新特能源股份有限公司

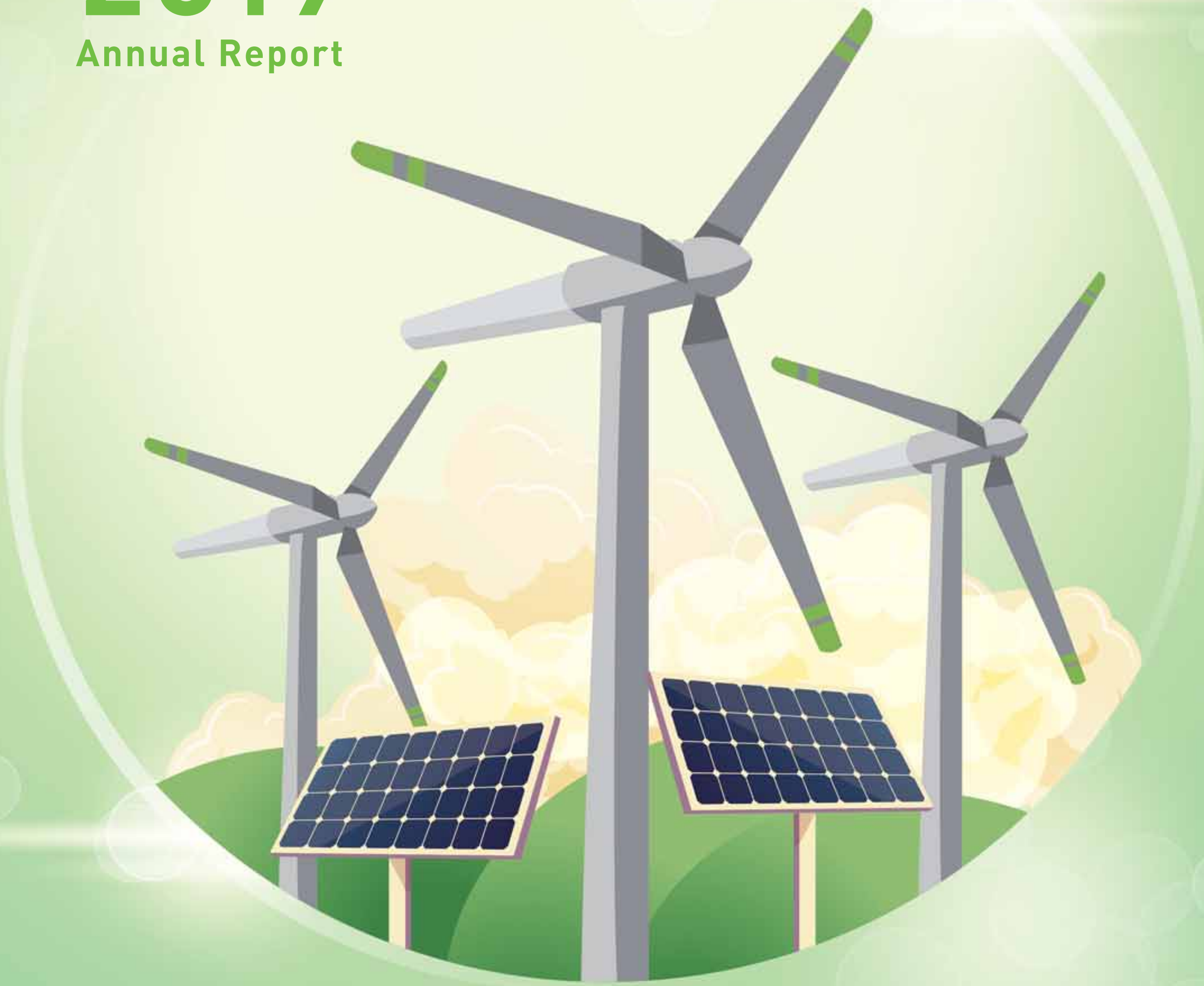
Xinte Energy Co., Ltd.

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

Stock code : 1799

2019

Annual Report



Contents

Corporate Profile

DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Zhang Xin
Ms. Guo Junxiang
Mr. Wang Shi(1)
Mr. Lin Chengfei(2)

Independent Non-executive Directors

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

SUPERVISORS

Mr. Chen Qijun *(Chairman)*
Mr. Han Shu
Mr. Hu Shujun
Mr. Ma Junhua
Mr. Cao Huan

AUDIT COMMITTEE

Mr. Wong, Yui Keung Marcellus *(Chairman)*
Mr. Yang Deren
Mr. Qin Haiyan
Mr. Wang Shi(1)
Mr. Lin Chengfei(2)
Ms. Guo Junxiang

NOMINATION COMMITTEE

Mr. Qin Haiyan *(Chairman)*
Mr. Yang Deren
Mr. Yin Bo
Mr. Wong, Yui Keung Marcellus
Mr. Zhang Xin

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Yang Deren *(Chairman)*
Mr. Qin Haiyan
Mr. Xia Jinjing
Mr. Wong, Yui Keung Marcellus
Mr. Zhang Jianxin

STRATEGY COMMITTEE

Mr. Zhang Jianxin *(Chairman)*
Mr. Yang Deren
Mr. Qin Haiyan
Mr. Yin Bo
Mr. Zhang Xin

JOINT COMPANY SECRETARIES

Ms. Zhang Juan
Ms. Ng Wing Shan

AUTHORISED REPRESENTATIVES

Mr. Wong, Yui Keung Marcellus
Ms. Ng Wing Shan

(1) Mr. Wang Shi was appointed as the Company's non-executive director and member of Audit Committee on 28 June 2019.

(2) Mr. Lin Chengfei resigned as the Company's non-executive director and member of the Audit Committee with effect from 13 March 2019.

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISERS

As to PRC law
Xinjiang Tianyang Law Firm
7/F, Block A
Greentown Plaza
888 Hong Guang Shan Road
Shuimogou District
Urumqi, Xinjiang
PRC

As to Hong Kong law
King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

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No. 248 Queen's Road East
Wanchai, Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

1799

COMPANY WEBSITE

http://www.xinteenergy.com

INVESTOR COMMUNICATION

TEL: 86 991-3665888
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Definitions

In this annual report, unless the context otherwise requires, the following terms and expressions have the meanings as set forth below:

"36,000-ton Polysilicon Project"	the 36,000 tons/year high-purity polysilicon project
"Articles of Association"	the articles of association adopted by the Company
"Associate(s)"	has the same meaning as ascribed to it under the Listing Rules
"Auditor"	PricewaterhouseCoopers
"Audit Committee"	Audit Committee of the Board of Directors
"average utilisation hours"	the gross generation in a specified period divided by the average installed capacity in such period
"Board" or "Board of Directors"	the board of directors of the Company
"BOO"	Build-Own-Operate, a contracting model in which the contractor undertakes the construction, operations and maintenance of a project. Unlike the BT structure, the contractor owns the project and does not have to transfer it to another entity
"BT"	Build and Transfer, a contracting model in which the contractor serves as the project investor (by setting up a project company as its subsidiary) and undertakes the financing and development of the project. The BT contractor eventually transfers and sells the equity interest in the project company to a third-party purchaser, thereby recovering the construction, subcontracting and/or financing costs on the project
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Company", "Xinte Energy", "we" or "us"	Xinte Energy Co., Ltd., a joint stock company with limited liability incorporated under the laws of the PRC on 16 October 2012, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1799)

"Connected Person(s)"	has the same meaning as ascribed to it under the Listing Rules
"Connected Transaction(s)"	has the same meaning as ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the same meaning as ascribed to it under the Listing Rules
"Crystal Silicon Hightech"	Xinjiang Xinte Crystal Silicon Hightech Co., Ltd. (新疆新特晶體硅高科技有限公司), a company incorporated in the PRC with limited liability on 9 March 2018, and a subsidiary of the Company as at the Latest Practicable Date
"DC"	direct current (the unidirectional flow of electric charge)
"Directors"	the directors of the Company
"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"ECC"	Engineering and Construction Contracting, including EPC and BT mode
"EPC"	Engineering-Procurement-Construction, a contracting model in which the contractor undertakes the entire process of designing, procuring, constructing and commissioning the project
"Group", "our Group"	the Company and its subsidiaries
"GW"	gigawatt, a unit of power. 1GW = 1,000MW
"H Share(s)"	overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed on the Main Board of the Stock Exchange
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"IAS"	International Accounting Standards and its interpretation

Definitions

"IFRS"	International Financial Reporting Standards and its interpretation issued by the International Accounting Standards Committee
"installed capacity"	the intended full-load output of a power generating project usually denominated in MW; also known as the rated capacity or the (designed) production capacity
"kW"	kilowatt, a unit of power, 1kW = 1,000 watts
"kWh"	kilowatt hour, the unit of measurement for calculating the quantity of power production output. 1kWh is the work completed by a kilowatt generator running continuously for one hour at the rated output capacity
"Latest Practicable Date"	20 April 2020, being the latest practicable date prior to the printing of this annual report for ascertaining certain information contained herein
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Macau"	Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"MIIT"	the Ministry of Industry and Information Technology of the PRC
"MW"	megawatt, a unit of power, 1MW = 1,000kW. The capacity of a power project is generally expressed in MW
"NDRC"	National Development and Reform Commission of the PRC
"NEA"	National Energy Administration of the PRC
"Nomination Committee"	Nomination Committee of the Board of Directors
"OFAC"	the United States Treasury Department's Office of Foreign Assets Control
"on-grid tariff"	the selling price of electricity for which a power generating project could sell the electricity it generated to the power grid companies, usually denominated in RMB/kWh

"PBOC"	the People's Bank of China
"province"	a province or, as the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"PV"	photovoltaic
"R&D"	research and development
"Remuneration and Assessment Committee"	Remuneration and Assessment Committee of the Board of Directors
"Reporting Period"	the year ended 31 December 2019
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	shares in the capital of the Company with a nominal value of RMB1.00 each, including Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the same meaning as ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Board"	the board of supervisors of the Company
"SVG"	Static VAR generator
"TBEA"	TBEA Co., Ltd. (特變電工股份有限公司), a joint stock company incorporated in the PRC with limited liability on 26 February 1993 and listed on the Shanghai Stock Exchange (Stock code: 600089). As at the Latest Practicable Date, TBEA directly and indirectly held 65.43% equity interest of the Company, and is our Controlling Shareholder

Definitions

"TBEA Finance"	TBEA Group Finance Co., Ltd., a company incorporated in the PRC with limited liability on 29 November 2018 as well as a non-bank financial institution approved by China Banking and Insurance Regulatory Commission and a wholly-owned subsidiary of TBEA as at the Latest Practicable Date
"TBEA Group"	TBEA and its subsidiaries and associates (excluding the Group)
"Xinjiang Joinworld"	Xinjiang Joinworld Co., Ltd. (新疆眾和股份有限公司), a joint stock company incorporated in the PRC with limited liability on 13 February 1996 and listed on the Shanghai Stock Exchange (Stock Code: 600888), a connected person of the Company by being an associate of TBEA
"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 subsidiary of the Company as at the Latest Practicable Date
"Xinjiang Tebian"	Xinjiang Tebian (Group) Co., Ltd. (新疆特變電工集團有限公司), holding 4.85% equity interest in the Company as at the Latest Practicable Date and a connected person of the Company
"Xinjiang Tianchi"	Xinjiang Tianchi Energy Co., Ltd. (新疆天池能源有限責任公司), a company with limited liability incorporated in the PRC on 29 November 2002 and a subsidiary of TBEA as at the Latest Practicable Date
"Zhongjiang Logistics"	Zhongjiang Logistics Co., Ltd. (中疆物流有限責任公司), a company with limited liability incorporated in the PRC on 4 May 2011 and a subsidiary of Xinjiang Tebian as at the Latest Practicable Date

Major Events in 2019

JANUARY

The Group was honoured with the first prize of "Scientific and Technological Progress Award in 2018 in Xinjiang Uygur Autonomous Region" (2018年度新疆維吾爾自治區科技進步獎) for the project of "Development and Application of Key Technology for Intelligent Manufacturing of High-purity Crystal Silicon Materials" (《高純晶體硅材料智能製造關鍵技術開發與應用》).

The Group was honoured with the first prize of "Technological Invention Award in 2018 in Xinjiang Uygur Autonomous Region" (2018年度新疆維吾爾自治區技術發明獎) for the project of "R&D and Industrial Application of Key Technologies for High-efficiency, Energy-saving and Environmental-protection Production of Polysilicon" (《多晶硅高效節能環保生產關鍵技術研發與產業化應用》).

MARCH

The Group and the Chinese Renewable Energy Society (中國可再生能源學會) jointly held the 2019 "Optimal Cost of Electricity" (度電成本最優) Summit Forum in Xi'an, with the theme of "Simultaneous Development of Wind and PV Power Generation and Co-creation of Parity" (風光並舉 • 共創平價), and released a new generation of 1,500V high-power string inverter with the world's largest PVIR.

APRIL

The full-capacity grid connection for the 186MW PV project constructed by the Group (among others) in Egypt was achieved.

MAY

The NDRC and the NEA announced the List of Grid Parity Projects (first batch) of Wind Power and PV Power in 2019. The Group successfully won the bid for a total of 800MW grid parity project development in five provinces, including Hebei, Shanxi and Anhui.

JUNE

The Group won two awards at the China Electronics New Materials Industry Development Summit and the third Top 50 Enterprises Conference of Chinese Electronic Materials Industry in 2019 (2019中國電子新材料產業發展峰會暨第三屆中國電子材料行業五十強企業發佈會), namely "Top 50 Enterprises in China's Electronic Materials Industry (中國電子材料行業五十強)" and "Top 10 Semiconductor Materials Professionals (半導體材料專業十強)".

The Group's project of "Electronic Grade High-purity Polysilicon Industrialization" (《電子級高純多晶硅產業化項目》) was awarded the title of "One-stop Demonstration Enterprise of Industrial Strong-Based Memory (工業強基存儲器一條龍示範企業)" at the third National Conference on Industrial and Information Technology Achievements and Industrial Strong-Based Industry Conference (第三屆全國工業和信息化科技成果大會暨工業強基產業會).

JULY

At the Reliability Symposium for Chinese Solar PV Power Generation Technology in 2019 (2019中國太陽能光伏發電技術可靠性研討會), the Group was honoured with the prizes of "Top 10 Enterprise for PV Product Quality Companies (光伏產品質量十強)" award for both PV inverters and EPC general contracting of PV power stations.

OCTOBER

The Group's "Treatment Process of Industrial Grade Silicon Tetrachloride" (《工業級四氯化硅的處理工藝》) won the Excellence Award of the 21st China Patent Award.

The Group was honoured with three prizes in the Influential PV Brand Selection Campaign of "Polaris Cup" (北極星杯) in 2019, namely "PV EPC/Owner Companies" (光伏EPC／業主單位), "PV Plants Operation and Maintenance Brand" (光伏電站運維品牌) and "PV Inverter Brand" (光伏逆變器品牌).

The MIIT issued the "Notice on Organizing the Development of Demonstration Enterprises for Ecological Design of Industrial Product" (《關於組織開展工業產品生態設計示範企業創建工作的通知》), and the Group was successfully selected into the list of Demonstration Enterprises (first batch) for Green Design of Industrial Product (工業產品綠色設計示範企業(第一批)).

NOVEMBER

The Group's first overseas manufacturing base for new energy equipment was established in Bangalore, India, the annual capacity of which will reach GW level. The manufacturing base was equipped with two whole-process production lines of 1,500V string and centralized inverters, which further improves the overseas delivery and operation and maintenance capabilities of the Group's equipment.

The Group was honoured with five prizes in the 2019 Annual Ceremony for "Good Chinese PV Brands" (中國好光伏), including "Top 10 Materials Suppliers" (材料十大供應商), "Inverter Technology Break-through Award" (逆變器技術突破獎), "Top 10 EPC Service Providers" (EPC十大服務商), "Excellent Brand Communication Award" (優秀品牌傳播獎) and "PV Brands Honorary Award" (光伏企業品牌榮譽獎).

The Group was awarded the title of "Excellent PV Materials Supplier" (卓越光伏材料商) in the Annual Selection Campaign of Chinese Solar PV Industry of "Weike Cup" (維科杯) in 2019.

DECEMBER

The type test for operation of valve assembly of TEBA flexible DC transmission converter valve in the Wudongde ultra-high voltage ("**UHV**") multi-terminal DC project manufactured by the Group was successfully completed. As such, all the test projects required by the Wudongde UHV multi-terminal DC engineering technology agreement have been successfully completed, providing a strong guarantee for product delivery.

Financial Summary

For the year ended 31 December 2019, the Group recorded a revenue of RMB8,722.11 million and profit before income tax of RMB516.79 million. Profit attributable to owners of the Company amounted to RMB402.64 million.

The Group's business mainly comprises polysilicon production, ECC and BOO.

The following table sets forth the Group's revenue generated from each business segment during the periods as shown and the percentage of revenue in each segment:

	Year ended 31 December				
	2019		2018		
	RMB'000	**Percentage of revenue**	RMB'000	Percentage of revenue	Rate of change
Polysilicon production	**2,229,525**	**25.56%**	3,351,953	27.81%	-33.49%
ECC	**4,985,807**	**57.16%**	7,486,564	62.11%	-33.40%
BOO	**829,464**	**9.51%**	584,404	4.85%	41.93%
Others	**677,317**	**7.77%**	630,821	5.23%	7.37%
Total	**8,722,113**	**100.00%**	12,053,742	100.00%	-27.64%

For the year ended 31 December 2019, the Group recorded a revenue of RMB8,722.11 million, representing a decrease of 27.64% over the same period last year, mainly attributable to the decrease in the price of polysilicon and decrease in revenue from ECC business during the Reporting Period.

The Group's consolidated financial statements in 2015, 2016, 2017, 2018 and 2019 prepared in accordance with the IFRS are summarised as follows:

	As of 31 December/Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**41,705,116**	35,699,703	31,664,863	27,812,554	25,229,293
Total liabilities	**27,856,439**	24,409,647	22,404,451	19,500,810	17,778,357
Non-controlling interests	**2,425,233**	1,268,816	53,015	51,442	46,242
Equity attributable to owners of the Company	**11,423,444**	10,021,240	9,207,397	8,260,302	7,404,694
Revenue	**8,722,113**	12,053,742	11,420,951	12,001,303	9,440,899
Gross profit	**1,834,035**	2,411,592	2,493,297	1,996,172	1,603,573
Profit before income tax	**561,934**	1,208,495	1,217,987	947,865	708,217
Annual profit attributable to owners of the Company	**402,642**	1,107,797	1,070,671	801,133	611,817

Chairman's Statement

With a promising future for wind and PV power, grid parity plays a decisive role: a new era of global energy revolution

Dear Shareholders,

Without our knowing it, time flies like a breeze and soft light. United we have gone through the baptism from the 531 Policy to the 430 Policy like a phoenix reborn from the ashes. All those, beautiful or not, will be fixed in our memory of 2019. In Dickens' words, it was the best of times, and it was the worst of times.

Looking back, 2019 marked not only the 70th anniversary of the founding of the People's Republic of China, but also the beginning of dramatic changes in the global patterns. Turbulence, adjustments and reforms filled the year. The new energy industry went through ups and downs both at home and abroad: some companies were listed, some reorganized, some expanded and some bankrupted. In the fierce competition, every enterprise was looking for its own way of survival. In such a harsh and complex environment, I am pleased to see that Xinte Energy has withstood the ordeals in 2019 and succeeded in making transformation and upgrading as well as overcoming difficulties.

This year, our 36,000-ton Polysilicon Project was successfully completed and put into trial production. Through quality improvement, productivity enhancement and cost reduction to raise efficiency, our production capacity was doubled; our product quality went up to a higher level; the extension framework of polysilicon industrial chain became clearer; and the effect of industrial cluster was further revealed.

This year, we completed the upgrading of EPC Level II, power project EPC Level I, wind power design Level A, engineering credit Level A and other qualifications. The research on designing and integrating technologies of grid parity was completed and key technologies were achieved in engineering demonstration projects, which helped projects of grid parity and competitive bidding to obtain advantageous resources of approximately 1.7GW.

This year, the type test for operation of valve assembly of TEBA flexible DC transmission converter valve in the Wudongde UHV multi-terminal DC project was successfully completed, and the flexible converter valve officially entered the stage of mass production.

This year, our first overseas GW-level manufacturing base for new energy equipment was established in Bangalore, India, marking another solid step towards internationalization.

This year, we launched three 100MW EPC projects in one month simultaneously with the shortest time of 42 days to complete grid connection and power generation, which once again demonstrated our strengths as an "Iron Army" to the entire industry!

In the cold winter, my comrades and I are on the road side by side. We are fighting…

2020 is the 20th year since we set foot in the new energy industry. Regarding our product as a young bride in this era of global energy revolution, we will make green and intelligent energy as the sedan chair, low-cost and high-quality polysilicon as the wedding dress, grid parity integration technology as the dowry, and the optimal cost of electricity as a virtue, with an international vision to "marry" our new energy brand to the overseas market, we will continue following the path of international, stable and sustainable development.

May all green energy advocates witness the glorious moment of the era of grid parity and indulge themselves in the long lost fragrance of the glory together without regrets even if our youth has gone by then at least we have the memory! May we stay ambitious and persevere and make the best of the precious youth!

Chairman
Zhang Jianxin
Xinjiang, the PRC
27 March 2020

Management Discussion and Analysis

I. REVIEW OF INDUSTRY DEVELOPMENT TRENDS

In 2019, international energy transformation significantly sped up with a strong trend towards clean and low-carbon development. The adjustment of China's new energy structure was accelerated with new progress in industrial transformation and upgrading. High-quality and advanced production capacity were developed in an orderly manner and the subsidies for wind power and PV power were reduced at a faster pace. The new energy industry gradually crossed major barriers, and was about to enter a new era of grid parity. In 2019, the Chinese government successively promulgated a series of policies to promote grid parity and competitive bidding for grid connection and to set up a mechanism to guarantee the consumption of power generated by new energy. Relying on market-oriented reform, new energy power generation projects gradually got rid of the dependence on subsidies, and a long-term mechanism for the healthy development of the new energy industry was promoted.

1. Review of Major Policies of New Energy Industry in China

- On 7 January 2019, the NDRC and NEA issued the Notice on Active Promotion of the Work on Subsidy-free Grid Parity of Wind Power and PV Power Generation (《關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》). The document aims to increase the income of subsidy-free pilot projects and expedite the grid parity process for unsubsidized wind power and PV power projects through a number of measures including optimizing the investment environment, lowering non-technical costs to ensure the priority in power generation and full-amount guaranteed purchase of electricity as well as improving the trading mechanism. Such measures are not only beneficial in improving the consumption situation of renewable energy, but will also promote technological advances of renewable energy, lower the development and construction costs, and gradually enhance the market competitiveness of the new energy industry.

