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If you have sold or transferred all your shares in **Xinte Energy Co., Ltd.**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected, for transmission to the purchaser(s) or the transferee(s).

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新特能源

XINTE ENERGY CO., LTD.

新特能源股份有限公司

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

(Stock Code: 1799)

**MAJOR TRANSACTION
IN RELATION TO DEEMED DISPOSAL OF
EQUITY INTEREST
IN TBEA XINJIANG NEW ENERGY CO., LTD.***

A letter from the Board is set out on pages 5 to 28 of this circular.

The transaction being the subject matter of this circular has been approved by written shareholders' approval pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

20 August 2019

* *For identification purpose only*

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DEFINITIONS

In this circular, unless the context requires otherwise, the following terms have the meanings as respectively ascribed below:

“ABC Account Supervisory Agreement”	the agreement entered into between ABC Financial, Xinjiang New Energy and the Changji Branch of the Agricultural Bank of China Co., Ltd. which is ancillary to the ABC Capital Injection Agreement, pursuant to which Xinjiang New Energy will open a designated bank account to hold all the funds received from the Capital Injection by ABC Financial to ensure that the funds shall be used to repay, among others, bank loans as permitted by and under the terms and conditions of such agreement
“ABC Capital Injection Agreement”	the agreement entered into among the Company, ABC Financial and Xinjiang New Energy on 24 December 2018 in relation to the Capital Injection by ABC Financial, details of which are set out in the section headed “ABC Capital Injection Agreement” in this circular
“ABC Capital Injection Shares” or “ABC Capital Injection Equity Interest”	the shares issued pursuant to the ABC Financial Capital Injection Agreement, representing approximately 20.59% of the equity interest of Xinjiang New Energy immediately after Completion of Capital Injection by ABC Financial but before Completion of Capital Injection by BoCom Financial, which will be held by ABC Financial upon Completion of Capital Injection by ABC Financial
“ABC Financial”	ABC Financial Asset Investment Co. Ltd. (農銀金融資產投資有限公司), a joint stock company incorporated in the PRC with limited liability which holds approximately 15.02% of equity interest of Xinjiang New Energy as at the Latest Practicable Date
“ABC Financial Agreements”	the ABC Capital Injection Agreement and the ABC Share Transfer Agreement
“ABC Share Transfer Agreement”	the agreement entered into between the Company, ABC Financial and Xinjiang New Energy on 24 December 2018, details of which are set out in the section headed “ABC Share Transfer Agreement” in this circular
“Board”	the board of Directors of the Company
“BoCom Account Supervisory Agreement”	the agreement entered into between BoCom Financial, Xinjiang New Energy and the Beijing Road, Urumqi Branch of Bank of Communications Co., Ltd. which is ancillary to the BoCom Capital Injection Agreement, pursuant to which Xinjiang New Energy will open a designated bank account to hold all the funds received from the Capital Injection by BoCom Financial to ensure that the funds shall be used to repay, among others, bank loans as permitted by and under the terms and conditions of such agreement
“BoCom Capital Injection Agreement”	the agreement entered into among the Company, BoCom Financial and Xinjiang New Energy on 20 March 2019 in relation to the Capital Injection by BoCom Financial, details of which are set out in the section headed “BoCom Capital Injection Agreement” in this circular

DEFINITIONS

“BoCom Capital Injection Shares” or “BoCom Capital Injection Equity Interest”	the shares issued pursuant to the BoCom Capital Injection Agreement, representing approximately 15.02% of the equity interest of Xinjiang New Energy held by BoCom Financial upon Completion of Capital Injection by BoCom Capital
“BoCom Financial”	BoCom Financial Asset Investment Co., Ltd. (交銀金融資產投資有限公司), a joint stock company incorporated in the PRC with limited liability which holds approximately 15.02% of equity interest of Xinjiang New Energy as at the Latest Practicable Date
“BOCOM Financial Agreements”	the BoCom Capital Injection Agreement and the BoCom Share Transfer Agreement
“BoCom Share Transfer Agreement”	the agreement entered into between the Company, BoCom Financial and Xinjiang New Energy on 20 March 2019, details of which are set out in the section headed “BoCom Share Transfer Agreement” in this circular
“Capital Injection(s)”	the capital injections in an amount of RMB1 billion in monetary capital by each of ABC Financial and BoCom Financial to Xinjiang New Energy under the terms and conditions of the ABC Capital Injection Agreement and BoCom Capital Injection Agreement
“CBIRC”	China Banking and Insurance Regulatory Commission
“CECEP”	CECEP Solar Energy Technology Co., Ltd (中節能太陽能科技股份有限公司), a joint stock company incorporated in the PRC with limited liability which holds approximately 0.64% equity interest of Xinjiang New Energy as at the Latest Practicable Date
“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 Main Board of the Stock Exchange
“Completion of Capital Injection(s)”	the date on which ABC Financial or BoCom Financial pays the consideration for their respective Capital Injection
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Deemed Disposal”	has the meaning ascribed to it under the Listing Rules through the dilution of the Company’s equity interest in Xinjiang New Energy as a result of the Capital Injections
“Director(s)”	director(s) of the Company
“Domestic Shares”	ordinary shares in the Company’s share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Group”	the Company together with its subsidiaries

DEFINITIONS

“H Shares”	overseas listed foreign shares in the Company’s share capital with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Auditor”	ShineWing Certified Public Accountants (Special General Partnership), the domestic accounting firm of the Company
“Investor(s)”	ABC Financial and/or BoCom Financial
“Latest Practicable Date”	15 August 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option to Subscribe for (ABC/BoCom) Capital Injection Shares”	the rights granted to the Company to buy back the ABC Capital Injection Equity Interest and/or BoCom Capital Injection Equity Interest at the exercise price pursuant to and subject to the terms and conditions of the ABC Share Transfer Agreement and/or BoCom Share Transfer Agreement under Specific Circumstances
“Perpetual Bond Option”	the rights granted to the Investors to convert the ABC Capital Injection Shares and BoCom Capital Injection Shares held by them into perpetual bonds of Xinjiang New Energy under certain circumstances pursuant to the terms and conditions under the ABC Share Transfer Agreement and BoCom Share Transfer Agreement
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of the geographical references in this circular
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Profit Distributable to Shareholders”	the undistributed profit at the end of a certain financial year of Xinjiang New Energy calculated in accordance with PRC GAAP
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of Shares
“Shares”	shares in the share capital of the Company, with a nominal value of RMB1.00 each, including Domestic Shares and H Shares

DEFINITIONS

“Specific Circumstance(s)”	has the meaning given to that term in the ABC Share Transfer Agreement or the BoCom Share Transfer Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“TBEA”	TBEA Co., Ltd. (特變電工股份有限公司), a joint stock company incorporated in the PRC with limited liability on 26 February 1993, and the Company’s controlling shareholder
“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 in the PRC with limited liability, which is owned as to approximately 69.32%, 15.02%, 15.02% and 0.64% by the Company, ABC Financial, BoCom Financial and CECEP respectively as at the Latest Practicable Date; and is a subsidiary of the Company

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. Wang Shi

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)
Urumqi, Xinjiang, the PRC

Headquarters in the PRC:

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

Principal place of business in Hong Kong:

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

20 August 2019

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO DEEMED DISPOSAL OF
EQUITY INTEREST
IN TBEA XINJIANG NEW ENERGY CO., LTD.***

References are made to the announcements of the Company dated 24 December 2018, 20 March 2019 and 14 August 2019. The purpose of this circular is to provide you with (i) further details about the ABC Financial Agreements and the BoCom Financial Agreements the Company entered with ABC Financial and BoCom Financial respectively in connection with the Capital Injections; and (ii) other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE ABC FINANCIAL AGREEMENTS

1. ABC CAPITAL INJECTION AGREEMENT

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

- Date: 24 December 2018
- Parties: (i) the Company;
- (ii) ABC Financial; and
- (iii) Xinjiang New Energy.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, ABC Financial and its ultimate beneficial owner(s) are independent third parties independent of the Company and its connected persons.

