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

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

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

新特能源

XINTE ENERGY CO., LTD.

新特能源股份有限公司

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

(Stock Code: 1799)

**(1) CONNECTED TRANSACTION IN RESPECT OF
THE PROPOSED DIRECTIONAL ISSUE OF NEW DOMESTIC SHARES
UNDER THE SPECIFIC MANDATE
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
(3) NOTICES OF EXTRAORDINARY GENERAL MEETING AND
CLASS MEETINGS**

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



A letter from the Board is set out on pages 5 to 19 of this circular. A letter from TC Capital International Limited containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 37 of this circular and a letter from the Independent Board Committee is set out on page 20 of this circular.

The notices dated 23 November 2018 convening the EGM, the H Shares Shareholders Class Meeting and Domestic Shares Shareholders Class Meeting (the “Meetings”) of the Company to be held at Conference Room, 21st Floor of TBEA Co., Ltd. at No.189, South Beijing Road, Changji, Xinjiang, the PRC on Friday, 11 January 2019 at 11:00 a.m., Friday, 11 January 2019 at 11:30 a.m. (or immediately after the conclusion or adjournment of the EGM, whichever is later) and Friday, 11 January 2019 at 12:00 p.m. (or immediately after the conclusion or adjournment of the H Shares Shareholders Class Meeting, whichever is later) respectively, are set out on pages EGM-1, HCM-1 and DCM-1 of this circular.

Whether or not you intend to attend such Meetings, you are reminded to complete the forms of proxy enclosed with this circular, in accordance with the instructions printed thereon and return the same to the Company’s Board secretary office (in case of Domestic Shares Shareholders), at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC, or the Company’s H Share registrar in Hong Kong (in case of H Shares Shareholders), Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 24 hours before the respective time fixed for holding such Meetings (i.e. no later than 11:00 a.m. on Thursday, 10 January 2019) or at any adjournment thereof. Completion and delivery of the said forms of proxy will not prevent you from attending, and voting in person at the Meetings or at any adjourned meetings if you so wish. Reply slips for such Meetings are also enclosed. You are reminded to complete and sign the reply slips (if you are entitled to attend the Meetings) and return the signed slip in accordance with the instructions printed thereon.

13 December 2018

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DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this circular shall have the meanings as follows:

“36,000-ton Polysilicon Project”	the investment in the construction of a 36,000-ton-per-annum high-purity polysilicon production upgrade project;
“Announcement”	the announcement of the Company dated 13 November 2018 in relation to the proposed Directional Issue of Domestic Shares and the proposed amendments to the Articles;
“Articles”	the articles of association of the Company as revised from time to time;
“Board”	the board of Directors;
“BOO Business” or “BOO Power Stations”	the photovoltaic or wind power generation projects built, owned and operated by the Company;
“Class Meeting(s)”	the class meeting of the H Shares Shareholders and the class meeting of the Domestic Shares Shareholders to be held immediately following the EGM to consider and, if thought fit, approve, among other things, the proposed Directional Issue of Domestic Shares and the proposed amendments to the Articles;
“Company”	Xinte Energy Co., Ltd. (新特能源股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange;
“Completion”	the completion of the Directional Issue of Domestic Shares;
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directional Issue of Domestic Shares”	the proposed directional issue of 154,994,838 new Domestic Shares amounting to a total of RMB1,205,859,840 (equivalent to approximately HK\$1.364 billion) to the Subscriber pursuant to the Domestic Share Subscription Agreement under the Specific Mandate;
“Directors”	the directors of the Company;
“Domestic Share Subscription Agreement”	the conditional share subscription agreement entered into between the Subscriber and the Company on 13 November 2018, under which, the Subscriber conditionally agrees to subscribe for, and the Company conditionally agrees to issue, new Domestic Shares at the total subscription price of approximately RMB1.2 billion (equivalent to approximately HK\$1.364 billion);
“Domestic Shares”	ordinary domestic share(s) with par value of RMB1.00 each in the share capital of the Company;
“Domestic Shares Shareholder(s)”	holder(s) of the Domestic Shares;

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“Domestic Shares Shareholders Class Meeting”	the first class meeting of the Domestic Shares Shareholders of 2019 to be convened to consider and, if thought fit, approve, among other things, the proposed Directional Issue of Domestic Shares, the transactions contemplated thereunder and the proposed amendments to the Articles;
“ECC”	Engineering and Construction Contracting, including EPC and BT mode;
“EGM”	the first extraordinary general meeting of the Shareholders of 2019 to be held by the Company at 11:00 a.m. on Friday, 11 January 2019 at Conference Room, 21st Floor of TBEA Co. Ltd. at No. 189, South Beijing Road, Changji, Xinjiang, the PRC to consider and, if thought fit, approve, among other things, the proposed Directional Issue of Domestic Shares, the transactions contemplated thereunder and the proposed amendments to the Articles;
“Group”	the Company and its subsidiaries;
“H Shares”	overseas listed foreign share(s) with a par value of RMB1.00 each in the share capital of the Company, listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars;
“H Shares Shareholder(s)”	holder(s) of the H Shares;
“H Shares Shareholders Class Meeting”	the first class meeting of the H Shares Shareholders of 2019 to be convened to consider and, if thought fit, approve, among other things, the proposed Directional Issue of Domestic Shares, the transactions contemplated thereunder and the proposed amendments to the Articles;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors;
“Independent Financial Adviser” or “TC Capital”	TC Capital International Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Directional Issue of Domestic Shares;
“Independent Shareholders”	Shareholders other than: (i) the Subscriber and (ii) all other persons (if any) who are involved or interested in the Directional Issue of Domestic Shares and the Domestic Share Subscription Agreement;

DEFINITIONS

“Latest Practicable Date”	7 December 2018, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and modified from time to time;
“Long Stop Date of the Subscription Agreement”	11 January 2019, or such other subsequent date as may be agreed by the Company and the Subscriber from time to time in writing;
“Main Board Listing”	listing of the H Shares on the Main Board of the Stock Exchange on 30 December 2015;
“PRC”	the People’s Republic of China but excluding, for the purposes of this circular, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Relevant Period”	the period between 14 November 2017 to 13 November 2018 (inclusive of both dates);
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and modified from time to time;
“Share(s)”	Domestic Share(s) and/or H Share(s);
“Shareholder(s)”	holder(s) of the Shares;
“Specific Mandate”	the specific mandate proposed to be granted by the Independent Shareholders to the Directors at the EGM and Class Meetings to issue the new Domestic Shares and the proposed amendments to the Articles;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the Subscription Price is the issue price of the Domestic Shares, being RMB7.78 per share, which is determined based on the H Shares issue price of HK\$8.8 per share at the time of the Main Board Listing and is converted at the exchange rate of HK\$1 to RMB0.884;
“TBEA” or “Subscriber”	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 the controlling shareholder of the Company;
“Ximeng”	Xilingol League, Inner Mongolia, the PRC;

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“Ximeng BOO Wind Power Project”	the four wind power projects with a total capacity of 975MW, which include the 275MW Fengsheng ultra-high voltage power transmission wind power project in Zhengxiangbaiqi, the 200MW Xinyuan ultra-high voltage power transmission wind power project in Zhengxiangbaiqi, the 300MW Fengding ultra-high voltage power transmission wind power project in Sonid Zuoqi and the 200MW Fengsheng ultra-high voltage power transmission wind power project in Zhengxiangbaiqi;
“Xinjiang New Energy”	TBEA Xinjiang New Energy Co., Ltd.* (特變電工新疆新能源股份有限公司), a joint stock company incorporated with limited liability in the PRC, which is owned as to 98.89% and 1.11% by the Company and CECEP Solar Energy Technology Co. Ltd. (中節能太陽能科技股份有限公司), an independent third party, respectively as at the Latest Practicable Date; and a subsidiary of the Company;
“Xinte Crystal Silicon”	Xinjiang Xinte Crystal Silicon High-Tech Co., Ltd.* (新疆新特晶體硅高科技有限公司), a joint stock company with limited liability incorporated in the PRC, which is owned as to 90% and 10 % by the Company and Xinjiang Socus Silicon Co., Ltd., (新疆索科斯新材料有限公司), an independent third party, respectively as at the Latest Practicable Date; and a subsidiary of the Company; and
“%”	per cent.

In this circular, unless the context otherwise requires, the terms “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

For the purpose of this circular, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1 to RMB0.884. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

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

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

* For identification purpose only

新特能源

XINTE ENERGY CO., LTD.

新特能源股份有限公司

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

(Stock Code: 1799)

Executive Directors:

Mr. Zhang Jianxin (Chairman)
Mr. Yin Bo
Mr. Xia Jinjing

Non-executive Directors:

Mr. Zhang Xin
Ms. Guo Junxiang
Mr. Lin Chengfei (appointed on 12 December 2018)

Independent Non-executive Directors:

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

Registered office:

No. 2499, Mianguangdong Street
Ganquanpu Economic and
Technological Development Zone
(Industrial Park)
High-tech Industrial Development Zone
(New Downtown),
Urumqi, Xinjiang, the PRC

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

No. 2499, Mianguangdong Street
Ganquanpu Economic and
Technological Development Zone
(Industrial Park)
High-tech Industrial Development Zone
(New Downtown),
Urumqi, Xinjiang, the PRC

Principal place of business in Hong Kong:

40th Floor, Sunlight Tower,
No. 248 Queen's Road East,
Wanchai, Hong Kong

13 December 2018

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RESPECT OF
THE PROPOSED DIRECTIONAL ISSUE OF NEW DOMESTIC SHARES
UNDER THE SPECIFIC MANDATE**

**(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND**

**(3) NOTICES OF EXTRAORDINARY GENERAL MEETING AND
CLASS MEETINGS**

INTRODUCTION

Reference is made to the Announcement. On 13 November 2018, the Company entered into the Domestic Share Subscription Agreement with TBEA. Pursuant to the Domestic Share Subscription Agreement, the Subscriber will subscribe for 154,994,838 Domestic Shares to be issued by the Company

LETTER FROM THE BOARD

in the Directional Issue of Domestic Shares. The Subscriber will subscribe for the newly issued Domestic Shares at the Subscription Price of RMB7.78 per share, amounting to a total of approximately RMB1.2 billion (equivalent to approximately HK\$1.364 billion) of Domestic Shares. The Subscription Price was determined after arm's length negotiations between the Company and Subscriber by making reference to the H Shares issue price of HK\$8.8 per share at the time of the Main Board Listing. The exchange rate of Hong Kong dollars into Renminbi is calculated based on the average middle exchange rate published by the People's Bank of China for the five working days before the date on which the resolution for the Directional Issue of Domestic Shares was considered and passed at the Board meeting. The Subscriber will make a one-time full monetary fund payment and remit it into the bank account designated by the Company within 30 working days after the fulfilment of the condition precedent to the Domestic Share Subscription Agreement. Net proceeds from the Directional Issue of Domestic Shares are intended to be used (i) for the 36,000-ton Polysilicon Project; and (ii) for the Ximeng BOO Wind Power Project. The new Domestic Shares will be issued under the Specific Mandate to be sought at the EGM and the Class Meetings. Details of the use of proceeds are set out under the section "Use of Proceeds" of this circular.

The purpose of this circular is to provide the Shareholders with (i) details of the proposed Directional Issue of Domestic Shares under the Specific Mandate and the proposed amendments to the Articles; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Directional Issue of Domestic Shares; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Directional Issue of Domestic Shares; and (iv) notices of the EGM and the Class Meetings.

A. PROPOSED DIRECTIONAL ISSUE OF NEW DOMESTIC SHARES

1. Domestic Share Subscription Agreement

The major terms and conditions of the Domestic Share Subscription Agreement are set out as follows:

Date:

13 November 2018

Parties:

- (1) The Company as the issuer; and
- (2) TBEA Co., Ltd. as the subscriber.

Type of Shares to be issued:

Shares to be issued are Domestic Shares issued in RMB with a nominal value of RMB1.00 per share in the PRC.

The issue method:

The directional issue of the Domestic Shares shall be subject to the approval of the Stock Exchange for the Directional Issue of Domestic Shares and the approvals to be obtained at the EGM and the Class Meetings.

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The Subscription Price and principle for pricing of the new Domestic Shares to be subscribed for:

The Subscriber will subscribe for 154,994,838 Domestic Shares to be issued by the Company. The Subscriber will subscribe for the newly issued Domestic Shares in the Directional Issue of Domestic Shares at the Subscription Price of RMB7.78 per share, amounting to a total of approximately RMB1.2 billion (equivalent to approximately HK\$1.364 billion) of Domestic Shares.

The net proceeds from the Directional Issue of Domestic Shares, after deducting all related fees and expenses, is expected to be approximately RMB1,205,453,200 (equivalent to approximately HK\$1,363,494,574). The net price per newly issued Domestic Share, after deducting all such related fees and expenses, is therefore approximately RMB7.78 (equivalent to approximately HK\$8.80).

The Subscription Price represents a premium of approximately 16.7% over the price of HK\$7.54 per H Share based on the closing price as quoted on the Stock Exchange on 13 November 2018, being the date which the terms of the Domestic Share Subscription Agreement were fixed.

The Subscription Price was determined after arm's length negotiations between the Company and Subscriber by making reference to the H Shares issue price of HK\$8.8 per share at the time of the Main Board Listing. The exchange rate of Hong Kong dollars into Renminbi is calculated based on the average middle exchange rate published by the People's Bank of China for the five working days before the date on which the resolution for the Directional Issue of Domestic Shares was considered and passed at the Board meeting. The Subscriber will make a one-time full monetary fund payment and remit it into the bank account designated by the Company within 30 working days after the fulfilment of the condition precedent to the Domestic Share Subscription Agreement.