- On 28 April 2019, the NDRC issued the Notice on Improving the On-Grid Tariff Mechanism for PV Power Generation (《關於完善光伏發電上網電價機制有關問題的通知》). The first requirement of such document is to improve the on-grid tariff formation mechanism for centralised PV power generation and change the on-grid benchmark tariff to the guiding price. The on-grid tariff of new centralised PV stations should be determined through market competition in principle, and should not exceed the guiding price in its resource area. Secondly, the subsidy standard for new distributed PV power generation should be reduced appropriately, and subsidy standard and guiding price should be issued for industrial and commercial and household distributed PV projects and village-level PV poverty alleviation stations incorporated into the financial subsidy scale in 2019. The promulgation of such document is conducive to scientifically guide new energy investment, achieving efficient utilisation of resources, promoting fair competition and survival of the fittest, and promoting the healthy and sustainable development of PV power generation.

- On 15 May 2019, the NDRC and the NEA jointly issued the Notice on the Establishment and Improvement of a Safeguard Mechanism for Renewable Electricity Consumption (《關於建立健全可再生能源電力消納保障機制的通知》). The notice proposes to establish a safeguard mechanism for renewable electricity consumption, and determine the annual minimum and incentive consumption responsibility weighting of each provincial administrative region. It clearly stipulates the responsibilities of government departments, power grid enterprises, and various types of market entities. The monitoring and evaluation report will be published annually by the state as the basis for the "double control" assessment of energy consumption. The notice sets out a total of 13 policy measures to promote the establishment of a safeguard mechanism for renewable energy consumption, which is conducive to encouraging the whole society to increase the development and utilisation of renewable energy, and is of great significance to promote the adjustment of energy structure and build a clean, low-carbon, safe and efficient energy system.

- On 30 May 2019, the NEA issued the Circular on the Construction of Wind and PV Power Generation Projects in 2019 (《關於2019年風電、光伏發電項目建設有關事項的通知》). The first requirement of the circular is to actively promote the construction of grid parity projects, and prioritize developing a batch of grid parity projects followed by the competitive allocation of projects requiring state subsidies. Secondly, the competitive allocation of subsidy projects should be regulated strictly. Projects requiring state subsidies must be selected through strict and standardized competition allocation. On-grid tariff is an important competition criteria. Priority should be given to the construction of projects with low subsidy intensity and sharp subsidy reduction. Thirdly, the conditions for power transmission and consumption should be implemented fully. It is a condition for new construction projects grid to have consumption capacity to avoid the problem of new wind and PV power curtailments. Under the same conditions, priority should be given to the guarantee of power transmission and consumption conditions for grid parity projects. Fourthly, the environment for investment, construction and operation should be improved. The provincial energy authorities are required to verify that projects under application meet the requirements for reducing non-technical costs, and energy regulation authorities are assigned to strengthen the supervision of related matters. The promulgation of such document is conducive to giving play to the decisive role of the market in resource allocation, accelerating the reduction of electricity subsidies, easing new energy consumption, solving the problem of wind power and PV power curtailments, and promoting the healthy and sustainable development of new energy industry.

2. Review of Development Trends of the Polysilicon Industry

According to the statistics of China Nonferrous Metals Industry Association Silicon Industry Branch (中國有色金屬工業協會硅業分會) (the "**Silicon Industry Branch**"), as of the end of 2019, the global polysilicon production capacity reached approximately 659,000 tons, with an output of 519,000 tons, increased with 10.2% and 15.8% respectively on a year-on-year basis; the total demand for polysilicon globally was 484,000 tons, indicating that the supply exceeded the demand. China had a polysilicon production capacity of approximately 452,000 tons and an output of 344,000 tons, increased with 16.5% and 32.8% respectively on a year-on-year basis. China has contributed more than half of the world's total output for four consecutive years, accounting for 66.3% in 2019 and ranking first in the world. It became more apparent that the trend of global polysilicon industry was transferring to China. In 2019, China's net import of polysilicon was approximately 143,000 tons and its total supply and the total demand were 487,000 tons and 456,000 tons respectively, indicating a situation where the supply exceeded the demand.

From the perspective of the composition of monocrystalline and polycrystalline materials, the global supply of monocrystalline materials was approximately 330,000 tons and approximately 324,000 tons of polysilicon was consumed to produce monocrystalline silicon wafers, indicating a generally balanced supply and demand; while the global supply of materials used to cast polycrystalline ingots was approximately 159,000 tons and approximately 130,000 tons of polysilicon was consumed to produce polysilicon wafers, indicating that the majority of the annual surplus was attributable to the materials used to cast polycrystalline ingots.

In 2019, due to the introduction of industry-related policies, weak end-user demand resulting from the capacity release of materials used to cast polycrystalline ingots and continuous release of demand for expansion of monocrystalline silicon wafer production capacity, the market price of monocrystalline materials remained relatively stable during the year, while the price of materials used to cast polycrystalline ingots hit a new record low. In 2019, the annual average price of China's solar monocrystalline dense materials and solar polycrystalline loose materials were RMB76,000 per ton and RMB60,900 per ton respectively, markedly decreased with 31.2% and 39.8% on a year-on-year basis. The price spread between monocrystalline and polycrystalline materials was on a rise and hit RMB26,500 per ton at the end of 2019, indicating an increasingly prominent price differentiation.

3. **Review of Development Trends of the PV Power Generation Industry**

According to the statistics from the NEA, China's newly installed PV power generation capacity amounted to 30.1GW in 2019, representing a year-on-year decrease of 31.6%, of which newly installed capacity of centralised power stations was 17.9GW, representing a year-on-year decrease of 22.9%, and newly installed distributed PV power generation capacity was 12.2GW, representing a year-on-year decrease of 41.3%. China's accumulative installed PV power generation capacity reached 204.3GW as of the end of 2019, among which 141.7GW was attributable to centralised power stations and 62.6GW was attributable to distributed power stations.

In 2019, China's PV power generation was 224.3 billion kWh, representing a year-on-year growth of 26.3%. Average utilisation hours of such power stations were 1,169 hours, representing a year-on-year increase of 54 hours. The PV power curtailment of China was 4.6 billion kWh, representing a year-on-year decrease of 0.89 billion kWh, with a PV power curtailment rate of 2%, representing a year-on-year decrease of 1 percentage point. PV curtailment was concentrated in Northwest China, accounting for 87% of the curtailment in China. Tibet, Xinjiang and Gansu were the key provinces (or autonomous regions) with curtailment rates of 24.1%, 7.4% and 4.0% respectively, decreased with 19.5, 8.2 and 5.6 percentage points on a year-on-year basis; while that of Qinghai increased to 7.2% due to the substantial increase in newly installed capacity and the decrease in load, representing a year-on-year increase of 2.5 percentage points.

4. **Review of Development Trends of the Wind Power Generation Industry**

According to the statistics from the NEA, the newly installed wind power capacity for grid connection in China was 25.74GW in 2019, representing a year-on-year growth of 25.01%, of which newly installed on-grid capacity of onshore wind power was 23.76GW and newly installed on-grid capacity of offshore wind power was 1.98GW. At the end of 2019, the accumulative installed on-grid capacity of wind power in China reached 210GW.

In 2019, China's wind generated power was 405.7 billion kWh, reaching 400.0 billion kWh for the first time and accounting for 5.5% of the total power generation. The average utilisation hours was 2,082 hours and the wind power curtailment for the year was 16.9 billion kWh, representing a year-on-year decrease of 10.8 billion kWh. The average wind energy curtailment rate was 4%, representing a year-on-year decrease of 3 percentage points. Although the situation of wind power curtailment and restriction of electricity was alleviated, wind power curtailment in Xinjiang, Gansu and Inner Mongolia remained critical, with wind power curtailment in these three provinces (regions) accounting for 81% of the curtailment in China.

II. PRINCIPAL BUSINESS OPERATIONS OF THE GROUP

During the Reporting Period, the newly added capacity of China's polysilicon industry was gradually released, and the price of polysilicon was significantly lower than that of the previous year, hitting a new record low. Grid parity and competitive bidding for grid connection became a norm for PV and wind power. The newly installed capacity for PV declined significantly while the installed capacity of wind power began to surge. The competition in the new energy industry intensified. Confronted with various difficulties and adverse conditions, the Group identified industry trends, rose to challenges and quickly adjusted its market and product structure to speed up the optimization of industrial layout. Taking high-quality development as the fundamental requirement, the Group continued to deepen transformation and upgrading and further enhance its core competitiveness in the complex economic environment. During the Reporting Period, the Group achieved a revenue of RMB8,722.11 million and a profit attributable to owners of the Company of RMB402.64 million, decreased with 27.64% and 63.65% respectively over the same period of last year.

1. Polysilicon Production and Industrial Chain Extension

In 2019, the price of polysilicon in China dropped sharply, and the price differentiation between monocrystalline dense material and polycrystalline loose material became increasingly prominent. In the face of major changes in polysilicon industry, the Group adhered to productivity enhancement, quality improvement and cost reduction to improve efficiency. Through scientific and technological innovation and process optimization, the Group managed to improve the operation efficiency of equipment, thereby continuously improving product output and quality and reducing production cost. In 2019, the Group achieved a polysilicon output of 37,000 tons, representing an increase of 8.8% over the same period of the previous year. The products sold to monocrystalline silicon wafer customers accounted for over 80% of the total sales volume, and the production cost was approximately 15% lower than that in the same period of last year. Due to the decline in polysilicon prices, the polysilicon segment of the Group achieved a gross profit of RMB397.98 million, representing a decrease of 61.70% over the same period of last year.

The 36,000-ton Polysilicon Project is currently at the pilot production stage and is planned to achieve expected goals in quality and production in the first half of 2020. After the project reaches its designed capacity, the Group's total polysilicon capacity will increase to 80,000 tons/year, and the polysilicon output and quality will be greatly improved. The Group will make full use of the scale effect to reduce costs and further enhance its competitiveness in the field of polysilicon.

The Group has steadily promoted the extension of industrial chain with a focus on the polysilicon industry to continuously develop and improve the recycling industrial chain combining polysilicon and new energy. Projects like organic silicon and zirconium-based materials are under commissioning and trial production and the advantages of ecological cluster in the energy and chemical materials industry will be gradually formed, laying a developmental foundation for the internal quality improvement of polysilicon and the realization of "horizontal expansion and vertical exploration".

2. Development of Wind Power and PV Resources

In 2019, China's PV and wind power were undergoing the transition to grid parity. Due to differences in resource endowment, benchmark electricity price, land cost, consumption capacity, local policies etc., the pace for the implementation of grid parity varied across provinces, and the situation of resource development and selection became more complicated. Adhering to the national policy orientation and the strategic policy of "simultaneous development of wind and PV power generation", the Group adjusted the layout of developmental regions and strove for grid parity projects while taking into account the scattered and distributed projects, in an attempt to deepen the regional layout of key provinces, and strategically focusing on some provinces. Through self-development and cooperation with customers, the Group has obtained nearly 1.7GW of grid parity and competitive bidding projects in Shanxi, Hebei, Chongqing and other regions, steadily improving its market development capability and market share.

During the Reporting Period, the Group completed a total of 1,288.86MW of installed capacity for PV and wind power projects in the forms of EPC and BT with recognized revenue. As of 31 December 2019, the Group had a total of 432MW of BT projects under construction and completed pending for transfer.

3. Power Plant Operation — BOO Projects

The Group steadily expanded its scale of power plant operation business, continued to take power plant operation as the focus of the Group's future development and made efforts in improving its operation and maintenance capabilities in power plants, so as to further improve profitability. In 2019, the Group made high-quality progress in the construction of the 975MW wind power project of the UHV transmission lines base in Ximeng, Inner Mongolia and the 500MW wind power project in Zhundong, Xinjiang. The above projects will connect to the grid for power generation in 2020. For the BOO projects in Guyang, Inner Mongolia and Hami, Xinjiang etc. that have been generating power, the Group conducted remote monitoring over the power stations through E-Cloud Platform to reduce on-site personnel for operation and maintenance. The Group established a technical supervision and management system, rated the operation and maintenance based on standardization and rationality, and rectified the defects one by one to continuously improve the operation and management capability as well as the efficiency of power generation, reduce the operation and maintenance cost and further increase the operating income of BOO projects.

As of 31 December 2019, the Group had a total of 750MW BOO projects completed and 1,675MW BOO projects under construction. During the Reporting Period, BOO projects of the Group achieved a total power generation of 1,439 million kWh and a grid-connected power of 1,419 million kWh. Revenue and gross profit of RMB829.46 million and RMB566.03 million respectively was realized from power generation, increased with 41.93% and 51.67%, respectively over the same period of last year respectively.

4. **Driving the Company's Sustainable Development with Scientific and Technological Innovation**

The Group adhered to scientific and technological innovation and actively facilitated the application of new technologies and the industrialization of scientific and technological achievements to ensure the Group's healthy and sustainable development in the long run.

In terms of polysilicon production, through the implementation of innovative projects such as transformation of reduction furnace and optimization of internal insulation components, recovery of polysilicon tail gas and optimization of cold hydrogenation system, the Group further improved the conversion efficiency of reduction furnace, increased the proportion of electronic-grade polysilicon, and reduced production cost. In 2019, the Group was awarded the second prize of Scientific and Technological Progress Award of Silicon Industry Branch and the first prize of Scientific and Technological Progress Award of Xinjiang Uygur Autonomous Region for the project of "Development and Application of Key Technology for Intelligent Manufacturing of High-Purity Crystal Silicon Materials" (《高純晶體硅材料智能製造關鍵技術開發與應用》) and the outstanding award of the 21st China Patent Award for the project of "Process for Industrial-Grade Silicon Tetrachloride" (《工業級四氯化硅的處理工藝》). Its "High-Temperature-Resistant Silicon Nitride Ceramic Insulation Ring for Polysilicon System" (多晶硅系統耐高溫氮化硅陶瓷絕緣環) passed the appraisal for new products by the Autonomous Region.

In terms of the development of wind power and PV resources, the Group seized key technologies by virtue of the research and engineering demonstration project of the design and integration technology for grid parity of large PV power generation system, and helped projects of grid parity and competitive bidding to obtain advantageous resources. Through such intelligent operation and maintenance measures as the establishment of UAV detection team, the development of automatic defect identification technology and the improvement of the remote monitoring function of E-Cloud Platform, the Group managed to efficiently identify and screen failures of power stations to improve their operation and maintenance and reduce the cost of power generation. The flexible DC converter valve of Wudongde UHV multi-terminal DC project completed the full set of type test and possessed the conditions for mass production. The Group successfully developed the 208kW 1500V string inverter, thus upgrading the string inverter from low power to high power.

In 2019, the Group achieved fruitful results in scientific and technological innovations. A total of 127 applications for patents and technical secrets were submitted with 91 applications granted. As of the end of 2019, the Group had a total of 528 authorised patents in China and 5 patents certified by the Patent Cooperation Treaty ("PCT"). It has participated in the formulation of 11 standards, including 3 national standards and 8 industry standards.

5. Focusing on Safety to Ensure Healthy Business Development

In 2019, the Group, in light of its business objectives, deeply implemented the HSSE (health, safety, security and environmental protection) management system " based on behavior safety and focusing on process equipment safety and controlled production management". By deepening of HSSE system management and control, implementing the production safety responsibility, enhancing supervision and management, promoting "grid" management, and carrying out risk screening, prevention and control, the Group aimed to strengthen the safety behavior of employees, and ensure safe production. In addition, with regard to the new type of network information security, the Group strengthened the management of internal control procedures, and adopted office software and information encryption, to prevent from the theft of confidential information resulting from data fraud and theft.

The Group organized foundational inspections such as HSSE inspections and potential hazard identifications, organized all employees to complete system compliance self-evaluation and assessment, and carried out various forms of safety training at different levels, to strengthen the safety skills of all employees and establish the awareness of safety, environmental protection and compliance operation. The Group continued to enrich the connotation of safety culture and ensure safe production by organizing the training and exam of "required technical knowledge and skills" for safety, carrying out various forms of emergency drills, and organizing a series of safety culture activities such as "safe production month", "occupational health week", "environment day" and "119".

6. Strengthening Talent Team Building

In 2019, the Group strengthened the high-quality professional talent team building, and continued to focus on business weaknesses and business transformation needs, to enhance talent introduction and internal training.

In 2019, the Group established a training pool through talent review, formulated special training plans for employees with potential, and improved the comprehensive management ability of employees through job rotation, mentoring, post practice, on-the-job learning, etc. The Group established a "two-channel" career path for non-management employees, improved personal income through skill evaluation, and helped the employees find their development paths in the Group, in order to incentive employees and retain talents. In addition, through the implementation of performance coaching, performance communication, the establishment of employee BBS forum, and the implementation of star projects, the Group effectively solved employee problems and managed their emotions, and guided all employees to learn from the "strivers", make concerted efforts and work together to overcome difficulties and create good results.

III. OPERATING RESULTS AND ANALYSIS

Financial Review:

Business Performance Table

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**8,722,113**	12,053,742
Cost of sales	**(6,888,078)**	(9,642,150)
Gross profit	**1,834,035**	2,411,592
Other income	**84,219**	96,601
Other gains — net	**22,696**	38,756
Selling and marketing expenses	**(402,723)**	(420,463)
General and administrative expenses	**(580,598)**	(593,816)
Financial expenses — net	**(375,964)**	(354,853)
Share of profit of investments accounted for using the equity method	**34,783**	17,032
Profit before income tax	**561,934**	1,208,495
Income tax expense	**(45,141)**	(97,853)
Profit attributable to the owners of the Company	**402,642**	1,107,797
Profit attributable to the non-controlling interests	**114,151**	2,845

Revenue

The Group generates revenue mainly from three business segments, including polysilicon production, ECC and BOO. For the year ended 31 December 2019, the revenue of the Group was RMB8,722.11 million, representing a decrease of RMB3,331.63 million or 27.64% lower than RMB12,053.74 million in the corresponding period of last year, mainly attributable to the sharp decrease in the price of polysilicon and decrease in revenue from ECC businesses during the Reporting Period.

	Year ended 31 December	
	2019	2018
Business Segments	**RMB'000**	RMB'000
Polysilicon production	**2,229,525**	3,351,953
ECC	**4,985,807**	7,486,564
BOO	**829,464**	584,404
Others	**677,317**	630,821
Total revenue	**8,722,113**	12,053,742

For the year ended 31 December 2019, the revenue of polysilicon production segment was RMB2,229.53 million, representing a decrease of RMB1,122.42 million or 33.49% over RMB3,351.95 million in the corresponding period of last year, mainly attributable to the sharp decrease in the price of polysilicon during the Reporting Period.

For the year ended 31 December 2019, the revenue of ECC segment was RMB4,985.81 million, representing a decrease of RMB2,500.75 million or 33.40% less than the revenue of RMB7,486.56 million in the corresponding period of last year. The decrease was mainly attributable to the impact of policies of the PV and wind power generation industry, the decrease of scale for ECC projects undertaken by the Group, and the decrease of construction revenue of per MW resulting from technological progress in new energy industry.

For the year ended 31 December 2019, the revenue of BOO segment was RMB829.46 million, representing an increase of RMB245.06 million or 41.93% over the revenue of RMB584.40 million in the corresponding period of last year, mainly attributable to the increase in scale of the Group's completed BOO projects which resulted in increased capacity of power generation during the Reporting Period.

Cost of sales

For the year ended 31 December 2019, the cost of sales incurred by the Group was RMB6,888.08 million, representing a decrease of RMB2,754.07 million or 28.56% less than RMB9,642.15 million in the corresponding period of last year, mainly attributable to the enhanced cost control and decrease in cost of ECC business of the Group during the Reporting Period.

	Year ended 31 December	
	2019	2018
Business Segments	**RMB'000**	RMB'000
Polysilicon production	**1,831,549**	2,312,960
ECC	**4,276,590**	6,571,869
BOO	**263,434**	211,203
Others	**516,505**	546,118
Total cost of sales	**6,888,078**	9,642,150

For the year ended 31 December 2019, the cost of sales incurred by polysilicon production segment was RMB1,831.55 million, representing a decrease of RMB481.41 million or 20.81% over RMB2,312.96 million in the corresponding period of last year, mainly attributable to the enhanced technology and craft, and the cost supervision efforts which led to less costs during the Reporting Period.

For the year ended 31 December 2019, the cost of sales incurred by ECC segment was RMB4,276.59 million, representing a decrease of RMB2,295.28 million or 34.93% over RMB6,571.87 million in the corresponding period of last year. The decrease was mainly attributable to the impact of policies of the PV and wind power generation industry, the decrease of scale for ECC projects undertaken by the Group and the decrease of construction cost per MW resulting from technological progress in new energy industry.

For the year ended 31 December 2019, the cost of sales incurred by BOO segment was RMB263.43 million, representing an increase of RMB52.23 million or 24.73% over RMB211.20 million in the corresponding period of last year, which was mainly due to an increase in scale of the Group's completed BOO projects during the Reporting Period, resulting in higher corresponding costs.

Gross profit and gross profit margin

For the year ended 31 December 2019, the gross profit of the Group was RMB1,834.04 million, representing a decrease of RMB577.55 million or 23.95% over RMB2,411.59 million in the corresponding period of last year. The comprehensive gross profit margin was 21.03%, representing an increase of 1.02 percentage points over the corresponding period of last year. The main reason for the decrease in gross profit during the Reporting Period was the sharp decrease in the price of polysilicon.

Other income

For the year ended 31 December 2019, other income of the Group was RMB84.22 million, representing a decrease of RMB12.38 million or 12.82% over RMB96.60 million in the corresponding period of last year, which was mainly due to the decrease of the government grants received by the Group during the Reporting Period.

Other gains — net

For the year ended 31 December 2019, the net other gains of the Group were RMB22.70 million, representing a decrease of RMB16.06 million or 41.43% over RMB38.76 million in the corresponding period of last year. The decrease was mainly due to the decrease in the Group's gains from disposal of subsidiaries and associates during the Reporting Period.

Selling and marketing expenses

For the year ended 31 December 2019, the selling and marketing expenses of the Group were RMB402.72 million, representing a decrease of RMB17.74 million or 4.22% over RMB420.46 million in the corresponding period of last year. The decrease was mainly due to the enhancement of control of selling and marketing expenses and the decreased marketing expenses of the Group during the Reporting Period.

General and administrative expenses

For the year ended 31 December 2019, the general and administrative expenses of the Group were RMB580.60 million, representing a decrease of RMB13.22 million or 2.23% less than RMB593.82 million in the corresponding period of last year, which was mainly due to decreased management expenses resulted from the enhanced control on the general and administrative expenses of the Group during the Reporting Period.