Consideration: ABC Financial shall inject capital to Xinjiang New Energy and subscribe its newly issued shares with monetary capital in an aggregate amount of RMB1 billion. The amount of ABC Financial Capital Injection will be included as equity attributable to Xinjiang New Energy.

Immediately after Completion of Capital Injection by ABC Financial but before Completion of Capital Injection by BoCom Financial, the equity interest of the Company and CECEP in Xinjiang New Energy will be diluted from approximately 98.89% to approximately 78.53% and from approximately 1.11% to approximately 0.88% respectively, and ABC Financial will hold approximately 20.59% of the equity interest in Xinjiang New Energy.

The amount of the Capital Injection by ABC Financial and the ABC Capital Injection Equity Interest under the ABC Capital Injection Agreement were determined after arm's length negotiations between the Company, ABC Financial and Xinjiang New Energy, with reference to factors including the Company's capital requirements to repay debts and the equity interest retained by the Company after the Completion of Capital Injection by ABC Financial. The final price of the ABC Capital Injection Equity Interest and the proportion of Capital Injection by ABC Financial were determined by reference to and on the basis of the net assets per share of Xinjiang New Energy at 31 December 2017 as audited by Independent Auditor in accordance with the PRC GAAP.

LETTER FROM THE BOARD

- Conditions Precedent: The obligations in relation to the payment of consideration by ABC Financial are subject to the fulfilment and/or waiver of the following conditions precedent:
- (1) All relevant contracts, agreements and other legal documents for the Capital Injection by ABC Financial have been signed by the parties and become effective. There has not been any event of default since the date of signing.
 - (2) The Company and ABC Financial have reached a consensus in respect of the amendments to Xinjiang New Energy's articles of association in relation to the Capital Injection by ABC Financial.
 - (3) The Company has issued a legal and valid written resolution to approve the Capital Injection by ABC Financial and related procedures must comply with relevant regulatory requirements.
 - (4) Xinjiang New Energy authorizes the Changji Branch of the Agricultural Bank of China Co., Ltd. to supervise the ABC Financial Capital Injection account of Xinjiang New Energy with the Agricultural Bank of China Co., Ltd., and the ABC Account Supervisory Agreement has been executed and become effective.
 - (5) The representations and warranties made by Xinjiang New Energy and the Company under the ABC Capital Injection Agreement have remained true, complete and accurate as of the date of the Completion of Capital Injection by ABC Financial.
 - (6) The financial conditions of Xinjiang New Energy and the Company have remained substantially the same and there has not been material adverse change as of the date of the Completion of Capital Injection by ABC Financial.
- Payment: The consideration shall be payable by ABC Financial in monetary capital by the date specified on the payment notice.
- The payment notice will be issued by Xinjiang New Energy within 5 business days from the date on which the conditions precedent above are all fulfilled or, fully or partially, waived.
- Completion of Capital Injection by ABC Financial: ABC Financial's Capital Injection shall be completed on the day when the consideration was paid by ABC Financial, which has been completed on 26 December 2018.
- Use of Proceeds from the ABC Financial Capital Injection: The proceeds shall be mainly used to repay Xinjiang New Energy's debts in form of bank loans and may also be used to repay other debts due to banks or non-bank financial institutions.

LETTER FROM THE BOARD

Performance Requirement: Upon the ABC Capital Injection Agreement being effective, during any financial year when ABC Financial is the holder of equity interest in Xinjiang New Energy, Xinjiang New Energy's Profit Distributable to Shareholders shall be RMB335,114,200. For details in relation to the basis of determining the performance requirement, please refer to the section headed "Miscellaneous" in the Letter from the Board below.

If in any financial year, the Profit Distributable to Shareholders is less than RMB335,144,200, Xinjiang New Energy shall first distribute the Profit Distributable to Shareholders to ABC Financial. Xinjiang New Energy can only distribute profit to other shareholders after ABC Financial has received the amount it is entitled to.

For the avoidance of doubt, Xinjiang New Energy's failure to meet the performance requirement under the ABC Capital Injection Agreement does not constitute a breach of contract under the ABC Capital Injection Agreement.

Corporate Governance upon Completion of Capital Injection by ABC Financial:

Upon the Completion of Capital Injection by ABC Financial, ABC Financial shall be entitled to all the rights enjoyed by the shareholders of Xinjiang New Energy as provided for by the laws and Xinjiang New Energy's articles of association. When ABC Financial exercises the shareholders' rights to participate in the corporate governance, it shall provide assistance in the operational management of Xinjiang New Energy without prejudice to the interests of ABC Financial. Xinjiang New Energy shall obtain prior approval in writing from ABC Financial before deciding on matters that may have significant impact on its operation and the shareholders' equity interest of ABC Financial.

Two directors shall be added to the board of directors of Xinjiang New Energy upon the Completion of Capital Injection by ABC Financial, one of each new director shall be nominated by the Company and ABC Financial. The board of directors of Xinjiang New Energy shall be elected at the shareholders' meeting of Xinjiang New Energy, and its chairman shall be a director nominated by the Company.

Transfer of ABC Capital Injection Shares:

Upon the Completion of Capital Injection by ABC Financial, the Company shall be granted rights to buy back the ABC Capital Injection Equity Interest from ABC Financial under Specific Circumstances in accordance with the ABC Share Transfer Agreement and the Company and ABC Financial may agree on other treatment methods in respect of the transfer of ABC Capital Injection Equity Interest subject to the terms and conditions of the ABC Share Transfer Agreement.

LETTER FROM THE BOARD

Representations and
Warranties:

- (1) The execution and performance of the ABC Capital Injection Agreement shall not violate or conflict with any provisions in the articles of association or other organisational rules of Xinjiang New Energy and the Company, or in any agreements and documents signed by Xinjiang New Energy and the Company.
- (2) Xinjiang New Energy does not have any material debts that are not reflected in the balance sheet. Guarantees, mortgages or pledges, if any, shall be disclosed to ABC Financial, with ABC Financial's confirmation obtained before the execution of the ABC Capital Injection Agreement.
- (3) Xinjiang New Energy has completed all the tax registrations as required by the laws and regulations, has paid all the tax payable and is not required to pay any penalties, surcharges, fines, late fees or interest in relation to such tax.
- (4) Xinjiang New Energy legally owns and uses all its real estates, fixed and intangible assets, and there are no security interests, encumbrances and restrictions over those properties. Xinjiang New Energy has obtained and maintained all title documents and other related documents in relation to such properties and interests.
- (5) The relevant financial statements provided by Xinjiang New Energy as required by ABC Financial give a true, complete and accurate view of the operation and financial conditions of Xinjiang New Energy during the relevant period or as at the relevant reference date. All audited accounts and management accounts (including transfer accounts) of Xinjiang New Energy are prepared in accordance with the financial and accounting systems of the PRC laws and based on the specific conditions of Xinjiang New Energy, and give a true and fair view of the financial and operation conditions of Xinjiang New Energy as at the date of such accounts.
- (6) Before the Completion of Capital Injection by ABC Financial, Xinjiang New Energy has not been involved or possibly involved in any material litigation, arbitration, administrative enforcement, administrative penalties or economic disputes. Save as specified in the financial statements, Xinjiang New Energy is not aware of any liabilities and contingent liabilities that have not been disclosed as far as it knows or ought to know.
- (7) The Company and Xinjiang New Energy undertake that Xinjiang New Energy's consolidated gearing ratio will comply with relevant requirements during the period when the shares of Xinjiang New Energy are held by ABC Financial.

LETTER FROM THE BOARD

2. ABC SHARE TRANSFER AGREEMENT

The principal terms of the ABC Share Transfer Agreement are summarized as follows:

Date: 24 December 2018

Parties: (i) the Company;
(ii) ABC Financial; and
(iii) Xinjiang New Energy.