According to the Domestic Shares subscription plan, the Company will directionally issue 154,994,838 new Domestic Shares, which represents (i) approximately 21.19% of the existing issued Domestic Shares and approximately 14.83% of the existing total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 17.48% of the enlarged issued Domestic Shares of the Company and approximately 12.92% of the enlarged issued share capital of the Company upon Completion.

Accumulated profits:

The Company's accumulated undistributed profits are shared by all Shareholders (including the Subscriber of the Domestic Shares).

Validity period of the resolutions:

The validity period of the EGM and Class Meetings resolutions in relation to the Directional Issue of Domestic Shares shall be 2 months from the date on which the relevant resolutions are passed at the EGM and the Class Meetings. Where the Board and/or its authorised person has entered into or granted any offer, agreement or purchasing rights in relation to the Directional Issue of Domestic Shares during the validity period of the EGM and Class Meetings resolutions in relation to the Directional Issue of Domestic Shares, and the Company has obtained the approval, permission, filing or registration (if applicable) from the regulatory authorities during the validity period of the EGM and Class Meetings resolutions in relation to

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the Directional Issue of Domestic Shares, the Company may complete the Directional Issue of Domestic Shares within the confirmed validity period of such approval, permission, filing or registration.

Condition precedent to the Domestic Share Subscription Agreement:

Completion under the Domestic Share Subscription Agreement is conditional upon the obtaining of the approval from the Independent Shareholders approving the Directional Issue of Domestic Shares as a special resolution by way of poll at the EGM and the Class Meetings and such approval remaining valid on the date of Completion.

The condition precedent to the Domestic Share Subscription Agreement cannot be waived.

If the condition precedent to the Domestic Share Subscription Agreement is not satisfied on or before the Long Stop Date of the Subscription Agreement, either party shall be entitled to terminate the Domestic Share Subscription Agreement with immediate effect.

Completion:

Completion shall take place on the thirtieth business day after the fulfilment of the above condition precedent, or any later date as agreed by both parties.

Upon the fulfilment of the condition precedent to the Domestic Share Subscription Agreement, the Subscriber shall make payment for the total subscription amount in monetary fund within thirty business days.

Specific Mandate:

The newly issued Domestic Shares will be issued under the Specific Mandate to be sought at the EGM and the Class Meetings.

To ensure that the Directional Issue of Domestic Shares proceeds smoothly, it is proposed that the Shareholders shall authorise the Board and its authorised persons to handle all matters in relation to the Directional Issue of Domestic Shares under the framework and subject to the principles thereof within the validity period of the resolutions at their sole discretion, including but not limited to:

- (1) signing and submitting applications, related reports and other documents in connection with the Directional Issue of Domestic Shares to regulatory authorities or institutions within or outside the PRC, and handling the formalities in respect of review and approval, registration, filing, ratification, consent, etc.;
- (2) finalizing the specific plan for the Directional Issue of Domestic Shares, including determining the exact size of the Directional Issue of Domestic Shares, final pricing, issuance time and issuance method, signing, executing, amending and terminating any agreement, contract or other documents in relation to the Directional Issue of Domestic Shares, as well as adjusting the use of proceeds and other relevant matters;

LETTER FROM THE BOARD

- (3) negotiating with the persons to whom the Domestic Shares will be directionally issued and signing the Domestic Share Subscription Agreement, as well as confirming any amendments thereto;
- (4) handling relevant matters (if any) in obtaining the approvals for the Directional Issue of Domestic Shares from the Stock Exchange and/or other competent regulatory authorities within and outside the PRC;
- (5) engaging and appointing lawyers and other relevant intermediary agencies within and outside the PRC, according to actual needs and for the purpose of the Directional Issue of Domestic Shares, as well as signing the engagement or appointment agreements and other related legal documents;
- (6) making amendments to the Domestic Share subscription plan, according to specific situations at the time of the Directional Issue of Domestic Shares and the relevant approval documents of the competent regulatory authorities;
- (7) signing, executing, amending and completing all documents and making all desirable or appropriate actions or matters in relation to the Directional Issue of Domestic Shares; and
- (8) approving the publication of announcements, circulars and notices in relation to the Directional Issue of Domestic Shares on the websites of the Stock Exchange and the Company, and submitting relevant forms, documents or other materials to the Stock Exchange.

Also, to ensure that the Directional Issue of Domestic Shares proceeds smoothly, the Board and its authorised persons are authorised to amend the provisions of the Articles under the framework, subject to the principles, and according to the actual circumstances of the Directional Issue of Domestic Shares within the validity period of the resolutions, and to handle the procedures in relation to the change of foreign-invested enterprises and business registration.

On the basis that the above authorisations are granted at the Company's EGM and Class Meetings, Mr. Zhang Jianxin (an executive Director and the chairman of the Company), Ms. Guo Junxiang (a non-executive Director) and Ms. Zhang Juan (the secretary of the Board) are authorised by the Board to exercise such authorisations granted by the EGM and Class Meetings, whether individually or jointly.

Shareholders and potential investors should be aware that the proposed Directional Issue of Domestic Shares is subject to the satisfaction of the condition precedent under the Domestic Share Subscription Agreement as set out in the section headed "Condition precedent to the Domestic Share Subscription Agreement" in this circular, and accordingly, the proposed Directional Issue of Domestic Shares may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.

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2. Basis of the Subscription Price

The Subscription Price was determined based on the H Shares issue price at the time of Main Board Listing, after arm's length negotiations between the Company and TBEA, by making reference to (i) the price between the range of the lowest closing price and highest closing price of the H Shares as quoted on the Stock Exchange during the Relevant Period, being HK\$7.12 recorded during the period of 16 October 2018 to 9 November 2018 and HK\$8.92 recorded during the period of 22 November 2017 to 27 November 2017, respectively; and (ii) the average closing price of the H Shares during the Relevant Period, being approximately HK\$7.95. The Subscription Price which was based on the H Shares issue price at the time of Main Board Listing was determined within the lowest and highest, and above the average closing price of the H Shares during the Relevant Period. The Directors considered that the twelve-month Relevant Period would be sufficient to smooth out the effects of any short-term fluctuations in the stock market for the benchmark analysis to determine the Subscription Price based on arm's length basis.

The Directional Issue of Domestic Shares will be subscribed by the Subscriber at the Subscription Price of RMB7.78 per Share (equivalent to approximately HK\$8.8). The Subscription Price per newly issued Domestic Share represents:

- (i) a premium of approximately 11.96% to the price per H Share based on the closing price of HK\$7.86 as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 16.71% to the price per H Share based on the closing price of HK\$7.54 as quoted on the Stock Exchange on 12 November 2018;
- (iii) a premium of approximately 20.55% to the average closing price per H Share of approximately HK\$7.3 as quoted on the Stock Exchange for the 5 consecutive trading days from 6 November 2018 to 12 November 2018; and
- (iv) a premium of approximately 22.05% to the average closing price per H Share of approximately HK\$7.21 as quoted on the Stock Exchange for the 10 consecutive trading days from 30 October 2018 to 12 November 2018.

Taking into account that (i) the H Shares was traded equal to or below the Subscription Price in approximately 98.4% of the total trading days during the Relevant Period; and (ii) the Subscription Price is above the average closing price of the H Shares during the Relevant Period, the Directors believe by making reference to the H Shares issue price at the time of the Main Board Listing is fair and reasonable and in the interest of the Company and Shareholders as a whole.

3. Ranking of new Domestic Shares to be issued

The new Domestic Shares to be issued pursuant to the Domestic Share Subscription Agreement will rank, upon issue, *pari passu* in all respects with the existing Domestic Shares in issue at the time of the directional issue of such new Domestic Shares.

LETTER FROM THE BOARD

4. Shareholding structure of the Company

The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and immediately after the Completion (assuming no other changes to the issued share capital of the Company prior to the Completion):

Name of Shareholder	Share Class	As at the Latest Practicable Date		Immediately after the completion of the Directional Issue of Domestic Shares	
		No. of Shares held	Percentage of total issued Shares	No. of Shares held	Percentage of total issued Shares
TBEA Co., Ltd.	Domestic Shares	628,926,449	60.18%	783,921,287	65.33%
Xinjiang Tebian (Group) Co., Ltd.* (新疆特變電工集團有限公司)	Domestic Shares	58,246,308	5.57%	58,246,308	4.85%
Xinjiang Honglian Venture Capital Co., Ltd.* (新疆宏聯創業投資有限公司)	Domestic Shares	25,616,800	2.45%	25,616,800	2.14%
Jinglong Technology Holdings Limited* (晶龍科技控股有限公司)	Domestic Shares	14,619,883	1.40%	14,619,883	1.22%
Xinjiang Far Excellence Enterprise Management Consulting Co., Ltd.* (新疆遠卓企業管理諮詢有限公司)	Domestic Shares	2,896,800	0.28%	2,896,800	0.24%
Liu Bingcheng	Domestic Shares	774,732	0.08%	774,732	0.06%
Jia Boyun	Domestic Shares	448,560	0.04%	448,560	0.04%
Public Shareholders	H Shares	312,252,430	29.88%	312,252,430	26.02%
TBEA (Hong Kong) Co., Ltd.	H Shares	1,223,200	0.12%	1,223,200	0.10%
Total		1,045,005,162	100.00%	1,200,000,000	100.00%

LETTER FROM THE BOARD

5. Proposed amendments to the Articles

The Board proposed to make certain amendments to the Articles, subject to and upon the Completion, in order to, among other things, reflect the latest shareholding structure of the Company as a result of the issue of the new Domestic Shares.

The amendments set out below are based on the assumption that 154,994,838 shares of new Domestic Shares have been issued.

Before amendment:

Article 20

The Company's total share capital is 1,045,005,162 Shares, including 731,529,532 Domestic Shares, representing 70% of the total share capital; and 313,475,630 H Shares (public), representing 30% of the total share capital.

After amendment:

Article 20

The Company's total share capital is **1,200,000,000** Shares, including **886,524,370** Domestic Shares, representing **73.88%** of the total share capital; and 313,475,630 H Shares (public), representing **26.12%** of the total share capital.

The proposed amendments to the Articles are subject to approval from the Shareholders by way of special resolutions at the EGM and the Class Meetings and the approval of and registration or filing with the relevant PRC government authorities.

6. Use of proceeds

The Company expects to raise net proceeds of approximately RMB1.2 billion (equivalent to approximately HK\$1.363 billion) from the Directional Issue of Domestic Shares. The Company intends to use the proceeds from the Directional Issue of Domestic Shares for the following purposes:

- (i) RMB800 million will be used for the construction of the Ximeng BOO Wind Power Project of the Company, which is a total of four wind power projects with a total capacity of 975MW, including the 275MW Fengsheng ultra-high voltage power transmission wind power project in Zhengxiangbaiqi, the 200MW Xinyuan ultra-high voltage power transmission wind power project in Zhengxiangbaiqi, the 300MW Fengding ultra-high voltage power transmission wind power project in Sonid Zuoqi and the 200MW Fengsheng ultra-high voltage power transmission wind power project in Zhengxiangbaiqi, at the Company's ultra-high voltage power transmission and distribution base in Ximeng, by way of capital increase by the Company to Xinjiang New Energy, a subsidiary of the Company, to conduct the construction of the Ximeng BOO Wind Power Project; and

LETTER FROM THE BOARD

- (ii) approximately RMB400 million of the remaining raised funds will be used for the construction of the 36,000-ton Polysilicon Project of the Company, by way of capital increase by the Company to Xinte Crystal Silicon, a subsidiary of the Company, to conduct the construction of the 36,000-ton Polysilicon Project.

The estimated timeline regarding the utilization of the proceeds is as follow:-

	For the period from 11 January 2019 to 30 June 2019 RMB (million)	For the period from 1 July 2019 to 31 December 2019 RMB (million)	Total RMB (million)
Ximeng BOO Wind Power Project	350	450	800
36,000-ton Polysilicon Project	405	N/A	405

7. Reasons for and benefits of the Directional Issue of Domestic Shares

(i) To meet the capital needs for the 36,000-ton Polysilicon Project

The Company has been engaged in the construction of polysilicon projects since 2008, and its polysilicon production capacity is currently 30,000 tons/year. Its capabilities in terms of production volume, quality and cost control are in an industry-leading position. To capture the market and seize the opportunities brought by the rapid development of photovoltaic industry, and to make full use of its advantages in the abundant coal resources in Xinjiang and low power generation cost of its self-owned power plants, the Company commenced the construction of the 36,000-ton Polysilicon Project in April 2018, and continues to improve the production volume and quality of polysilicon and reduce costs by leveraging on the scale effect, in order to maintain and enhance the Company's industry-leading position.

The proposal of the construction of 36,000-ton Polysilicon Project has been approved at the second extraordinary Board meeting of 2018 held on 27 February 2018 and at the first extraordinary general meeting of 2018 held on 16 April 2018. The total investment amount for the project is RMB4.056 billion. The polysilicon production industry was affected by the introduction of the "Photovoltaic 531 New Policy", and banks have raised the borrowing requirements for polysilicon projects in the industry. To reduce financing burden and expedite the construction work of the project, the Company intends to increase the capital of Xinte Crystal Silicon, a subsidiary of the Company, using approximately RMB400 million of the raised funds from the Directional Issue of the Domestic Shares for the construction of the 36,000-ton Polysilicon Project. The 36,000-ton Polysilicon Project is expected to be completed and commence production in the first quarter of 2019, by then the product quality will all reach electronic grade level 2 or above, which could serve the market of materials for quality monocrystalline silicon wafers and polysilicon wafers. After its completion, the total polysilicon production capacity of the Company will reach 70,000-80,000 tons/year, representing a continuous improvement of the core competitiveness of the Company.

