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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)

DISCLOSABLE TRANSACTION

ENTERING INTO THE PARTNERSHIP AGREEMENT

The Board is pleased to announce that, on 27 September 2019 (after trading hours), the Company (as a limited partner), Hongshan Fund (as the general partner) and Urumqi Fund Management Co., (on behalf of Industry Guiding Fund, as a limited partner) have entered into the Partnership Agreement for the establishment of the Partnership.

The Partnership will invest in the equity of the relevant enterprises established in Urumqi which are engaged in strategic emerging industries such as high-end equipment manufacturing and new material manufacturing (including the Group's major projects such as quality improvement of the polysilicon production as well as extension of silicon-based and zirconium-based industrial chain). The business scope of the Partnership includes equity investment, investment management and investment consultation.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios, as defined under Rule 14.07 of the Listing Rules, for the transaction contemplated under the Partnership Agreement exceed 5% but less than 25%, the entering into of the Partnership Agreement constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 27 September 2019, the Company (as a limited partner), Hongshan Fund (as the general partner) and Urumqi Fund Management Co., (on behalf of Industry Guiding Fund, as a limited partner) have entered into the Partnership Agreement for the establishment of the Partnership.

PARTNERSHIP AGREEMENT

The principal terms of the Partnership Agreement are set out as follows:

Date 27 September 2019 (after trading hours)

Parties the Company (as a limited partner);

Hongshan Fund (as the general partner); and

Urumqi Fund Management Co., (on behalf of Industry Guiding Fund, as a limited partner).

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Hongshan Fund, Urumqi Fund Management Co., Industry Guiding Fund and their respective ultimate beneficial owners are independent third parties not connected with the Company or connected persons of the Company.

Name of the Partnership Urumqi Strategic Emerging Industry Xinte Energy Guiding Fund (Limited Partnership) (烏魯木齊戰略性新興產業新特能源引導基金(有限合夥)), the name in the industrial and commercial registration certificate prevails.

BUSINESS SCOPE OF THE PARTNERSHIP

The Partnership will fully support the optimization and upgrade of traditional industries, deployment of high-end manufacturing settings and acceleration of construction projects in key industries, and will invest in the equity of the relevant enterprises established in Urumqi which are engaged in strategic emerging industries such as high-end equipment manufacturing and new material manufacturing (including the Group's major projects such as quality improvement of the polysilicon production as well as extension of silicon-based and zirconium-based industrial chain); and through the management of idle funds, the Partnership aims to achieve good investment yields and investment return.

The business scope of the Partnership includes equity investment, investment management and investment consultation, and engages in investment projects as permitted by laws, and the operating activities of such projects are subject to the approval of the relevant authorities.

TERM OF THE PARTNERSHIP

The Partnership will be established on the date of issuance of its business license. The duration of the Fund shall be 60 months from the starting date of asset custody business operations as stated in the initial operation notice; and the duration of fund can be extended when approved at the meeting of partners.

CAPITAL CONTRIBUTION

The total capital contribution committed by all partners would be RMB603 million, which will be fully paid in cash. Capital contribution committed by each partner is set out below:

Partner	Type of Partner	Method	Committed/ Paid-in capital contribution (RMB'0,000)	Proportion
Hongshan Fund	General partner	Cash	300	0.50%
The Company	Junior limited partner	Cash	30,000	49.75%
Industry Guiding Fund	Senior limited partner	Cash	30,000	49.75%
Total			<u>60,300</u>	<u>100.00%</u>

The amount of the capital contribution made by each of the partners to the Partnership was arrived at through arm's length negotiation between the parties to the Partnership Agreement, with reference to, among other things, the projected capital requirements of the Partnership. Each of the partners shall make the paid-in capital contribution before 30 November 2019.

The Group intends to fund its capital contribution by utilising its internal resources. The financial results of the Partnership will not be included in the consolidated financial statements of the Group.

MANAGEMENT OF THE PARTNERSHIP

As the general partner of the Partnership, Hongshan Fund manages and operates the Fund and provides assets management and investment consultation services to the Partnership.

Hongshan Fund will represent the Partnership to the external and execute matters in relations to the Partnership, while the limited partners shall not execute matters in relation to the Partnership. Hongshan Fund is entitled to the rights on the management, control, operation and decision-making of the Partnership, its investment business and other activities.

During the term of the Fund (including its extension period), the annual management fee payable by the limited partners to Hongshan Fund shall be 0.5% of its paid-in capital contribution of the Partnership.

Hongshan Fund will establish an investment decision committee for the Partnership, which will comprise of 5 members with 1 person designated by the Company, 1 person designated by Urumqi Fund Management Co., and 3 persons designated by Hongshan Fund.

DISTRIBUTION

The distributable income of the Partnership (including but not limited to the distributable portion of the principal that has been invested into each project and the undistributed temporary investment income, after deducting relevant necessary expenses) shall be distributed according to the following order and proportion:

- (1) to Industry Guiding Fund, until Industry Guiding Fund has recovered its paid-in capital contribution, and the annualized return of each installment of its paid-in capital contribution has reached 5% per annum at the simple rate;
- (2) to Hongshan Fund, until Hongshan Fund has recovered its paid-in capital contribution;
- (3) to the Company, until the Company has recovered its paid-in capital contribution;
- (4) to be distributed in proportion to the paid-in capital contribution made by the Company and Hongshan Fund, until the annualised return of each installment of their paid-in capital contribution has reached 5% per annum at the simple rate;
- (5) should there be any remaining distributable income, the amount will be regarded as excess earnings. Hongshan Fund will be entitled to 20% of the excess earnings as management remuneration, and the remaining excess earnings will be distributed to all partners according to their proportion of paid-in capital contribution.