Finance expenses — net

For the year ended 31 December 2019, the net finance expenses of the Group was RMB375.96 million, representing an increase of RMB21.11 million or 5.95% from RMB354.85 million in the corresponding period of last year, which was mainly due to the expansion of borrowings size of the Group, resulting in an increase in interest expense during the Reporting Period.

Share of profit of investments accounted for using the equity method

For the year ended 31 December 2019, the share of profit of investments accounted for using the equity method of the Group was RMB34.78 million, representing an increase of RMB17.75 million or 104.23% from RMB17.03 million in the corresponding period of last year, which was mainly due to the increase in the profit of associates of the Group during the Reporting Period.

Income tax expense

For the year ended 31 December 2019, the income tax expense of the Group was RMB45.14 million, representing a decrease of RMB52.71 million or 53.87% lower than RMB97.85 million in the corresponding period of last year, which was mainly due to the decrease in profit before income tax during the Reporting Period over the corresponding period of last year.

Profit attributable to the owners of the Company

For the year ended 31 December 2019, profit attributable to the owners of the Company was RMB402.64 million, representing a decrease of RMB705.16 million or 63.65% over RMB1,107.80 million in the corresponding period of last year, mainly attributable to the sharp decrease in the price of polysilicon during the Reporting Period.

Profit attributable to the non-controlling interests

For the year ended 31 December 2019, the profit attributable to the non-controlling interests of the Group was RMB114.15 million, representing an increase of RMB111.30 million or 3,905.26% from RMB2.85 million in the corresponding period of last year. The increase was mainly because Xinjiang New Energy introduced ABC Financial Asset Investment Co., Ltd. and BOCOM Financial Asset Investment Co., Ltd. as its new shareholders in December 2018 and March 2019, respectively, resulting in an increase in non-controlling interests.

Cash Flows

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	**(1,474,301)**	1,851,134
Net cash used in investing activities	**(4,312,886)**	(3,291,826)
Net cash generated from financing activities	**4,673,221**	2,964,189
Net (decrease)/increase in cash and cash equivalents	**(1,113,966)**	1,523,497

Net cash (used in)/generated from operating activities

For the year ended 31 December 2019, the net cash used in operating activities of the Group was RMB1,474.30 million, representing a decrease of RMB3,325.43 million from the net cash generated from operating activities of RMB1,851.13 million in the corresponding period of last year. The decrease was mainly because the significant increase in equipment procurement expenditure for the ECC business of the Group.

Net cash used in investing activities

For the year ended 31 December 2019, the net cash used in investing activities of the Group was RMB4,312.89 million, representing an increase of RMB1,021.06 million or 31.02% from RMB3,291.83 million in the corresponding period of last year, mainly attributable to the large amount of funds spent on the construction of the Group's 36,000-ton Polysilicon Project and BOO projects during the Reporting Period.

Net cash generated from financing activities

For the year ended 31 December 2019, the net cash generated from financing activities of the Group was RMB4,673.22 million, representing an increase of RMB1,709.03 million or 57.66% over RMB2,964.19 million in the corresponding period of last year. The increase was mainly due to the increased proceeds from borrowings of the Group during the Reporting Period.

Operation Fund

	As of 31 December 2019	As of 31 December 2018
Cash and cash equivalents at the end of the year (RMB'000)	**2,747,045**	3,856,408
Gearing ratio	**87.25%**	60.07%
Inventory turnover rate (times)	**2.31**	2.84
Inventory turnover days (days)	**155.56**	126.75

As of 31 December 2019, the cash and cash equivalents of the Group were RMB2,747.05 million (31 December 2018: RMB3,856.41 million).

The required capital fund of the BT and BOO businesses which the Group are engaged in generally accounts for 20%–30% of the total investment of a project, the rest of which is bank loans, which has a greater impact to the gearing ratio of the Group. As of 31 December 2019, the gearing ratio of the Group was 87.25% while that as of 31 December 2018 was 60.07%. The gearing ratio was calculated by dividing its net debts by total equity, whereas net debts were calculated by deducting restricted bank balances and cash balances at bank from total interest-bearing liabilities.

BT projects under construction and completed pending for transfer were included in the inventory item, and whether BT projects can be transferred in time is significantly important for the Group's inventory turnover rate and turnover days. The inventory turnover rate and turnover days of the Group were 2.31 times and 155.56 days on 31 December 2019, respectively, and the inventory turnover rate and turnover days of the Group were 2.84 times and 126.75 days on 31 December 2018, respectively.

By virtue of the stable cash inflow from the daily business operations and fund generated from financing business, the Group has sufficient resources to support future expansion.

Capital expenditure

For the year ended 31 December 2019, the material capital expenditure of the Group incurred from the purchase of property, plant and equipment was RMB4,902.24 million.

Contingent liabilities

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司) ("**Jiangsu Zhongneng**") filed a claim with Jiangsu Province People's Court against the Company for the infringement of certain patents and commercial secrets, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed by the Company, the Supreme People's Court of the PRC ruled that the case should be under the jurisdiction of Xinjiang Uygur Autonomous Region People's Court. In addition, Jiangsu Zhongneng withdrew its claim against the Company in relation to the infringement of intellectual property rights in December 2014. On 28 November 2019, the High People's Court of Xinjiang Uygur Autonomous Region made the first instance decision, and it believed that the claim of Jiangsu Zhongneng was not supported, and thus rejected the claim. The acceptance fee was borne by Jiangsu Zhongneng. As Jiangsu Zhongneng did not file an appeal within the stipulated period, the first instance decision came into effect and the case was closed. As such, no provision was made with respect to the aforementioned claim as of 31 December 2019.

Apart from the above, the Group has contingent liabilities in respect of claims or other legal proceedings arising in its ordinary course of business from time to time. As of 31 December 2019, the directors of the Company did not foresee that any material liabilities would arise from the contingent liabilities other than those provided in the consolidated financial statements.

Employees, remuneration, retirement and employees benefit scheme

At of 31 December 2019, the Group had 4,423 employees in total, including 948 management personnel, 445 technicians and 1,905 production personnel. During the Reporting Period, the Group paid employees remuneration of RMB813.03 million in aggregate.

In accordance with regulations applicable to enterprises and the relevant requirements of all levels of local governments where the Company operates, the Group provided pension insurance, employees' medical insurance, unemployment insurance, maternity insurance and work injury insurance. In addition, the Group also provided supplementary business insurance and flexible insurance benefits to all employees for a diverse protection. In accordance with applicable PRC laws and regulations, the amount of contributions to the aforesaid social insurance is strictly based on the national, provincial, autonomous region and municipal requirements of the PRC. The Group also established an employee housing fund in accordance with applicable PRC regulations.

Charges on assets

As of 31 December 2019, secured short-term bank borrowings of RMB60,560,000 were pledged with certain of the Group's land use rights and property, plant, equipment and proprietary technology; secured long-term bank borrowings of RMB11,289,686,000 were guaranteed by TBEA Co., Ltd., the Company and pledged with certain of the Group's inventories, land use rights, property, plant and equipment and receivable collection right; and the secured long-term other borrowings of RMB728,000,000 were guaranteed by the bank credit.

Material acquisition and disposal of subsidiaries, associates and joint ventures

During the Reporting Period, save as the deemed disposal of Xinjiang New Energy's equity, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures. For the relevant details, please refer to the circular of the Company dated 20 August 2019 and announcements of the Company dated 24 December 2018, 12 March 2019 and 14 August 2019.

Future plans for material investment or capital asset

Except for those disclosed in this report, the Group did not have any specific plans for material investment or capital asset as of 31 December 2019.

Significant investments

During the Reporting Period, significant investments of the Group are as follow:

1. The Group invested in the 36,000-ton Polysilicon Project through Crystal Silicon Hightech. As of 31 December 2019, the Company held 92.34% equity interest of Crystal Silicon Hightech, which is principally engaged in polysilicon production, and the Group's total investment costs was RMB4,703.57 million.

2. The Group carried out the construction of BOO projects through certain project companies, which are principally engaged in wind power or PV power generation. As of 31 December 2019, the Group's total investment costs on these companies was RMB1,673.03 million.

These investments did not contribute any revenue during the Reporting Period as they are in the pilot production stage or under construction. Investment costs of 36,000-ton Polysilicon Project and all BOO projects under construction accounted for 11.28% and 4.01% of the Group's total assets as of 31 December 2019, respectively. The Group will adopt a sound investment strategy and comprehensively evaluate the economic benefits, potential synergies, market prospects and other factors of the above investments based on technological progress, financial conditions, policies related to the new energy industry, and market demands for high-quality polysilicon and new energy power stations, so as to invest in polysilicon production and BOO projects rationally.

Foreign exchange risks

Most of the Group's business is located in China and is traded in RMB. The Group's assets and liabilities involving exchange risks and transactions from the operation are mainly related to US dollar and Hong Kong dollar. The Directors believe that the exposure of the foreign exchange risk of the Group is minimal, and will not have material adverse impact on the financial position of the Group. The Group currently does not have a foreign currency hedging policy, but the management of the Group closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when needed.

Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Most of the borrowings are obtained at floating rates and exposed the Group to cash flow interest rate risk which is partially offset by cash held at floating rates. It will have no material adverse impact on the financial position of the Group.

Capital liquidity

As of 31 December 2019, current assets of the Group amounted to RMB16,364.69 million, among which, RMB2,747.05 million was for cash and cash equivalents; RMB3,873.85 million was for trade and notes receivable, primarily consisting of receivables from ECC and sales of inverter; RMB2,606.31 million was for other current assets, primarily consisting of deductible VAT and prepayments to customers.

As of 31 December 2019, current liabilities of the Group amounted to RMB14,400.87 million, including RMB8,343.28 million of trade and notes payable, primarily consisting of payables for purchase of PV and wind power projects equipment, laboring, materials, coal fuels and production materials of polysilicon; RMB1,728.96 million of provisions and other payables, primarily consisting of payables relating to purchase of property, plant and equipment; and RMB3,267.51 million of short-term borrowings.

As of 31 December 2019, net current assets amounted to RMB1,963.82 million, representing an increase of RMB1,312.23 million as compared with net current assets amounted to RMB651.59 million as of 31 December 2018. The current ratio was 113.64% as of 31 December 2019, representing an increase of 9.51 percentage points as compared with the current ratio of 104.13% as of 31 December 2018. Restricted deposits amounted to RMB1,310.16 million, mainly including deposits for bills and issuance of the letter of credit.

The liquidity risks of the Group were controlled by the ample cash and available funds, which were maintained by sufficient credit financing undertaken. The Group satisfied its operating capital demand through funds from operation and bank borrowings.

Borrowings and notes payable

As of 31 December 2019, the Group's balance of the borrowings and notes payable amounted to RMB20,765.96 million, representing an increase of RMB3,679.79 million as compared with the balance of the borrowings and notes payable of RMB17,086.17 million as of 31 December 2018. As of 31 December 2019, the Group's outstanding borrowings and notes included short-term borrowings and notes payable of RMB7,944.25 million (including long-term borrowings due within one year of RMB1,181.20 million and notes payable of RMB4,676.74 million) and long-term borrowings amounting to RMB12,821.71 million.

Credit risk

Credit risk is managed on a group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for their respective new customers before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions (including restricted cash), as well as credit risk exposures to customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and other factors. Except for those confirmed, the management of the Group expects that there will be no losses arising from non-performance by relevant counterparties.

Events after the balance sheet date

At the Board meeting held on 27 March 2020, the Board proposed the distribution of a final dividend of RMB0.06 per share (tax inclusive) for the year ended 31 December 2019.

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. Up to the date of this annual report, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

IV. PROSPECTS

Market Prospects

According to the analysis and predictions of the International Renewable Energy Agency, by 2050, the cumulative installed capacity of PV power generation will exceed 25% of the total power demand, and the cumulative installed capacity of wind power will exceed 35%. The broad market prospect will bring good development opportunities for the development of new energy industry.

The Group will create value for our customers, promote the wide application of green energy around the world, and better advance the development of the global green energy industry with its advanced technologies, high-quality products, and reliable services, so as to achieve the mission of "contributing green energy and creating better lives", and become a global outstanding green smart energy service provider.

Business Plan in 2020

In 2020, China's new energy industry will accelerate the pace of grid parity, and the market demand for high quality, low cost products will become more pressing, the proportion of monocrystalline silicon dense materials will continue to rise, a number of enterprises with high costs and low quality will be knocked out, and the construction index can only be obtained for power station projects with low price and low subsidy. A new layout for the new energy industry is emerging and market competition will further intensify. Facing the new situation for the development of new energy industry, the Group will speed up the adjustment of industry layout, deepen innovation and reduce cost, improve product quality, and provide the customers with high quality energy solutions, in order to ensure its ability for healthy and sustainable development and make contribution for the successful realization of the strategic goals of the 13th Five-Year Plan.

1. Optimizing the principal business of polysilicon and accelerating the extension along the industry chain

Since the second half of 2018, the price of polysilicon has been falling due to the decrease of terminal market demand and expansion of production. However, with the full implementation of grid parity and competitive bidding, the expected increase in installed PV power stations will also stimulate the market demand of polysilicon products. In 2020, the Group will seize the opportunity to boost the 36,000-ton Polysilicon Project to reach its designed capacity, overcome the bottleneck of production equipment and processes through technological innovation and process optimization, and continue to tap the existing capacity potential, so as to improve production efficiency, improve the proportion of high-quality polysilicon, and constantly reduce costs. In addition, the Group will strengthen strategic cooperation with upstream and downstream customers to meet the needs of the market and customers, and grow together with customers. To ensure the normal operation of polysilicon production line and maximize the benefits, the Group will formulate a comprehensive overhaul plan and determine the maintenance time nodes in accordance with the management principle of "conducting scientific overall planning, being rigorous and meticulous, complying with safety standards, and ensuring whole-process control", and in combination with the market conditions of polysilicon, in order to ensure the smooth completion of overhaul work.

In addition, the Group will continue to carry forward the overall deployment of green recycling industry, give play to the advantages of energy and chemical materials industry ecological cluster, actively promote the commissioning and trial production of organosiliconium and zirconium based projects, achieve desired project quality and production capacity and continue to create new profit growth point.

2. Following the guidance of the industry policy and steadily promoting the development of wind power and PV resources

In 2020, the new energy industry will gradually enter the grid parity and competitive bidding stage. With the reduction of construction costs, wind power and PV will gradually replace part of the traditional energy. The proportion of new energy power generation will continue to increase, and the newly installed capacity is expected to grow. The Group will continue to pay attention to national and provincial policy trends, focus on business opportunities, deeply cultivate the high-quality regional market with good power absorption and high electricity price, and actively acquire grid parity and competitive bidding projects with high rate of return, so as to provide sufficient impetus for the sustainable development of the Group.

The Group will continue to promote the operator transformation strategy, and spare no efforts to promote the completion of the two major operator bases of Ximeng and Zhundong, so as to realize grid-connected power generation by 2020 and further expand the scale of power station operation business. In addition, with an aim to become a stronger integration service provider, the Group will increase the market share of tandem inverters and SVG, and actively expand the market share of emerging businesses such as microgrids, power routers, flexible DC, and multi-scene smart energy management systems, seize the opportunities of industrial Internet and ubiquitous electric Internet of things, and deepen the innovative application of big data, cloud computing and block chain technologies in new energy industry, so as to promote the digitalization of manufacturing, the informatization of engineering operations and maintenance services, and the intelligentization of power and electronic products. We will innovate the business cooperation mode and provide the best solutions, in order to create values for the customers and the Group.

3. Strengthen scientific and technological innovation to boost enterprise development

In 2020, the Group will focus comprehensively on the core values of "efficiency upgrades through improved quality and reduced costs to achieve the lowest cost of electricity", launch technological innovative programs, continuously accelerate the transformation of technological development, and promote the industrialization of technological achievements.

In terms of polysilicon production, based on the six R&D centers built in Shenzhen, the United States and Germany, the Group will join hands with customers, suppliers, and other related parties to build a combo comprising enterprises, universities, and research institutions, to create an innovation-driven, open, and win-win global innovation network. In 2020, the Group will focus on promoting the rapid implementation of innovative projects, such as the development of electronic grade level 1 polysilicon, the optimization of polysilicon production process, and the development of silicon-based extending industrial chain and products, improve dense polycrystalline silicon material production, reduce energy consumption and material consumptions, and promote the project implementation and product authentication of new industry and new products (such as advanced ceramics, new powder material, new zirconium-based material), in order to obtain the leading strategic position in R&D.

With regard to wind power and PV resources development, the Group will, guided by customer demand, and focusing on ensuring lowest cost, highest profit and intelligent operation maintenance, carry out scientific and technological innovation based on the technology development direction and competition strategy, actively explore high wind power and PV grid access system design technology research in view of wind power and PV grid parity, carry out the new utility model innovation and integrate all kinds of technology and products to address complicated construction conditions, in order to further enhance competitiveness of the Group. In addition, the Group will, based on the energy planning of the 14th five-year plan, carry out important technical researches on new electric and electronic industries, such as micro grid, energy storage and flexible HVDC, speed up its digital transformation, and continue to provide access to its wind power and PV power station, inverter, SVG, micro power grid, EMS energy consumption management and other relevant businesses through E-clod platform, in order to optimize the digital product market promotion scheme.

4. Strengthening the management of safety and environmental protection responsibilities to ensure smooth business operation

In 2020, the Group, based on the "people-oriented, safety first" management philosophy, and with the guidance of safety culture, the guarantee of responsibility implementation and the support of IT construction, will spare no efforts to promote the efficient operation of the HSSE system which is "based on behavioral safety and focused on the safety of production equipment, with controlled production management as its core", in order to ensure the realization of all the safety targets in 2020. The Group will focus on the core of corporate culture, pool the wisdom and efforts of everyone, actively carry out various forms of safety culture activities, widely mobilize the enthusiasm and initiative of the employees to participate in safe production, in order to create a strong safety atmosphere, and promote the implementation of safety culture. In addition, the Group will, by making full use of network information means, develop online courses, establish training course libraries and examination databases and realize one-stop service that integrates online teaching and examination, to improve the effectiveness of safety training in an all-round way.

V. RISK FACTORS AND RISK MANAGEMENT

1. Risks associated with falling price of polysilicon

The Group mainly sells its polysilicon to manufacturers of PV products in China. The price of polysilicon depends fundamentally on supply and demand. A number of factors, including the advancement of polysilicon production technology, the substantial increase in output of polysilicon manufacturers, the government's adjustment of policies in relation to PV power generation, fierce market competition, and reduction in demand for downstream PV products, may result in oversupply and hence a decline in price of polysilicon, which may in turn affect the revenue and operating results of the Group.

In 2020, the newly added production capacities of a number of polysilicon manufacturers will be released, further increasing the market supply, and downstream customers have higher demand for single crystal dense material. In the face of fierce market competition, there will also be more stringent requirements for the quality and price of polysilicon. Only high quality polysilicon products and competitive prices will be able to remain in the market, and the profit margin of polysilicon enterprises will be substantially compressed.

The Group will strengthen technological R&D, reduce costs, and improve quality by expanding production and enhancing production quality and efficiency. In addition, with the 36,000-ton Polysilicon Project reaching its designed capacity, the scale effect of polycrystalline silicon products will appear, improving the competitiveness of the products in terms of qualities and costs. In addition, the Group will promote the extension of the industrial chain of silicon, zirconium based new materials, improve the quality of polysilicon by making use of the synergy of polysilicon production, vigorously develop green and low-carbon cycle economy, focusing on existing business while cultivating new profit growth point, in order to resist the price decline risk of certain polysilicon products.

2. Risks associated with intensified market competition

The Chinese PV and wind power industries were affected by the adjustments in government policies. The new energy industry has entered a development mode of efficiency upgrading through quality improvement and cost reduction. Production capacities with outdated technologies and higher costs will gradually be eliminated by the market. Polysilicon production and development of wind power and PV resources gradually move towards industrial integration, and market competition is intense. The above factors may pose impact on the market share of the Group, which may in turn affect the revenue and operating results of the Group.

The Group will actively respond to challenges in the market and make use of its own advantages to provide the market with high quality products at low cost, and to render professional services to customers. The Group will adjust its business structure, focus on the strategic high-end market, and develop centralized wind power projects through competitive bidding as well as low-tariff PV power bases so as to further consolidate and enhance its position in the industry.

3. Risks associated with tariff cuts

Focusing on wind power and PV industries, the PRC government has released policies related to competitive bidding for grid connection and grid parity since 2018, clearly indicating that development pace should be reasonably controlled. In addition, development scale of new wind power and PV power projects should be optimized, subsidy cut to new energy industry was sped up, the level of subsidies was scaled down, and development of unsubsidized new energy projects and projects with competitive bidding for grid connection and grid parity is encouraged, with an aim to improve the resource allocation ability of the market. The above factors may pose impact on the market share and profit margin of the Group.

The Group will increase its investments in R&D, strengthen its capacity in obtaining the wind power and PV resources that can satisfy the conditions for grid parity and low-price grid connection, and optimize design and construction plans. Through technological improvement, the Group will further reduce the costs of power generation and increase power generating hours so as to offset part of the risks associated with lowered tariffs.

4. Risks associated with grid connection and consumption of PV and wind power

In 2019, while grid connection and consumption problems of PV and wind power had been improved to a certain extent, the problem of wind and PV power curtailment still existed in certain regions due to inadequate local consumption, and issues of grid stability and control and management had not been resolved completely. The above factors may impact the Group's development of wind power and PV resources, BT power station sales and BOO power station grid capacity.

The Group will make reasonable plans during the development of wind power and PV resources and will strengthen the development efforts in geographical areas with favorable grid connections and consumption conditions to ensure the power generation efficiency and effectiveness of the power plants.

5. Risk of novel coronavirus pneumonia outbreaks

In January 2020, the novel coronavirus pneumonia epidemic ("**epidemic**") broke out in a large scale within China, and everyone in China worked together to fight against the epidemic. Facing the severe epidemic situation, many provinces and cities in China have taken a number of emergency public health measures and various actions to reduce the risk of the epidemic spreading in China. These include restrictions on the work resumption after the Spring Festival holiday, closing the boundaries of most provinces and cities and banning the movement of goods and people. These measures played an important role in the prevention and control processes of the epidemic, but they also inevitably brought temporary adverse effects on the resumption of work, supply of raw materials and equipment, transportation of goods and organization of construction personnel of the Group. The above factors may cause the Group's purchasing, sales and personnel costs to rise in the short term, thus affecting its operating results.

The Group has been closely monitoring the developments of the epidemic and related incidents. A leading team for epidemic prevention and control has been set up, and response and safeguard measures will be taken to prevent and control the epidemic. We will cooperate with various parties and act quickly, purchase protective materials, apply for resumption of work in an orderly manner, arrange new suppliers of raw materials, equipment and logistics services, and spare no efforts to ensure the health and safety of employees and the stable operation of production and operation. We will adjust the plans and measures for epidemic prevention and control, production and operation, and business development as appropriate according to the actual situation, and try our best to mitigate the impact of the epidemic on the Group.