(ii) To satisfy the capital requirements for the expansion of the BOO Business

Since 2015, the Company has transformed strategically from a construction supplier to an operator in order to diversify its income sources. The Company's BOO Business has developed rapidly in the past three years and achieved a relatively high profit margin.

LETTER FROM THE BOARD

As of 31 December 2017, the Company has completed the construction of BOO Power Stations with a power generation capacity of approximately 420MW, and realised a revenue of RMB308 million and a gross profit of RMB201 million from power generation during the year 2017, representing an increase of 141.49% and 121.12% respectively over the same period of the previous year. As of the end of June 2018, the Company has completed the construction of BOO Power Stations with a power generation capacity of approximately 750MW, and realised a revenue of RMB254 million and a gross profit of RMB178 million from power generation in the first half of 2018, representing an increase of 60.13% and 66.54% respectively over the same period of the previous year, with a gross profit margin of 70.22%. To capture premium resources, adjust the proportion of resource allocation between the Company's wind power and photovoltaic power generation, and improve the development structure of the ECC and BOO Business, the Company has expedited the Ximeng BOO Wind Power Project. The Ximeng BOO Wind Power Project has been approved at the third extraordinary Board meeting in 2018 held on 16 April 2018, with a total investment amount of approximately RMB7.5 billion, all of which have been filed with the relevant government authorities and included in the state's plan. At present, major equipment tendering and pre-project construction-related work have been carried out, but capital is insufficient, hence RMB800 million of the raised funds will be used for the construction of the Ximeng BOO Wind Power Project. The construction of the above project is beneficial for the Company in capturing the opportunities in market development, will bring long-term steady income for the Company and further enhance the Company's overall competitive edge, which will be conducive for the healthy, long-term and sustainable development of the Company.

(iii) To further mitigate financial risks

The Company focuses on the research and development of polysilicon products and system integration technology, and continues to improve its production qualities and service capabilities, so as to strengthen and enhance the Company's competitive advantages in the industry. To expand the Company's business scale and enhance its competitive advantage, the Company has been increasing the size of its bank borrowings. Interest-bearing liabilities such as bank borrowings have provided good support and protection when the Company is continuously improving its research and development technology levels, expanding its operation scale and improving its comprehensive profitability. However, significant amount of interest-bearing liabilities has caused the debt of the Company to remain at a relatively high level, leaving little room for further financing, and thus limiting the Company's debt financing capability in capturing market opportunities for further expansion of its business scale.

If the Company continues to maintain a high loan scale in order to meet its funding needs, its financial burden, financial expenses as well as financial risks will increase. After the funds raised through the Directional Issue of Domestic Shares are in place, it will optimise the Company's debt structure, improve the Company's financial position, and improve the Company's debt financing ability, risk resistance capability and profitability.

(iv) Feasibility study of other financing strategies

The Company is of the view that the Directional Issue of Domestic Shares can provide capital for the development of project construction in relation to polysilicon projects and BOO business and further optimise its capital structure and enhance its competitive strength, by lowering its gearing ratio and reducing its financial risks. In addition, the issue of Domestic Shares is not subject to the approval of China Securities Regulatory Commission. The Board

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has proactively considered various capital operation strategies. Before resorting to the Directional Issue of Domestic Shares, the Board had considered other relevant strategies such as the placement of newly issued H Shares, rights issue of Domestic Shares and H Shares, debt financing and issue of corporate bonds and renewable corporate bonds. An analysis of each of these strategies is set out as follows:

(1) Placement of newly issued H Shares:

The Board considers that such option involves uncertainties as to the timing in obtaining approvals from relevant PRC authorities (including China Securities Regulatory Commission), which may affect the timely implementation of the Company's strategies. Apart from the required statutory approvals, any placement of new H Shares will also be subject to the ability to attract quality investors.

(2) Rights issue of Domestic Shares and H Shares:

For similar reasons as set out in paragraph (1) above, there are uncertainties as to the timing in obtaining approvals from relevant PRC authorities (including China Securities Regulatory Commission) for a rights issue of the Domestic Shares and H Shares, which may affect the timely implementation of the Company's strategies. In addition, rights issue will also involve transaction costs such as underwriting fees, and may result in pressure on the Company's share price due to the common market practice of setting the issue price at a discount.

(3) Debt financing

The Directors considered debt financing would not be feasible for the Group to fully support the implementation of the Ximeng BOO Wind Power Project and the 36,000-ton Polysilicon Project as the Group is required to contribute certain amount of investment of the fixed asset investment project by way of capital contribution instead of debt financing in order to satisfy the requirement stipulated by the notice of the State Council on Piloting the System of Registered Capital on Fixed Asset Investment Projects (《國務院關於固定資產投資項目試行資本金制度的通知》). The Company would therefore need to issue Shares in order to raise capital to set aside a proportion of capital money required while using debt financing for energy construction projects at the same time. Furthermore, as mentioned in part (iii) of this section, debt financing will further incur financial expense for the Group and the increase in the leverage of the Group will cause higher financial risk of the Group. Furthermore, the renewal of the debt financing upon maturity is uncertain which would adversely affect the long term development of the energy projects. Finally the requirement for the grant of bank facility is uncertain if there is any policy change related to clean energy industry. Therefore, given the size of the financing and the business scale of the Company, the Directors consider that there is uncertainty for the Company to obtain the required amount from bank financing at favourable terms and could not satisfy capital development for the project construction.

(4) Issue of corporate bonds and renewable corporate bonds

The Directors considered that the issue of corporate bonds would not be feasible with the current development of the Group according to the business plan on the capital requirement stipulated by the notice of the State Council on Piloting the System of Registered Capital on Fixed Asset Investment Projects (《國務院關於固定資產投

LETTER FROM THE BOARD

資項目試行資本金制度的通知》)。Furthermore, there are uncertainties in obtaining approvals from the China Securities Regulatory Commission for the issuance of corporate bonds which will not be able to meet the immediate funding needs for the construction of Ximeng BOO Wind Power Project and 36,000-ton Polysilicon Project. Given that the Company has already proposed to issue certain amount of corporate bonds as stated in the circular of the Company dated 6 November 2018, the Directors also considered to further issue corporate bonds to construct the Ximeng BOO Wind Power Project and 36,000-ton Polysilicon Project will place undue pressure on the already geared-up capital structure of the Company, and makes it very difficult for the Company to incur new debt obligations, particularly at commercially acceptable financing rates from the perspective of the Company. Furthermore, the amount of fund raised is uncertain and may not be able to meet the needs of the construction project as the corporate bonds may not be fully subscribed by investors. The Company believes that any further issuance of the corporate bonds will increase the gearing ratio of the Company which will increase unnecessary financial burden taking into account the high interest expenses for the Company which makes it more difficult for the Company to develop its business operation, thus the Directors believe the Directional Issue of Domestic Shares is a more suitable way of financing for the Company.

Having carefully weighing the above strategies, the Board considers that a subscription of newly issued Domestic Shares by the Subscriber is the most efficient and economical approach to raise funds under the current market circumstances, which satisfies the proposed uses of proceeds as stated in the paragraph headed “5. Use of Proceeds” in this circular. Meanwhile, as the shareholding percentage of the Subscriber in the Company will increase from 60.30% to 65.43%, the interests of the Subscriber will further align with the performance of the Company, thus the Subscriber will have increased intention to provide further support to the Company as to industry policy interpretation, business opportunities, etc., thus bringing benefits to the Company in the long run.

After carefully considering the merits and disadvantages of the above alternative approaches, the Directors believe that, after the receipt of the raised funds from the Directional Issue of Domestic Shares, the Company’s financial strength will be further strengthened, and at the same time the construction of the 36,000-ton Polysilicon Project and the Ximeng BOO Wind Power Project can be expedited. This will be conducive to the full play of the scale effect of polysilicon production in terms of reduced costs, improved project quality, continuous expansion of the scale of BOO Business and improved profitability as well as enhanced overall competitive edge of the Company. At the same time, completing the Directional Issue of Domestic Shares will lower the Company’s gearing ratio, improve its financial structure, mitigate financial risks, and improve the Company’s profitability and solvency, which is in line with the Company’s long-term development strategy and is beneficial to the maximisation of the Shareholders’ overall benefits. As such, the Directors believe that the Directional issue of Domestic Shares is not only the most efficient and cost-effective approach to raise funds as required, but it also demonstrates a strong vote of confidence in the Company by its major shareholder. Therefore, the Directors (other than members of the Independent Board Committee, whose view is contained in this circular after considering the advice of the Independent Financial Adviser) believe that the Directional Issue of Domestic Shares and the transactions contemplated thereunder are fair and reasonable and are entered into on normal commercial terms, and in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

8. Recent fund raising activities

The Company has not conducted any fund raising activities through any issue of equity securities within the 12 months immediately prior to the Latest Practicable Date.

9. Implications under the Listing Rules

As at the Latest Practicable Date, the Subscriber holds 630,149,649 Shares representing approximately 60.30% of the Company's total issued share capital. Pursuant to Chapter 14A of the Listing Rules, as a controlling shareholder, the Subscriber is a connected person of the Company. Therefore, the Directional Issue of Domestic Shares pursuant to the Domestic Share Subscription Agreement constitutes a connected transaction of the Company under the Listing Rules and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

10. Directors' confirmation

The Directors (including the independent non-executive Directors, after considering the advice of the Independent Financial Adviser) are of the view that the terms of the Domestic Share Subscription Agreement (including the Subscription Price) are fair, reasonable and on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole. Mr. Zhang Xin and Ms. Guo Junxiang, who have material interest in the Domestic Share Subscription Agreement, have abstained from voting on the Board resolutions for considering and approving the Domestic Share Subscription Agreement and the transactions contemplated thereunder pursuant to the Listing Rules and/or the Articles.

The Directional Issue of Domestic Shares will be proposed by way of special resolutions at the EGM and the Class Meetings to be approved by the Independent Shareholders. The Subscriber (and any other Shareholders who are involved or interested in the Directional Issue of Domestic Shares) will be required to abstain from voting on the resolutions to be proposed for approving the proposed Directional Issue of Domestic Shares at the EGM and the Class Meetings.

11. Information relating to the parties

Information on the Company

The Company is a global leading polysilicon manufacturer, and developer and operator of photovoltaic and wind power resources, which is principally engaged in polysilicon production and the provision of engineering and construction contracting services for photovoltaic and wind power projects. The Company is also engaged in the manufacturing of supporting equipment (mainly inverters, flexible direct current and static VAR compensation equipment), which are used for the Company's construction and contractual services or sold to third-parties.

Information on TBEA

TBEA is a company incorporated in the PRC with limited liability on 26 February 1993. As at the Latest Practicable Date, TBEA holds 60.30% of the total issued share capital of the Company, of which 628,926,449 shares are Domestic Shares and 1,223,200 shares are H Shares. As at 31 December 2017, TBEA's audited total assets was RMB83.598 billion; and as at 30 June 2018, TBEA's total assets was RMB89.541 billion. TBEA is a controlling shareholder of the Company, and is a service provider of system solutions for the global energy industry. TBEA

LETTER FROM THE BOARD

and its close associates (excluding the Group) are mainly engaged in: (i) production and sales of transformers, inductors, wires, cables and other electrical and machinery equipment; and (ii) construction and contracting of domestic and international power transmission projects, hydro and geothermal power projects.

B. INDEPENDENT BOARD COMMITTEE AND THE APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, the Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Directional Issue of Domestic Shares and the transactions contemplated thereunder. The members of the Independent Board Committee are Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus. In this connection, TC Capital International Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the terms of the Domestic Share Subscription Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (ii) the proposed Directional Issue of Domestic Shares is in the interests of the Company and the Shareholders as a whole and make recommendation(s) on voting.

C. EGM AND CLASS MEETINGS

The first EGM of 2019 and the Class Meetings will be held to consider and, if thought fit, pass resolutions to approve (i) the proposed Directional Issue of Domestic Shares; and (ii) the proposed amendments to the Articles. The voting in relation to the proposed Directional Issue of Domestic Shares and the proposed amendments to the Articles at the EGM and the Class Meetings will be conducted by way of poll. The proposed Directional Issue of Domestic Shares will be proposed by way of special resolutions at the EGM and the Class Meetings to be approved by the Independent Shareholders. The proposed amendments to the Articles will be proposed by way of special resolutions at the EGM and Class Meetings to be approved by the Shareholders. As mentioned above, the Subscriber (and any other Shareholders who are involved or interested in the Directional Issue of Domestic Shares) will be required to abstain from voting on the resolutions to be proposed for approving the proposed Directional Issue of Domestic Shares at the EGM and the Class Meetings. As at the Latest Practicable Date, the Subscriber is entitled to voting rights of 628,926,449 Domestic Shares and 1,223,200 H Shares (representing approximately 85.97% and 0.39% of the total voting rights of the Domestic Shares Shareholder and H Shares Shareholder respectively). As at the Latest Practicable Date, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon the Subscriber; and (ii) no obligation or entitlement of the Subscriber, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

Save as disclosed above, none of the Shareholders are required to abstain from voting at the EGM and the Class Meetings.