Hongshan Fund shall make reasonable endeavour to monetize the investment of the Partnership in cash. When Hongshan Fund or the Partnership distributes non-cash assets to the partners, it is deemed that the investment project has been disposed of, that is, it is deemed that the paid-in capital contribution of this part of the investment cost has been distributed to the partner, and the annualized return is no longer applicable to such part.

TRANSFER RESTRICTIONS

During the term of the Partnership, Hongshan Fund must not transfer its capital contribution to or its shares in the assets of the Partnership to any third party nor can it proactively request withdrawal from the Partnership unless otherwise required by law or in accordance with the Partnership Agreement.

When a limited partner intends to transfer its share in the assets of the Partnership, the limited partner shall notify other partners 30 days in advance and obtain the written consent of Hongshan Fund. Other partners shall have the pre-emptive right under the same condition. If two or more partners exercise the pre-emptive right at the same time, their respective subscription proportion shall be determined through negotiation. If they fail to reach agreement upon negotiation, the pre-emptive right shall be exercised according to the respective proportion of capital contribution in the Partnership at the time of the transfer.

However, if a limited partner transfers its share in the assets of the Partnership to its related parties after obtaining the written consent of Hongshan Fund, the other limited partner(s) no longer has the pre-emptive right.

REASON FOR AND BENEFIT OF ENTERING INTO THE PARTNERSHIP AGREEMENT

Upon the establishment of the Partnership co-invested by the Company and Industry Guiding Fund, its funds can be utilized towards the construction of the Group's key projects such as quality enhancement of the polysilicon products and extension of the silicon-based and zirconium-based industrial chain, which shows the support from the PRC Government for the development and innovation of the industry leaders. The abovementioned projects that the Group plans to establish is within the fields of new energy, new materials and new high-technologies which are sectors that the PRC government is strategically developing, and is highly connected with the polysilicon industry, which will be helpful for the Group to further leverage its cost and linkage advantages in the industry, and to create new profit growth points. Meanwhile, the investments in the relevant projects upon the establishment of the Partnership will help replenishing the capital funds for the construction of the project, optimising the industrial setting of the Group, driving the industrial transformation and upgrade, and improving profitability.

As a result, the Board, including all independent non-executive Directors, is of the opinion that the terms of the Partnership Agreement and the establishment of the Partnership are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the shareholders as a whole.

INFORMATION OF THE GROUP AND THE PARTIES TO THE PARTNERSHIP AGREEMENT

The Company is a global leading polysilicon manufacturer, photovoltaic and wind power resource developer and operator. Its main businesses include the production of polysilicon and the provision of engineering, construction and contracting services for photovoltaic and wind power projects. The Company also engages in the manufacturing of the relevant corollary devices (including inverter, flexible direct current and static reactive power compensation devices), which are used in the project construction and contracting business of the Company or sold to the third party vendors.

Hongshan Fund is a limited liability company established under the PRC laws and its major business scope is acceptance of entrustment of equity investment projects management, participation in equity investment, investment management, investment consultation, assets management and project investment.

Urumqi Fund Management Co., is a limited liability company established under the PRC laws. Its major businesses include fund management, equity investment, investment management, assets management and venture capital investment. Industry Guiding Fund (which is managed by Urumqi Fund as a fund manager) is a policy-supported fund set up by the People's Government of Urumqi and operated in the form of a market-oriented parent fund, primarily used to support the development of key industries such as high-end equipment manufacturing, new materials, new energy, bio-pharmaceuticals, smart terminals, and smart security.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Board”	the board of Directors
“Company”	Xinte Energy Co., Ltd., a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the main board of the Stock Exchange, and one of the limited partners under the Partnership Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hongshan Fund”	Xinjiang Hongshan Fund Management Co., Ltd. (新疆紅山基金管理股份有限公司), a limited liability company incorporated in the PRC and the general partner under the Partnership Agreement
“Industry Guiding Fund”	Urumqi Industry Guiding Private Equity Fund (烏魯木齊市產業引導私募基金)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Partnership” or “Fund”	Urumqi Strategic Emerging Industry Xinte Energy Guiding Fund (Limited Partnership) (烏魯木齊戰略性新興產業新特能源引導基金(有限合夥)), a limited partnership to be established in the PRC
“Partnership Agreement”	the Partnership Agreement dated 27 September 2019 entered into between the Company (as a limited partner), Hongshan Fund (as the general partner), and Urumqi Fund Management Company (on behalf of Industry Guiding Fund, as a limited partner) in relation to the establishment of the Partnership

“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Urumqi Fund Management Co.,”	Urumqi Key Industry Development Fund Management Co., Ltd. (烏魯木齊市重點產業發展基金管理有限公司), a limited liability company incorporated in the PRC and one of the limited partners under the Partnership Agreement
“%”	per cent.

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

Xinjiang, the PRC
27 September 2019

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