VI. USE OF NET PROCEEDS FROM LISTING

The H Shares were initially listed on 30 December 2015 on the Stock Exchange. The total net proceeds from the Listing which involved the issue of 313,475,630 H Shares amounted to approximately RMB1,191.67 million. During the Reporting Period, the net proceeds from the Listing were utilised in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 17 December 2015. Details of the use of net proceeds are set out on page 47 of this annual report.

Profile of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Jianxin, aged 47, currently serves as chairman and executive Director. Mr. Zhang holds a PhD degree and he is also an economist of economic management. Mr. Zhang worked as the director of Investment and Development Department, the deputy chief economist of TBEA, the chairman of Xinjiang New Energy, etc. Mr. Zhang has joined the Company since February 2008, served as executive Director of the Company since February 2008, and also served as chairman since July 2012.

Mr. Yin Bo, aged 41, currently serves as executive Director and general manager. Mr. Yin is a doctoral candidate and is a senior engineer of chemical engineering and process. Mr. Yin served as a clerk of polysilicon preparatory team of TBEA, the head of technology department, deputy chief engineer, the general manager of polysilicon workshop, and the deputy general manager of the Company, etc. Mr. Yin has joined the Company since February 2008, served as executive Director and deputy general manager of the Company since June 2015, and also served as general manager of the Company since March 2016.

Mr. Xia Jinjing, aged 39, currently serves as an executive Director of the Company and deputy general manager. Mr. Xia holds a master degree. He served as a technician at Sichuan Yibin Tianyuan Co., Ltd. (四川宜賓天原股份有限公司), a process engineer at Chengdu Wuhuan Xinrui Chemical Co., Ltd. (成都五環新鋭化工有限公司), and a deputy general manager at Chongqing Daquan New Energy Co., Ltd. Since December 2010, he has successively served as the process engineer, the general manager of the second branch and the general manager of polysilicon business in the Company, and he has been serving as the Company's executive director since June 2018.

Non-executive Directors

Mr. Zhang Xin, aged 58, currently serves as non-executive Director. Mr. Zhang obtained associate degree, and he is an electrical engineer as well as a senior engineer of machinery and electronics. Mr. Zhang currently serves as the chairman of TBEA, the Controlling Shareholder of the Company, and director of Xinjiang Joinworld. Mr. Zhang worked as factory manager of Changji City Special Transformers Factory, the chairman of TBEA Silicon Industry Co., Ltd. (特變電工硅業有限公司) (the predecessor of the Company), the chairman of Xinjiang New Energy. Mr. Zhang has served as non-executive Director of the Company since February 2008.

Ms. Guo Junxiang, aged 49, currently serves as non-executive Director. Ms. Guo obtained bachelor degree and is a senior economist in industrial economics. Ms. Guo currently serves as the director of TBEA and a supervisor of Xinjiang Joinworld. She worked as deputy director of general manager office, director of bond department and the board secretary of TBEA. Ms. Guo has served as non-executive Director of the Company since February 2008.

Mr. Wang Shi, aged 38, currently serves as non-executive Director. He holds a master's degree and once served as coal industry analyst, energy group leader and deputy general manager of the industry department of research and consultation branch of Northeast Securities Co., Ltd. (東北證券股份有限公司), and director of investment banking department of CMIG Capital Company Limited (中民投資本管理有限公司), the managing director of the investment department in CMIG Aviation Capital Company Limited* (中民航旅投資有限公司) and the executive director and general manager in CMIG International General Aviation Company Limited* (中民國際通航有限公司). Mr. Wang has served as non-executive Director of the Company since 28 June 2019.

Mr. Lin Chengfei, aged 37, served as a non-executive Director during the Reporting Period from December 2018 to March 2019. Mr. Lin holds a master's degree. He is a certified accountant of Institute of Chartered Accountants in England and Wales and a certified public accountant in Hong Kong. He once served as a senior analyst in the investment consulting department of PricewaterhouseCoopers (London), a project manager in the mergers and acquisitions financing headquarters under the investment banking division of Southwest Securities International Securities Limited (西南證券股份有限公司), a vice-president of mergers and acquisitions division of CITIC Securities Credit Prosperity Equity Investment Co., Ltd. (中信證券信業股權投資管理有限公司), a general manager of Handi Investment Management Co., Ltd. (a subsidiary of Handi Group) and the leader of equity investment division of Minsheng CMH Investment Company Limited (中民華恆投資有限公司).

Independent non-executive Directors

Mr. Qin Haiyan, aged 50, currently serves as independent non-executive Director. Mr. Qin holds a master's degree, and he currently serves as director of China General Certification Center Co., Ltd. (北京鑒衡認證中心有限公司主任), the secretary general of the Professional Wind Energy Committee under China Renewable Energy Society (中國可再生能源學會風能專業委員會), executive director of China Renewable Energy Society (中國可再生能源學會), the deputy director of Weather Resources Applications Research Committee in the Chinese Meteorological Society (中國氣象學會氣候資源應用研究委員會), a member and a deputy secretary general of the Technical Committee under National Wind Power Equipment Standardization (SAC/TC50) (全國風力機械標準化技術委員會), the vice-chairman of the IEC System For Certification to Standards Relating to Equipment for Use in Renewable Energy Applications (IECRE) (國際電工委員會可再生能源設備認證互認體系), the deputy chairman of World Wind Energy Association and a deputy director member of the Renewable Energy Committee under China Energy Research Society etc. Mr. Qin has served as an independent non-executive Director of the Company since June 2015.

Mr. Qin currently serves as independent non-executive director of Ningxia Jiaze New Energy Co., Ltd. (寧夏嘉澤新能源股份有限公司) (Stock code: 601619.SH), and independent non-executive Director of CECEP Wind-power Corporation (中節能風力發電股份有限公司) (Stock code: 601016.SH).

Mr. Yang Deren, aged 56, currently serves as independent non-executive Director. Mr. Yang holds a PhD degree and the title of professor. He is an academician of the Chinese Academy of Sciences (中國科學院院士), a Distinguished Professor under the Yangtze River Scholar Award Scheme (長江學者獎勵計劃特聘教授) and a Senior Specialist of Zhejiang Province (浙江省特級專家). Currently he serves as director of the Engineering Department, the director of the Institute of Semiconductor Materials (半導體材料研究所所長) and Director of the Academic Committee of the State Key Laboratory of Silicon Materials (硅材料國家重點實驗室學術委員會主任) in Zhejiang University (浙江大學), the leader of Innovation Research Group of the National Science Fund (國家自然科學基金), Core Fields Innovation Team of the Ministry of Science and Technology, Yangtze River Scholar Innovation Team of the Ministry of Education and core technology innovation team of Zhejiang Province. He was awarded the honour of the China Youth Science and Technology Award (國家傑出青年基金) and the 9th Chinese Youth Science and Technology Prize (第九屆中國青年科技獎), leader of State Special Support Program for Excellent Talents (國家高層次人才特殊支持計劃). Mr. Yang was awarded the National Natural Science Award (Second Class Award) by his research project on "silicon doped nitrogen with single crystal helium and relevant defect (摻氮直接硅單晶氦及相關缺陷的研究項目)" as well as the "controllable plant and its mechanism of one-dimensional nanometer semiconductor materials (一維納米半導體材料的可控生產長及其機理)". Mr. Yang has served as independent non-executive Director of the Company since June 2015.

Mr. Yang now also serves as independent non-executive director of Hangzhou First PV Material Co., Ltd. (杭州福斯特光伏材料股份有限公司) (Stock code: 603806.SH) and independent non-executive director of Zhejiang Shengjing Mechanical & Electrical Co., Ltd. (浙江盛晶機電有限公司) (Stock code: 300316.SZ).

Mr. Wong, Yui Keung Marcellus, aged 66, currently serves as independent non-executive Director. Mr. Wong obtained bachelor degree, and he is a Certified Tax Adviser in Hong Kong and a Fellow of the Hong Kong Institute of Certified Public Accountants as well as CPA Australia. Mr. Wong currently serves as vice chairman of the global advisory board of L.R. Capital Management Company (Cayman) Limited, vice chairman of the board of directors of AMTD Group, honorary adviser of CPA Australia, chairman of Tax Policy Committee of Hong Kong, a member of the joint contacting group in Inland Revenue Department of Hong Kong. He served as a partner of PricewaterhouseCoopers, a member of the Working Group on Long-Term Fiscal Planning of the Government of the Hong Kong Special Administration Region, the president of the Taxation Institute of Hong Kong and the president of CPA Australia (Greater China Division). Mr. Wong has served as independent non-executive Director since June 2015.

Mr. Wong is also vice chairman of the board of directors of AMTD International Inc., a company listed on the New York Stock Exchange (Stock code: HKIB).

Supervisors

Mr. Chen Qijun, aged 49, currently serves as chairman of Supervisory Board. He obtained an associate degree and is a senior economist of economic management. Mr. Chen is now serving as the chief risk controller and chairman of supervisory board of TBEA. He worked as the deputy factory manager and executive deputy factory manager of Xinjiang Transformers Factory of TBEA, the general manager of TBEA Shandong Luneng Taishan Cable Co., Ltd. (特變電工山東魯能泰山電纜有限公司), and the deputy general manager of TBEA. Mr. Chen has served as Supervisor since June 2015.

Mr. Han Shu, aged 42, currently serves as a Supervisor. He holds a bachelor's degree and is a qualified lawyer. He currently serves as the director of legal affairs department of TBEA. He previously served as the head of factory and the head of risk management department of TBEA Transformers Factory in Xinjiang, the director of risk management department, the deputy director and the director of legal affairs department of TBEA, as well as the deputy director of the audit department of TBEA. Mr. Han has served as Supervisor since June 2018.

Mr. Hu Shujun, aged 47, currently serves as Supervisor, obtained master degree and is a senior electrical engineer. Mr. Hu now serves as chairman and general manager of Xinjiang Tebian. He worked as iron core workshop director, head of production department, assistant to the factory manager and deputy factory manager of TBEA Xinjiang Transformers Factory, and the assistant to the general manager and deputy general manager of TBEA. Mr. Hu has served as Supervisor of the Company since June 2015.

Mr. Ma Junhua, aged 43, currently serves as employee-representative Supervisor. He holds a bachelor degree. He is a certified public accountant and a certified tax accountant. Mr. Ma currently serves as the general manager of the system integration division of Xinjiang New Energy. He previously served as the head of the finance department, the head of the corporate management department, the executive deputy general manager and assistant to the general manager of the integration business division of Xinjiang New Energy. Mr. Ma has served as Supervisor of the Company since June 2018.

Mr. Cao Huan, aged 36, currently serves as an employee representative Supervisor. He obtained bachelor degree. Mr. Cao now serves as director of audit department. He worked as the purchasing supervisor of purchase department, assistant to the director of audit department and deputy director of audit department. Mr. Cao joined the Company in June 2008 and has served as Supervisor since June 2015.

Other Senior Management Members

Mr. Yin Bo, aged 41, currently serves as executive Director and general manager. Biographical details of Mr. Yin Bo as at the Latest Practicable Date are set out on page 38 of this annual report.

Mr. Xia Jinjing, aged 39, currently serves as executive Director and deputy general manager. Biographical details of Mr. Xia Jinjing as at the Latest Practicable Date are set out on page 38 of this annual report.

Mr. Gan Xinye, aged 44, currently serves as deputy general manager. He holds a master's degree and is an electrical engineer. Mr. Gan worked as the director of Inner Mongolia Office of TBEA Hengyang Transformer Co., Ltd. (特變電工衡陽變壓器有限公司), head of strategic development department, deputy general manager of marketing department, assistant to the general manager and general manager of international complete engineering branch of the Company. Mr. Gan joined the Company in February 2008 and has served as deputy general manager since December 2012.

Mr. Yang Long, aged 44, currently serves as deputy general manager. He holds a bachelor's degree and is a senior economist. Mr. Yang has served as cashier of Huilai City Credit Cooperative (惠來城市信用社) in Urumqi, accountant of Longda Group's Xinjiang Branch (龍大集團新疆分公司), director of finance department, business administration depart of Xinjiang New Energy, director of the Company's finance department, and assistant to general manager. Mr. Yang has served as deputy general manager of the Company since June 2018.

Mr. Li Xiliang, aged 40, currently serves as deputy general manager. He holds a PhD degree and is a senior engineer. He has served as designer in the design office of TBEA Xinjiang Transformers Factory, assistant to the director and deputy director of TBEA's technology management department, director and deputy chief engineer of the Company's technology management department. Mr. Li has served as deputy general manager of the Company since June 2018.

Mr. Zhang Yueqiang, aged 42, currently serves as deputy general manager. He holds a bachelor degree, is a grade A company culture officer. Mr. Zhang once served as director assistant, deputy director of company management department of TBEA, director of comprehensive department and deputy chairman of trade union of the Company. Mr. Zhang has served as deputy general manager of the Company since June 2018.

Mr. Liu Weizeng, aged 42, served as deputy general manager during the Reporting Period. He holds a PhD degree and is a senior engineer of power electronic technology. He has served as executive deputy general manager and chief engineer of TBEA Xi'an Electrical Technology Co., Ltd. (特變電工西安電氣科技有限公司), the chief engineer and deputy general manager of Xinjiang New Energy and the general manager of TBEA Xi'an Flexible Power Transmission & Distribution Co., Ltd. (特變電工西安柔性輸配電有限公司). Mr. Liu served as deputy general manager of the Company from June 2015 to February 2019.

Mr. Mian Yulong, aged 51, currently serves as the safety director. He holds a master degree and is currently a registered safety engineer. Mr. Mian worked as the deputy director of safety management division of safety and environmental protection department, deputy director of safety and technical supervision division of safety and environmental protection department, director of safety management division, deputy director of quality, safety and environmental protection department, and the deputy chief engineer of Urumqi Petrochemical Company (烏魯木齊石化公司). Mr. Mian has joined the Company since August 2014 and has served as safety director of the Company since June 2015.

Mr. He Yongjian, aged 53, currently serves as the chief mechanical engineer. He holds a bachelor's degree and is a senior mechanical engineer. Mr. He worked as deputy equipment director of and team leader of the mechanical team of Lanhua Synthetic Rubber Factory (蘭化合成橡膠廠), deputy manager of polypropylene project department under the large-scale ethylene project commanding department (大乙烯指揮部聚丙烯項目), director of mechanics division and deputy chief equipment engineer of the project department of the polyolefin business unit (聚烯烴事業部) of the ethylene plant of Lanzhou Petrochemical Company as well as deputy chief mechanical engineer and deputy chief equipment engineer of the Company. Mr. He joined the Company in January 2013 and has served as the chief mechanical engineer since June 2015.

Mr. Zheng Weijie, aged 42, currently serves as the chief accountant. He holds a bachelor's degree and is an intermediate economist. Mr. Zheng worked as a bank and tax accountant and the head of financing in the finance department, and director of the fund management center of TBEA; deputy chief accountant and chief accountant of Xinjiang New Energy. Mr. Zheng has served as the chief accountant of the Company since June 2015.

Ms. Zhang Juan, aged 31, currently serves as the secretary to the Board. She holds a bachelor's degree and is a Certified General Accountant of Canada (加拿大註冊會計師). Ms. Zhang served as a staff member in the securities department of TBEA and assistant to head of securities department of the Company. Ms. Zhang joined the Company in October 2014 and has served as the secretary to the Board since June 2015.

Report of the Board of Directors

MAJOR BUSINESS

The Group is principally engaged in manufacturing and sales of polysilicon, as well as the construction and operation of PV and wind power stations.

MANAGEMENT DISCUSSION AND ANALYSIS

The details of discussion and analysis of the management of the Company during this year are set out on pages 14 to 37 of this annual report.

ISSUANCE OF DEBENTURES

For the year ended 31 December 2019, the green debt financing scheme of RMB100,000,000 issued by the Group on 17 April 2018 for use in the green energy-saving technology transformation project was fully redeemed on 13 March 2019.

ISSUANCE OF SHARES

For the year ended 31 December 2019, the Company was approved by the Shareholders to issue 154,994,838 Domestic Shares to TBEA at the subscription price of RMB7.78 per Share, amounting to a total of RMB1,205,859,839.64 ("**Directional Issue**") at the extraordinary general meeting, H Shares shareholders class meeting and the Domestic Shares shareholders class meeting held on 11 January 2019, and the issuance was completed on 15 February 2019. Use of the proceeds from the Directional Issue is set out on page 48 of this annual report.

RESULTS

The audited results of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Comprehensive Income on page 106. The financial position of the Group as at 31 December 2019 is set out in the Consolidated Balance Sheet on pages 104 to 105. The consolidated cash flows of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Cash Flows on page 108. The discussion and analysis on result performances and the important factors effecting the results and financial position relevant to the Group during the year are set out in the Management Discussions and Analysis on pages 14 to 37 of this annual report.

SHARE CAPITAL

As of 31 December 2019, the structure of the issued share capital of the Company is as follow:

Classification of Shares	**Number of issued shares**	**Percentage of the number of issued shares (%)**
Domestic Shares	**886,524,370**	**73.88%**
H Shares	**313,475,630**	**26.12%**
Total	**1,200,000,000**	**100.00%**

On 31 December 2019, the total share capital of the Company was 1,200,000,000 Shares, divided into 886,524,370 Domestic Shares with nominal value of RMB1 each and 313,475,630 H Shares with nominal value of RMB1 each.

DISTRIBUTABLE RETAINED EARNINGS

As of 31 December 2019, the Company had distributable retained earnings of RMB2,217 million.

RESERVES

Movements in the reserves of the Company during the Reporting Period are set out in Note 38 to the consolidated financial statements.

DIVIDEND POLICY

The Company may distribute dividends by way of cash or by other means that the Company considers appropriate. Any proposed distribution of dividends shall be determined by the Board and subject to Shareholders' approval. A decision to declare or to pay dividends and the amount of dividends will depend on a number of factors, including the Company's operating results, cash flow, financial position, payments by our subsidiaries of cash dividends to us, future prospects and other factors that the Directors may consider important. According to PRC law and the Articles of Association, the Company will pay dividends out of our profit after tax only after the Company has made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory common reserve fund equivalent to 10% of our after-tax profit as determined under PRC GAAP; and
- allocations that are approved by the Shareholders at a general meeting, if any, to any common reserve fund.

PROFIT DISTRIBUTION AND PROPOSED DIVIDEND

On 27 March 2020, the Board proposed the distribution of a final dividend of RMB0.06 per share (including tax) for the year ended 31 December 2019, after the appropriations to the statutory surplus reserve according to the relevant regulations. The proposal of distributing final dividend is subject to the approval by Shareholders at the 2019 annual general meeting, and such dividend (if approved) is expected to be paid before Friday, 14 August 2020. Details of the dividend payment will be announced after the holding of annual general meeting.

The distribution of dividend will be completed within two months after the annual general meeting (if approved). The final dividend will be paid in RMB to the holders of Domestic Shares and in Hong Kong dollars to the holders of H Shares. The actual amount of dividend for H shares to be paid in Hong Kong dollars is calculated based on the average of the middle rate of RMB against Hong Kong dollars for five business days preceding the date of approval of the dividend declaration at the annual general meeting published by the People's Bank of China.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to receive the final dividend, the register of members of the Company will be closed from Tuesday, 30 June 2020 to Monday, 6 July 2020, both days inclusive, during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on Monday, 6 July 2020 are entitled to receive the final dividend. Holders of H shares of the Company who intend to receive the final dividend payment must lodge all transfer documents accompanied by the relevant H share certificates with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 29 June 2020 for registration.

In order to determine the list of shareholders who are entitled to attend and vote at the AGM of the Company to be held on Tuesday, 16 June 2020, the register of members of the Company will be closed from Saturday, 16 May 2020 to Tuesday, 16 June 2020, both days inclusive, during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on Saturday, 16 May 2020 are entitled to attend and vote at the AGM. Holders of H shares of the Company who intend to attend and vote at the AGM must lodge all transfer documents accompanied by the relevant H share certificates with the Company's H share registrar mentioned above no later than 4:30 p.m. on Friday, 15 May 2020 for registration. Holders of domestic shares of the Company who intend to attend and vote at the AGM shall lodge all transfer documents accompanied by the relevant domestic share certificates with the office of the Board Secretary of the Company no later than 4:30 p.m. on Friday, 15 May 2020 for registration.

WITHHOLDING AND PAYMENT OF FINAL DIVIDEND INCOME TAX

Withholding and Payment of Enterprise Income Tax on Behalf of Overseas Non-Resident Enterprises

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementing rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes final dividend to non-resident enterprise holders of H Shares (including any H Shares registered in the name of HKSCC Nominees Limited).

Withholding and Payment of Individual Income Tax on Behalf of Overseas Individual Shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementing rules as well as the Tax Notice (《稅收通知》), the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of individual holders of H Shares:

- For individual holders of H Shares who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these individual holders of H Shares in the distribution of the final dividend;

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these individual holders of H Shares in the distribution of the final dividend. If relevant individual holders of H Shares would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice. Qualified shareholders shall submit in time a written letter of entrustment and all application materials as required under the Tax Notice to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited. The Company will then submit the above documents to competent tax authorities and, after their examination and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these individual holders of H Shares in the distribution of the final dividend; and

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these individual holders of H Shares in the distribution of the final dividend.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Group has not purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2019.

USE OF PROCEEDS

1. Initial Public Offering of H Shares

The Company conducted the initial public offering of its H Shares and had its H Shares listed on the Main Board of the Stock Exchange on 30 December 2015. The proceeds from the H Shares offering was the equivalent of RMB1,191.67 million in HKD. As of 31 December 2019, accumulated used proceeds was equivalent to RMB1,155.88 million, and the unused proceeds was equivalent to approximately RMB35.79 million.

As of 31 December 2019, the planned use of the funds raised by listing of the Company's H shares on the Stock Exchange is detailed as follows:

- Approximately 65% will be used for construction and operation of the Group's BOO projects;

- Approximately 20% will be used for repayment of certain long-term bank loans;

- Approximately 5% will be used for investment in R&D activities and purchasing or upgrading IT systems; and

- Approximately 10% will be used for working capital and other general corporate uses.