The notices dated 23 November 2018 convening the EGM, the H Shares Shareholders Class Meeting and the Domestic Shares Shareholders Class Meeting of the Company to be held at Conference Room, 21st Floor of TBEA Co., Ltd. at No.189, South Beijing Road, Changji, Xinjiang, the PRC on Friday, 11 January 2019 at 11:00 a.m., Friday, 11 January 2019 at 11:30 a.m. (or immediately after the conclusion or adjournment of the EGM, whichever is later) and Friday, 11 January 2019 at 12:00 p.m. (or immediately after the conclusion or adjournment of the H Shares Shareholders Class Meeting, whichever is later) respectively, are set out on page EGM-1, HCM-1 and DCM-1 of this circular.

LETTER FROM THE BOARD

In order to determine the holders of Shares who are eligible to attend and vote at the EGM and the Class Meetings, the register of members of the Company will be closed from Wednesday, 12 December 2018 to Friday, 11 January 2019, both days inclusive, during which no transfer of Shares will be effected. Shareholders whose names appear on the registers of members of the Company on Tuesday, 11 December 2018 shall be entitled to attend and vote at the EGM and the Class Meetings. In order for the Shareholders to qualify to attend and vote at the EGM and the Class Meetings, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Board secretary office (in case of holders of Domestic Shares), at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC, or the Company's H share registrar (in case of holders of H Shares), Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 11 December 2018 for registration.

Whether or not you intend to attend the Meetings, you are reminded to complete the forms of proxy enclosed with this circular, in accordance with the instructions printed thereon and return the same to the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for holders of H Shares); or to the Company's Board secretary office at No.399 South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC (for holders of Domestic Shares), as soon as possible but in any event not less than 24 hours before the respective time fixed for holding the Meetings (i.e. no later than 11:00 a.m. on Thursday, 10 January 2019) or at any adjournment thereof. Completion and delivery of the said forms of proxy will not prevent you from attending, and voting in person at, the Meetings or at any adjourned Meetings if you so wish. Reply slips for the Meetings are also enclosed. You are reminded to complete and sign the reply slips (if you are entitled to attend the meetings) and return the signed slip in accordance with the instructions printed thereon.

D. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 20 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 21 to 37 of this circular, considers that the Directional Issue of Domestic Shares is in the interests of the Company and are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all the resolution(s) to be proposed at the EGM and the Class Meetings to approve the Directional Issue of Domestic Shares.

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

E. ADDITIONAL INFORMATION

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

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

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)

13 December 2018

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RESPECT OF
THE PROPOSED DIRECTIONAL ISSUE OF NEW DOMESTIC SHARES
UNDER THE SPECIFIC MANDATE
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
(3) NOTICES OF EXTRAORDINARY GENERAL MEETING AND
THE CLASS MEETINGS**

We refer to the circular issued by the Company to the Shareholders dated 13 December 2018 (the “**Circular**”) to which this letter forms a part of. Terms defined in this circular shall have the same meanings as those used in this letter unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the Directional Issue of Domestic Shares and to advise the Independent Shareholders in respect of the Directional Issue of Domestic Shares. TC Capital has been appointed as the Independent Financial Adviser in this regard.

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

Yours faithfully,

Independent Board Committee

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

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from TC Capital to the Independent Board Committee and the Independent Shareholders prepared in relation to the Directional Issue of new Domestic Shares for the purpose of inclusion in this circular.



13 December 2018

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

Dear Sirs,

CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED DIRECTIONAL ISSUE OF NEW DOMESTIC SHARES UNDER THE SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Domestic Share Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 13 December 2018 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

On 13 November 2018, the Company entered into the Domestic Share Subscription Agreement with the Subscriber. According to the terms of the Domestic Share Subscription Agreement, the Subscriber will subscribe for 154,994,838 Domestic Shares to be issued by the Company in the Directional Issue of Domestic Shares. The Subscriber will subscribe for the Domestic Shares at a subscription price of RMB7.78 (equivalent to approximately HK\$8.8) per share, amounting to a total of RMB1,205,859,840 of Domestic Shares.

As at the Latest Practicable Date, the Subscriber holds 630,149,649 Shares representing approximately 60.30% of the Company’s total issued share capital. Pursuant to Chapter 14A of the Listing Rules, as a controlling shareholder, the Subscriber is a connected person of the Company. Therefore, the Directional Issue of Domestic Shares pursuant to the Domestic Share Subscription Agreement constitutes a connected transaction of the Company under the Listing Rules and is therefore subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus, has been established to advise the Independent Shareholders as to whether (i) the terms of the Domestic Share Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the proposed Directional Issue of Domestic Shares is in the interests of the Company and the Shareholders as a whole and make recommendation(s) on voting. We, TC Capital International Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are independent pursuant to Rule 13.84 of the Listings Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Domestic Share Subscription Agreement. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to an occasion as detailed in the circular of the Company dated 27 March 2018. Apart from normal professional fees paid to us in connection with the aforesaid appointment, no arrangements exist whereby we have received any fees or benefits from the Company or any other party to the transactions during the two years prior to the Latest Practicable Date, therefore we consider such relationship would not affect our independence.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Circular; (ii) the Domestic Share Subscription Agreement; (iii) the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”); (iv) the interim report of the Company for the six months ended 30 June 2018 (the “**2018 Interim Report**”); (v) the circular of the Company dated 6 November 2018; and (vi) relevant market data and information available from public sources and the website of the Stock Exchange. We have also relied on all relevant information and representations supplied, and the opinions expressed, by the Directors and the management of the Company. We have assumed that all such information and representations contained or referred to in the Circular are true and accurate in all material respects as at the date thereof. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company, and they have confirmed that no material information have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading. The Company will notify the Shareholders of any material changes (as defined under the Takeovers Code) as soon as possible subsequent to the Latest Practicable Date and prior to the date of EGM in accordance with Rule 9.1 of the Takeovers Code. If we shall become aware of any such material change, we will notify the Independent Shareholders of the potential impact on our opinion and/or recommendation set out in this letter as soon as possible.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. Background to and reasons for entering into of the Domestic Share Subscription Agreement

a) Information of the Company

As stated in the Letter from the Board, the Company is a global leading polysilicon manufacturer, and developer and operator of photovoltaic (“PV”) and wind power resources, which is principally engaged in polysilicon production and the provision of engineering and construction contracting 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 compensation equipment), which are used for the construction and contractual services or sold to third-parties.

The table below sets forth a summary of the financial highlights of the Group for (i) the two years ended 31 December 2017 as extracted from the 2017 Annual Report; and (ii) the six months ended 30 June 2018 as extracted from the 2018 Interim Report:

	For the year ended 31 December 2016 (RMB'000) (Audited)	For the year ended 31 December 2017 (RMB'000) (Audited)	For the six months ended 30 June 2018 (RMB'000) (unaudited)
Revenue	12,001,303	11,420,951	5,384,123
Finance expenses	249,731	295,680	173,717
Profit for the period/year	806,333	1,073,697	864,773
	As at 31 December 2016 (RMB'000) (Audited)	As at 31 December 2017 (RMB'000) (Audited)	As at 30 June 2018 (RMB'000) (unaudited)
Cash and cash equivalents	1,897,947	2,316,610	3,278,729
Total borrowings	9,768,834	11,282,442	13,148,952
Net assets	8,311,744	9,260,412	9,919,072

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's revenue amounted to approximately RMB11,421.0 million for the year ended 31 December 2017, representing a decrease of approximately 4.8% as compared with the revenue for the year ended 31 December 2016. As disclosed in the 2017 Annual Report, such decrease was mainly due to downward adjustment of the on-grid benchmark tariff for wind power and PV generation, the continuous advancement of new energies, as well as the decrease of income per MW. The Group's revenue amounted to approximately RMB5,384.1 million for the six months ended 30 June 2018, which was mainly from the sales of polysilicon, engineering and construction contracting ("ECC") as advised by the management of the Company.

The Group's finance expenses amounted to approximately RMB295.7 million for the year ended 31 December 2017, representing an increase of approximately 18.4% as compared with the finance expenses for the year ended 31 December 2016. As disclosed in the 2017 Annual Report, such increase was mainly due to the expansion of borrowings size of the Group, resulting in an increase in interest expense. The Group's finance expenses amounted to approximately RMB173.7 million for the six months end 30 June 2018, which was mainly accounted for the Group's expansion and interest expenses as stated in the 2018 Interim Report.

The profit for the year of the Company for the year ended 31 December 2016 and 31 December 2017 accounted approximately RMB806.3 million and RMB1,073.7 million respectively, representing an increase of approximately 33.2%. As disclosed in the 2017 Annual Report, the increase in profit for the year of the Company for the year ended 31 December 2017 was mainly due to the completion of the polysilicon technological transformation project resulting in an increase in production and sales, increase in the average sales prices of polysilicon and increase in the generated power of built, owned and operated ("BOO") projects, as well as the strengthening of cost control. The profit for the period of the Group for the six months ended 30 June 2018 accounted approximately RMB864.8 million, which was mainly from the sale of polysilicon, ECC and BOO as advised by the management of the Company.

As disclosed in the 2017 Annual Report and 2018 Interim Report, the cash and cash equivalents of the Group as at 31 December 2017 was approximately RMB2,316.6 million, representing an increase of approximately 22.1% as compared to that as at 31 December 2016 which was mainly due to the increased scale of bank borrowing and increased collection of receivables as advised by the management of the Company, and further increased to approximately RMB3,278.7 million as at 30 June 2018, representing an increase of approximately 41.5% as compared to that as at 31 December 2017 which was mainly due to the increased scale of bank borrowing as well as strengthened management of trade receivables which resulted in an increase in collection of receivables as stated in 2018 Interim Report.

The total borrowings of the Group as at 31 December 2017 was approximately RMB11,282.4 million, representing an increase of approximately 15.5% as compared to that as at 31 December 2016 which was mainly due to the increased scale of bank borrowing for the operation expansion as advised by the management of the Company. The borrowings of the Group further increased to approximately RMB13,149.0 million as at 30 June 2018, representing an increase of approximately 16.5% as compared to that as at 31 December 2017 which was mainly due to the increased scale of borrowings for the operation expansion as stated in the 2018 Interim Report.

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As advised by the management of the Company, the net assets of the Group as at 31 December 2017 was approximately RMB9,260.4 million, representing an increase of approximately 11.4% as compared to that as at 31 December 2016 and further increased to approximately RMB9,919.1 million as at 30 June 2018, representing an increase of approximately 7.1% as compared to that as at 31 December 2017. As stated in the 2017 Annual Report and the 2018 Interim Report of the Company, the Group's total asset as at 31 December 2016, 31 December 2017 and 30 June 2018 mainly included properties, plant and equipment, inventories, amounts due from customers for contract work and trade and notes receivable of approximately RMB21,530.6 million, RMB23,493.9 million and RMB24,254.3 million respectively.

b) Information of TBEA

As stated in the Letter from the Board, TBEA is a company incorporated in the PRC with limited liability on 26 February 1993. As at the Latest Practicable Date, TBEA holds 60.30% of the total issued share capital of the Company, of which 628,926,449 shares are Domestic Shares and 1,223,200 shares are H Shares. As at 31 December 2017, TBEA's audited total assets was approximately RMB83.6 billion. As at 30 June 2018, TBEA's total assets was approximately RMB89.5 billion. TBEA is a controlling shareholder of the Company, and is a service provider of system solutions for the global energy industry. TBEA and its close associates (excluding the Group) are mainly engaged in (i) production and sales of transformers, inductors, wires, cables and other electrical and machinery equipment; and (ii) construction and contracting of domestic and international power transmission projects, hydro and geothermal power projects.

c) Use of proceeds

As stated in the Letter from the Board, the Company expects to raise net proceeds of approximately RMB1.2 billion (equivalent to approximately HK\$1.36 billion) from the Directional Issue of Domestic Shares. It is the intention of the Company to use the proceeds from the Directional Issue of Domestic Shares for the following purposes:

- (i) RMB800 million will be used for the construction of the Ximeng BOO Wind Power Project of the Company with a total capacity of 975MW for four wind power projects by way of capital increase by the Company to Xinjiang New Energy, a subsidiary of the Company, in order to conduct the construction of the Ximeng BOO Wind Power Project; and
- (ii) approximately RMB400 million of the remaining raised funds will be used for the construction of the 36,000-ton Polysilicon Project of the Company, by way of capital increase by the Company to Xinte Crystal Silicon, a subsidiary of the Company, in order to conduct the construction of the 36,000-ton Polysilicon Project.

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The estimated timeline regarding the utilization of the proceeds is as follow:

	For the period from 11 January 2019 to 30 June 2019 RMB (million)	For the period from 1 July 2019 to 31 December 2019 RMB (million)	Total RMB (million)
Ximeng BOO Wind Power Project	350	450	800
36,000-ton Polysilicon Project	405	N/A	405

As discussed with the management of the Company, all proceeds will be utilized within one year immediately after the date of issuance by considering their business plan on the BOO projects and the polysilicon business as stated below.

d) Business plan of the Group

BOO projects

As advised by the management of the Company, the Group's BOO scale has been expanding steadily since 2015, and the Group is strategically transforming from a power plant builder into an operator in order to diversify the Group's revenue channels and further increase profitability. The Company's BOO business has developed rapidly since then and its profitability is relatively high. The Company commenced operation of total capacity of 420 MW BOO plants by the end of 2017 and generated revenue of approximately RMB308 million and gross profit of approximately RMB201 million for the year ended 31 December 2017, which represented an increase of approximately 141.5% and 121.1% compared to the year ended 31 December 2016 respectively. As at 30 June 2018, the Company was operating BOO power plants with total capacity of 750 MW. For the six months ended 30 June 2018, the revenue and gross profit of BOO business were approximately RMB254 million and RMB178 million respectively, representing an increase of 60.1% and 66.5% compared to the six months ended 30 June 2017.