The Company's Option to
Subscribe for
ABC Capital Injection
Shares:

Upon the occurrence of any one of the following "Specific Circumstances", the Company shall be entitled to exercise the Option to Subscribe for ABC Financial Capital Injection Shares and buy back the ABC Capital Injection Shares from ABC Financial. ABC Financial may serve a notice to the Company to inform the Company or its designated third party to exercise the Option to Subscribe for ABC Capital Injection Shares, and the price for exercising the Option to Subscribe for ABC Capital Injection Shares shall be calculated in accordance with Formula 1 (please see the section headed "Exercise Price" below).

No premium is payable for the grant of the Option to Subscribe for ABC Capital Injection Shares to the Company; and the exercise of such option is at the Company's discretion.

"Specific Circumstances" include:

- (1) 60 months after the Completion of the Capital Injection ABC Financial, the Company or its designated third party has not bought back all of ABC Financial's shares in Xinjiang New Energy, and the Company and ABC Financial have not reached a consensus with ABC Financial on the extension of ABC Financial's investment period in Xinjiang New Energy.
- (2) From the second financial year after the Completion of Capital Injection by ABC Financial, the Profit Distributable to Shareholders of Xinjiang New Energy has not met the performance requirement stated in the ABC Capital Injection Agreement; or in any financial year, the profit distributed by Xinjiang New Energy to ABC Financial has not reached the amount attributable to ABC Financial as required (i.e. approximately RMB69,000,000), and the Company is unable to properly resolve such issue within the grace period given by ABC Financial.
- (3) Any member of the Group is in breach of the ABC Capital Injection Agreement, the ABC Share Transfer Agreement and other relevant agreements, and failed to properly resolve such issue within the grace period given by ABC Financial or in accordance with the requirements of ABC Financial.

LETTER FROM THE BOARD

- (4) Xinjiang New Energy is subject to bankruptcy or liquidation, including but not limited to any involuntary or voluntary bankruptcy, suspension, liquidation, revocation, closure, striking off or deregistration procedures.
- (5) The use of proceeds from the Capital Injection by ABC Financial according to the ABC Capital Injection Agreement cannot be achieved due to *force majeure*.

ABC Financial's Rights:

Upon the occurrence of any of the Specific Circumstances but the Company or its designated third party has not exercised the Option to Subscribe for ABC Capital Injection Shares, ABC Financial is entitled to exercise all or any of the following rights:

- (1) To request for an increase in the number of directors in Xinjiang New Energy that may be nominated by ABC Financial or adjust the composition of the board of directors, such that it holds more than 50% of the voting rights in the board of directors of Xinjiang New Energy.
- (2) To transfer all or part of the ABC Capital Injection Shares to any third party; in such case, the Company does not have the right of first refusal to the shares in Xinjiang New Energy held by ABC Financial.
- (3) From the second year after the occurrence of the "Specific Circumstance", the transfer price payable by the Company for the ABC Capital Injection Shares to be acquired shall be calculated according to Formula 2 (please see the section headed "Exercise Price" below), and ABC Financial may request the Company to pay the transfer price of the ABC Capital Injection Shares within the time limit requested by ABC Financial.
- (4) To request the Company to assist in amending Xinjiang New Energy's articles of association, such that ABC Financial's voting rights at the shareholders' meetings of Xinjiang New Energy will be adjusted to 51%.
- (5) To request the Company to tag along and dispose its shares in Xinjiang New Energy in the same proportion as that of ABC Financial, that is, the proportion of shares in Xinjiang New Energy disposed by the Company shall be calculated according to the proportion of the shares in Xinjiang New Energy disposed by ABC Financial against its total shares in Xinjiang New Energy.

LETTER FROM THE BOARD

- (6) If any of the above rights are not exercised, to exercise the Perpetual Bond Option to convert the ABC Capital Injection Shares into perpetual bonds of Xinjiang New Energy.

The Company and Xinjiang New Energy are obliged to provide all necessary assistance and cooperation for the exercise of such rights by ABC Financial, including but not limited to completing the requisite procedures, formalities or matters for internal resolutions, relevant amendments to the agreements or Xinjiang New Energy's articles of association, external approvals, filing or registration (including all necessary requirements and approvals under the Listing Rules) within the period requested by ABC Financial in accordance with the ABC Share Transfer Agreement.

ABC Financial's Perpetual Bond Option:

Upon the occurrence of any of the Specific Circumstances but the Company or its designated third party has not exercised the Option to Subscribe for ABC Capital Injection Shares, ABC Financial shall have the right to elect to convert the shares in Xinjiang New Energy to equity perpetual bonds of Xinjiang New Energy. After the conversion, ABC Financial shall receive 10,000,000 perpetual bonds having a denomination of RMB100 each, and the principal terms of the perpetual bonds are as follows:

- a) The annualized interest rate of the perpetual bonds will not be lower than 6.9%;
- b) The cycle of the perpetual bonds is one year, and from the second cycle onwards, the annualized interest rate will be that of the previous cycle plus 100 basis points;
- c) If there exists undistributed profit attributable to ABC Financial during the period while it is a shareholder of Xinjiang New Energy before conversion that has not been declared for distribution, it will no longer be attributable to ABC Financial on the day of conversion of the perpetual bonds; and any non-distribution of dividends during such period does not constitute a breach of contract under the ABC Share Transfer Agreement.

LETTER FROM THE BOARD

Exercise Price: There are two ways of calculating the exercise price for the transfer of the equity interest in Xinjiang New Energy:

Formula 1

Upon the occurrence of any of the Specific Circumstances, the subscription price payable by the Company in exercising the Option to Subscribe for ABC Capital Injection Shares shall be calculated based on “Principal investment amount + Difference”. The Difference is calculated using the formula below:

Difference = (Xinjiang New Energy’s Profit Distributable to Shareholders based on the performance requirements under the ABC Capital Injection Agreement × percentage of shares held by ABC Financial in Xinjiang New Energy × the number of days between 26 December 2018 and the date of payment of the exercise price / 360 – investment income obtained by ABC Financial during the period of its shareholding in Xinjiang New Energy) / 75%

The Difference refers to the outstanding profit distributable to ABC Financial pursuant to its shareholding in Xinjiang New Energy, and such amount was divided by 75%, as under PRC tax regulations investment income is subject to a profits tax rate of 25%; and guarantee shall be provided to ABC Financial that its after tax income is same as the expected amount.

Formula 2

If the Company buys back the equity interest in Xinjiang New Energy according to situation (3) mentioned in the section headed “ABC Financial’s Rights” above, the exercise price shall be calculated according to Formula 2, the amount arrived according to Formula 1 will be used as the “Base Value”, and starting from the day following the occurrence of the “Specific Circumstance” (the “**Point of Increase**”), the exercise price shall be calculated using the following formula:

Exercise price after the Point of Increase = Base Value × (1 + annualized rate of return after the Point of Increase × n / 360)

Annualized rate of return after the Point of Increase = 6.9% + 1% [n / 360]

- a) “n” is the number of days between the date of occurrence of the “Specific Circumstance” and the date of payment of the exercise price.
- b) [n / 360] is n / 360 rounded up to the nearest integer.

LETTER FROM THE BOARD

The risk of the investments by ABC Financial increases through time after the Completion of Capital Injection; and upon the occurrence of a Prerequisite Event (as defined below). To reflect ABC Financial's increasing investment risk, the investment return shall also be increased correspondingly; and the annual increment of 100 basis points was determined after arm's length negotiation with reference to the quantitative and qualitative analysis of the risk and the Company and Xinjiang New Energy's repayment ability.

Condition Precedent: ABC Financial must have subscribed the ABC Capital Injection Equity Interest pursuant to the ABC Capital Injection Agreement.