As of 31 December 2019, the uses of proceeds from the H Shares offering of the Company are as follows:

No.	Usage	Allocation Amount RMB million	Used Proceeds RMB million	Unused Proceeds RMB million
1	Construction and operation of the BOO projects of the Group	762.00	762.00	0.00
2	Replenishment of working capital	135.27	135.27	0.00
3	Repayment of part of long-term bank loans	235.74	235.74	0.00
4	Investment in R&D activities and purchasing or upgrading IT systems	58.66	22.87	35.79
	Total	**1,191.67**	**1,155.88**	**35.79**

The Board has deposited the unused proceeds from the Listing in short-term interest-bearing instruments, such as liquid fixed-income securities, bank deposits or money market instruments with licensed banks or financial institutions in Hong Kong or PRC. The proceeds are expected to be fully utilized by the Company before 30 June 2020 according to its business development strategy and the capital market situation.

2. Directional Issue of Domestic Shares

The extraordinary general meeting, H Shares shareholders class meeting and the Domestic Shares shareholders class meeting held on 11 January 2019 approved the directional issue of 154,994,838 Domestic Shares by the Company to TBEA at RMB7.78 per share, amounting to a total of RMB1,205,859,839.64, which was completed on 15 February 2019. Upon completion of the Directional Issue, the total issued share capital of the Company was 1,200,000,000 shares, divided into 313,475,630 H Shares and 886,524,370 Domestic Shares. The nominal value of the Shares issued under the Directional Issue was RMB1.0 per share, and the net price per newly issued Domestic Share, after deducting all related fees and expenses, was approximately RMB7.78. The closing price of the H Shares on the Stock Exchange on 13 November 2018, being the date on which the terms of the Directional Issue were fixed, was HK$7.54. The Directional Issue was adopted to meet the capital requirements of the 36,000-ton Polysilicon Project and for expansion of the Group's BOO business, and to further reduce financial risks.

As disclosed in the circular of the Company dated 23 November 2018, the Company intends to apply the net proceeds from the Directional Issue of approximately RMB1.205 billion (i) as to approximately RMB800 million for the construction of the Ximeng BOO wind power project and (ii) the remaining balance of approximately RMB405 million for the construction of the 36,000-ton Polysilicon Project. As of 31 December 2019, the net proceeds from the Directional Issue of the Company of approximately RMB1,205 million has been fully utilized according to the abovementioned purposes.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the Group's revenues from operations attributed to its five major customers and the largest customer were 39.97% and 11.05%, respectively.

During the same period, the Group's total procurement amounts attributed to its five major suppliers and the largest supplier were 19.01% and 4.90%, respectively.

The customers of the Group were basically silicon wafer manufacturing enterprises in the midstream and the operation enterprises of PV and wind power plant in the downstream of new energy industry and State Grid Corporation of China, mainly including state-owned enterprises, central enterprises and private enterprises, which have established cooperation with the Group in the recent 5 years. Major customers were treated similarly to other customers in such aspects as delivery method, payment method and settlement conditions, without enjoying special terms. The settlement of major customers' accounts receivable was strictly compliant with the requirements of relevant contracts, and provision was made for accounts receivable in accordance with the Company's accounting policy.

TBEA Group was one of the five major suppliers of the Group for the year ended 31 December 2019, and owned directly and indirectly 65.43% equity interest in the Company as of the Latest Practicable Date.

Save as otherwise disclosed in this annual report, to the best knowledge of the Directors, none of the Directors, their associates or substantial shareholders who own more than 5% of the issued share capital of the Company has any equity interest in the five major customers and the five major suppliers.

The Group has been keeping a sustained and stable relationship with customers and suppliers. The Group has not relied on any individual customer and supplier as regard to the business which has a significant impact on the Group.

RELATIONSHIP WITH EMPLOYEES

The Group always adhere to the corporate culture of "employee-based development for the sake of staff and sharing of development achievements with employees", actively practiced the concept of "innovation and participation", and give priority to direct and practical problems most cared by employees to create a harmony, colorful work and life environment for employees. During the Reporting Period, the Group attached great importance to employees' career development. Guided by the selection principle of "meritocracy, integrity, competence and professionalism", the Group strove for the optimal allocation of human resources through the combination of open selection and competitive employment, and actively created a fair competitive environment for recruitment. Meanwhile, the Group adopted a strategy of development through strong reliance on talents. With a globalised vision, the Group continuously upgraded its organizational structure and optimized the combination of its talents. According to its development strategy and the needs of employees, the Group optimized the training system and stimulated the potential of employees, thereby enabling employees to create, share and grow together with the Company.

In after-work hours, the Group organized various recreational and sports activities for employees to improve their physical health and relieve their work pressure. By strengthening the construction of communication channels for employees, the Group listened to employees' voice and responded to their needs in a timely manner. The Group cared for each employee by providing them with a variety of heart-warming benefits and helped families in need. For details of employee growth and development, incentive and promotion, and employee care, please refer to the annual environmental, social and governance report which will be released by the Company in due course.

BANK LOAN AND OTHER BORROWING

Details of the bank loan and other borrowing of the Group as at 31 December 2019 are set out in Note 21 to the financial statements.

CHARITABLE DONATION

For the year ended 31 December 2019, the Group has made charitable donations of approximately RMB0.72 million for the livelihood projects and infrastructure construction at the places to which the donation went.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Group during the Reporting Period are set out in Note 6 to the consolidated financial statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of Directors of the Company for the year ended 31 December 2019 and up to the date of this report are as follows:

Executive Directors

Zhang Jianxin *(Chairman)*
Yin Bo
Xia Jinjing

Non-executive Directors

Zhang Xin
Guo Junxiang
Wang Shi(1)
Lin Chengfei(2)

Independent Non-executive Directors

Qin Haiyan
Yang Deren
Wong, Yui Keung Marcellus

(1) Mr. Wang Shi was appointed as the Company's non-executive director and member of Audit Committee on 28 June 2019.

(2) Mr. Lin Chengfei resigned as the Company's non-executive director and member of Audit Committee with effect from 13 March 2019.

For the year ended 31 December 2019, biographies of Directors, Supervisors and senior management of the Company are set out on pages 38 to 42 of this report.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with each of the Directors. The principal particulars of such service contracts are (1) from the date of appointment to the date of expiry of the term of the current session of the Board/Supervisory Board; and (2) are subject to termination in accordance with their respective terms.

Each of the Directors and Supervisors has entered into a contract with the Company in respect of, among others, compliance with relevant laws and regulations, the Articles of Association, arbitration and other provisions.

None of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Directors and Supervisors of the Company for the year ended 31 December 2019 are as follows:

	Total RMB'000
Executive Directors	
Zhang Jianxin	**2,069**
Yin Bo	**3,565**
Xia Jinjing	**1,706**
Non-executive Directors(1)	
Zhang Xin	**–**
Guo Junxiang	**–**
Wang Shi	**–**
Lin Chengfei	**–**
Independent Non-executive Directors	
Yang Deren	**120**
Qin Haiyan	**120**
Wong, Yui Keung Marcellus	**120**
Supervisors	
Chen Qijun(2)	**–**
Han Shu(2)	**–**
Hu Shujun(2)	**–**
Ma Junhua	**1,289**
Cao Huan	**420**

Notes:

(1) Non-executive Directors would not receive any remuneration from the Company.

(2) Mr. Chen Qijun, Mr. Han Shu and Mr. Hu Shujun are Supervisors appointed by the Shareholders and shall not receive any remuneration from the Company.

The emoluments of the senior management of the Company for the year ended 31 December 2019 are within the following bands:

Remuneration bands	No. of persons
RMB0 to RMB1,000,000	**5**
RMB1,000,001 to RMB1,800,000	**5**
RMB1,800,001 to RMB3,600,000	**2**

The Company's internal policies on the Directors' and Supervisors' remuneration are as follows:

1. Independent non-executive Directors will receive their remuneration from the Company. The Company will pay each independent non-executive Director RMB120,000 annually (before tax, paid on a quarterly basis, the Company being responsible for withholding and paying individual income tax). Travel expenses incurred by independent non-executive Directors in attending Board meetings, general meetings and relevant activities organised by the Board will be borne by the Company;

2. Non-executive Directors not holding offices in the Company will not receive any remuneration from the Company;

3. Executive Directors holding offices in the Company will receive their remuneration from the Company. The remuneration of an executive Director will be determined based on the senior management position held by such executive Director in accordance with rules relating to the management of remuneration of the Company; and

4. Supervisors not holding offices in the Company will not receive any remuneration from the Company; employee supervisors of the Company will receive their remuneration from the Company where they currently hold a position. The remuneration of an employee Supervisor of the Company will be determined with reference to the duties of the management position where he/she holds in accordance with rules relating to the management of remuneration of the Company.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

At the end of the year or at any time during the year, there was no transaction, arrangement or contract of significance to the Group's business in which the Company was a party, and in which a Director or Supervisor or an entity connected with the Director or Supervisor had a material interest, either directly or indirectly, and which subsisted during the year or at the end of the year.

INTEREST OF DIRECTORS IN COMPETING BUSINESS

During the Reporting Period, no Directors and their 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.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, so far as known to the Company, 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 or any of its associated corporation (within the meaning of Part XV of the SFO) (a) which will have to be notified to the Company and the Stock Exchange (including those taken or deemed to be owned by them under such provisions of the SFO); or (b) which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") are 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) held	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	12.03%	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

(1) The calculation is based on the total number of 3,714,312,789 shares of TBEA and 1,200,000,000 Shares of the Company in issue as at 31 December 2019.

(2) The calculation is based on the total number of 886,524,370 Domestic Shares of the Company in issue as at 31 December 2019.

(3) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, and as at 31 December 2019, Xinjiang Tebian directly held 4.85% equity interest of the Company.

(4) TBEA is the Company's Controlling Shareholder and therefore an "associated corporation" of the Company within the meaning of Part XV of the SFO. As at 31 December 2019, TBEA held 783,921,287 Domestic Shares of the Company, and TBEA (HONGKONG) CO., LIMITED, a wholly owned subsidiary of TBEA, held 1,223,200 H shares of the Company, which in total accounted for approximately 65.43% of the total share capital of the Company.

(5) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, which directly holds 446,982,637 shares of TBEA.

Save as disclosed above, as at 31 December 2019, none of the Directors, Supervisors and chief executive of the Company had any interest or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those being taken or deemed to be owned by them under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR INSURANCE

As at the date of this annual report, the Company has bought effective director insurance for the Directors (current and resigned).

PERMITTED INDEMNITY PROVISIONS

During the Reporting Period and up to the date of this annual report, the Company had in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company or its associated companies. The permitted indemnity provisions are provided for in the directors and officers liability insurance maintained by the Company in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, no right to subscribe for the Shares in or debentures of the Company or any of its associated corporations was granted by the Company to any Director, Supervisor or chief executive of the Company or their respective spouses or children aged under 18, and no such rights to subscribe for the above Shares or debentures were exercised by them.

FINANCIAL, BUSINESS OR RELATIVE RELATIONSHIPS BETWEEN THE MEMBERS OF THE BOARD OF DIRECTORS

As at the date of this annual report, there were no financial, business or relative relationships between the members of the Board of Directors.

EQUITY INCENTIVE TO THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company did not make any equity incentive to the Directors, Supervisors and senior management.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2019, so far as known to the Directors of the Company after reasonable enquiry, the following persons (other than the Directors, Supervisor or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and had been entered in the register required to be kept by the Company according to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares of the Company[1]	Approximate percentage of shareholdings in the total share capital of the Company[1]	Long position/ short position
TBEA	Beneficial owner	Domestic Shares	783,921,287	88.43%	65.33%	Long position
Xinjiang Tebian	Beneficial owner	Domestic Shares	58,246,308	6.57%	4.85%	Long position
Mr. Chen Weilin[2]	Interest in a controlled corporation	Domestic Shares	58,246,308	6.57%	4.85%	Long position
L.R. Capital Asia Markets Limited[3]	Beneficial owner	H Shares	47,894,956	15.28%	3.99%	Long position
CM International Capital Limited	Beneficial owner	H Shares	43,859,649	13.99%	3.65%	Long position
Keystone Group Ltd.[4]	Beneficial owner	H Shares	26,420,400	8.43%	2.20%	Long position
Ms. Ouyang Xinxiang[4]	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.20%	Long position
LRC. Belt and Road Investment Limited[5]	Beneficial owner	H Shares	26,420,400	8.43%	2.20%	Long position
Strategic Global Investment Corporation Limited[5]	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.20%	Long position
Explorer Sparkle Limited[6]	Beneficial owner	H Shares	17,618,800	5.62%	1.47%	Long position
Abhaya Limited[6]	Interest in a controlled corporation	H Shares	17,618,800	5.62%	1.47%	Long position
Wickhams Cay Trust Company Limited[6]	Trustee	H Shares	17,618,800	5.62%	1.47%	Long position
Ms. Shi Jing[6]	Settlor	H Shares	17,618,800	5.62%	1.47%	Long position
GF Securities Co., Ltd.[7]	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Holdings (Hong Kong) Corporation Limited[7]	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Investment (Hong Kong) Company Limited[7]	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Energy Investment Limited[7]	Beneficial owner	H Shares	29,239,766	9.33%	2.44%	Long position
Fubon Financial Holding Co., Ltd.[8]	Interest in a controlled corporation	H Shares	17,583,200	5.61%	1.47%	Long position
Fubon Life Insurance Co., Ltd.[8]	Beneficial owner	H Shares	17,583,200	5.61%	1.47%	Long position
Perfect Splendour Limited	Beneficial owner	H Shares	10,972,170	3.50%	0.91%	Long position

Notes:

(1) The calculation is based on the total number of 1,200,000,000 shares of the Company in issue as at 31 December 2019, in which 313,475,630 are H Shares and 886,524,370 are Domestic Shares.

(2) Mr. Chen Weilin holds 33.61% equity interest in Xinjiang Tebian, while Xinjiang Tebian holds 4.85% equity interest of the Company directly. As a result, Mr. Chen Weilin is deemed to have an interest in 58,246,308 Domestic Shares held by Xinjiang Tebian under the SFO.

(3) According to the Company's current information, as of 31 December 2019, L.R. Capital Asia Markets Limited held 47,894,956 H Shares.

(4) Keystone Group Ltd. is 100% owned by Ms. Ouyang Xinxiang. Therefore, Ms. Ouyang Xinxiang is deemed or taken to be interested in all the Company's Shares held by Keystone Group Ltd. for the purpose of the SFO.

(5) Chan Mei Ching and Chan Min Chi hold 47% and 51% equity interest in Strategic Global Investment Corporation Limited, respectively. Strategic Global Investment Corporation Limited holds 99% equity interest in LRC. Belt and Road Investment Limited. Therefore, each of Chan Mei Ching, Chan Min Chi and Strategic Global Investment Corporation Limited is deemed or taken to be interested in all the Company's Shares held by LRC. Belt and Road Investment Limited for the purpose of the SFO.

(6) Explorer Sparkle Limited is 100% owned by Abhaya Limited. Abhaya Limited is 100% owned by Wickhams Cay Trust Company Limited, and Ms. Shi Jing is the settlor of the trust and Wickhams Cay Trust Company Limited is the trustee. Therefore, Ms. Shi Jing, Wickhams Cay Trust Company Limited and Abhaya Limited are deemed or taken to be interested in all the Company's Shares held by Explorer Sparkle Limited for the purpose of the SFO.

(7) GF Investment (Hong Kong) Company Limited holds 81% of the equity interest of GF Energy Investment Limited, GF Holdings (Hong Kong) Corporation Limited holds 100% of the equity interest of GF Investment (Hong Kong) Company Limited and GF Holdings (Hong Kong) Corporation Limited is 100% owned by GF Securities Co., Ltd. Accordingly, under SFO, GF Securities Co., Ltd., GF Holdings (Hong Kong) Corporation Limited and GF Investment (Hong Kong) Company Limited are deemed to be interested in the 29,239,766 H Shares held by GF Energy Investment Limited.

(8) Fubon Financial Holding Co., Ltd. holds 100% equity interests in Fubon Life Insurance Co,. Ltd. Accordingly, under SFO, Fubon Financial Holding Co., Ltd. is deemed to be interested in the Company's Shares held by Fubon Life Insurance Co., Ltd.

Save as disclosed above, as at 31 December 2019, the Directors of the Company are not aware that any other person (other than the Directors, Supervisors and chief executive members of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which have to be entered in the register kept by the Company according to Section 336 of the SFO.

COMPLIANCE WITH OFAC UNDERTAKINGS

During the Listing of the Company, an undertaking ("**OFAC Undertakings**") was made to the Stock Exchange by the Company that the Company would not use any proceeds from the Global Offering to directly or indirectly finance or prompt any activities or businesses (no matter for what purpose) conducted by any sanctioned objects. Hence, the Directors confirmed that the Company has complied with the OFAC Undertakings during the Reporting Period and will continue to comply with the OFAC Undertakings in the normal course of business in future.

MANAGEMENT CONTRACT

The Company did not enter into or establish any management and administrative contracts relating to all or any material part of business during the Reporting Period.

SIGNIFICANT CONTRACTS

Apart from as disclosed under the heading of the "Connected Transaction" in this annual report, neither the Company nor any one of its subsidiaries has signed significant contracts with the Controlling Shareholder or its subsidiaries other than the Group, and no significant contract for delivery of service has been signed between the Group and the Controlling Shareholder or any of its subsidiaries other than the Group.

CONNECTED TRANSACTIONS

The following connected transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and conform to the relevant disclosure requirements. In relation to the connected transactions mentioned below, the Directors confirm that the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules. Please refer to the announcements and circulars disclosed on the website of the Stock Exchange and the Company for details.

The following disclosed amounts in respect of the continuing connected transactions in this section are not equivalent to transactions with related parties in Note 36 to the consolidated financial statements. The differences are attributable to: (i) the amount of transactions which are one-off transactions between the Company and the respective associates of TBEA; (ii) the amount of the fully exempted continuing connected transactions.

Apart from the connected transactions and continuing connected transactions stated below in this annual report, none of the related party transactions constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, which are subject to announcement or independent shareholders' approval requirements.

Domestic Share Subscription Agreement entered into by the Company with TBEA

On 13 November 2018, the Company entered into a Domestic Share Subscription Agreement with TBEA, pursuant to which, TBEA has agreed to subscribe in cash for Domestic Shares issued by the Company at a total subscription price of approximately RMB1.2 billion. The transaction has been completed in February 2019, details of which are set out in page 48 of the annual report.

Non-exempt Continuing Connected Transactions

The Group conducted certain non-exempt continuing connected transactions for the year ended 31 December 2019.

The following table states the annual cap and actual transaction amount of such transactions in 2019:

	Connected transactions	Connected person	2019 Annual cap (RMB million)	2019 Actual annual transaction amounts (RMB million)
1.	Provision of products for the Group	TBEA	350	216.93
2.	Provision of coal for the Group	TBEA	300	266.44
3.	Provision of miscellaneous services for the Group	TBEA	250	40.78
4.	Provision of deposit services for the Group	TBEA Finance	1,000[(1)]	483.39[(2)]
5.	Provision of other financial services for the Group	TBEA Finance	50	0.21
6.	Sales of products to TBEA	TBEA	60	23.65
7.	Provision of products for the Group	Xinjiang Tebian	50	1.22
8.	Provision of miscellaneous services for the Group	Xinjiang Tebian	250	135.78
9.	Provision of transportation services for the Group	Xinjiang Tebian	150	1.99

Notes:

(1) The amount represented the daily maximum deposit balance (including accrued interest).

(2) The amount represented the maximum daily outstanding deposits during 2019.

(1) On 15 December 2017, the Company entered into certain framework agreements with TBEA and Xinjiang Tebian for a term of three years commencing from 1 January 2018.

Product Procurement Framework Agreement with TBEA

In view of past collaboration experience with TBEA, the products supplied by TBEA are necessary for the construction and operation of the Company's PV and wind power stations and TBEA possesses relative edge in terms of price, quality, delivery schedule and payment terms, the Group has been procuring products from TBEA. As such, the Company entered into a product procurement framework agreement with TBEA, pursuant to which, TBEA and/or its associates shall provide the Group with transformers (including ancillary equipment), wires, cables and other equipment. The product procurement framework agreement is for a term of three years (i.e. from 1 January 2018 to 31 December 2020) and is subject to renewal upon mutual consent. The relevant subsidiaries or associated companies of both parties will enter into separate agreements which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the product procurement framework agreement.

Coal Procurement Framework Agreement with TBEA

Xinjiang Tianchi's coal confers clear advantage in terms of price over its competitors, and their products are of good quality with stable supply, and can provide coal to the Company at lower transportation costs given their proximity, the Group has been procuring coal from TBEA. As such, the Company entered into a coal procurement framework agreement with TBEA, pursuant to which, TBEA and/or its associates shall provide the Company with coal. Pursuant to the coal procurement framework agreement, Xinjiang Tianchi Energy Co., Ltd., a subsidiary of TBEA, shall provide the Company with coal for power generation and heating. The coal procurement framework agreement is for a term of three years (i.e. from 1 January 2018 to 31 December 2020) and is subject to renewal upon mutual consent. The relevant subsidiaries or associated companies of both parties will enter into separate agreements which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the coal procurement framework agreement.

Miscellaneous Services Framework Agreement with TBEA

As TBEA's construction quality, construction period, and service capacity for miscellaneous construction services can meet the Company's requirements, and are more able to understand the Group's needs, TBEA has been providing such services to the Group. Therefore, the Company entered into a miscellaneous services framework agreement with TBEA, pursuant to which TBEA and/or its associates shall provide the Company with miscellaneous services (such as engineering construction, greening service, installation of water, electricity, gas and heat equipment). The miscellaneous construction service is mainly in supporting nature which is different from the main construction service for our EPC and BT business. The miscellaneous services framework agreement is for a term of three years (i.e. from 1 January 2018 to 31 December 2020) and is subject to renewal upon mutual consent. The relevant subsidiaries or associated companies of both parties will enter into separate agreements which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the miscellaneous services framework agreement.

Product Procurement Framework Agreement with Xinjiang Tebian

In view of the quality of supplied products (such as high-low voltage switch cabinet, control cabinet, power distribution cabinet) and competitive prices offered, Xinjiang Tebian is a backbone manufacturing enterprise in its industry, as well as the largest manufacturing enterprise of that sector in Xinjiang region. Therefore, the Company entered into a product procurement framework agreement with Xinjiang Tebian, pursuant to which Xinjiang Tebian and its associates shall provide the Group with equipment and cabinets such as high-low voltage switch cabinet, control cabinet, electricity control cabinet, power distribution cabinet. The product procurement framework agreement is for a term of three years (i.e. from 1 January 2018 to 31 December 2020) and is subject to renewal upon mutual consent. The relevant subsidiaries or associated companies of both parties will enter into separate agreements which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the product procurement framework agreement.