As discussed with the management of the Company, since BOO projects have relatively high profit margin with stable income for the Company in the next 15–20 years, and contribute to the long-term sustainable business and development of the Company, the Group will obtain more BOO projects in the future. The Group has total capacity of 1,175 MW BOO projects including projects in progress as well as projects that are ready to construct as at the Latest Practicable Date.

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Polysilicon Business

As stated in the Letter from the Board, the Company has engaged in the construction of polysilicon projects since 2008, and the polysilicon production capacity of the Group is currently 30,000 tons/year. Its capabilities are in an industry-leading position in terms of production volume, quality and cost control. The Group continues to improve the production volume and quality of polysilicon and reduce costs by leveraging on the scale effect to maintain and enhance the Company's industry-leading position. The Company commenced the construction of the 36,000-ton Polysilicon Project in April 2018 in order to capture the market and seize the opportunities brought by the rapid development of PV industry, and to make full use of its advantages in the abundant coal resources in Xinjiang and the low power generation cost of its self-owned power plants.

As advised by the management of the Company, the Group will strengthen technological research and development to reduce costs and improve quality by expanding production and enhancing production quality and efficiency. At the same time, the Group will speed up the construction of the 36,000-ton Polysilicon Project and fully utilise the current advantage of the low cost power resources to further capture the benefits in correspondence with the growth of production scale, and the increasing competitiveness of the Group's products in terms of quality and cost, so as to reduce the risks associated with the falling prices of polysilicon.

As stated in the 2018 Interim Report, the Group commenced construction of the 36,000-ton Polysilicon Project in the first half of 2018. The Group formulated a rigorous work plan and progressively conducted the construction of the 36,000-ton Polysilicon Project. As advised by the management of the Company, the construction progress of the 36,000-ton Polysilicon Project has been accelerated and is expected to be completed and commence production in the first quarter of 2019.

e) Financial alternatives available to the Group

The Company has not conducted any financing activities through any issue of equity securities within the twelve months immediately prior to the Latest Practicable Date.

As discussed with the management of the Company, the Board had considered other relevant financing strategies before resorting to the Directional Issue of Domestic Shares. An analysis of each of these strategies is set out as follows:

Debt financing

As discussed with the management of the Company, debt financing may not be feasible for the Group as (i) debt financing may further incur financial expense for the Group; (ii) the increase in the leverage of the Group will cause higher financial risk of the Group; (iii) the renewal of the debt financing upon maturity is uncertain; (iv) the requirement for the grant of bank facility is uncertain if there is any policy change related to clean energy industry; and (v) the Group is required to set aside a proportion of capital money required when using debt financing for energy construction projects according to the notice of the State Council on Piloting the System of Registered Capital on Fixed Asset Investment Projects (《國務院關於固定資產投資項目試行資本金制度的通知》).

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Issue of corporate bonds and renewable corporate bonds

According to the circular of the Company dated 6 November 2018, the Company plans to issue corporate bonds with amount of RMB2 billion and renewable corporate bonds with amount of RMB1 billion (collectively “**Corporate Bonds**”). As discussed with the management of the Company, the issue of Corporate Bonds may not be feasible with the current development of the Group according to the business plan on the capital requirement as (i) there are uncertainties to obtain approvals from the China Securities Regulatory Commission for the Corporate Bonds; (ii) issue of Corporate Bonds may further incur financial expense for the Group; and (iii) the financing amount is uncertain unless the Corporate Bonds are fully subscribed by investors.

Rights issue and placement for H Shares

As discussed with the management of the Company, the rights issue and open offer are not feasible for the Company to carry out the rights issue and open offer for the below reasons:

- (i) there are uncertainties to obtain approvals from relevant PRC authorities (including China Securities Regulatory Commission) for issuance of new H Shares;
- (ii) the amount of funds raised is uncertain unless the rights issue is fully underwritten;
- (iii) the costs for underwriting are relatively higher as underwriting commission incurred and no commission will be incurred in the Directional Issue of Domestic Shares;
- (iv) the longer time spent on rights issue and placement by comparing to the Directional Issue of Domestic Shares may consequently impact the Company’s business plan.

We noted that the trading volume of the H Shares is thin. The below table sets out (a) average daily trading volume of the H Shares; and (b) the percentage of the average daily trading volume of the H Shares to the total number of H Shares in issue during the period commencing from 14 November 2017 to 13 November 2018, being the last full trading day immediately

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prior to the entering into of the Domestic Share Subscription Agreements (the “**Last Trading Day**”) (the “**Review Period**”). We consider that such twelve months period would be sufficient to smooth out the effects of any short-term fluctuations in the stock market for our analysis and therefore can serve as a benchmark for assessing the trading volume.

	Total trading volume for the month/period (No. of H Shares)	Numbers of trading days (days)	Average daily trading volume for the month/ period (No. of H Shares) (Note 1)	Percentage of average daily trading volume to number of H Shares in issue as at the Latest Practicable Date (Note 2)
2017				
November (beginning from 14 November 2017)	5,200	13	400	0.00%
December	566,000	19	29,789	0.01%
2018				
January	210,400	22	9,564	0.00%
February	23,200	18	1,289	0.00%
March	81,600	21	3,886	0.00%
April	73,200	19	3,853	0.00%
May	77,200	21	3,676	0.00%
June	31,200	20	1,560	0.00%
July	0	21	0	0.00%
August	14,400	23	626	0.00%
September	17,200	19	905	0.00%
October	0	20	0	0.00%
November (up to the Last Trading Day)	0	9	0	0.00%

Source: Website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period.
2. Based on 313,475,630 H Shares, being the total number of H Shares of the Company in issue for the Review Period and as at the Latest Practicable Date.

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The average daily trading volume of the H Shares on the Stock Exchange during the Review Period was approximately 4,488 Shares, representing approximately 0.00% of the Company's total issued H share capital. We noted that the H Shares have a thin trading volume in most of the days during the Review Period. The highest daily trading volume during the Review Period was about 542,000 Shares on 29 December 2017, representing approximately 0.17% of the Company's total existing issued H share capital on that day. In addition, we also noted that among a total of 245 trading days during the Review Period, there are 182 days, representing approximately 74.3% of the trading days during the Review Period, that there is no trading on the H Shares. It means that the trading of the H Shares is not considered as active.

Having taken into account of the above assessment, in particular, (i) the uncertainty to renew debt financing upon maturity or obtain new bank facilities; (ii) the uncertain time on the issue of new H Shares; (iii) the uncertain amount of funds raised by rights issue; and (iv) the thin trading volume during the Review Period, we concur with the Directors' view that the Directional Issue of Domestic Shares is more appropriate as compared to other financial alternatives.

f) Reasons for and benefits of the Directional Issue of Domestic Shares

As stated in the Letter from the Board, the reasons for the Directional Issue of Domestic Shares are to (i) meet the capital needs for the 36,000-ton Polysilicon Project; (ii) satisfy the capital requirements for the expansion of the BOO Business; and (iii) further mitigate financial risks.

As discussed with the management of the Company, the total capital commitment of the 36,000-tons Polysilicon Project is approximately RMB4,000 million and comprises the Group's capital and bank facility, however, after the issuance of Notice on Relevant Matters in Relation to PV Power Generation in 2018 (《關於2018年光伏發電有關事項的通知》) issued by the National Development and Reform Commission of the PRC, Ministry of Finance of the PRC and National Energy Administration of the PRC (the "NEA") on 31 May 2018 (the "PV 531 Notice"), which requested reasonable control of the development of PV industry and the optimization of the construction scale of PV power generation, the granting of bank facilities is then more difficult as banks are more conservative to PV industry. Therefore, the Group reserves more capital to prevent further tightening of the grant of bank facility in order to meet their business plan and schedule on the 36,000-ton Polysilicon Project.

As advised by the management of the Company, after the issuance of the Notice on the Relevant Requirements for the Management of Wind Power Construction in 2018 (《關於2018年度風電建設管理有關要求的通知》) issued by the NEA on 18 May 2018 promoting the grant of wind power projects by open tender from the constructors, the management of the Company expects the on-grid tariff to be lower and the revenue generated from wind power will be affected. Therefore, the Group expects to accelerate the Ximeng BOO Wind Power Project in order to be entitled higher on-grid tariff, which will bring stable long-term revenue to the Group.

As discussed with the management of the Company, in order to avoid the delay of the completion of the construction and the on-grid time of the Ximeng BOO Wind Power Project and complete and commence the production of 36,000-ton Polysilicon Project during the first quarter of 2019, the Group would need the proceeds of approximately RMB800 million for Ximeng BOO Wind Power Project to satisfy the sufficiency of the part of the capital for energy construction projects during different stages of the construction and approximately RMB400 million to increase the capital for 36,000-ton Polysilicon Project to avoid further tightening of the grant of bank facility.

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Having carefully assessed of the above strategies, the Board considers that the subscription of new Domestic Shares by the Subscriber is the most efficient and economical approach to raise funds under the current market circumstances, which satisfies the proposed uses of proceeds as stated in the Letter from the Board. Therefore, the Directors (other than members of the Independent Board Committee) believe that the Directional Issue of Domestic Shares by the Subscriber is fair and reasonable.

After taking into account that (i) the use of proceeds from the issue of the new Domestic Shares is in line with the business strategies of the Company; (ii) the large capital commitment needed for the Group's future plan; (iii) issuance of the new Domestic Shares is the most feasible option compared to the other sources of funding based on the alternatives explored by the Company; and (iv) further effects of the PV 531 Notice on borrowings from financial institution is uncertain, we concur with the Company that the Directional Issue of Domestic Shares is fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, as far as the Independent Shareholders are concerned.

II. Principal terms of the Domestic Share Subscription Agreement

The major terms and conditions of the Domestic Share Subscription Agreement are set out as follows:

Date	:	13 November 2018
Parties	:	(i) The Company as the issuer; and (ii) TBEA Co., Ltd. as the subscriber.
Type of Shares to be issued	:	Shares to be issued are Domestic Shares issued in RMB with a nominal value of RMB1.0 per share to investors in the PRC.
The issue method	:	Shares will be issued in the form of new shares placement. The issue of the Domestic Shares shall be subject to the approval of Stock Exchange for the Directional Issue of Domestic Shares, as well as the consideration and approval by the EGM and the Class Meetings.
Subscription Shares	:	According to the Domestic Share subscription plan, the Company will directionally issue 154,994,838 new Domestic Shares, which represents: (i) approximately 21.19% of the existing issued Domestic Shares of the Company as at the Last Trading Day; (ii) approximately 14.83% of the existing total issued share capital of the Company as at the Last Trading Day; (iii) approximately 17.48% of the enlarged total issued Domestic Shares of the Company upon Completion; and (iv) approximately 12.92% of the enlarged total issued share capital of the Company upon Completion.

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Subscription Price : The Subscription Price was determined by converting the issue price of H Shares of HK\$8.8 per H Share at the time of the listing of the Company on the Main Board of Stock Exchange into Renminbi which is approximately RMB7.78 per new Domestic Share

Condition precedent to the Domestic Share Subscription Agreement : Completion under the Domestic Share Subscription Agreement is conditional upon the obtaining of the approval from the Independent Shareholders approving the Directional Issue of Domestic Shares as a special resolution by way of poll at the EGM and the Class Meetings and such approval remaining valid on the date of Completion.

The condition precedent to the Domestic Share Subscription Agreement cannot be waived.

If the condition precedent to the Domestic Share Subscription Agreement as set out above is not satisfied on or before the Long Stop Date of the Domestic Share Subscription Agreement, either party shall be entitled to terminate the Domestic Share Subscription Agreement with immediate effect.

Completion : Completion shall take place on the thirtieth business day after the fulfilment of the above condition precedent, or any other later date as agreed by both parties.

Upon the fulfilment of the condition precedent to the Domestic Share Subscription Agreement, the Subscriber shall make payment for the total subscription amount in monetary fund within thirty business days.

III. Evaluation of the Subscription Price

The new Domestic Shares will be subscribed for by the Subscriber at the subscription price of RMB7.78 per Share (equivalent to approximately HK\$8.8). The Subscription Price per new Domestic Share represents:

- (i) a premium of approximately 11.96% over the price of approximately HK\$7.86 per H Share based on the closing price as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 16.71% over the price of approximately HK\$7.54 per H Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 20.55% over the average closing price of approximately HK\$7.3 per H Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day; and

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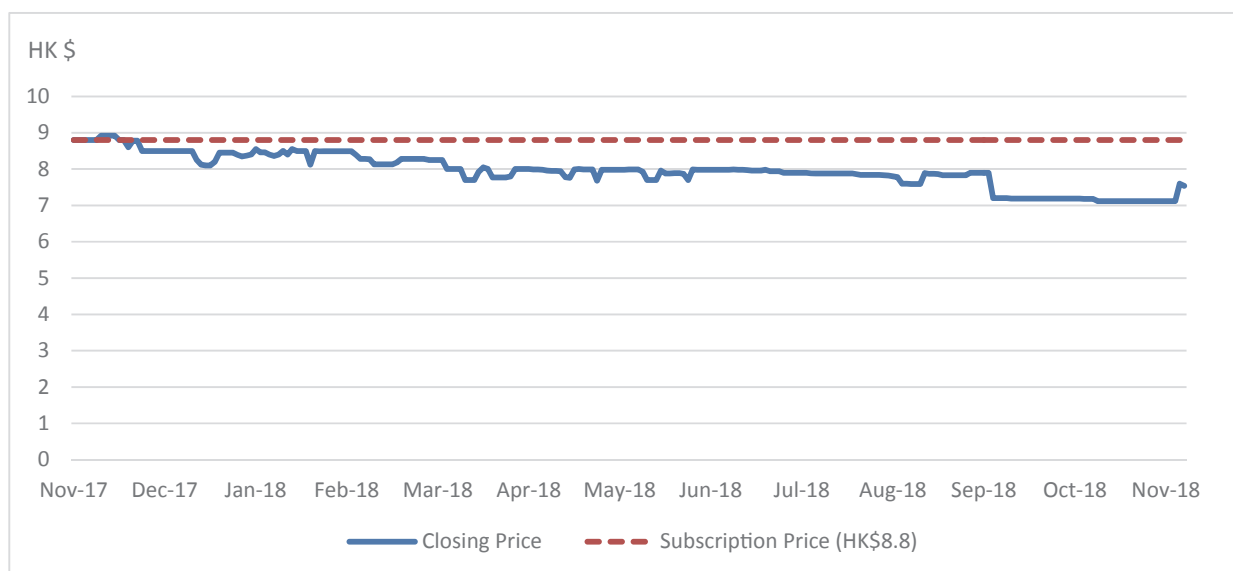
- (iv) a premium of approximately 22.05% over the average closing price of approximately HK\$7.21 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day.