Extension of Investment Period: The Company or ABC Financial may propose to extend ABC Financial's investment period in Xinjiang New Energy subject to the other party's consent.

THE BOCOM FINANCIAL AGREEMENTS

1. BOCOM CAPITAL INJECTION AGREEMENT

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

Date: 20 March 2019

Parties: (i) the Company;
(ii) BoCom Financial; and
(iii) Xinjiang New Energy.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, BoCom Financial and its ultimate beneficial owner(s) are independent third parties independent of the Company and its connected persons.

LETTER FROM THE BOARD

Consideration: BoCom Financial shall inject capital to Xinjiang New Energy and subscribe its newly issued shares with monetary capital in an aggregate amount of RMB1 billion. The amount of Capital Injection by BoCom Financial will be included as equity attributable to Xinjiang New Energy.

Upon Completion of Capital Injection by BoCom Financial, the equity interest of the Company, ABC Financial and CECEP in Xinjiang New Energy will be diluted to approximately 69.32%, approximately 15.02% and approximately 0.64% respectively, and BoCom Financial will hold approximately 15.02% of the equity interest in Xinjiang New Energy.

The amount of the BoCom Financial Capital Injection and the BoCom Capital Injection Equity Interest under the BoCom Capital Injection Agreement were determined after arm's length negotiations between the Company, BoCom Financial and Xinjiang New Energy, with reference to factors including the Company's capital requirements to repay debts and the equity interest retained by the Company after the Completion of Capital Injection by BoCom Financial. The final price of the BoCom Capital Injection Equity Interest and the proportion of Capital Injection by BoCom Financial were determined by reference to and on the basis of the net assets per share of Xinjiang New Energy at 31 December 2017 as audited by Independent Auditor in accordance with the PRC GAAP.

Conditions Precedent: The obligations in relation to the payment of consideration by BoCom Financial are subject to the fulfilment and/or waiver of the following conditions precedent:

- (1) All relevant contracts, agreements and other legal documents for the BoCom Financial Capital Injection have been signed by the parties and become effective. There has not been any event of default since the date of signing.
- (2) The Company and BoCom Financial have reached a consensus in respect of the amendments to Xinjiang New Energy's articles of association in relation to the BoCom Financial Capital Injection.

LETTER FROM THE BOARD

- (3) The Company and BoCom Financial have issued a legal and valid written resolution to approve the BoCom Financial Capital Injection and related procedures must comply with relevant regulatory requirements.
- (4) Xinjiang New Energy authorizes the Beijing Road, Urumqi Branch of Bank of Communications Co., Ltd. to supervise the BoCom Financial Capital Injection account of Xinjiang New Energy with Bank of Communications Co., Ltd., and the Account Supervisory Agreement has been executed and become effective.
- (5) The representations and warranties made by Xinjiang New Energy and the Company under the BoCom Capital Injection Agreement have remained true, complete and accurate as of the date of the Completion of BoCom Financial Capital Injection.
- (6) The financial conditions of Xinjiang New Energy and the Company have remained substantially the same and there has not been material adverse change as of the date of the Completion of BoCom Financial Capital Injection.

Payment:

The consideration shall be payable by BoCom Financial in monetary capital by the date specified on the payment notice.

The payment notice will be issued by Xinjiang New Energy within 5 business days from the date on which the conditions precedent above are all fulfilled or, fully or partially, waived.

Completion of
BoCom Financial
Capital Injection:

Capital Injection by BoCom Financial shall be completed on the day when the consideration was paid by BoCom Financial, which has been completed on 28 March 2019.

Use of Proceeds from
the BoCom Financial
Capital Injection:

The proceeds shall be mainly used to repay Xinjiang New Energy's debts in form of bank loans and may also be used to repay other debts due to banks or non-bank financial institutions.

LETTER FROM THE BOARD

Performance Requirement: Upon the BoCom Capital Injection Agreement being effective, during any financial year when BoCom Financial is the holder of equity interest in Xinjiang New Energy, Xinjiang New Energy's Profit Distributable to Shareholders shall be RMB459,387,500. For details in relation to the basis of determining the performance requirement, please refer to the section headed "Miscellaneous" in the Letter from the Board below.

If in any financial year, the Profit Distributable to Shareholders is less than RMB459,387,500, Xinjiang New Energy shall first distribute the Profit Distributable to Shareholders to BoCom Financial and BoCom Financial. Xinjiang New Energy can only distribute profit to other shareholders after BoCom Financial and BoCom Financial have received the amount it is entitled to. The aforementioned profit distribution requires approval of a resolution at the shareholders' meeting of Xinjiang New Energy in principle, but if the resolution is not approved, it does not constitute a breach of contract.

For the avoidance of doubt, Xinjiang New Energy's failure to meet the performance requirement under the BoCom Capital Injection Agreement does not constitute a breach of contract under the BoCom Capital Injection Agreement.

Corporate Governance
upon Completion
of BoCom Financial
Capital Injection:

Upon the Completion of Capital Injection by BoCom Financial, it shall be entitled to all the rights enjoyed by the shareholders of Xinjiang New Energy as provided for by the laws and Xinjiang New Energy's articles of association. When BoCom Financial exercises the shareholders' rights to participate in the corporate governance, it shall provide assistance in the operational management of Xinjiang New Energy without prejudice to the interests of BoCom Financial. Xinjiang New Energy shall obtain prior approval in writing from BoCom Financial before deciding on matters that may have significant impact on its operation and the shareholders' equity interest of BoCom Financial.

Upon the Completion of BoCom Financial Capital Injection, the size of the board of directors of Xinjiang New Energy will remain unchanged. The board of directors of Xinjiang New Energy shall be elected at the shareholders' meeting of Xinjiang New Energy, and its chairman shall be a director nominated by the Company.

Transfer of BoCom Capital
Injection Shares:

Upon the Completion of BoCom Financial Capital Injection, the Company shall be granted rights to buy back the BoCom Capital Injection Equity Interest from BoCom Financial under the Specific Circumstances in accordance with the BoCom Share Transfer Agreement and the Company and BoCom Financial may agree on other treatment methods in respect of the transfer of BoCom Capital Injection Equity Interest subject to the terms and conditions of the BoCom Share Transfer Agreement.

LETTER FROM THE BOARD

Representations and
Warranties:

- (1) The execution and performance of the BoCom Capital Injection Agreement shall not violate or conflict with any provisions in the articles of association or other organisational rules of Xinjiang New Energy and the Company, or in any agreements and documents signed by Xinjiang New Energy and the Company.
- (2) Xinjiang New Energy does not have any material debts that are not reflected in the balance sheet. Guarantees, mortgages or pledges, if any, shall be disclosed to BoCom Financial, with BoCom Financial's confirmation obtained before the execution of the BoCom Capital Injection Agreement.
- (3) Xinjiang New Energy has completed all the tax registrations as required by the laws and regulations, has paid all the tax payable and is not required to pay any penalties, surcharges, fines, late fees or interest in relation to such tax.
- (4) Xinjiang New Energy legally owns and uses all its real estates, fixed and intangible assets, and there are no security interests, encumbrances, third parties rights and restrictions over those properties. Xinjiang New Energy has obtained and maintained all title documents and other related documents in relation to such properties and interests.
- (5) The relevant financial statements provided by Xinjiang New Energy as required by BoCom Financial give a true, complete and accurate view of the operation and financial conditions of Xinjiang New Energy during the relevant period or as at the relevant reference date. All audited accounts and management accounts (including transfer accounts) of Xinjiang New Energy are prepared in accordance with the financial and accounting systems of the PRC laws and based on the specific conditions of Xinjiang New Energy, and give a true and fair view of the financial and operation conditions of Xinjiang New Energy as at the date of such accounts.
- (6) Before the Completion of Capital Injection by BoCom Financial, Xinjiang New Energy has not been involved or possibly involved in any material litigation, arbitration, administrative enforcement, administrative penalties or economic disputes. Save as specified in the financial statements, Xinjiang New Energy is not aware of any liabilities and contingent liabilities that have not been disclosed as far as it knows or ought to know.
- (7) The Company and Xinjiang New Energy undertake that Xinjiang New Energy's consolidated gearing ratio will comply with relevant requirements during the period when the shares of Xinjiang New Energy is held by BoCom Financial.