Miscellaneous Services Framework Agreement with Xinjiang Tebian

Xinjiang Tebian is able to provide high quality of civil works infrastructure construction, renovation and installation services and competitive prices, and knows demands of the Group better. As such, the Company entered into a miscellaneous services framework agreement with Xinjiang Tebian, pursuant to which the Company shall purchase miscellaneous services (such as engineering labor, installation of electricity and gas equipment) from Xinjiang Tebian and/or its associates. The miscellaneous services framework agreement is for a term of three years (i.e. from 1 January 2018 to 31 December 2020) and is subject to renewal upon mutual consent. The relevant subsidiaries or associated companies of both parties will enter into separate agreements which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the miscellaneous services framework agreement.

Transportation Services Framework Agreement with Xinjiang Tebian

Zhongjiang Logistics offers competitive prices for transportation services, and is able to respond to the Company's demand and make timely arrangements for coal transportation. Hence, the Company entered into a transportation services framework agreement with Xinjiang Tebian, pursuant to which Xinjiang Tebian and/or its associates shall provide the Company with transportation services for coal, equipment and raw materials. The transportation services framework agreement is for a term of three years (i.e. from 1 January 2018 to 31 December 2020) and is subject to renewal upon mutual consent. The relevant subsidiaries or associated companies of both parties will enter into separate agreements which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the transportation services framework agreement.

For details of the above transactions, please refer to the circular of the Company dated 27 March 2018.

Listing Rules Implications

For the transactions where TBEA provides the Group with products, coal and miscellaneous services (collectively the "**TBEA Procurement Transactions**"), the Stock Exchange has treated and aggregated the TBEA Procurement Transactions as one transaction pursuant to Rules 14A.81, 14A.82 and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the TBEA Procurement Transactions are aggregated and used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. Since at least one of the relevant percentage ratios under the Listing Rules in respect of the proposed annual caps for the TBEA Procurement Transactions as aggregated is more than 5%, the transactions are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the transactions where Xinjiang Tebian provides the Group with products, miscellaneous services and transportation services (collectively the "**Xinjiang Tebian Procurement Transactions**"), the Stock Exchange has treated and aggregated the Xinjiang Tebian Procurement Transactions as one transaction pursuant to Rules 14A.81, 14A.82 and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the Xinjiang Tebian Procurement Transactions are aggregated and used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. Since at least one of the relevant percentage ratios under the Listing Rules in respect of the proposed annual caps for the Xinjiang Tebian Procurement Transactions as aggregated is more than 5%, the transactions are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) On 30 April 2019, the Company entered into the financial services framework agreement with TBEA Finance for a term from 28 June 2019 to 31 December 2020. Pursuant to the financial services framework agreement, TBEA Finance provides the Group with various financial services including but not limited to deposit services, loan services and other financial services.

Deposit Services

The deposits placed by the Group with TBEA Finance shall not bear an interest rate that is lower than (i) the benchmark interest rate of the People's Bank of China; (ii) the deposit interest rates offered by other major commercial banks in the PRC; and (iii) the deposit interest rates offered by TBEA Finance to any other member companies of TBEA (excluding the Group) with same credit ratings for comparable deposits for the same term, if applicable.

Other Financial Services

The service fees charged by TBEA Finance for other financial services (except deposit services and loan services), including but not limited to bill acceptance services, discount services, settlement services, financial and financing advisory services, credit authentication related consultation and agency services, shall not be higher than (i) the relevant standard charges set by the People's Bank of China, if applicable; (ii) the fees charged by other major commercial banks in the PRC; and (iii) the fees charged by TBEA Finance from any other member companies of TBEA (excluding the Group) with same credit ratings for comparable services for the same term, if applicable.

The execution of the financial services framework agreement with TBEA Finance is favourable for the Group to enhance fund management and control, reduce and circumvent operation risks. TBEA Finance has a more thorough understanding of the Group's operations as well as the Group's entire financial management system, enabling it to communicate with the Group more efficiently to cater for its needs. Hence TBEA Finance will be at an advantageous position to provide the Group with more appropriate, effective and flexible services when compared with other banks.

Listing Rules Implications

As one or more applicable percentage ratios in respect of the deposit services under the financial services framework agreement exceed 5%, the deposit services is subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapters 14A of the Listing Rules.

As one or more applicable percentage ratios in respect of the fees payable by the Group for other financial services under the financial services framework agreement exceed 0.1% but are all less than 5%, the other financial services is subject to the announcement and annual review requirements under Chapter 14A of the Listing Rules.

For details of the above transactions, please refer to the circular dated 5 June 2019.

(3) On 5 July 2019, TBEA subscribed for the shares of Xinjiang Joinworld, and Xinjiang Joinworld became a 30%-controlled company of TBEA and a connected person of the Company. Before Xinjiang Joinworld became a connected person of the Company, the Group had been selling products to Xinjiang Joinworld. On 12 September 2019, the Company entered into the products sales framework agreement with TBEA in relation to the sales of the Group's products including industrial raw materials (i.e. silicon metal and liquid alkali) and industrial water to TBEA Group, for a period from 8 November 2019 up to 31 December 2020.

Sales of the aforementioned products by the Group to TBEA Group help to take full advantage of the economies of scale and bargaining power in raw material procurement of the Group and to make use of the residual production capacity of the Group's chemical raw materials and industrial water.

Listing Rules Implications

As the products sales framework agreement and the other framework agreements stated in page 61 of the annual report were entered into between the Company and TBEA, the transactions contemplated under the products sales framework agreement are required to be aggregated with the previous continuing connected transactions and treated as one transaction. After aggregation, since at least one of the relevant applicable percentage ratios exceeds 5%, the aggregated transactions therefore are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the above transactions, please refer to the circular dated 15 October 2019.

Information relating to TBEA

TBEA is a joint stock company incorporated in the PRC on 26 February 1993. As of the date of this report, its registered capital amounted to RMB3,714,312,789. TBEA and its close associates (excluding the Group) are principally engaged in: (i) the manufacturing and sales of power transformers, reactors, wires, cables and other electrical and mechanical equipment and (ii) domestic and overseas engineering and construction contracting for power transmission projects, water power and thermal power station projects. As of the Latest Practicable Date, TBEA is interested in approximately 65.43% of the total issued share capital of the Company, and thus is the Controlling Shareholder of the Company. Accordingly, TBEA is a connected person of the Company as defined under Chapter 14A of the Listing Rules.

Information relating to Xinjiang Tebian

Xinjiang Tebian is a company with limited liability incorporated in the PRC on 27 January 2003, with a registered capital of RMB75,000,000 as at the Latest Practicable Date. Xinjiang Tebian is principally engaged in the manufacturing and sales of electromechanical products and transformer accessories, and industrial investment. Mr. Zhang Xin is a connected person of the Company by virtue of his position as a Director as defined under Chapter 14A of the Listing Rules. Xinjiang Tebian, being a company in which Mr. Zhang Xin holds 30% or more interest, is a connected person of the Company by virtue of it being an associate of Mr. Zhang Xin as defined under Chapter 14A of the Listing Rules.

Information relating to TBEA Finance

TBEA Finance is a company with limited liability incorporated in the PRC on 29 November 2018, with a registered capital of RMB1,000,000,000 as at the Latest Practicable Date. TBEA Finance is principally engaged in absorbing deposits from relevant members; handling loans and financial leasing for such members; inter-bank placement; and other businesses approved by China Banking and Insurance Regulatory Commission. As of the Latest Practicable Date, TBEA is 100% interested in TBEA Finance. Accordingly, TBEA Finance is a connected person of the Company as defined under Chapter 14A of the Listing Rules.

Information relating to Xinjiang Joinworld

Xinjiang Joinworld is a joint stock limited company incorporated in the PRC on 13 February 1996, with a registered capital of RMB1,034,162,440 as at the Latest Practicable Date. Xinjiang Joinworld is specialized in producing and selling high-purity aluminium, electronic aluminium foil, etched foil, raw materials for foil-forming electronic components, aluminium and aluminium products, aluminium alloy and carbon. On 5 July 2019, TBEA subscribed for the shares of Xinjiang Joinworld through its non-public issuance of shares and became interested in over 30% of its shares. Accordingly, Xinjiang Joinworld is a connected person of the Company as defined under Chapter 14A of the Listing Rules.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In preparation for the Company's listing on the Stock Exchange, the Board proposed and the Shareholders approved the Management Rules on Connected Transaction of Xinte Energy Co., Ltd. (the "**Management Rules on Connected Transaction**") at the Company's third extraordinary general meeting on 2 June 2015 to identify, record and monitor the Company's connected transactions (including continuing connected transactions) to conform to the requirements of the Listing Rules. The Management Rules on Connected Transaction sets out the detailed authorisation criteria for the connected transactions (including continuing connected transactions) and provides that such review and approval by the Company shall comply with the applicable rules and regulations including the Listing Rules and the Articles of Association.

The Audit Committee is responsible for the information gathering on and monitoring of connected transactions, and conducting evaluation on the fairness of the transaction terms and the pricing terms; it would discuss with the Company's subsidiaries and business departments to determine the annual caps and execution of the Company's connected transactions; it shall also report to the Board of Directors and the Supervisory Board on the Group's connected transactions on a quarterly basis. If, based on the monitoring report, it is anticipated that there is a need to revise the annual caps, the Company will comply with the relevant requirements under the Listing Rules to issue an announcement as appropriate, report to the Independent Board Committee and/or seek for independent Shareholders' approval after the Board's review and approval (as the case may be).

The Directors of the Company (including the independent non-executive Directors) have monitored and supervised the compliance of the connected transactions with Chapter 14A of the Listing Rules in accordance with the Management Rules on Connected Transaction, and the Company's internal auditors have also provided the information related to the above mentioned continuing connected transactions and the finalisation of the internal control procedures for the Directors (including the independent non-executive Directors). Under the supervision of the management, the Company has strictly implemented the risk management and internal control procedures in relation to the continuing connected transactions in accordance with the Management Rules on Connected Transaction, and the Company's internal auditors have audited the continuing connected transactions above on the same basis. The designing of the existing related-party transaction policy is effective. The Directors (including the independent non-executive Directors) have also reviewed the relevant information in accordance with the Management Rules on Connected Transaction to ensure that each of the continuing connected transactions above is conducted within the pricing policy or mechanism under their respective framework agreement.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions above, taking into consideration the report from executive staff of the risk management and internal control as well as information about continuing connected transactions, and confirmed that such transactions were:

(1) conducted in the ordinary and usual course of business of the Group;

(2) conducted pursuant to normal commercial terms; if the comparable transactions could not be relied on to judge whether the terms of the transactions were normal commercial terms, those terms should not be less favorable to the Group than the terms accepted or provided by independent third parties; and

(3) conducted in accordance with the terms of agreement related to the transactions and the terms were fair, reasonable and in the interests of shareholders of the Company as a whole.

CONFIRMATION OF AUDITORS

The Group's Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the HKICPA. The Auditor issued its letter containing the findings and conclusions in respect of the above mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

Based on its work, the Auditor provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

a. nothing has come to the Auditor's attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company.

b. for transactions involving the provision of goods or services by the Group, nothing has come to the Auditor's attention that causes the Auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c. nothing has come to the Auditor's attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregated amount of each of the continuing connected transactions set out above, nothing has come to the Auditor's attention that causes the Auditor to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

The Company has submitted a copy of the said letter to the Stock Exchange.

In respect of the above mentioned continuing connected transactions, the Directors had also confirmed the Group's compliance with the disclosure requirements of Chapter 14A of the Listing Rules.

BUSINESS REVIEW

In 2019, the Group conscientiously implemented the Electric Power Law of the People's Republic of China (《中華人民共和國電力法》), the Renewable Energy Law of the People's Republic of China (《中華人民共和國可再生能源法》), Notice Regarding the Adjustment to Benchmark On-Grid Tariffs of PV and Onshore Wind Power Generation (《關於調整光伏發電陸上風電標桿上網電價的通知》) issued by the NDRC and the Guidance Views on Renewable Energy Development in the Implementation of the "13th Five-year Plan" (《關於可再生能源發展「十三五」規劃實施的指導意見》) issued by the NEA. The Group has strictly complied with the relevant laws and regulations and has not been punished by the relevant regulatory authorities in 2019.

For the use of financial key performance indicators for business analysis, major risks faced by the Company, major events affecting the Company and the future development of the Company's business, please refer to the Management Discussion and Analysis section. For the discussion of the Company's environmental policy and performance, please refer to the Environmental Policy and Performance section. For the discussion of the Company's relationship with employees, customers and suppliers, please refer to the Corporate Governance Report section.

ENVIRONMENTAL POLICY AND PERFORMANCE

In compliance with laws and regulations of environmental protection such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and Law of the People's Republic of China on Appraising of Environment Impacts (《中華人民共和國環境影響評價法》), the Group formulated relevant internal system focusing on areas such as management on emission of waste gas, waste water and solid residue, site management on the environment, environmental monitoring, and clean manufacturing, evaluation and performance for the purpose of a standardised production environment to ensure the environmental quality, and improved the environmental governance level of the Group with the correct policies and guidelines on an ongoing basis.

The Group has established environmental management systems (ISO14001) and obtained the relevant certifications. The Group has also implemented a comprehensive pollution and environmental protection control system, adopting stringent measures to control the discharge of pollutants during our business operations. In particular, our advanced closed-loop polysilicon production process not only promoted production efficiency but also significantly reduced pollution. The Group has taken various measures to reduce the impact of our polysilicon production on the environment. These measures include monitoring and controlling solid waste, waste water, exhaust fumes and noise.

In our ECC and BOO business, the Group placed an emphasis on environmental protection and strove to conduct our R&D activities on an environmentally friendly basis and use environmentally friendly technologies and products.

In 2019, the Group did not suffer any material environmental accidents or instances of pollution and we were not subject to any material administrative penalties due to environmental accidents or pollution. As of the Latest Practicable Date, the Group had not been subject to any material fines or legal action involving non-compliance with any PRC environmental law or regulation, or received any warning or pending action from any environmental regulatory authority in China or overseas.

For details of environmental policy and performance, please refer to the 2019 annual environmental, social and governance report which will be released by the Company in due course.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Our Controlling Shareholder TBEA has undertaken on 16 June 2015 (the "**Non-competition Undertaking**"), that TBEA, its subsidiaries and its associates (except for any members of our Group) will not carry on, engage in, invest in, participate in or attempt to participate in, render any services to, offer any financial support to or otherwise be involved or interested (economically or otherwise) in any business investment activities (excluding the CNNC EPC Project, the EGing Project and the Roof EPC Project) which compete or are likely to compete, alone or with other persons, directly or indirectly, with our business (the "**Restrained Businesses**").

The Non-competition Undertaking does not apply to (i) the holding of any equity interests in any members of our Group; and (ii) the holding of securities in a company that is engaged in the Restrained Business and whose securities are listed on any stock exchange, provided that TBEA or its associates do not individually or in aggregate hold or control the voting rights in respect of 10% or more of the issued share capital of such company; such holding of voting rights does not grant TBEA or its close associates any right to control the composition of the board of directors of such company; none of the members of TBEA group controls the board of directors of such company; and such holding of voting rights does not grant TBEA or its close associates any right to participate, directly or indirectly, in such company.

As of the Latest Practicable Date, no decisions are required to be made by our independent non-executive Directors as stipulated by the Non-competition Undertaking relating to exercise or non-exercise of options for new business opportunities, pre-emptive rights and option for purchase which would need to be disclosed in the annual report.

The independent non-executive Directors have reviewed TBEA's compliance with the Non-competition Undertaking. As of the Latest Practicable Date, there was no breach of Non-competition Undertaking by TBEA.

PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

Pursuant to the PRC laws and requirements of the Articles of Association, the Company has no pre-emptive rights or share options.

RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Group's retirement and employees benefit scheme are set out in Note 28 to the financial statements.

In accordance with regulations applicable to enterprises and the relevant requirements of all levels of local governments in areas where we operate, the Group established the pension plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance. In addition, the Group also provided supplementary business insurance and flexible insurance benefits to all employees for a diverse protection. In accordance with applicable PRC laws and regulations, the amount of contributions to the aforesaid social insurance is strictly based on state, provincial, autonomous region and municipal requirements of the PRC. The Group also established an employee housing fund in accordance with applicable PRC regulations.

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2019, the Group has not entered into any equity-linked agreement.

PUBLIC FLOAT

Based on the publicly available information to the Group, so far as to the Directors' knowledge, no less than 25% of the shares of the Group in issue are held by the public as at the Latest Practicable Date prior to the publication of this annual report, which complied with the requirement of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Group has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules as its own code of corporate governance. The Group will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. For the year ended 31 December 2019, the Group has complied with the code provisions as set out in the CG Code.

ACCOUNTING STANDARDS

Save for the adoption of the new accounting standards which came into effect on 1 January 2019, the principal accounting policies adopted by the Company in the preparation of the audited consolidated financial statements for the year 2019 are consistent with that adopted in the preparation of the audited consolidated financial statements for the year 2018. Details are set out in Note 2 to the financial statements.

ARTICLES OF ASSOCIATION

The Company's Articles of Association was reviewed and approved for revision by the extraordinary general meeting held on 11 January 2019 and 2018 annual general meeting on 28 June 2019.

MATERIAL LEGAL PROCEEDING

As of 31 December 2019, the Group was not involved in any material legal proceedings.

The following is the update on the Jiangsu Zhongneng Case which was disclosed in the Company's previous annual reports.

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司) ("**Jiangsu Zhongneng**") filed a claim with Jiangsu Province People's Court against the Company for the infringement of certain patents and commercial secrets, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed by the Company, the Supreme People's Court of the PRC ruled that the case should be under the jurisdiction of Xinjiang Uygur Autonomous Region People's Court. In addition, Jiangsu Zhongneng withdrew its claim against the Company in relation to the infringement of intellectual property rights in December 2014. On 28 November 2019, the High People's Court of Xinjiang Uygur Autonomous Region made the first instance decision, and it believed that the claim of Jiangsu Zhongneng was not supported, and thus rejected the claim. The acceptance fee was borne by Jiangsu Zhongneng. As Jiangsu Zhongneng did not file an appeal within the stipulated period, the first instance decision came into effect and the case was closed. As such, no provision was made with respect to the aforementioned claim as of 31 December 2019.

Apart from the above, the Group has contingent liabilities in respect of claims or other legal proceedings arising in its ordinary course of business from time to time. As of 31 December 2019, the directors of the Company did not foresee that any material liabilities would arise from the contingent liabilities other than those provided in the consolidated financial statements.

PARTNERSHIP AGREEMENT

On 27 September 2019, the Company (as a limited partner), Xinjiang Hongshan Fund Management Co., Ltd. (as the general partner) and Urumqi Key Industry Development Fund Management Co., Ltd. (on behalf of Urumqi Industry Guiding Private Equity Fund, as a limited partner) have entered into the Partnership Agreement for the establishment of Urumqi Strategic Emerging Industry Xinte Energy Guiding Fund (Limited Partnership) ("**Guiding Fund**"). The total capital contribution committed by all partners was RMB603 million, which was fully paid before 30 November 2019. Details of which are set out in the announcements of the Company dated 27 September 2019 and 8 October 2019.

On 21 February 2020, the Company, Guiding Fund and Crystal Silicon Hightech entered into an investment agreement, pursuant to which Guiding Fund was agreed to make a capital injection in the amount of RMB600 million to Crystal Silicon Hightech to acquire 25.65% of the equity in Crystal Silicon Hightech. The funds for the capital injection was paid up on 25 February 2020, and will be used to improve the quality of polysilicon products as well as extension of silicon-based and zirconium-based industrial chain, repayment of shareholder loans and bank facilities related to the main business of Crystal Silicon Hightech, and replenishment of its working capital. Upon completion of the capital injection, Crystal Silicon Hightech remains as a subsidiary of the Company. Details of the transaction are set out in the announcements of the Company dated 21 February 2020 and 11 March 2020.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's 2019 annual results and the consolidated financial statements for the year ended 31 December 2019 prepared in accordance with the IFRS.

AUDITOR

PricewaterhouseCoopers has been appointed as the auditor of the Company's consolidated financial statements prepared in accordance with the IFRS for the year ended 31 December 2019. PricewaterhouseCoopers has audited the accompanying consolidated financial statements, which were prepared in accordance with the IFRS. The Company has retained PricewaterhouseCoopers as its auditor in the preceding five years. PricewaterhouseCoopers will retire from its office as the auditor of the Company, and a resolution for its re-appointment as the auditor of the Company for the year 2020 will be proposed by the Board at the forthcoming annual general meeting of the Company.

FINANCIAL SUMMARY

The summary of the operating results, assets and liabilities of the Group for the year ended 31 December 2019 is set out on pages 11 of this annual report.

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

Xinjiang, the PRC
27 March 2020

Report of Supervisory Board

The current session of the Supervisory Board was re-elected upon approval by the 2017 annual general meeting of the Company and the first meeting of the third session of the Supervisory Board of the Company convened on 15 June 2018, and consists of five Supervisors, two of which are employee representative supervisors. In 2019, the Supervisory Board, for the long-term interests of the Company and rights and interests of Shareholders, dutifully supervised the performance of duties by Directors and senior management personnel of the Company in strict accordance with laws such as PRC Company Law, regulations, rules and normative documents, the Articles of Association and Rules of Procedure for Meetings of the Supervisory Board of the Company, as well as the Listing Rules. Following is a report of the principal work of the Supervisory Board during the Reporting Period:

1. SUPERVISORY BOARD MEETINGS

During the year, a total of 5 Supervisory Board meetings took place. The Supervisory Board has considered and approved, among others, the annual report and results announcement, the report of the Supervisory Board for the year ended 31 December 2018, the resolution of non-exempt continuing connected transactions for the year of 2018, the announcement of the key financial information for the first quarter of 2019, the results announcements for the first half and the first and the third quarter of 2019, and the proposed cap for the sales with TBEA Group in relation to the continuing connected transactions from 2019 to 2020.

All Supervisors attended the above meetings.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY BOARD

The Supervisory Committee issues the following opinions in relation to the supervision and inspection work for the year:

1 Compliance with Laws and Regulations in the Course of Company Operations

During the Reporting Period, the Supervisory Board attended all Board meetings and general meetings. The Supervisory Board also supervised the Board and general meeting procedures and proposal discussions, the Board's implementation of decisions made during general meetings, the performance of the Company's senior management of the implementation of various management policies of the Group, and the Group's production and operation condition. The Supervisory Board believes that the Company operated in compliance with required standards, made lawful and scientific decisions, optimized its corporate governance structure, and established adequate internal controls. Directors and senior management of the Company performed their duties with responsibility, integrity and diligence, and strictly implemented the various resolutions and authorization of the general meetings. The Supervisory Board did not find any activities that were unlawful, not in compliance with the laws and regulations or the Articles of Association, or detrimental to the Company or shareholders' interest.