The subscription price for the Directional Issue of Domestic Shares is determined by reference to the H Shares issue price of HK\$8.8 per share at the time of the Listing and converted into Renminbi. Refer to the table above, the subscription price for the Directional Issue of Domestic Shares represents a premium over the closing price for the recent period.

To further assess the fairness and reasonableness of the Subscription Price, we set out the following analysis for illustrative purposes:

(1) Review of H Share price

The chart below demonstrates the daily closing price of the H Shares as quoted on the Stock Exchange during the period commencing from 14 November 2017, being approximately one year period prior to and including the Last Trading Day. We consider that such twelve months period would be sufficient to smooth out the effects of any short-term fluctuations in the stock market for our analysis and therefore can serve as a benchmark for assessing the Subscription Price.



Source: website of the Stock Exchange

During the Review Period, the lowest closing price and highest closing price of the H Shares of the Company as quoted on the Stock Exchange was HK\$7.12 recorded during the period of 16 October 2018 to 09 November 2018 and HK\$8.92 recorded during the period of 22 November 2017 to 27 November 2017, respectively. The average closing price of the H Shares of the Company during the Review Period is approximately HK\$7.95. The Subscription Price is approximately HK\$8.8 which lies within the lowest and the highest, and above the average, of the closing price of the H shares of the Company during the Review Period. In addition, we also noted that among a total of 245 trading days during the Review Period, the closing prices of the H Shares in a total of 241 trading days, or 98.4% of which, were equal to or below the Subscription Price.

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(2) *Market comparable analysis*

We had considered identifying comparable share subscription transactions based on the following criteria: (i) issuance of new domestic shares by companies listed on the Stock Exchange during the twelve-month period from 14 November 2017 up to the Last Trading Day; and (ii) share subscription transactions by connected person(s).

Having considered the above, we have reviewed share subscription transactions in Hong Kong and identified, in our research through public information, comparable share subscription transactions (the “**Comparable Transactions**”) based on criteria (i) and (ii) as mentioned above. To the best of our knowledge and as far as we are aware of, we found four transactions which met the above criteria and the Comparable Transactions listed below are exhaustive. We consider that the Comparable Transactions are fair and representative as all transactions that we have identified and satisfy the aforesaid selection criteria have been included. Moreover, we consider that a period of twelve months prior and up to the date of the Subscription Agreements is appropriate to capture the recent market practice given that such period is sufficiently recent to demonstrate the prevailing market practices prior to and including the Last Trading Day. It should be noted that all the subject companies involved in the Comparable Transactions may have different principal activities, market capitalization, profitability and financial position as compared with those of the Company, and the circumstances leading to the subject companies to proceed with the subscription may also be different from that of the Company. We consider that the Comparable Transactions could provide a general reference for the recent market practice of companies listed on the Stock Exchange in share subscription exercises under specific mandate and under similar market conditions.

Company (Stock code)	Date of circular	Premium/ (discount) of subscription price over/ to closing price on the last trading day	Premium/ (discount) of subscription price over/ to average closing price of five trading days up to and including the last trading day	Premium/ (discount) of subscription price over/ to average closing price of ten trading days up to and including the last trading day
Jiangsu Nandasoft Technology Company Limited (8045)	10 September 2018	0.0%	6.5%	4.1%
Sinopharm Group Company Limited (1099)	7 August 2018	(5.6%)	(3.7%)	(4.2%)
Xi'an Haitiantian Holdings Company Limited (8227)	2 February 2018	(96.7%)	(96.4%)	(96.2%)
Beijing Urban Construction Design & Development Group Company Limited (1599)	7 December 2017	(17.5%)	(18.1%)	(19.5%)
	Maximum	0.0%	6.5%	4.1%
	Minimum	(96.7%)	(96.4%)	(96.2%)
	Average	(29.9%)	(27.9%)	(29.0%)
	Subscription Price	16.7%	20.6%	22.1%

Sources: Website of the Stock Exchange

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As shown in the above table, the issue price of the Comparable Transactions (i) ranged from a discount of approximately 96.7% to a premium of approximately 0.0% (the “**LTD range**”), with an average discount of approximately 29.9% to the closing price on the last trading day prior to the date of relevant announcement (the “**LTD mean**”); (ii) ranged from a discount of approximately 96.4% to a premium of approximately 6.5% (the “**5 day range**”), with an average discount of approximately 27.9% to the average closing price of the H Shares for the last 5 trading days prior to the date of relevant announcement (the “**5 day mean**”); and (iii) ranged from a discount of approximately 96.2% to a premium of approximately 4.1% (the “**10 day range**”), with an average discount of approximately 29.0% over the average closing price of the H Shares for the last 10 trading days prior to the date of relevant announcement (the “**10 day mean**”).

The Subscription Price, which represents a premium of approximately 16.7% over the closing price of the H Shares on the Last Trading Day, a premium of approximately 20.6% over average closing price of the last 5 trading days up to and including the Last Trading Day of the H Shares and a premium of approximately 22.1% over average closing price of the last 10 trading days up to and including the Last Trading Day of the H Shares, is higher than the LTD range, LTD mean, 5 day range, 5 day mean, 10 day range and 10 day mean.

After considering that (i) the H Shares was traded equal to or below the Subscription Price in approximately 98.4% of the total trading days during the Review Period; and (ii) the Subscription Price is above the average closing price of the H Shares during the Review Period, we concur with the Company that the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

After taking into account that (i) the use of proceeds; (ii) the financing alternatives; (iii) the liquidity of the Domestic Shares; and (iv) the fairness and reasonableness of the Subscription Price, we concur with the Company that the terms of the Domestic Share Subscription Agreement is fair and reasonable, as far as the Independent Shareholders are concerned, and is entered into on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

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IV. Effects on shareholding structure of the Company

The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and immediately after the completion of the Directional Issue of Domestic Shares (assuming no other changes to the issued share capital of the Company prior to Completion):

	Share Class	As at the Latest Practicable Date		Immediately after the completion of the Directional Issue of Domestic Shares	
		No. of Shares held	Percentage of total issued Shares	No. of Shares held	Percentage of total issued Shares
TBEA Co., Ltd.	Domestic shares	628,926,449	60.18%	783,921,287	65.33%
Xinjiang Tebian (Group) Co., Ltd.* (新疆特變電工集團有限公司)	Domestic shares	58,246,308	5.57%	58,246,308	4.85%
Xinjiang Honglian Venture Capital Co., Ltd.* (新疆宏聯創業投資有限公司)	Domestic shares	25,616,800	2.45%	25,616,800	2.14%
Jinglong Technology Holdings Limited* (晶龍科技控股有限公司)	Domestic shares	14,619,883	1.40%	14,619,883	1.22%
Xinjiang Far Excellence Enterprise Management Consulting Co., Ltd.* (新疆遠卓企業管理諮詢有限公司)	Domestic shares	2,896,800	0.28%	2,896,800	0.24%
Liu Bingcheng	Domestic shares	774,732	0.08%	774,732	0.06%
Jia Boyun	Domestic shares	448,560	0.04%	448,560	0.04%
TBEA (Hong Kong) Co., Ltd.	H Shares	1,223,200	0.12%	1,223,200	0.10%
Public Shareholders	H Shares	<u>312,252,430</u>	<u>29.88%</u>	<u>312,252,430</u>	<u>26.02%</u>
Total issued Shares		<u>1,045,005,162</u>	<u>100%</u>	<u>1,200,000,000</u>	<u>100%</u>

As shown in the above table, the shareholding interests of the existing public H Shares Shareholders would be diluted from approximately 29.88% as at the Latest Practicable Date to approximately 26.02% upon Completion (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to the date of the Completion). Nonetheless, in view of (i) the reasons for and benefits of the Directional Issue of Domestic Shares; (ii) the performance of trading volume and daily closing price of the H Share during the Review Period; and (iii) the terms of the Domestic Share Subscription Agreement being fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the entering into the Domestic Share Subscription Agreement although is not in the ordinary and usual course of business of the Group, is entered into on normal commercial terms, and the terms of the Domestic Share Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed resolutions to be proposed at the EGM to approve the Domestic Share Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
TC Capital International Limited
Edward Wu **Stanley Chung**
Chairman *Managing Director*

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Both Mr. Wu and Mr. Chung have participated in and completed various advisory transactions in respect of connected transactions and transactions under the Takeover Code of listed companies in Hong Kong.

1. RESPONSIBILITY STATEMENT

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

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

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

Name	Nature of Interest	The Company/ relevant corporation (including associated corporation)	Number/ class of shares held by the Company/ relevant corporation (including associated corporation)	Approximate percentage of shareholdings in the total share capital of the Company/ relevant corporation (including associated corporation) ⁽¹⁾	Approximate percentage of shareholdings in the relevant class of shares of the Company ⁽²⁾	Long position/ short position
Director						
Mr. Zhang Xin	Interest in a controlled corporation ⁽³⁾	The Company	58,246,308 Domestic Shares	5.57%	7.96%	Long position
	Beneficial owner	TBEA ⁽⁴⁾	406,403 shares	0.01%	N/A	Long position
	Interest in a controlled corporation ⁽⁵⁾	TBEA ⁽⁴⁾	446,982,637 shares	12.02%	N/A	Long position
Ms. Guo Junxiang	Beneficial owner	TBEA ⁽⁴⁾	346,880 shares	0.01%	N/A	Long position
Mr. Xia Jinjing	Beneficial owner	TBEA ⁽⁴⁾	69,376 shares	0.00%	N/A	Long position
Supervisor						
Mr. Hu Shujun	Beneficial owner	TBEA ⁽⁴⁾	69,376 shares	0.00%	N/A	Long position
Mr. Han Shu	Beneficial owner	TBEA ⁽⁴⁾	1,058 shares	0.00%	N/A	Long position
Mr. Ma Junhua	Beneficial owner	TBEA ⁽⁴⁾	110,800 shares	0.00%	N/A	Long position

1. The calculation is based on the total number of 3,718,647,789 shares of TBEA and 1,045,005,162 shares of the Company in issue as of the Latest Practicable Date.
2. The calculation is based on the total number of 731,529,532 domestic shares of the Company in issue as of the Latest Practicable Date.

3. Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian (Group) Co., Ltd. (“Xinjiang Tebian”), and as of the Latest Practicable Date, Xinjiang Tebian directly holds 5.57% equity interest of the Company.
4. TBEA is the Company’s controlling shareholder and therefore is an “associated corporation” of the Company within the meaning of Part XV of the SFO. As of the Latest Practicable Date, TBEA held 628,926,449 Domestic Shares and TBEA (HONGKONG) CO., LIMITED, a wholly-owned subsidiary of TBEA, held 1,223,200 H Shares (approximately 0.39% of the relevant class of shares), which accounted for approximately 60.30% of the total share capital of the Company.
5. Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, which directly holds 446,982,637 shares of TBEA.