LETTER FROM THE BOARD

2. BOCOM SHARE TRANSFER AGREEMENT

The principal terms of the BoCom Share Transfer Agreement are as follows:

- Date: 20 March 2019
- Parties: (i) the Company;
- (ii) BoCom Financial; and
- (iii) Xinjiang New Energy.

The Company's
Option to Subscribe for
BoCom Capital
Injection Shares:

Upon the occurrence of any one of the following "Specific Circumstances", the Company shall be entitled to the Option to Subscribe for BoCom Financial Capital Injection Shares to buy back the BoCom Capital Injection Shares from BoCom Financial. BoCom Financial may serve a notice to the Company to inform the Company or its designated third party to exercise the Option to Subscribe for BoCom Capital Injection Shares, and the price for exercising the Option to Subscribe for BoCom Financial Capital Injection Shares shall be calculated in accordance with Formula 1 (please see the section headed "Exercise Price" below).

No premium is payable for the grant of the Option to Subscribe for BoCom Capital Injection Shares to the Company; and the exercise of such option is at the Company's discretion.

"Specific Circumstances" include:

- (1) 57 months after the Completion of Capital Injection by BoCom Financial, the Company or its designated third party has not bought back all of BoCom Financial's shares in Xinjiang New Energy, and the Company and BoCom Financial have not reached a consensus with BoCom Financial on the extension of BoCom Financial's investment period in Xinjiang New Energy.
- (2) Upon the Completion of Capital Injection by BoCom Financial and during the period in which BoCom Financial is holding the share(s) of Xinjiang New Energy, the Profit Distributable to Shareholders of Xinjiang New Energy has not met the performance requirement as stated in the BoCom Capital Injection Agreement; or in any financial year, the profit distributed by Xinjiang New Energy to BoCom Financial has not reached the amount attributable to BoCom Financial as required (i.e. approximately RMB69,000,000), and the Company is unable to properly resolve such issue within the grace period given by BoCom Financial.

LETTER FROM THE BOARD

- (3) Any member of the Group in breach of the BoCom Capital Injection Agreement, the BoCom Share Transfer Agreement and other relevant agreements, and failed to properly resolve such issue within the grace period given by BoCom Financial or in accordance with the requirements of BoCom Financial.
- (4) Xinjiang New Energy is subject to bankruptcy or liquidation, including but not limited to any involuntary or voluntary bankruptcy, suspension, liquidation, revocation, closure, striking off or deregistration procedures.
- (5) The use of proceeds from the BoCom Financial Capital Injection according to the BoCom Capital Injection Agreement cannot be achieved due to *force majeure* or other statutory or contractual reasons.
- (6) BoCom Financial or any other debt-to-equity swap implementation institutions have withdrawn or is about to withdraw from their investment in Xinjiang New Energy.

In the event that the triggering events under (2) to (6) above do not occur, the Company is entitled to exercise the option on or after 28 December 2023.

BoCom Financial's Rights:

Upon the occurrence of any of the Specific Circumstances but the Company or its designated third party has not exercised the Option to Subscribe for BoCom Capital Injection Shares, BoCom Financial is entitled to exercise all or any of the following rights:

- (1) To request for an increase in the number of directors in Xinjiang New Energy that may be nominated by BoCom Financial and existing investors or adjust the composition of the board of directors, such that they hold more than 50% of the voting rights in the board of directors of Xinjiang New Energy.
- (2) To transfer all or part of the BoCom Capital Injection Shares to any third party; in such case, the Company does not have the right of first refusal to the shares in Xinjiang New Energy held by BoCom Financial.
- (3) From the second year after the occurrence of the "Specific Circumstance", the transfer price payable by the Company for the BoCom Capital Injection Shares to be acquired shall be calculated according to Formula 2 (please see the section headed "Exercise Price" below).
- (4) To request the Company to assist in amending Xinjiang New Energy's articles of association, and approve that the voting rights of BoCom Financial and existing investors at the shareholders' meetings of Xinjiang New Energy will be adjusted to 51% in aggregate.

LETTER FROM THE BOARD

- (5) To request the Company to tag along and dispose its shares in Xinjiang New Energy in the same proportion as that of BoCom Financial, that is, the proportion of shares in Xinjiang New Energy disposed by the Company shall be calculated according to the proportion of the shares in Xinjiang New Energy disposed by BoCom Financial against its total shares in Xinjiang New Energy.
- (6) If any of the above rights are not exercised, to exercise the Perpetual Bond Option to convert the BoCom Capital Injection Shares into perpetual bonds of Xinjiang New Energy.

The Company and Xinjiang New Energy are obliged to provide all necessary assistance and cooperation for the exercise of such rights by BoCom Financial, including but not limited to completing the requisite procedures, formalities or matters for internal resolutions, relevant amendments to the agreements or Xinjiang New Energy's articles of association, external approvals, filing or registration (including all necessary requirements and approvals under the Listing Rules) within the period requested by BoCom Financial in accordance with the BoCom Share Transfer Agreement.

BoCom Financial's Perpetual
Bond Option:

Upon the occurrence of any of the Specific Circumstances but the Company or its designated third party has not exercised the Option to Subscribe for BoCom Capital Injection Shares, BoCom Financial shall have the right to elect to convert the shares in Xinjiang New Energy to equity perpetual bonds of Xinjiang New Energy held by BoCom Financial. After the conversion, BoCom Financial shall receive 10,000,000 perpetual bonds having a denomination of RMB100 each. The principal terms of the perpetual bonds are as follows:

- a) The annualized interest rate of the perpetual bonds will not be lower than 6.9%, and Xinjiang New Energy has the right to choose to defer the payment of current interest and all interests that have been deferred until the next interest payment date, and there is no restriction on the number of times of deferred payment of interests;
- b) The cycle of the perpetual bonds is one year, and from the second cycle onwards, the annualized interest rate will be that of the previous cycle plus 100 basis points, and if the interest rate of the perpetual bond reaches 18%, the annualized interest rate will no longer increase;
- c) If there exists undistributed profit attributable to BoCom Financial during the period while it is a shareholder of Xinjiang New Energy before conversion that has not been declared for distribution, it will no longer be attributable to BoCom Financial on the day of conversion of the perpetual bonds; and any non-distribution of dividends during such period does not constitute a breach of contract under the BoCom Share Transfer Agreement.

LETTER FROM THE BOARD

Exercise Price: There are two ways of calculating the exercise price for the transfer of the equity interest in Xinjiang New Energy:

Formula 1

Upon the occurrence any of the Specific Circumstances, the subscription price payable by the Company in exercising the Option to Subscribe for BoCom Capital Injection Shares shall be calculated based on “Principal investment amount + Difference”. The Difference is calculated using the formula below:

Difference = (Xinjiang New Energy’s Profit Distributable to Shareholders based on the performance requirements under the BoCom Capital Injection Agreement × percentage of shares held by BoCom Financial in Xinjiang New Energy × the number of days between 28 March 2019 and the date of payment of the exercise price / 360 – investment income obtained by BoCom Financial during the period of its shareholding in Xinjiang New Energy) / 75%

The Difference refers to the outstanding profit distributable to BoCom Financial pursuant to its shareholding in Xinjiang New Energy, and such amount was divided by 75%, as under PRC tax regulations investment income is subject to a profits tax rate of 25%; and guarantee shall be provided to BoCom Financial that its after tax income is same as the expected amount.