2 Financial Position of the Group

The Supervisory Board carefully inspected the Group's periodic financial report and financial policies during the Reporting Period. The Supervisory Board believes that the Group's financial department's internal control system is complete, and is continuously being improved. The Supervisory Board believes all policies and systems were strictly implemented, and therefore effectively guaranteed the successful functioning of the Group's production and operation. During 2019, the Group's financial position was sound, financial management was proper, the consolidated financial statements were complete and objective, and truthfully reflected the Group's financial position and operational performance. The Supervisory Board believes that the 2019 audit report with unqualified opinion issued by PricewaterhouseCoopers was true and fair.

3 Connected Transactions of the Group

During the Reporting Period, the pricing principle of the connected transactions were in accordance with accepted business practices and the relevant policies and regulations, demonstrating the principles of fairness and equality. The Supervisory Board believes that, during 2019 there was no abuse of power that would be detrimental to the interests of the Group or Shareholders, especially medium and minority shareholders.

Chen Qijun
Chairman of the Supervisory Board
Xinjiang, the PRC
27 March 2020

Corporate Governance Report

The Board of the Company hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2019.

1. THE BOARD

1.1 Composition of the Board

As of 31 December 2019, the Board consisted of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

The biographical details of the Directors as at the date of this report are set out on pages 38 to 40 of this report. There is no relationship (including financial, business, family or other material or relevant relationship) among members of the Board. The structure of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operation and development of the Group. All Directors are aware of their joint and several responsibilities to the Shareholders.

Since the Listing of the Company, the Board has been in compliance with the requirement of the Listing Rules in relation to the appointment of at least three independent non-executive Directors. It has also complied with the requirement which requires that independent non-executive Directors shall represent at least one third of the Board. The three independent non-executive Directors of the Company fully meet the requirements under Rule 3.10(1) and (2) of the Listing Rules. In addition, the Company has received annual confirmations from each of the independent non-executive Directors as to their respective independence in accordance with Rule 3.13 of the Listing Rules. The Company therefore considers all independent non-executive Directors to be independent pursuant to the requirements as set out in the Listing Rules.

The composition of the Board is set out as follows:

Name	Position	Term of office
Mr. Zhang Jianxin	Chairman and executive Director	2018.6–2021.6
Mr. Yin Bo	Executive Director and general manager	2018.6–2021.6
Mr. Xia Jinjing	Executive Director and deputy general manager	2018.6–2021.6
Mr. Zhang Xin	Non-executive Director	2018.6–2021.6
Ms. Guo Junxiang	Non-executive Director	2018.6–2021.6
Mr. Wang Shi	Non-executive Director	2019.6–2021.6
Mr. Lin Chengfei	Non-executive Director	2018.12–2019.3
Mr. Qin Haiyan	Independent non-executive Director	2018.6–2021.6
Mr. Yang Deren	Independent non-executive Director	2018.6–2021.6
Mr. Wong, Yui Keung Marcellus	Independent non-executive Director	2018.6–2021.6

Pursuant to the CG Code and Corporate Governance Report of Appendix 14 to the Listing Rules, the Company has adopted the Board Diversity Policy of Xinte Energy Co., Ltd. (《新特能源股份有限公司董事會成員多元化政策》).

1.2 Board Meetings

Pursuant to the Articles of Association, the Board is required to hold at least four meetings each year and such meetings shall be convened by the Chairman. A notice of the Board meeting shall be sent to all Directors at least 14 days prior to the convening of the meeting, to enable them to attend the meeting and incorporate the related matters in the agenda.

In 2019, the Board convened 11 meetings and submitted 19 resolutions to the general meeting. The attendance of the Directors at Board meetings is as follows:

Name	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Zhang Jianxin	11	11	0
Mr. Yin Bo	11	11	0
Mr. Xia Jinjing	11	11	0
Mr. Zhang Xin	11	11	0
Ms. Guo Junxiang	11	11	0
Mr. Wang Shi(1)	7	7	0
Mr. Lin Chengfei(2)	1	1	0
Mr. Qin Haiyan	11	11	0
Mr. Yang Deren	11	11	0
Mr. Wong, Yui Keung Marcellus	11	11	0

(1) Mr. Wang Shi was appointed as the Company's non-executive director and member of Audit Committee on 28 June 2019.

(2) The resignation of Mr. Lin Chengfei as the Company's non-executive director and member of Audit Committee took effect from 13 March 2019.

1.3 Duties and Powers Exercised by the Board of Directors and Management

The Board of Directors has the following, among others, duties and powers according to the Articles of Association:

- convening general meetings and presenting reports thereto;
- implementing the resolutions made at the general meetings;
- determining the Company's business and investment plans;
- working out the Company's annual financial budget plans and final account plans;
- working out the Company's profit distribution plans and loss recovery plans;
- working out the Company's plans on the increase or reduction of registered capital, as well as on the issuance of shares, bonds or other securities and listing plans;
- formulating proposals for material acquisitions, purchase of shares of the Company, merger, split-up, dissolution and change of the nature of the Company;
- deciding on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions, etc. of the Company within the scope authorised by the general meeting;
- deciding on the establishment of the Company's internal management departments;
- the appointment or dismissal of general manager and the Board secretary of the Company; the appointment or dismissal of the Board secretary and deputy general manager, chief accountant and other senior management personnel according to the nomination of Chairman of the Board and the general manager, respectively as well as deciding on their remuneration and incentives;
- formulating the Company's basic management system;
- formulating the plan for modification of the Articles of Association;
- proposing the employment or replacement of the accounting firm which audits the Company's accounts to the general meeting;
- hearing the manager's work report and check the general manager's work;
- reviewing any major transaction, very material disposal, very material acquisition and anti-acquisition action of the Company under the Listing Rules, and presenting the same to the general meeting for approval;

- approving any notifiable transaction under the Listing Rules except for those major transactions, very material disposal, very material acquisitions and anti-acquisition actions;

- approving the connected transactions not subject to the approval at the general meeting or announcement under the Listing Rules;

- reviewing the connected transactions requiring the approval at the general meeting under the Listing Rules;

- other duties and powers stipulated by laws, regulations and the listing rules of the stock exchange where the Company's Shares are listed and conferred by the general meeting and the Articles of Association.

The Board of Directors shall also be responsible for the followings: formulating, reviewing and improving the corporate governance system and condition of the Company; reviewing and supervising the training and continuing professional development of Directors and senior management; reviewing and supervising the Company's policies pursuant to and the compliance with laws and relevant regulations of the securities regulatory authority where the Shares are listed and making relevant disclosure; formulating, reviewing and supervising the code of conduct and relevant compliance manual of the Company's employees and Directors.

The Company's management comprises general manager, deputy general manager, chief accountant, the secretary of the Board, chief mechanical engineer and safety director. The general manager is accountable to the Board and exercises the duties and powers below:

- to take charge of the production operations and management tasks and organise the implementation of the Board's resolution, and to report his/her work to the Board;

- to organise the implementation of the Company's annual operating plan and investment plan;

- to devise the set-up of the Company's internal management structure;

- to formulate the basic management policy of the Company;

- to formulate the specific rules of the Company;

- to propose the appointment or dismissal of the deputy general manager, chief accountant, chief mechanical engineer, chief safety director and other senior management;

- to appoint or dismiss management personnel, apart from those requiring the approval from the Board for their appointment or dismissal;

- other duties and powers conferred by the Articles of Association or the Board.

1.4 Chairman and General Manager

The positions of the Chairman and the general manager (i.e., the chief executive officer under the Listing Rules) of the Company are held by different persons in order to ensure independence and accountability of their respective functions and balanced distribution of power and authority between them. Mr. Zhang Jianxin and Mr. Yin Bo served as the Chairman and the general manager respectively, whose powers and responsibilities were clearly divided according to the Articles of Association.

1.5 Appointment and Re-election of Directors

Pursuant to the Articles of Association, Directors shall be elected at general meetings with a term of no more than three years, subject to re-election. The Company has implemented a set of effective procedures for appointment of new Directors. Nomination of new Directors shall be first considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated Directors are subject to election and approval at general meetings.

The Company has entered into service contracts with each of the Directors (including non-executive Directors). Such service contracts have a term from the date of appointment to the date of expiry of the term of the current session of the Board.

1.6 Directors' Remuneration

During the Reporting Period, the Company paid RMB120,000 to each independent non-executive Director (before tax, individual income tax shall be withheld by the Company). Non-executive Directors not holding offices in the management of the Company will not receive any remuneration from the Company. Executive Directors will receive their remuneration corresponding to their senior management position according to the management methods for remuneration of the Company.

1.7 Training of Directors

All Directors participated in continuous professional development in 2019 to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains informed and relevant. Details of the Directors' training during 2019 are set out as below:

Name	Position	Training hours	Areas covered in the training
Mr. Zhang Jianxin	Chairman and executive Director	No less than 70 hours	Corporate governance and relevant regulations, macro economy, corporate management, industry research, strategy planning, human resources, capital operation, etc.
Mr. Yin Bo	Executive Director and general manager	No less than 70 hours	Corporate governance and relevant regulations, corporate management, industry research, human resources, market analysis, etc.
Mr. Xia Jinjing	Executive Director	No less than 60 hours	Corporate governance and relevant regulations, corporate management, industry research, strategy planning, etc.
Mr. Zhang Xin	Non-executive Director	No less than 70 hours	Corporate governance and relevant regulations, macro economy, corporate management, industry research, strategy planning, human resources, capital operation, etc.
Ms. Guo Junxiang	Non-executive Director	No less than 70 hours	Corporate governance and relevant regulations, information disclosure, corporate governance, finance, corporate management, capital operation, etc.
Mr. Wang Shi	Non-executive Director	No less than 50 hours	Corporate governance and relevant regulations, corporate management, strategy planning, industry research, etc.
Mr. Qin Haiyan	Independent non-executive Director	No less than 72 hours	Corporate governance and relevant regulations, corporate management, strategy planning, industry research, etc.
Mr. Yang Deren	Independent non-executive Director	No less than 70 hours	Corporate governance and relevant regulations, corporate management, research of new energy materials, macro economy, human resources, etc.
Mr. Wong, Yui Keung Marcellus	Independent non-executive Director	No less than 20 hours	Corporate governance and relevant regulations, corporate management, strategy planning, finance, tax, etc.

1.8 Corporate Governance Functions

The corporate governance functions were performed by the Board and under the purview of the Board. The corporate governance functions are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements and make recommendations to the Board, to oversee the Company's orientation program for new Directors, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct applicable to employees and Directors and compliance manual, and to review the Company's disclosure in the Corporate Governance Report.

The Board has developed the corporate governance policy of the Company and has fulfilled its duties. Meanwhile, it has developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board. In addition, it has reviewed and confirmed the following matters:

- compliance with the CG Code and the disclosure in the Corporate Governance Report;
- the Company has complied with the policies and practices on legal and regulatory requirements;
- the code of conduct applicable to employees and Directors of the Company has been implemented;
- the Directors, Supervisors and senior management of the Company have participated in training and continuous professional development.

During the Reporting Period, the Board was responsible for the overall leadership of the Group, overseeing the Group's strategic decisions, business and performance. The Board has delegated the authority and responsibility for daily management and operation of the Group to the senior management of the Group. In order to supervise the situation of the Company in specific areas, the Board has delegated the responsibility for the duties listed in their respective terms of reference to special committees of the Board. All Directors must ensure that they perform their duties in good faith at any time, comply with relevant laws and regulations, and are in the interests of the Company and its Shareholders. All Directors (including independent non-executive Directors) bring valuable and extensive business experience, knowledge and professional skills to the Board so as to assist the Board to operate effectively. Independent non-executive Directors were invited to join the Audit Committee, Remuneration and Assessment Committee, Nomination Committee and Strategy Committee.

2. BOARD COMMITTEES

There are four Board committees, namely the Audit Committee, Remuneration and Assessment Committee, Nomination Committee and Strategy Committee.

2.1 Audit Committee

As of the Latest Practicable Date, the Audit Committee consists of five Directors, including three independent non-executive Directors, namely Mr. Wong, Yui Keung Marcellus, Mr. Yang Deren, Mr. Qin Haiyan and two non-executive Directors, namely Mr. Wang Shi and Ms. Guo Junxiang, with Mr. Wong, Yui Keung Marcellus as the chairman of the Committee.

The Audit Committee is mainly responsible for the communication, supervision and review of internal and external audits of the Company, including:

1. to make suggestions to the Board for the appointment, re-appointment and change of external auditors, handle issues relating to the resignation or removal of such external auditors and make suggestions for the appointment contracts and audit fees of the relevant external auditors; to evaluate the work of external auditors, and supervise the independence and objectivity of the external auditors, as well as their effectiveness, quality and results of work procedures;

2. to supervise the internal audit system of the Company and its implementation;

3. to guide and evaluate the work of the internal auditing department, and to make suggestions as to the appointment and removal of the head of the internal auditing department;

4. to review the financial statements of the Company and its disclosure;

5. to review and supervise the effective implementation of the financial reporting system, internal control system and risk management system of the Company;

6. to review and discuss the following arrangements made by the Company: the whistleblower system for employees of the Company to report on any potential misconducts in relation to financial reporting, internal control or other aspects; to ensure that the Company has put in place appropriate measures to carry out fair and independent investigations and follow-up actions in regard to such matters; to serve as the major channel between the Company and the external auditors and to supervise their relationship;

7. to audit and supervise connected transactions and evaluate their appropriateness;

8. other duties as assigned by the Board;

9. to review routine matters in relation to risks as presented by the management and internal review team, including but not limited to the Company's corporate risk management structure, evaluation of internal monitoring system, appendix to the global risk appetite framework, risk tolerance and latest information on risks in the market; and

10. to review the adequacy of resources, staff qualifications and experience, training programme and budget of the Company's risk and compliance department.

The Audit Committee held six meetings during the Reporting Period. The Audit Committee considered and approved matters in relation to, among others, the Company's final financial report of 2018, annual report of 2018, the resolution for non-exempt continuing connected transactions for the year of 2018, the results announcements for the first half and the first and third quarters of 2019, and the proposed cap for the sales with TBEA Group in relation to the continuing connected transactions from 2019 to 2020. The Audit Committee has held regular meetings with the risk monitoring team on an annual basis in accordance with its terms of reference without the presence of the management.

2.2 Remuneration and Assessment Committee

The Remuneration and Assessment Committee of the Company consists of five Directors, including three independent non-executive Directors, namely Mr. Yang Deren, Mr. Qin Haiyan and Mr. Wong, Yui Keung Marcellus, and two executive Directors, namely Mr. Zhang Jianxin and Mr. Xia Jinjing, with Mr. Yang Deren as the chairman.

The Company has adopted the model as proposed to the Board by the Remuneration and Assessment Committee in determining the remuneration packages of executive directors and senior management.

The main duties of the Remuneration and Assessment Committee are to formulate the appraisal standards of Directors and managers of the Company, and to conduct appraisals, develop and review the remuneration policies and schemes of the Directors and managers of the Company. Details are as follows:

1. to make suggestions to the Board in relation to the standards, general remuneration policies and structure for the appraisal of the Company's Directors and senior management, and to formulate such remuneration policies for the purpose of establishing a formal and transparent mechanism, to make recommendations to the Board, to review the performance appraisal standards of Directors and senior management, to conduct appraisals and give suggestions;

2. to review and approve the proposed remuneration of the management according to corporate operating objectives, and to make recommendations to the Board in relation to specific remuneration packages for Directors and senior management, including performance-based remuneration schemes. The Remuneration and Assessment Committee shall consider factors including the remuneration paid by comparable companies, time commitments and duties of the Directors, employment conditions of other positions of the Company, and whether the remuneration shall be determined based on the results of the Company; to make recommendations or determine, as authorised, the remuneration packages of individual executive Directors and senior management, which include non-monetary benefits, pensions and compensation payments (including any compensation for the loss or termination of their offices or appointments);

3. to conduct appraisals on the performance of Directors and senior management based on the appraisal scheme, and to decide on their remuneration, rewards and punishments;

4. to recommend to the Board on the remuneration package of individual executive Directors and senior management, including non-monetary benefits, pensions and compensation payments (including any compensation for the loss or termination of their office or appointment);

5. to recommend to the Board on the remuneration of non-executive Directors;

6. to recommend to the Board on relevant compensation paid to executive Directors and senior management for their loss or termination of office or appointment, and the compensation arrangements regarding the removal or dismissal of Directors due to their misconduct (and to ensure that the arrangements conform to the terms of service contracts between such Directors and the Company, or otherwise the compensation shall be reasonable and appropriate);

7. to ensure that none of the Directors participates in determining his/her own remuneration;

8. to be responsible for monitoring and supervising the implementation of the Company's remuneration system; and

9. other duties as conferred by the Board.

During the Reporting Period, the Remuneration and Assessment Committee held one meeting. On 27 March 2019, the Remuneration and Assessment Committee convened a meeting to consider and approve the remuneration plan for Directors and supervisors of the Company for 2019 as well as the review report on the remuneration of the senior management of the Company for 2019.

2.3 Nomination Committee

The Nomination Committee consists of five Directors, including three independent non-executive Directors, namely Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus, an executive Director Mr. Yin Bo, and a non-executive Director Mr. Zhang Xin, with Mr. Qin Haiyan as the chairman.

The main duties of the Nomination Committee are to identify and make recommendations of candidates, selection criteria and selection process in the selection of Directors and management officers of the Company. Details are as follows:

1. to review at least once a year the number, composition and organizational structure of the Board (including the age, cultural, professional knowledge, talents, skills, regional and industry experience, education background, gender, length of service and diversification of the Board members), and to advise on personnel changes of the Board so as to strengthen the Company's development strategy;

2. to consider the criteria and procedures for selecting Directors and senior management staff and make recommendations thereon to the Board; to develop or revise the Board Diversity Policy and focus on developing board diversity in the member selection process. Factors to consider include but are not limited to gender, age, culture, perspectives, education background, and work experience;

3. to identify qualified candidates as Directors and provide advice to the Board on the nomination of candidates after due consideration on the Company's Board Diversity Policy, requirements for serving as a Director of the Company under the Articles of Association, Listing Rules and applicable laws and regulations, and the potential contributions that the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

4. to assess the independence of independent non-executive Directors with reference to the factors set out in Rule 3.13 and Appendix 14 of the Listing Rules and any other factors deemed appropriate by the Nomination Committee or the Board. If a proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, to assess his/her ability to devote sufficient time to Board matters;

5. to review the particulars of the candidates for senior management staff of the Company and make recommendations thereon;

6. to provide advice on the appointment, re-appointment and succession plan of Directors to the Board, especially on the positions of chairman of the Board and senior management staff;

7. to evaluate on the structures of committees under the Board, recommend the Board members to serve as members of relevant committees, and submit to the Board for approval;

8. to establish the plan for reserving potential Directors and make updates from time to time;

9. to evaluate the work of Directors and provide advice or recommendations on the replacement of Directors based on the evaluation results;

10. to review the Nomination Policy (as defined below), procedures and criteria for the nomination and the Board Diversity Policy regularly;

11. to consider the succession plan of the Board members, and conduct regular reviews thereon; and

12. to deal with other matters as authorized by the Board.

The relevant departments of the Company are responsible to cooperate with the Nomination Committee to carry out its work and provide relevant materials. The Nomination Committee shall be provided with sufficient resources to discharge its duties.

The Nomination Committee shall be accountable to the Board. The recommendations provided by the Nomination Committee shall be submitted to the Board for consideration and approval. The Board shall be ultimately responsible for all matters in relation to the selection and appointment of the Directors.

Nomination Policy

The provisions set out in 1 to 4 above are regarded as the key nomination criteria and principles of the Company for the nomination of Directors, and these provisions constitute the nomination policy of the Company (the "**Nomination Policy**"). The objective of the Nomination Policy is to ensure the members of the Board possess the skills, experiences, and multiple perspectives required for the business of the Company. The Nomination Committee considered that the composition of the Board of the Company was in compliance with the requirement of the "Board Diversity Policy" during the Reporting Period.

During the Reporting Period, the Company strictly adhered to the policies of the Nomination Committee for the nomination of Directors. In accordance with the nomination procedures and selection and recommendation criteria adopted for the nomination of Directors candidates, the Company adopted a diversity policy. The Nomination Committee held a total of one meeting. in which the Nomination Committee considered and approved the structure, size and composition of the Board, the independence of the independent non-executive Directors, as well as the proposal to recommend Mr. Wang Shi as the candidate for a non-executive Director of the third session of the Board.

2.4 Strategy Committee

The Strategy Committee consists of five Directors, including two independent non-executive Directors, namely Mr. Yang Deren and Mr. Qin Haiyan, two executive Directors Mr. Zhang Jianxin, Mr. Yin Bo and a non-executive Director Mr. Zhang Xin, with Mr. Zhang Jianxin as the chairman.

The main duties of the Strategy Committee are to review the Company's long-term development strategy and major investment decisions and to make recommendations on such matters. Details are as follows:

1. to review the Company's long-term development strategic plans and make recommendations;
2. to review major investment financing programs which require the approval of the Board as stated in the Articles of Association and make recommendations;
3. to review major capital operations and assets management projects which require the approval of the Board as stated in the Articles of Association and make recommendations;
4. to review other significant matters which may affect the Company's development and make recommendations;
5. to review the implementation of the above matters; and
6. other duties as conferred by the Board.

During the Reporting Period, the Strategy Committee did not hold any meeting.

2.5 Attendance of the Directors at the Board committee meetings is as follows:

Name	Meetings Attended/Held Audit Committee	 Remuneration and Assessment Committee	 Nomination Committee
Zhang Jianxin	N/A	1/1	N/A
Xia Jinjing	N/A	1/1	N/A
Yin Bo	N/A	N/A	1/1
Zhang Xin	N/A	N/A	1/1
Guo Junxiang	6/6	N/A	N/A
Wang Shi(1)	3/3	N/A	N/A
Lin Chengfei(2)	1/1	N/A	N/A
Qin Haiyan	6/6	1/1	1/1
Yang Deren	6/6	1/1	1/1
Wong, Yui Keung Marcellus	6/6	1/1	1/1

(1) Mr. Wang Shi was appointed as the Company's non-executive director and member of Audit Committee on 28 June 2019.

(2) The resignation of Mr. Lin Chengfei as the Company's non-executive director and member of Audit Committee took effect from 13 March 2019.

3. INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors meets the independence guidelines set out in Rule 3.13 of the Listing Rules and has provided the Company with the requisite annual confirmation as to his independence. None of the independent non-executive Directors has any business with or significant financial interests in the Company or its subsidiaries and therefore all the independent non-executive Directors continue to be considered by the Company to be independent.

4. DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2019.

The Board is responsible for presenting a clear and specific assessment of annual and interim reports, price sensitive information and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment and give approval of the financial information and position of the Group.

There are no material uncertainties relating to events or conditions that may cast material doubts on the Company's ability to continue as a going concern.