3. INTEREST OF DIRECTORS IN COMPETING BUSINESS

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

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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

Name of Shareholder	Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares of the Company ⁽¹⁾	Approximate percentage of shareholding in total issued share capital of the Company ⁽¹⁾	Long position/ short position
TBEA	Beneficial owner	Domestic Shares	628,926,449	85.97%	60.18%	Long position
Xinjiang Tebian	Beneficial owner	Domestic Shares	58,246,308	7.96%	5.57%	Long position
Mr. Chen Weilin ⁽²⁾	Interest in a controlled corporation	Domestic Shares	58,246,308	7.96%	5.57%	Long position
L.R. Capital Asia Markets Limited ⁽³⁾	Beneficial owner	H Shares	47,894,956	15.28%	4.58%	Long position
CM International Capital Limited	Beneficial owner	H Shares	43,859,649	13.99%	4.20%	Long position
Keystone Group Ltd. ⁽⁴⁾	Beneficial owner	H Shares	26,420,400	8.43%	2.53%	Long position
Ms. Ouyang Xinxiang ⁽⁴⁾	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.53%	Long position

Name of Shareholder	Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares of the Company ⁽¹⁾	Approximate percentage of shareholding in total issued share capital of the Company ⁽¹⁾	Long position/ short position
LRC. Belt and Road Investment Limited ⁽⁵⁾	Beneficial owner	H Shares	26,420,400	8.43%	2.53%	Long position
Strategic Global Investment Corporation Limited ⁽⁵⁾	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.53%	Long position
Explorer Sparkle Limited ⁽⁶⁾	Beneficial owner	H Shares	17,618,800	5.62%	1.69%	Long position
Abhaya Limited ⁽⁶⁾	Interest in a controlled corporation	H Shares	17,618,800	5.62%	1.69%	Long position
Wickhams Cay Trust Company Limited ⁽⁶⁾	Trustee	H Shares	17,618,800	5.62%	1.69%	Long position
Ms. Shi Jing ⁽⁶⁾	Settlor	H Shares	17,618,800	5.62%	1.69%	Long position
GF Securities Co., Ltd. ⁽⁷⁾	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Holdings (Hong Kong) Corporation Limited ⁽⁷⁾	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Investment (Hong Kong) Company Limited ⁽⁷⁾	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Energy Investment Limited ⁽⁷⁾	Beneficial owner	H Shares	29,239,766	9.33%	2.80%	Long position
Fubon Financial Holding Co., Ltd. ⁽⁸⁾	Interest in a controlled corporation	H Shares	17,613,600	5.62%	1.69%	Long position
Fubon Life Insurance Co., Ltd. ⁽⁸⁾	Beneficial owner	H Shares	17,613,600	5.62%	1.69%	Long position
Perfect Splendour Limited	Beneficial owner	H Shares	15,943,702	5.09%	1.53%	Long position

Notes:

- (1) The calculation is based on the total number of 1,045,005,162 Shares in issue as at the Latest Practicable Date in which 731,529,532 Shares are Domestic Shares and 313,475,630 Shares are H Shares.
- (2) Mr. Chen Weilin holds 33.61% of the equity interest of Xinjiang Tebian, which directly holds 5.57% interest of the Company. Accordingly, Mr. Chen Weilin is deemed to be interested in the Shares held by Xinjiang Tebian in the Company for the purpose of the SFO.
- (3) According to the Company's current information, as at the Latest Practicable Date, L.R. Capital Asia Markets Limited holds 47,894,956 H Shares.
- (4) Keystone Group Ltd. is 100% owned by Ms. Ouyang Xinxiang. Therefore, Ms. Ouyang Xinxiang is deemed or taken to be interested in all Shares held by Keystone Group Ltd. in the Company for the purpose of the SFO.

- (5) Chan Mei Ching and Chan Min Chi hold 47% and 51% equity interest in Strategic Global Investment Corporation Limited, respectively. Strategic Global Investment Corporation Limited holds 99% equity interest in LRC. Belt and Road Investment Limited. Therefore, each of Chan Mei Ching, Chan Min Chi and Strategic Global Investment Corporation Limited is deemed or taken to be interested in all Shares held by LRC. Belt and Road Investment Limited in the Company for the purpose of the SFO.
- (6) Explorer Sparkle Limited is 100% owned by Abhaya Limited. Abhaya Limited is 100% owned by Wickhams Cay Trust Company Limited, and Ms. Shi Jing is the settlor of the trust and Wickhams Cay Trust Company Limited is the trustee. Therefore, Ms. Shi Jing, Wickhams Cay Trust Company Limited and Abhaya Limited are deemed or taken to be interested in all Shares held by Explorer Sparkle Limited in the Company for the purpose of the SFO.
- (7) GF Investment (Hong Kong) Company Limited holds 81% of the equity interest of GF Energy Investment Limited, and GF Investment (Hong Kong) Company Limited is 100% owned by GF Holdings (Hong Kong) Corporation Limited, and GF Holdings (Hong Kong) Corporation Limited is 100% owned by GF Securities Co., Ltd.. Accordingly, GF Securities Co., Ltd., GF Holdings (Hong Kong) Corporation Limited and GF Investment (Hong Kong) Company Limited are deemed to be interested in the Shares held by GF Energy Investment Limited for the purpose of the SFO.
- (8) Fubon Life Insurance Co., Ltd. is 100% owned by Fubon Financial Holding Co., Ltd.. Therefore, Fubon Financial Holding Co., Ltd. is deemed to be interested in the Shares held by Fubon Life Insurance Co., Ltd. in the Company for the purpose of the SFO.

Save as disclosed in this circular, the Directors are not aware that there is any other person (other than the Directors, supervisors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote at EGM and Class Meetings under all circumstances.

5. COMMON DIRECTORS

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

<u>Name of Directors</u>	<u>Relevant Companies in which the Director is also a director</u>
Mr. Zhang Xin	Chairman and executive director of TBEA
Ms. Guo Junxiang	Secretary of board and executive director of TBEA

6. SERVICES AGREEMENT

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

7. MATERIAL LITIGATION

As at the Latest Practicable Date, as far as is known to Directors, there is one material litigation, which was disclosed in the annual report of the Company for the year ended 31 December 2017:

Jiangsu Zhongneng Case:

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (“**Jiangsu Zhongneng**”) initiated a civil lawsuit against the Company with the People’s Court in Jiangsu for alleged infringements by the Company of certain intellectual property rights and trade secrets which claimed to be owned by Jiangsu Zhongneng, including STC hydrochlorination technology, high-efficiency and energy saving CVD reactor and silane-based FBR technology. Jiangsu Zhongneng sought a compensatory damage of RMB60 million against the Company. In December 2014, after the Company’s appeals, the Supreme People’s Court in China ruled in the Company’s favor that the People’s Court in Jiangsu lacked jurisdiction and this case should be heard in a court based in Xinjiang. In addition, Jiangsu Zhongneng has withdrawn its claim against the Company in relation to the infringement of intellectual property rights in December 2014. Given that (i) the Company has never applied the silane-based FBR technology in its Polysilicon Production business; and (ii) the STC hydrochlorination technology and high-efficiency and energy saving CVD reactor which the Company used in its production were both purchased from legitimate third-party suppliers under valid purchase agreements, the Company believes that it did not infringe upon the intellectual property rights and trade secrets of Jiangsu Zhongneng. As of the Latest Practicable Date, this legal proceeding is being transferred to a court based in Xinjiang and therefore has not been initiated, and Jiangsu Zhongneng has not submitted any substantive evidence for the court to review and judge the case on the merits.

Except for the case disclosed above, as at the Latest Practicable Date, the Group was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Group so far as the Directors are aware.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. DIRECTORS AND SUPERVISORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

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

- (a) none of the Directors or supervisors of the Company was materially interested in any contract or arrangement, which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group; and
- (b) so far as the Directors are aware, none of the Directors or supervisors of the Company nor their respective close associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

10. QUALIFICATION OF EXPERT AND CONSENT

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

Name	Qualification
TC Capital International Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

- (a) As at the Latest Practicable Date, TC Capital did not hold any beneficial interest in the share capital of any member of the Group, nor did it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) As at the Latest Practicable Date, TC Capital has given, and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and the reference to its name included herein in the form and context in which they respectively appear.
- (c) As at the Latest Practicable Date, TC Capital did not have any interest in any assets which have been since 31 December 2017 (being the date to which the latest published audited annual accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Articles;
- (b) the Domestic Share Subscription Agreement;
- (c) the written consent referred to in the paragraph headed "Qualification of the Expert and Consent" in this appendix;
- (d) the letter from the Board, the text of which is set out in this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (f) the letter of advice from the Independent Financial Adviser, the text of which is set out in this circular; and
- (g) this circular.

12. MISCELLANEOUS

- (a) The registered address of the Company is at No. 2499, Mianguangdong Street, Ganquanpu Economic and Technological Development Zone (Industrial Park), High-tech Industrial Development Zone (New Downtown), Urumqi, Xinjiang, the PRC.
- (b) The joint company secretaries of the Company are Ms. Zhang Juan and Ms. Ng Wing Shan.
- (c) The principal place of business of the Company in the PRC is at No. 2499, Mianguangdong Street, Ganquanpu Economic and Technological Development Zone (Industrial Park), High-tech Industrial Development Zone (New Downtown), Urumqi, Xinjiang, the PRC.
- (d) The principal place of business of the Company in Hong Kong is at 40th Floor, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.
- (e) The H share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING

新特能源

XINTE ENERGY CO., LTD.

新特能源股份有限公司

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

(Stock Code: 1799)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting of 2019 (the “**EGM**”) of Xinte Energy Co., Ltd. (the “**Company**”) will be held at the Conference Room, 21st Floor of TBEA Co., Ltd. at No. 189, South Beijing Road, Changji, Xinjiang, the People's Republic of China (the “**PRC**”) at 11:00 a.m. on Friday, 11 January 2019 to consider and, if thought fit, approve the resolutions set out below as special resolutions.

SPECIAL RESOLUTIONS

1. To consider and approve the Company to grant a specific mandate to the board of directors of the Company (the “**Board**”) to conditionally issue 154,994,838 domestic shares of the Company directionally to TBEA Co., Ltd. (the “**Subscriber**”) pursuant to the terms and conditions as set out in the domestic share subscription agreement entered into between the Company and the Subscriber (the “**Domestic Share Subscription Agreement**”); and to authorise the Board to make such amendments to the articles of association of the Company (the “**Articles**”) as deemed appropriate, to reflect the new capital structure after the directional issue of the new domestic shares of the Company under the specific mandate (the “**Directional Issue of Domestic Shares**”).

“**THAT**

the Board and its authorised persons be hereby authorised to handle all matters in relation to the Directional Issue of Domestic Shares under the framework and subject to the principles thereof within the validity period of the resolutions at their sole discretion, including but not limited to:

- (1) signing and submitting applications, related reports and other documents in connection with the Directional Issue of Domestic Shares to regulatory authorities or institutions within or outside the PRC, and handling the formalities in respect of review and approval, registration, filing, ratification, consent, etc.;
- (2) finalising the specific plan for the Directional Issue of Domestic Shares, including determining the exact size of the Directional Issue of Domestic Shares, final pricing, issuance time and issuance method, signing, executing, amending and terminating any agreement, contract or other documents in relation to the Directional Issue of Domestic Shares, as well as adjusting the use of proceeds and other relevant matters;
- (3) negotiating with the persons to whom the domestic shares of the Company will be directionally issued and signing the Domestic Share Subscription Agreement, as well as confirming any amendments thereto;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (4) handling relevant matters (if any) in obtaining the approvals for the Directional Issue of Domestic Shares from The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and/ or other competent regulatory authorities within and outside the PRC;
 - (5) engaging and appointing lawyers and other relevant intermediary agencies within and outside the PRC, according to actual needs and for the purpose of the Directional Issue of Domestic Shares, as well as signing the engagement or appointment agreements and other related legal documents;
 - (6) making amendments to the plan for the Directional Issue of Domestic Shares, according to specific situations at the time of the Directional Issue of Domestic Shares and the relevant approval documents of the competent regulatory authorities;
 - (7) signing, executing, amending and completing all documents and making all desirable or appropriate actions or matters in relation to the Directional Issue of Domestic Shares; and
 - (8) approving the publication of announcements, circulars and notices in relation to the Directional Issue of Domestic Shares on the websites of the Stock Exchange and the Company, and submitting relevant forms, documents or other materials to the Stock Exchange.”
2. To consider and approve the resolution regarding the amendments to the Articles.

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

Xinjiang, the PRC, 23 November 2018

Notes:

1. **Important:** A circular setting out further details of the resolutions, the form of proxy and the reply slip of the EGM will be dispatched and published by the Company in due course.
2. In order to determine the shareholders of the Company (the “**Shareholders**”) who are eligible to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 12 December 2018 to Friday, 11 January 2019, both days inclusive, during which no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on Wednesday, 12 December 2018 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Board secretary office (in case of holders of domestic shares), at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC, or the Company’s H share registrar (in case of holders of H shares), Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 11 December 2018 for registration.
3. Shareholders who intend to attend the EGM (or any adjournment thereof) should complete and return the reply slip for attending the EGM (or any adjournment thereof) by person or by post. The reply slip should be completed and returned to the Company’s Board secretary office by post to (or by depositing it at) No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC (for holders of domestic shares); or to the Company’s H Share registrar,

NOTICE OF EXTRAORDINARY GENERAL MEETING

Computershare Hong Kong Investor Services Limited, by facsimile (fax number: +852-28650990) or by post to (or by depositing it at) 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), such that the reply slip shall be received by the Company 20 days before the EGM (i.e. on or before Saturday, 22 December 2018).

4. Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies (whether he/she is a Shareholder) to attend and vote at the EGM (or any adjournment thereof) on his/her behalf. The proxy needs not be a Shareholder of the Company.
5. Shareholders must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant Shareholder or by a person duly authorised by the relevant Shareholder in writing ("**power of attorney**"). If the form of proxy is signed by the person authorised by the relevant Shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarised. If a corporate Shareholder appoints a person other than its legal representative to attend the EGM (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate Shareholder or signed by its director or any other person duly authorised by that corporate Shareholder as required by the Articles.
6. To be valid, the form of proxy and the relevant notarised power of attorney (if any) and other relevant authority (if any) as mentioned in note 5 above must be delivered to the Company's Board secretary office at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC (for holders of domestic shares), or the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) no later than 24 hours before the time appointed for the EGM (or any adjournment thereof) (i.e. no later than 11 a.m. on Thursday, 10 January 2019).
7. A Shareholder or his/her proxy should produce proof of identity when attending the EGM (or any adjournment thereof). If a corporate Shareholder's legal representative or any other person duly authorised by such corporate Shareholder attends the EGM (or any adjournment thereof), such legal representative or other person shall produce his/her proof of identity, and proof of designation as legal representative or the valid authorisation document (as the case may be).
8. The EGM (or any adjournment thereof) is expected to take less than half a day. Shareholders or their proxies who attend the EGM (or any adjournment thereof) shall be responsible for their own travel and accommodation expenses.
9. The contact information of the Board secretary office of the Company is as follows:

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

Contact person: Ms. Zhang Juan

Tel: +86-991-3665888

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

新特能源

XINTE ENERGY CO., LTD.