Formula 2

If the Company buys back the equity interest in Xinjiang New Energy according to situation (3) mentioned in the section headed “BoCom Financial’s Rights” above, the exercise price shall be calculated according to Formula 2, the amount arrived according to Formula 1 will be used as the “Base Value”, and starting from the day following the occurrence of the “Specific Circumstance” (the “**Point of Increase**”), the exercise price shall be calculated using the following formula:

Exercise price after the Point of Increase = Base Value × (1 + annualized rate of return after the Point of Increase × n / 360)

Annualized rate of return after the Point of Increase = 6.9% + 1% [n / 360]

- a) The annualized rate of return will no longer increase if it reaches 18% after the Point of Increase.
- b) “n” is the number of days between the date of occurrence of the “Specific Circumstance” and the date of payment of the exercise price.
- c) [n / 360] is n / 360 rounded up to the nearest integer.

LETTER FROM THE BOARD

The risk of the investments by BoCom Financial increases through time after the Completion of Capital Injection; and upon the occurrence of a Prerequisite Event (as defined below). To reflect BoCom Financial's increasing investment risk, the investment return shall also be increased correspondingly; and the annual increment of 100 basis points was determined after arm's length negotiation with reference to the quantitative and qualitative analysis of the risk and the Company and Xinjiang New Energy's repayment ability.

Condition Precedent: BoCom Financial having subscribed the BoCom Capital Injection Equity Interest pursuant to the BoCom Capital Injection Agreement.

Extension of Investment Period: The Company or BoCom Financial may propose to extend BoCom Financial's investment period in Xinjiang New Energy subject to the other party's consent.

MISCELLANEOUS

Both BoCom Financial and ABC Financial have a Performance Requirement for their Capital Injection. After assessing factors such as operation condition, credit rating, future development of Xinjiang New Energy, ABC Financial and BoCom Financial required the Profit Distributable to Shareholders under the ABC Capital Injection Agreement and BoCom Capital Injection Agreement to be RMB335,114,200 and RMB459,387,500 respectively. Based on each of their shareholdings in Xinjiang New Energy after Completion of their respective Capital Injection, their annual return for the Capital Injection of RMB1 billion would be RMB69 million, i.e. a rate of return of 6.9% per annum. At the same time, the Company considered the financing costs and future profitability of Xinjiang New Energy.

Taking into account the shareholding as at the time of the Capital Injection by ABC Financial, ABC Financial will hold 20.59% of the shareholding in Xinjiang New Energy immediately after its Capital Injection but before the Completion of Capital Injection by BoCom Financial, the Profit Distributable to Shareholders under the ABC Share Transfer Agreement is RMB335,114,200. The parameters for calculating the profit distributable will be based on the date of signing the ABC Share Transfer Agreement and will not be affected by subsequent changes in the registered capital of Xinjiang New Energy.

Similarly, taking into account the shareholding as at the time of the BoCom Financial Capital Injection, BoCom Financial will hold 15.02% of the shareholding in Xinjiang New Energy, the Profit Distributable to Shareholders under the BoCom Share Transfer Agreement is RMB459,387,500. The parameters for calculating the Profit Distributable to Shareholders will be based on the date of signing the BoCom Share Transfer Agreement and will not be affected by subsequent changes in the registered capital of Xinjiang New Energy.

In the event that the Profit Distributable to Shareholders is less than RMB459,387,500, ABC Financial and BoCom Financial have the same priority in receiving the share of profit they are entitled to. Xinjiang New Energy shall first distribute the Profit Distributable to Shareholders to the Investors; and it can only distribute profit to other shareholders after the Investors have each received the amount they are entitled to.

LETTER FROM THE BOARD

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE ABC FINANCIAL AGREEMENTS AND BOCOM FINANCIAL AGREEMENTS

The Capital Injections

Based on Xinjiang New Energy's audited financial statements prepared under the PRC GAAP, its net assets as at 31 December 2017 and 31 December 2018 were approximately RMB3,856,676,512.83 and RMB5,251,233,855.45 respectively; its total assets as at 31 December 2018 was RMB20,983,778,454.95; and its revenue for the year ended 31 December 2018 was RMB8,622,626,274.24. Its net profit before and after taxation for the three years ended 31 December 2018 as audited by Independent Auditor are as follows:

	For the financial year ended 31 December 2016 (RMB)	For the financial year ended 31 December 2017 (RMB)	For the financial year ended 31 December 2018 (RMB)
Net profit before taxation (audited)	379,388,170.99	93,300,819.54	423,381,583.40
Net profit after taxation (audited)	319,397,775.97	104,382,073.04 ^(Note)	413,881,561.63

Note: Due to the difference in income tax treatment between the relevant taxation laws in the PRC and the PRC GAAP, there is a temporary difference of the income tax expenses for the current period, hence Xinjiang New Energy's audited net profit after taxation for 2017 is greater than its audited net profit before taxation.

Upon Completion of Capital Injections, Xinjiang New Energy's equity interest will increase by RMB2 billion. It will help improve the financing capacities of Xinjiang New Energy and the Company, and provide further support for the development and operation of the wind power and photovoltaic projects in the future. The Capital Injections will bring in more capital to the Group, improve its gearing structure, and mitigate the Group's financial risks.

Following the Completion of Capital Injections, Xinjiang New Energy will continue to be a subsidiary of the Group and the Group will remain in control of the future development of Xinjiang New Energy. The exit arrangement under the ABC Share Transfer Agreement and BoCom Share Transfer Agreement provides the Company with an option to buy back the equity interest of Xinjiang New Energy from the Investors upon the occurrence of a Specific Circumstance, which was ultimately established for the benefit of the Group. Should the Company exercise the Option to Subscribe for Capital Injection Shares, the Group would be able to flexibly increase its control over Xinjiang New Energy and provide itself with opportunities to further explore the business development in wind power and photovoltaic projects without sharing potential economic return with other entities.

Given the aforementioned factors, the Directors believe the Capital Injections will have a positive impact on the Group's future prospects and is therefore beneficial to the Group. The Directors are of the view that the terms of the ABC Financial Agreements and the BoCom Financial Agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has no intention, has not carried out any negotiation or has not entered into any agreement, arrangement or understanding for any further capital injection in relation to Xinjiang New Energy.

Feasibility study of other financing strategies

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

(1) Debt financing

The Company would need to increase the equity of Xinjiang New Energy 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, debt financing will incur further financial expense for the Group and the increase in the leverage of the Group will increase its financial risk.

(2) Issue of corporate bonds and renewable corporate bonds

There are uncertainties in obtaining approvals from the China Securities Regulatory Commission for the issuance of corporate bonds and the amount of fund raised is uncertain and may not be able to meet the needs of the Company 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 due to the increase in financial expenses increase difficulties for the Company to develop its business operation.

(3) 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.

(4) Placement of newly issued Domestic Shares

As at the Latest Practicable Date, 312,252,430 H Shares were held in the hands of the public, representing 26.02% of the issued share capital of the Company. Should the Company conduct a placing of Domestic Shares, the public float of the Company may fall below 25% and it will not be in compliance with Rule 8.08 of the Listing Rules.

(5) Rights issue of Domestic Shares and H Shares

For similar reasons as set out in paragraph (3) 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.

LETTER FROM THE BOARD

Having carefully weighing the above strategies, the Board considers that the Capital Injections is the most efficient approach to increase the financial strength of Xinjiang New Energy through equity injection, and to enhance the Group's overall competitiveness. At the same time, Completion of Capital Injections will reduce the gearing ratio of the Company and Xinjiang New Energy, improve the financial structure, reduce financial risks, enhance the company's profitability and solvency and to continuously expand its business scale, which is beneficial to the Company and the Shareholders as a whole, thus bringing benefits to the Company in the long run.

4. LISTING RULES IMPLICATIONS

Capital Injections

Pursuant to Rule 14.22 of the Listing Rules, the Stock Exchange may require the Company to aggregate a series of transactions and treat them as if they were one transaction if they are all completed within a 12 month period or are otherwise related, including if those transactions together involve the disposal of interest in one particular company.

