“LPR”	above-5-year Loan Prime Rate
“Percentage ratio”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region of the PRC and Taiwan
“Proceeds”	has the same meaning as ascribed to it under the “Capital Injection Agreement-Payment Terms” of this announcement
“PV”	photovoltaic
“Repurchase Option”	has the same meaning as ascribed to it under the “Capital Injection Agreement-Repurchase Option” of this announcement
“Repurchase Option Period”	has the same meaning as ascribed to it under the “Capital Injection Agreement-Repurchase Option” of this announcement
“Repurchase Conditions”	has the same meaning as ascribed to it under the "Capital Injection Agreement-Repurchase Option" of this announcement

“RMB”	Renminbi, the statutory currency of the PRC
“Shares”	Share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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)
“%”	per cent

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

Xinjiang, the PRC
18 June 2021

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, Mr. Huang Hanjie and Ms. Guo Junxiang, and independent non-executive directors Mr. Cui Xiang, Mr. Chen Weiping and Mr. Tam, Kwok Ming Banny.