新特能源股份有限公司

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

(Stock Code: 1799)

NOTICE OF THE H SHARES SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the first class meeting for holders of H shares of 2019 (the “**H Shares Shareholders Class Meeting**”) of Xinte Energy Co., Ltd. (the “**Company**”) will be held at the Conference Room, 21st Floor of TBEA Co., Ltd. at No. 189, South Beijing Road, Changji, Xinjiang, the People's Republic of China (the “**PRC**”) at 11:30 a.m. on Friday, 11 January 2019 (or immediately after the conclusion or adjournment of the first extraordinary general meeting in 2019 of the Company, whichever is later) to consider and, if thought fit, approve the resolutions set out below as special resolutions.

SPECIAL RESOLUTIONS

1. To consider and approve the Company to grant a specific mandate to the board of directors of the Company (the “**Board**”) to conditionally issue 154,994,838 domestic shares of the Company directionally to TBEA Co., Ltd. (the “**Subscriber**”) pursuant to the terms and conditions as set out in the domestic share subscription agreement entered into between the Company and the Subscriber (the “**Domestic Share Subscription Agreement**”); and to authorise the Board to make such amendments to the articles of association of the Company (the “**Articles**”) as deemed appropriate, to reflect the new capital structure after the directional issue of the new domestic shares of the Company under the specific mandate (the “**Directional Issue of Domestic Shares**”).

“**THAT**

the Board and its authorised persons be hereby authorised to handle all matters in relation to the Directional Issue of Domestic Shares under the framework and subject to the principles thereof within the validity period of the resolutions at their sole discretion, including but not limited to:

- (1) signing and submitting applications, related reports and other documents in connection with the Directional Issue of Domestic Shares to regulatory authorities or institutions within or outside the PRC, and handling the formalities in respect of review and approval, registration, filing, ratification, consent, etc.;
- (2) finalising the specific plan for the Directional Issue of Domestic Shares, including determining the exact size of the Directional Issue of Domestic Shares, final pricing, issuance time and issuance method, signing, executing, amending and terminating any agreement, contract or other documents in relation to the Directional Issue of Domestic Shares, as well as adjusting the use of proceeds and other relevant matters;
- (3) negotiating with the persons to whom the domestic shares of the Company will be directionally issued and signing the Domestic Share Subscription Agreement, as well as confirming any amendments thereto;

NOTICE OF H SHARES SHAREHOLDERS CLASS MEETING

- (4) handling relevant matters (if any) in obtaining the approvals for the Directional Issue of Domestic Shares from The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and/or other competent regulatory authorities within and outside the PRC;
 - (5) engaging and appointing lawyers and other relevant intermediary agencies within and outside the PRC, according to actual needs and for the purpose of the Directional Issue of Domestic Shares, as well as signing the engagement or appointment agreements and other related legal documents;
 - (6) making amendments to the plan for the Directional Issue of Domestic Shares, according to specific situations at the time of the Directional Issue of Domestic Shares and the relevant approval documents of the competent regulatory authorities;
 - (7) signing, executing, amending and completing all documents and making all desirable or appropriate actions or matters in relation to the Directional Issue of Domestic Shares; and
 - (8) approving the publication of announcements, circulars and notices in relation to the Directional Issue of Domestic Shares on the websites of the Stock Exchange and the Company, and submitting relevant forms, documents or other materials to the Stock Exchange.”
2. To consider and approve the resolution regarding the amendments to the Articles.

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

Xinjiang, the PRC, 23 November 2018

Notes:

1. **Important:** A circular setting out further details of the resolutions, the form of proxy and the reply slip of the H Shares Shareholders Class Meeting will be dispatched and published by the Company in due course.
2. In order to determine the H shares shareholders of the Company (the “**H Shares Shareholders**”) who are eligible to attend and vote at the H Shares Shareholders Class Meeting, the register of members of the Company will be closed from Wednesday, 12 December 2018 to Friday, 11 January 2019, both days inclusive, during which no transfer of shares will be registered. H Shares Shareholders whose names appear on the register of members of the Company on Wednesday, 12 December 2018 shall be entitled to attend and vote at the H Shares Shareholders Class Meeting. In order for the H Shares Shareholders to qualify to attend and vote at the H Shares Shareholders Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 11 December 2018 for registration.
3. H Shares Shareholders who intend to attend the H Shares Shareholders Class Meeting (or any adjournment thereof) should complete and return the reply slip for attending the H Shares Shareholders Class Meeting (or any adjournment thereof) by person or by post. The reply slip should be completed and returned to the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited, by facsimile (fax number: +852-28650990) or by post to (or by depositing it at) 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, such that the reply slip shall be received by the Company 20 days before the H Shares Shareholders Class Meeting (i.e. on or before Saturday, 22 December 2018).

NOTICE OF H SHARES SHAREHOLDERS CLASS MEETING

4. H Shares Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies (whether he/she is an H Shares Shareholder) to attend and vote at the H Shares Shareholders Class Meeting (or any adjournment thereof) on his/her behalf. The proxy needs not be an H Shares Shareholder of the Company.
5. H Shares Shareholders must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant H Shares Shareholder or by a person duly authorised by the relevant H Shares Shareholder in writing (“**power of attorney**”). If the form of proxy is signed by the person authorised by the relevant H Shares Shareholder of the Company as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarised. If a corporate H Shares Shareholder appoints a person other than its legal representative to attend the H Shares Shareholders Class Meeting (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate H Shares Shareholder or signed by its director or any other person duly authorised by that corporate H Shares Shareholder as required by the Articles.
6. To be valid, the form of proxy and the relevant notarised power of attorney (if any) and other relevant authority (if any) as mentioned in note 5 above must be delivered to the Company’s H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 24 hours before the time appointed for the H Shares Shareholders Class Meeting (or any adjournment thereof) (i.e. no later than 11:30 a.m. on Thursday, 10 January 2019).
7. An H Shares Shareholder or his/her proxy should produce proof of identity when attending the H Shares Shareholders Class Meeting (or any adjournment thereof). If a corporate H Shares Shareholder’s legal representative or any other person duly authorised by such corporate H Shares Shareholder attends the H Shares Shareholders Class Meeting (or any adjournment thereof), such legal representative or other person shall produce his/her proof of identity, and proof of designation as legal representative or the valid authorisation document (as the case may be).
8. The H Shares Shareholders Class Meeting (or any adjournment thereof) is expected to take thirty minutes. Shareholders or their proxies who attend the H Shares Shareholders Class Meeting (or any adjournment thereof) shall be responsible for their own travel and accommodation expenses.

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

新特能源

XINTE ENERGY CO., LTD.

新特能源股份有限公司

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

(Stock Code: 1799)

NOTICE OF THE DOMESTIC SHARES SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the first class meeting for holders of domestic shares of 2019 (the “**Domestic Shares Shareholders Class Meeting**”) of Xinte Energy Co., Ltd. (the “**Company**”) will be held at the Conference Room, 21st Floor of TBEA Co., Ltd. at No. 189, South Beijing Road, Changji, Xinjiang, the People's Republic of China (the “**PRC**”) at 12:00 p.m. on Friday, 11 January 2019 (or immediately after the conclusion or adjournment of the first class meeting of the H share shareholders in 2019 of the Company, whichever is later) to consider and, if thought fit, approve the resolutions set out below as special resolutions.

SPECIAL RESOLUTIONS

1. To consider and approve the Company to grant a specific mandate to the board of directors of the Company (the “**Board**”) to conditionally issue 154,994,838 domestic shares of the Company directionally to TBEA Co., Ltd. (the “**Subscriber**”) pursuant to the terms and conditions as set out in the domestic share subscription agreement entered into between the Company and the Subscriber (the “**Domestic Share Subscription Agreement**”); and to authorise the Board to make such amendments to the articles of association of the Company (the “**Articles**”) as deemed appropriate, to reflect the new capital structure after the directional issue of the new domestic shares of the Company under the specific mandate (the “**Directional Issue of Domestic Shares**”).

“THAT

the Board and its authorised persons be hereby authorised to handle all matters in relation to the Directional Issue of Domestic Shares under the framework and subject to the principles thereof within the validity period of the resolutions at their sole discretion, including but not limited to:

- (1) signing and submitting applications, related reports and other documents in connection with the Directional Issue of Domestic Shares to regulatory authorities or institutions within or outside the PRC, and handling the formalities in respect of review and approval, registration, filing, ratification, consent, etc.;
- (2) finalising the specific plan for the Directional Issue of Domestic Shares, including determining the exact size of the Directional Issue of Domestic Shares, final pricing, issuance time and issuance method, signing, executing, amending and terminating any agreement, contract or other documents in relation to the Directional Issue of Domestic Shares, as well as adjusting the use of proceeds and other relevant matters;
- (3) negotiating with the persons to whom the domestic shares of the Company will be directionally issued and signing the Domestic Share Subscription Agreement, as well as confirming any amendments thereto;

NOTICE OF DOMESTIC SHARES SHAREHOLDERS CLASS MEETING

- (4) handling relevant matters (if any) in obtaining the approvals for the Directional Issue of Domestic Shares from The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and/or other competent regulatory authorities within and outside the PRC;
 - (5) engaging and appointing lawyers and other relevant intermediary agencies within and outside the PRC, according to actual needs and for the purpose of the Directional Issue of Domestic Shares, as well as signing the engagement or appointment agreements and other related legal documents;
 - (6) making amendments to the plan for the Directional Issue of Domestic Shares, according to specific situations at the time of the Directional Issue of Domestic Shares and the relevant approval documents of the competent regulatory authorities;
 - (7) signing, executing, amending and completing all documents and making all desirable or appropriate actions or matters in relation to the Directional Issue of Domestic Shares; and
 - (8) approving the publication of announcements, circulars and notices in relation to the Directional Issue of Domestic Shares on the websites of the Stock Exchange and the Company, and submitting relevant forms, documents or other materials to the Stock Exchange.”
2. To consider and approve the resolution regarding the amendments to the Articles.

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

Xinjiang, the PRC, 23 November 2018

Notes:

1. **Important:** A circular setting out further details of the resolutions, the form of proxy and the reply slip of the Domestic Shares Shareholders Class Meeting will be dispatched and published by the Company in due course.
2. In order to determine the domestic shares shareholders of the Company (the “**Domestic Shares Shareholders**”) who are eligible to attend and vote at the Domestic Shares Shareholders Class Meeting, the register of members of the Company will be closed from Wednesday, 12 December 2018 to Friday, 11 January 2019, both days inclusive, during which no transfer of shares will be registered. Domestic Shares Shareholders whose names appear on the register of members of the Company on Wednesday, 12 December 2018 shall be entitled to attend and vote at the Domestic Shares Shareholders Class Meeting. In order for the Domestic Shares Shareholders to qualify to attend and vote at the Domestic Shares Shareholders Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Board secretary office at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC no later than 4:30 p.m. on Tuesday, 11 December 2018 for registration.
3. Domestic Shares Shareholders who intend to attend the Domestic Shares Shareholders Class Meeting (or any adjournment thereof) should complete and return the reply slip for attending the Domestic Shares Shareholders Class Meeting (or any adjournment thereof) by person or by post. The reply slip should be completed and returned to the Company’s Board secretary office by facsimile (fax number: +852-28650990) or by post to (or by depositing it at) No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC, such that the reply slip shall be received by the Company 20 days before the Domestic Shares Shareholders Class Meeting (i.e. on or before Saturday, 22 December 2018).

NOTICE OF DOMESTIC SHARES SHAREHOLDERS CLASS MEETING

4. Domestic Shares Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies (whether he/she is a Domestic Shares Shareholder) to attend and vote at the Domestic Shares Shareholders Class Meeting (or any adjournment thereof) on his/her behalf. The proxy needs not be a Domestic Shares Shareholder of the Company.
5. Domestic Shares Shareholders must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant Domestic Shares Shareholder or by a person duly authorised by the relevant Domestic Shares Shareholder in writing (“**power of attorney**”). If the form of proxy is signed by the person authorised by the relevant Domestic Shares Shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarised. If a corporate Domestic Shares Shareholder appoints a person other than its legal representative to attend the Domestic Shares Shareholders Class Meeting (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate Domestic Shares Shareholder or signed by its director or any other person duly authorised by that corporate Domestic Shares Shareholder as required by the Articles.
6. To be valid, the form of proxy and the relevant notarised power of attorney (if any) and other relevant authority (if any) as mentioned in note 5 above must be delivered to the Company’s Board secretary office at No. 399, South Changchun Road, New Downtown, Urumqi, Xinjiang, the PRC no later than 24 hours before the time appointed for the Domestic Shares Shareholders Class Meeting (or any adjournment thereof) (i.e. no later than 12:00 p.m. on Thursday, 10 January 2019).
7. A Domestic Shares Shareholder or his/her proxy should produce proof of identity when attending the Domestic Shares Shareholders Class Meeting (or any adjournment thereof). If a corporate Domestic Shares Shareholder’s legal representative or any other person duly authorised by such corporate Domestic Shares Shareholder attends the Domestic Shares Shareholders Class Meeting (or any adjournment thereof), such legal representative or other person shall produce his/her proof of identity, and proof of designation as legal representative or the valid authorisation document (as the case may be).
8. The Domestic Shares Shareholders Class Meeting (or any adjournment thereof) is expected to take thirty minutes. Shareholders or their proxies who attend the Domestic Shares Shareholders Class Meeting (or any adjournment thereof) shall be responsible for their own travel and accommodation expenses.
9. The contact information of the Board secretary office of the Company is as follows:

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

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