Upon (i) Completion of the Capital Injections and (ii) the Company's capital increase to Xinjiang New Energy of approximately RMB800 million using the proceeds raised from the directional issue of Domestic Shares completed in February 2019, the Company's equity interest in Xinjiang New Energy was diluted from approximately 98.89% to approximately 69.32%. As such, each of the transactions contemplated under the ABC Capital Injection Agreement and the BoCom Capital Injection Agreement constitutes a Deemed Disposal of the Company under Chapter 14 of the Listing Rules.

As one or more applicable percentage ratios calculated in respect of the Capital Injections on an aggregate basis exceeds 25% but are less than 75%, the transaction contemplated under the ABC Capital Injection Agreement and BoCom Capital Injection Agreement constitute a major transaction of the Company. As such, the Company is subject to the reporting and announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As no Shareholder is materially interested in the Capital Injections and no Shareholder is required to abstain from voting at a general meeting of the Company approving the Capital Injections, and the Company has, pursuant to Rule 14.44 of the Listing Rules, obtained written approval of the transactions contemplated under the BoCom Financial Agreements from TBEA, a Shareholder holding 783,921,287 Domestic Shares (representing approximately 65.33% of the entire issued share capital of the Company at the Latest Practicable Date). As such, the Company is exempted from convening a general meeting to approve the transactions contemplated under the BoCom Financial Agreements.

LETTER FROM THE BOARD

Option to Subscribe for Capital Injection Shares

Pursuant to the Listing Rules, the grant of the Option to Subscribe for Capital Injection Shares to the Company in accordance with the ABC Share Transfer Agreement and BoCom Share Transfer Agreement to buy back the ABC Capital Injection Shares and BoCom Capital Injection Shares constitutes a transaction under Chapter 14 of the Listing Rules and should be classified by reference to the percentage ratios described in the Listing Rules. Pursuant to the Listing Rules, only the premium will be taken into consideration for the purpose of classifying the transaction as a notifiable transaction. In respect of the grant of the Option to Subscribe for Capital Injection Shares (the exercise of which is at the discretion of the Company), only the premium paid at the time of the grant of option will be taken into consideration for the calculation of the percentage ratios. As the Company does not need to pay any premium for the grant of the Option to Subscribe for Capital Injection Shares, the transaction does not constitute a notifiable transaction of the Company.

In the event that a “Specific Circumstance” occurs and the Company based on its discretion has not exercised the Option to Subscribe for Capital Injection Shares conferred by the ABC Share Transfer Agreement and BoCom Share Transfer Agreement to buy back the ABC Capital Injection Shares and/or BoCom Capital Injection Shares (the “**Prerequisite Event**”), the Investors may exercise their rights stated in paragraphs (1) and (4) under the section headed “ABC Financial’s Rights” and “BoCom Financial’s Rights” to nominate directors or amending the articles of association in order to hold more than 50% of the voting rights in the board of director or shareholders’ meeting of Xinjiang New Energy. As a result, Xinjiang New Energy will cease to be a subsidiary of the Company and will not be consolidated as a subsidiary in the audited consolidated accounts of the Company pursuant to applicable International Financial Reporting Standards as the Company no longer holds a majority of its voting rights; or no longer has the right to appoint or remove a majority of Xinjiang New Energy’s board of directors.

In the event that the Prerequisite Event occurs, 100% of Xinjiang New Energy’s total assets, profit and revenue will form the respective numerators for the applicable percentage ratios, and such deemed disposal will constitute a major transaction as at the Latest Practicable Date as one or more applicable percentage ratios calculated for the transaction exceeds 25% but are less than 75%. The Company shall liaise with the Investors in order to allow sufficient time for the Company to fulfil all requirements under the Listing Rules (including the despatch of relevant documents to obtain the necessary Shareholders’ approval). Given that the ABC Share Transfer Agreement and BoCom Share Transfer Agreement have not specifically addressed the situation of failing to obtain Shareholders’ approval when the Prerequisite Event occurs, hence assuming the Prerequisite Event occurs and the corresponding Shareholders’ approval has not been obtained for the transactions, the Company can further discuss and negotiate with the Investors on how to facilitate, adjust or waive the corresponding rights in order to comply with the applicable Listing Rules requirements.

As confirmed by the Reporting Accountants, given that whether to exercise the Option to Subscribe for Capital Injection Shares is at the Company’s discretion, the entering into of the ABC Share Transfer Agreement and BoCom Share Transfer Agreement will not affect the consolidation of Xinjiang New Energy’s financials to the Group as a subsidiary pursuant to applicable International Financial Reporting Standards.

Further announcements will be made at the appropriate time to keep Shareholders updated on, amongst others, the Company’s shareholding in Xinjiang New Energy, whether the Prerequisite Event has occurred, and whether the Option to Subscribe for Capital Injection Shares has been exercised.

LETTER FROM THE BOARD

5. GENERAL INFORMATION

Information on the Company

The Company is a global leader in the manufacturing of polysilicon as well as in the development and operation of wind power and photovoltaic resources. Its main businesses include the production of polysilicon and the provision of engineering and construction contracting and operating 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 generators), which are used for the engineering and construction contracting business of the Company or sold to independent third parties.

Information on Xinjiang New Energy

TBEA Xinjiang New Energy Co., Ltd. (特變電工新疆新能源股份有限公司) is a joint stock company incorporated in the PRC with limited liability on 30 August 2000. Its main businesses include the development, design, construction, operation, commissioning and maintenance of wind power and photovoltaic projects.

Information on ABC Financial

ABC Financial Asset Investment Co., Ltd. (農銀金融資產投資有限公司) is a joint stock company incorporated in the PRC under the laws of the PRC with limited liability on 1 August 2017. It is one of the first bank affiliated entities established with the approval of the China Banking Regulatory Commission, and is principally engaged in market-driven debt-to-equity swap business in the PRC.

Information on BoCom Financial

BoCom Financial Asset Investment Co., Ltd. (交銀金融資產投資有限公司) is a joint stock company incorporated in the PRC under the laws of the PRC with limited liability on 29 December 2017. It is one of the first bank affiliated entities established with the approval of the China Banking Regulatory Commission, and is principally engaged in market-driven debt-to-equity swap business in the PRC.

FINANCIAL EFFECTS OF THE DEEMED DISPOSALS TO THE GROUP

Upon the Completion of Capital Injections, Xinjiang New Energy will continue to be a subsidiary of the Group and its financial results will continue to be consolidated into the financial statements of the Group. No significant gains or losses are expected to be included in the consolidated income statement of the Company as a result of the Deemed Disposal. Since Xinjiang New Energy will apply the proceeds from Capital Injections to repay its existing debts, the Group's liabilities will decrease by RMB2 billion, and equity will increase by the same amount. Accordingly, the leverage ratio of Xinjiang New Energy will be effectively reduced, with an effective decrease in financial expenses and finance cost. This will contribute to the competitiveness and sustainable development of the Group.

At Xinjiang New Energy's level, based on the unaudited financial information as at 30 June 2018 prepared in accordance with the PRC GAAP, the gearing ratio of Xinjiang New Energy is expected to decline from 81.30% to 72.16%. At the Group's level, based on the unaudited financial information as at 30 June 2018 prepared in accordance with IFRS, the Group's gearing ratio is expected to decrease from 70.29% to 64.30%.

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. FINANCIAL INFORMATION OF THE GROUP

Details of the audited financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 are disclosed in the following annual reports of the Company for the years ended 31 December 2016, 2017 and 2018, respectively, which have been published and are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.xtnysolar.com):

- the annual report 2016 of the Company for the year ended 31 December 2016 which was published on 26 April 2017, please refer to pages 105 to 184 in particular (<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0426/ltn201704261014.pdf>);
- the annual report 2017 of the Company for the year ended 31 December 2017 which was published on 27 April 2018, please refer to pages 101 to 180 in particular (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804271448.pdf>); and
- the annual report 2018 of the Company for the year ended 31 December 2018 which was published on 26 April 2019, please refer to pages 104 to 192 in particular (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904261079.pdf>).

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

As at the Latest Practicable Date, as far as the Company is aware, the interest and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying shares or debentures 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 were as follows:

Name	Nature of Interest	The Company/ relevant corporation (including associated corporation)	Number/type of shares of 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
Directors						
Mr. Zhang Xin	Interest in a controlled corporation ⁽³⁾	The Company	58,246,308 Domestic Shares	4.85%	6.57%	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
Mr. Xia Jinjing	Beneficial owner	TBEA ⁽⁴⁾	69,376 shares	0.00%	N/A	Long position
Ms. Guo Junxiang	Beneficial owner	TBEA ⁽⁴⁾	346,880 shares	0.01%	N/A	Long position
Supervisors						
Mr. Han Shu	Beneficial owner	TBEA ⁽⁴⁾	1,058 shares	0.00%	N/A	Long position
Mr. Hu Shujun	Beneficial owner	TBEA ⁽⁴⁾	69,376 shares	0.00%	N/A	Long position
Mr. Ma Junhua	Beneficial owner	TBEA ⁽⁴⁾	111,000 shares	0.00%	N/A	Long position

- The calculation is based on the total number of 3,718,647,789 shares of TBEA and 1,200,000,000 shares of the Company in issue as of the Latest Practicable Date.
- The calculation is based on the total number of 886,524,370 domestic shares of the Company in issue as of the Latest Practicable Date.
- 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 4.85% equity interest of the Company.
- 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 783,921,287 Domestic Shares (approximately 88.43% of the relevant class of 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 65.43% of the total issued shares of the Company.
- Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, which directly holds 446,982,637 shares of TBEA.

4. 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	Executive director of TBEA

5. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2019, the Group had outstanding secured interest bearing bank loans of approximately RMB9,668,753,000. Among such loans, RMB1,288,355,000 has a maturity profile of within one year (i.e. maturing before 30 June 2020) and RMB8,380,398,000 has a maturity profile of more than one year. The Group also had an unsecured interest bearing loan of approximately RMB2,544,671,000.

As at the close of business on 30 June 2019, the Group has drawn down RMB11,909,740,000 of the loan facilities available.

Save as aforesaid or otherwise discussed herein, as at the close of business on 30 June 2019, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

6. FINANCIAL AND BUSINESS PROSPECT OF THE GROUP

In recent years, the global new energy industry has been developing rapidly as China’s new energy is now facing new opportunities as well as challenges at it enters the stage of grid-parity. As a leading polysilicon manufacturer and operator of wind power and solar resources, the Group will endeavour to achieve the following:

- 1. Develop production scale effect in manufacturing of polysilicon products, expedite the extension of industry chain, improve quality and efficiency and commit to diversified development**

In the area of polysilicon, the Group will strengthen its technological innovation in its polysilicon products by focusing on the upgrade of polysilicon product qualities, improvements of production processes and refined management in order to lower production costs and to expedite the trial run of the 36,000-tons/year high-purity polysilicon project. The early achievement of the production target will further drive down the costs of polysilicon production, increase product qualities and fully realise the economy of scale and its technological advantage in polysilicon production.

In the area of industry chain extension, the Group leverages on the existing technical capabilities in polysilicon manufacturing and vigorously extends its industry chain by engaging in the development work of zirconium-based new materials, powdered new materials, organic silicon, advanced ceramics and other products, in order to further improve the profitability of the Company.

2. Closely follow the development trends of wind power and photovoltaic resources and adjust resource structure and layout

The Group regards the development of wind power resources as the main driver of its business, and continues to focus on the development and operation of wind power, distributed photovoltaic, micro-grid, complementary resources, and distributed wind power projects. In particular, it has focused on the construction work of the Ximeng and Zhundong wind power projects, with an aim to achieve early completion and on-grid power generation. With the accelerated strategic transformation from a wind power and PV power station construction vendor to an operator, further improvement in profitability can be achieved, which will promote the long-term, sustainable and healthy growth of the Group.

3. Expediting the strategic move into the international arena by acquiring good quality wind power and solar power resources in the international market

The Group will aggressively take advantage of the market opportunities and financing conditions brought about by the “One Belt One Road” Initiative, and increase its efforts to explore the international market and further develop the markets where it has competitive advantage. By focusing on key projects with advantages and strengthening cooperation with key customers to establish deep-rooted cooperative relationships which will achieve win-win situation and mutual growth, the Group will be able to actively deploy its business in the emerging market and develop new customers. With various models of cooperation and an increased share in the international market, the Group will be able to improve its competitiveness in the international market.

4. Strengthen its responsibility in safety and environmental protection to ensure compliance in operation

The Group will continue to promote the culture of safety production and firmly establish the awareness of safety, environmental protection compliance and law-abiding in operation. On the basis of the existing environmental facilities management, the Group will further ensure the on-going operation of environmental facilities, continue to promote energy saving and reduction of emission by uplifting the protection level of long-term steady operation of environmental protection facilities. Conservation of energy and water, reduction of emission are regarded as major areas in which process monitoring, emission reduction and efficiency programmes are to be implemented.

5. Increasing efforts in technological innovation and continuously improving competitive edge

The Group will continuously accelerate the transformation of its technological development system by promoting the transformation and industrialization of its technological achievements. The focus with regard to polysilicon products will be placed on the rapid implementation of technological innovation projects such as electronic grade 1 polysilicon, extended polysilicon industry chain and silicon products. In terms of development and operation of wind and photovoltaic resources, the Group will carry out research & development to achieve the lowest cost and highest income in power generation. By focusing on intelligent operation and maintenance in technological innovation, it will vigorously promote flexible DC transmission, demonstration applications of power routers,

continuously tracking micro-grid projects, strengthen the integration of E cloud intelligent operation and maintenance platform, invertors, static VAR generator and power routers, consolidate various types of innovative technological products, optimize the models of operation management and vigorously develop the energy storage business, in order to improve the Group's competitive advantages.

7. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances, other internal resources and available existing unutilised credit facilities, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

8. 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.

9. SERVICE CONTRACTS

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).

10. 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 2018:

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, and requesting the Company to bear the relevant costs of RMB2 million and legal costs. 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. In June 2019, the legal proceeding was transferred to the Higher People's Court of Xinjiang Uygur Autonomous Region.

As at the Latest Practicable Date, the legal proceeding has entered the stage of the first instance substantive trial. However, the Company has yet to receive a written summon from the court and the time for the hearing has not yet been confirmed.

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.

11. 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 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 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 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

12. MATERIAL CONTRACT

The share subscription agreement dated 13 November 2018 between TBEA and the Company (under which TBEA agreed to subscribe for, and the Company agreed to issue, new Domestic Shares at the total subscription price of approximately RMB1.2 billion) is within two years immediately preceding the date of this circular and is or maybe material.

13. 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 for a period of 14 days commencing from the date of this circular up:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2016, 2017 and 2018 respectively;
- (c) the material contract referred to in the section headed "Material contract" in this Appendix;

- (d) the circular of the Company dated 5 June 2019 in relation to, amongst others, the financial services framework agreement entered into between the Company and TBEA Group Finance Co., Ltd. and the product procurement framework agreement dated 15 December 2017 entered into by the Company and TBEA; and
- (e) this circular.

14. MISCELLANEOUS

- (a) The registered address of the Company and 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), Urumqi, Xinjiang, the PRC.
- (b) The joint company secretaries of the Company are Ms. Zhang Juan and Ms. Ng Wing Shan. Ms. Ng Wing Shan is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (c) The principal place of business of the Company in Hong Kong is at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.
- (d) 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.
- (e) The Chinese text of this circular shall prevail over the English text in the event of inconsistency.