In addition, the Company has arranged appropriate insurance coverage in respect of possible legal actions and liabilities against the Directors.

5. COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct governing dealings by its Directors and Supervisors in the securities of the Company. Having made specific enquiry of the Directors and Supervisors, all Directors and Supervisors have confirmed that they have strictly complied with the required standards set out in the Model Code during the Reporting Period. The Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company's securities, which are on terms no less exacting than those in the Model Code. The Company is not aware of any breach of the guidelines by relevant employees.

The Board will examine the corporate governance practices and operation of the Company from time to time in order to ensure compliance with relevant requirements under the Listing Rules and to protect Shareholders' interests.

6. RISK MANAGEMENT AND INTERNAL CONTROL

The Group has built a strict, standardized, comprehensive and effective internal control system, with risk management as the guidance. Through "strong executive and strict accountability" and strengthened information management, the Group strictly implemented various rules and systems, embedded risk management requirements into business processes to promote the enterprise to carry out operating activities in accordance with the laws and regulations, and realized the management and control objectives of "strengthen internal control, prevent risks and promote compliance", formed a comprehensive risk prevention and control mechanism involving all members, covering the entire process and system. The Supervisory Board, the Audit Committee, and the audit and supervision department of the Company carries out the internal audit function, to effectively safeguard the effectiveness of the internal control system and facilitate the stable operation of the enterprise.

Internal control review

During the Reporting Period, the Company carried out the internal control review covering the Reporting Period for the improvement of systems, standardization of process and prevention of risks in accordance with the standards for corporate internal control and based on its internal control systems and evaluation approaches. Through the review, the Company has strengthened the execution of internal control, improved the internal control system and guaranteed the continuous and effective operation of internal control. The total assets of the main entities under such review accounted for 99.85% of the aggregate assets in the consolidated financial statements, and the total revenue accounted for 99.65% of the aggregate revenue in the consolidated financial statements. The review covered the Group's significant business matters and high-risk areas. Audits matters targeted at key links in operation with potential risks were carried out, which included bidding management, financial management, asset management, bill management, inventory management, accounts receivable management, cost management, quality management, supplier management, engineering project management, safety management and connected transaction management, and fully covered key businesses with potential risks.

Treatment procedures of deficiencies in internal control

According to its business scale and characteristics and based on its risk tolerance, the Company has formulated its deficiency identification standards for internal control. The standards identify deficiencies from both qualitative and quantitative perspectives and classify them into material deficiency, significant deficiency and general deficiency based on severity. The standards have been approved by the Board. After audit and inspection, the audit and supervision department of the Company will prepare a work report on the deficiencies and abnormalities, improvement suggestions and progress of treatment in respect of internal control, which will then be submitted to the Chairman and the management. The management of the Company will propose rectification measures and implement rectification plans, while the audit and supervision department will supervise the rectification on an on-going basis. The audit and supervision department shall immediately report to the Audit Committee when it discovers material deficiencies or abnormalities in internal control, and the Board shall give practical solutions.

Review results on internal control

Having reviewed the effectiveness of the Company's internal control system for the year ended 31 December 2019, the Board is of the opinion that the Company's internal control system has been operating effectively and is adequate as of 31 December 2019, and that there are no material deficiencies with respect to the internal control.

Internal control has inherent limitations. Such system is designed to manage rather than eliminate the risk of failing to achieve business objectives. Any control system can only provide reasonable but not absolute assurance. Despite that, the Board is responsible for the risk management and internal control systems and the Board and management of the Company undertake to continuously improve the risk management and internal control system of the Company.

7. AUDITOR AND ITS REMUNERATION

PricewaterhouseCoopers was appointed as the auditor of the Company to perform the auditing of the consolidated financial statements of the Company for the year ended 31 December 2019 prepared in accordance with the IFRS.

The fees charged by the auditor of the Company, PricewaterhouseCoopers for rendering audit and related services to the Company for the year of 2019 was RMB4.2 million. In addition, PricewaterhouseCoopers charged RMB1.03 million for rendering of non-audit services (mainly for non-audit services including tax advisory services and confirmation of working capital sufficiency) to the Company for the year of 2019. Save as disclosed above, PricewaterhouseCoopers did not provide any other non-audit services to the Company at a fee.

The Audit Committee and the Board agreed to re-appoint PricewaterhouseCoopers as the auditor of the Company for 2020 and authorised the Audit Committee to determine their remuneration, which will be submitted to the annual general meeting of the Company for 2019 for consideration and approval.

8. GENERAL MEETINGS

During the Reporting Period, the Company held an annual general meeting and two extraordinary general meetings, with some of the Directors, Supervisors and senior management attending the general meetings. The records of attendance of the Directors are as follows:

Name	Number of meetings held	Number of meetings attended
Mr. Zhang Jianxin	3	3
Mr. Yin Bo	3	3
Mr. Xia Jinjing	3	3
Mr. Zhang Xin	3	3
Ms. Guo Junxiang	3	3
Mr. Wang Shi(1)	1	1
Mr. Lin Chengfei(2)	1	1
Mr. Qin Haiyan	3	3
Mr. Yang Deren	3	3
Mr. Wong, Yui Keung Marcellus	3	3

(1) Mr. Wang Shi was appointed as the Company's non-executive director and member of Audit Committee on 28 June 2019.

(2) Mr. Lin Chengfei's resignation as the Company's non-executive director and member of Audit Committee took effect from 13 March 2019.

9. COMMUNICATION POLICY WITH SHAREHOLDERS

9.1 Shareholders' Rights

The Board is committed to maintaining an on-going dialogue with Shareholders and makes timely disclosure to Shareholders and investors as to the significant development of the Company. The general meetings of the Company provide a forum for communication between Shareholders and the Board. Forty-five (45) days prior written notice for convening a general meeting shall be served to notify shareholders, whose names appear in the register of shareholders, of the matters proposed to be considered and the date and venue of the meeting. Shareholders who intend to attend the general meeting shall serve their written replies on the Company twenty (20) days prior to the date of the meeting.

Two or more Shareholders who jointly hold more than 10% (including 10%) of voting Shares of the Company may request the Board in writing in one or more duplicates, to convene an extraordinary general meeting or a Shareholders' class meeting, with the matters to be considered at the meeting stated in the request. The Board shall as soon as possible after receipt of the written request proceed to convene an extraordinary general meeting or a Shareholders' class meeting. The calculation of the above mentioned shareholdings shall be based on the information as at the date of deposit of the request.

If no notice of convening a general meeting was issued within thirty (30) days after the Board of Directors received the above mentioned written request(s), the Shareholders making the request(s) can convene a meeting by themselves within four (4) months after the Board of Directors received the above mentioned written request(s), and the procedures for convening such meeting shall follow the procedures of the general meeting convened by the Board of Directors as much as possible.

All reasonable expenses incurred for such meeting convened by the Shareholders as a result of the failure of the Board of Directors to convene a meeting as required by the above request(s) shall be borne by the Company and be set off against sums owed by the Company to the defaulting Directors.

The Company holds the general meetings. Shareholder(s) individually or in aggregate holding over 3% of the Shares in the Company may propose extraordinary proposals and submit the same in writing to the convener 10 days prior to the holding of the general meeting. The convener shall issue a supplemental notice of the general meeting within 2 days of the receipt of the proposals and announce the contents of the extraordinary proposals.

9.2 Shareholders' Enquiries and Communication

The Company publishes its announcements, financial information and other relevant data on its website at www.xinteenergy.com, as a channel to enhance effective communication. Shareholders are welcomed to make enquiries to the Company by sending the enquiries to the principal place of business of the Company in Hong Kong, or via phone, fax or email. The Company will respond to all enquiries in a timely and appropriate manner.

Information about the principal place of business in Hong Kong of the Company and investors' means of enquiries and communication is set out on page 3 of this annual report.

The Board welcomes Shareholders' views and encourages them to attend general meetings to communicate and raise any concerns they might have with the Board or the management. The Chairman of the Board and the chairmen of the respective Board committees usually attend the annual general meeting and other general meetings to address shareholders' queries.

10. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company consistently commits to maintain high level of corporate governance. During the year ended 31 December 2019, the Company complied with all code provisions of the CG Code as set out in Appendix 14 of Listing Rules, and adopted the recommended best practices set out therein, if applicable.

11. INVESTOR RELATIONS

11.1 Investor Relations Activities

The Company focuses on the maintenance of sound investors relations and maintains effective communication with investors through various means. In 2019, the Company communicated with investors and analysts in relation to the operating results and business development trends of the Group by way of earnings telephone conferences, roadshows, reverse roadshows and other means to strengthen communication with investors and facilitate the understanding of the Company by investors. The Company also maintains sound communication with investors through acceptance of investors' visits, attending major investment forums, receiving telephone calls and emails, etc. and proactively provides investor relations information on the Company's website, with a view to establishing and maintaining a good relationship with investors.

11.2 Information Disclosure

The Company is committed to timely and fairly disclosures of comprehensive and accurate information to investors. In 2019, the Company published 110 announcements on the Stock Exchange, including announcements on the entering into the strategic cooperation agreement, completion of directional issue of domestic shares, resignations of Director, entering into the financial services framework agreement and product sales framework agreement for continuing connected transactions, etc.

12. COMPANY SECRETARIES

Ms. Zhang Juan ("**Ms. Zhang**"), the joint company secretary of the Company, is responsible for advising the Board regarding corporate governance issues, and ensures to comply with the policies and procedures of the Board, applicable laws, rules and regulations. In order to maintain good corporate governance and make sure to comply with the Listing Rules and applicable laws of Hong Kong, the Company also appointed Ms. Ng Wing Shan ("**Ms. Ng**"), an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (the provider of company secretarial services), as the joint company secretary of the Company, who assists Ms. Zhang in performing her duties as the company secretary of the Company. Ms. Zhang is the primary corporate contact person between the Company and Ms. Ng.

During the Reporting Period, in order to more effectively perform their duties and according to the requirements of the Listing Rules, each of Ms. Zhang and Ms. Ng, the joint company secretaries of the Company accepted professional training of more than 15 hours in total.

13. HUMAN RESOURCES

13.1 Description of Human Resources

As of 31 December 2019, the Group has a total of 4,423 employees, and their professional and educational background are as follow:

Items	Categories	Number of people	Percentage to the total number of people
Profession	Operating management	918	20.76%
	Technology	299	6.76%
	Production	1,983	44.83%
	Engineering management	486	10.99%
	Marketing	610	13.79%
	Office Support	127	2.87%
	Total	4,423	100.00%
Education	Postgraduate and above	382	8.64%
	Undergraduate	2,136	48.29%
	Associate degree & others	1,905	43.07%
	Total	4,423	100.00%

13.2 Incentives for Employees

The Group, according to the requirement of development, further established and improved the overall responsibility management and staff performance assessment system on the basis of clear objectives of each post. The employees' performance is objectively and accurately assessed by breaking down the key tasks specified in the development plan of the Group into different levels and then assigning to various posts, clarifying performance objectives of different roles and setting performance standards. The assessment results are quantified to form the scores that are linked to the employees' performance based salaries to encourage potentials and work passion of the employees, demonstrating a combined strategy of incentives and restraints and laying a solid foundation for the progressive career development of the employees.

The Group currently implemented three categories of incentives, including: compensation incentive (market-based compensation standards, commission incentive and long-term incentive), work incentive (involved in operating decisions, work authorisations, etc.) and promotion incentive (improvement of educational background and job promotion, etc.), and clearly defining the general principle of incentive realisation.

13.3 Employees' Training

The Group always believes that training is the best welfare for staff. Our training system was further improved and our capability of professional training was further enhanced in 2019. The Group adopted several forms of training including mentor coaching, expert's instruction, industry benchmarking, monthly brainstorming and work shifts, converting theoretical knowledge into production results.

In 2019, our Group's training covered a total of 12 categories, including mainly: operation and management, professional skills and production skills. All employees participated in internal and external training during the year.

13.4 Employees' Remuneration Policy

The remuneration of the Group's employees comprises basic salary and performance-based salary. The performance-based salary is determined in accordance with the performance assessment results of the employees.

To further enhance the incentive relationship between salaries and performance, the Group revamped and adjusted the remuneration structure and performance assessment indicators as well as their respective weights, enhanced the application of performance results in the aspects of staff salary adjustments, training, promotions and role optimisation. The remuneration system is designed to favour the employees with outstanding performance by linking remuneration income to personal capability enhancement and removing equalitarianism. By opening a way for professional growth and career advancement, and matching the growth of employees' remuneration with corporate performance, we expect to achieve the objective of sharing the Company's growth with our employees, and establishing a competitive compensation system.

14. INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information:

- the Company has established the Disclosure of Inside Information Policy and Measures ("**Measures**") System Documents. The Measures ensure that potential share price-sensitive information or "inside" information be timely confirmed, assessed and reported level by level to the Board which determines whether the information should be disclosed to ensure compliance with the SFO;

- the Company is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the Safe Harbour rules set out in the SFO;

- the Company conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Securities and Futures Commission in June 2012 and the Stock Exchange in 2008 respectively; and

- the Company has established and implemented procedures for responding to external enquiries about the Group's affairs. Senior officers of the Group are designated and authorised to act as the Company's spokesperson and respond to such enquiries in specific areas of issues.

15. BOARD DIVERSITY POLICY

The Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the age, cultural, professional knowledge, talents, skills, regional and industry experience, education background, gender, length of service and other qualities of the members of the Board (the "**Board Diversity Policy**"). These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board. During the Reporting Period, the Nomination Committee has adopted the Board Diversity Policy and make recommendations to the Board of Directors based on the Board Diversity Policy. For further details, please refer to the Nomination Policy as disclosed above.

The Nomination Committee discloses the composition of the Board in the Corporate Governance Report on an annual basis and oversees the enforcement of the Policy. The Nomination Committee reviews the Policy as appropriate to ensure its effectiveness. Any necessary revisions are discussed by the Nomination Committee and proposed to the Board for approval.

Independent Auditor's Report

羅兵咸永道

Independent Auditor's Report
To the Shareholders of Xinte Energy Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Xinte Energy Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 192, which comprise:

- the consolidated balance sheet as of 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Net realisable value of power plants under development and held for sale

Key Audit Matter	How our audit addressed the Key Audit Matter
Refer to Note 4 (Critical accounting estimates and judgements) and 14 to the consolidated financial statements. As of 31 December 2019, the Group held power plants under development and held for sale inventories of RMB2,096 million, which are carried at the lower of cost and net realisable value ("NRV") in the consolidated financial statements. Management calculates NRV at each period end based on the estimated selling price less cost to sell. The determination of the selling price requires the management to make judgements and estimations on the discounted future cash flows forecast of the projects because sales price negotiations with the customers normally make reference to the discounted cash flow model, based on current market conditions and available information. In addition, the selling price also takes reference of historical experience of selling projects of similar nature. The forecast of the discounted future cash flows adopts the following key assumptions: — Forecast power generation; — Electricity tariff; and — Discount rates We focused on this area because of the significant balance of the power plants under development and held for sale for the year ended 31 December 2019 thereon and the management's NRV assessment involves judgement and assumptions.	We understood the method by which management determined the estimated selling price for such projects being consistent as in prior years where historically there were no material adjustments required as a result of the estimation process. We checked the mathematical accuracy of management's cash flow model. We challenged management's key assumptions in the forecasts for: 1) Forecast power generation, by verifying the installed capacity and comparing with the feasibility study of each project and current electricity market condition; 2) Electricity tariff, by matching with the current market price set and published by local government authorities; 3) Discount rates, by assessing the cost of capital for comparable companies, as well as considering territory specific factors. We also evaluated management's estimation of selling price by comparing with the historical sales of power plant projects with similar size and similar locations, and comparing with the actual prices of recently sold projects subsequent to the year end of 2019. Based on our work, we found the key assumptions and input data adopted in the cash flow model to be in line with our expectations and the results of management's NRV assessment is supported by the evidence we gathered.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee of the Company is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is NG Tsun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2020

Consolidated Balance Sheet

As of 31 December 2019

		As of 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**19,277,873**	16,504,406
Right-of-use assets	7	**686,665**	—
Land use rights	8	**—**	558,755
Intangible assets	9	**96,617**	106,863
Investments accounted for using the equity method	12	**644,967**	140,969
Financial assets at fair value through other comprehensive income		**1,000**	1,000
Deferred tax assets	13	**198,775**	177,977
Other non-current assets	16	**4,434,533**	1,768,438
Total non-current assets		**25,340,430**	19,258,408
Current assets			
Inventories	14	**3,037,744**	2,915,121
Contract assets	5	**2,409,573**	2,254,679
Other current assets	16	**2,606,307**	1,047,998
Trade and notes receivable	15	**3,873,852**	3,640,933
Other receivables	17	**380,004**	415,969
Restricted cash	18	**1,310,161**	2,310,187
Cash and cash equivalents	18	**2,747,045**	3,856,408
Total current assets		**16,364,686**	16,441,295
Total assets		**41,705,116**	35,699,703

Consolidated Balance Sheet

As of 31 December 2019

		As of 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	**1,200,000**	1,045,005
Share premium	19	**5,957,405**	4,945,506
Other reserves	20	**554,047**	524,965
Retained earnings		**3,711,992**	3,505,764
		11,423,444	10,021,240
Non-controlling interests	11	**2,425,233**	1,268,816
Total equity		**13,848,677**	11,290,056
LIABILITIES			
Non-current liabilities			
Borrowings	21	**12,821,706**	8,099,000
Lease liabilities	7	**50,227**	—
Deferred tax liabilities	13	**153,120**	123,497
Deferred government grants	22	**430,518**	397,442
Total non-current liabilities		**13,455,571**	8,619,939
Current liabilities			
Trade and notes payable	23	**8,343,280**	7,788,493
Provisions and other payables	24	**1,728,964**	2,077,073
Contract liabilities	5	**1,039,916**	1,067,850
Current tax liabilities		**20,373**	6,832
Borrowings	21	**3,267,509**	4,849,460
Lease liabilities	7	**826**	—
Total current liabilities		**14,400,868**	15,789,708
Total liabilities		**27,856,439**	24,409,647
Total equity and liabilities		**41,705,116**	35,699,703

The above consolidated balance sheet should be read in conjunction with the accompanying notes on pages 109 to 192.

These consolidated statements on pages 104 to 192 were approved by the Board of Directors on 27 March 2020 and were signed on its behalf.

Zhang Jianxin	Yin Bo
Chairman	*Executive Director*

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	5	**8,722,113**	12,053,742
Cost of sales	25	**(6,888,078)**	(9,642,150)
Gross profit		**1,834,035**	2,411,592
Selling and marketing expenses	25	**(402,723)**	(420,463)
General and administrative expenses	25	**(580,598)**	(593,816)
Net impairment (losses)/gains on financial and contract assets		**(54,514)**	13,646
Other income	26	**84,219**	96,601
Other gains — net	27	**22,696**	38,756
Operating profit		**903,115**	1,546,316
Interest income	29	**41,157**	27,220
Finance expenses	29	**(417,121)**	(382,073)
Finance expenses — net		**(375,964)**	(354,853)
Share of net profit of investments accounted for using the equity method		**34,783**	17,032
Profit before income tax		**561,934**	1,208,495
Income tax expense	30	**(45,141)**	(97,853)
Profit for the year		**516,793**	1,110,642
Profit for the year attributable to:			
Owners of the Company		**402,642**	1,107,797
Non-controlling interests		**114,151**	2,845
		516,793	1,110,642
Other comprehensive income/(loss):			
Items that may be reclassified to profit and loss			
Currency translation differences		**60**	(84)
Total comprehensive income for the year		**516,853**	1,110,558
Total comprehensive income for the year attributable to:			
Owners of the Company		**402,702**	1,107,713
Non-controlling interests		**114,151**	2,845
		516,853	1,110,558
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (RMB)	31	**0.34**	1.06
Diluted earnings per share (RMB)	31	**0.34**	1.06

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 109 to 192.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as of 1 January 2018	1,045,005	5,030,375	457,310	2,674,707	9,207,397	53,015	9,260,412
Comprehensive income							
Profit for the year	–	–	–	1,107,797	1,107,797	2,845	1,110,642
Currency translation differences	–	–	(84)	–	(84)	–	(84)
Total comprehensive income	–	–	(84)	1,107,797	1,107,713	2,845	1,110,558
Transactions with owners							
Transactions with non-controlling interests (Note 19)	–	(84,869)	–	–	(84,869)	1,213,169	1,128,300
Appropriation of surplus reserve (Note 20(a))	–	–	67,739	(67,739)	–	–	–
Dividends (Note 32)	–	–	–	(209,001)	(209,001)	(213)	(209,214)
Total transactions with owners, recognised directly in equity	–	–	67,739	(276,740)	(209,001)	(213)	(209,214)
Balance as of 31 December 2018	1,045,005	4,945,506	524,965	3,505,764	10,021,240	1,268,816	11,290,056
Comprehensive income							
Profit for the year	–	–	–	402,642	402,642	114,151	516,793
Currency translation differences	–	–	60	–	60	–	60
Total comprehensive income	–	–	60	402,642	402,702	114,151	516,853
Transactions with owners							
Issue of shares	154,995	1,050,865	–	–	1,205,860	–	1,205,860
Transactions with non-controlling interests (Note 19)	–	(38,966)	–	–	(38,966)	1,043,966	1,005,000
Appropriation of surplus reserve (Note 20(a))	–	–	16,414	(16,414)	–	–	–
Dividends (Note 32)	–	–	–	(180,000)	(180,000)	(1,700)	(181,700)
Employee share schemes — value of employee services (Note 20)	–	–	12,608	–	12,608	–	12,608
Total transactions with owners, recognised directly in equity	154,995	1,011,899	29,022	(196,414)	999,502	1,042,266	2,041,768
Balance as of 31 December 2019	1,200,000	5,957,405	554,047	3,711,992	11,423,444	2,425,233	13,848,677

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 109 to 192.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	33(a)	**(1,387,683)**	1,919,147
Income tax paid		**(86,618)**	(68,013)
Net cash (used in)/generated from operating activities		**(1,474,301)**	1,851,134
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,902,243)**	(2,489,228)
Purchase of intangible assets		**(13,936)**	(75,970)
Purchase of land use rights		**—**	(17,643)
Proceeds from disposal of property, plant and equipment and intangible assets	33(b)	**30,740**	161,947
Net proceeds from disposal of subsidiaries		**—**	(123,764)
Net proceeds from disposal of associates		**4,200**	42,500
Increase in investments accounted for using the equity method	12	**(475,581)**	(17,701)
Government grants received		**2,751**	10,700
Interest received		**41,157**	27,220
Changes in restricted cash	18	**1,000,026**	(809,887)
Net cash used in investing activities		**(4,312,886)**	(3,291,826)
Cash flows from financing activities			
Issue of shares		**1,205,860**	—
Capital injection from non-controlling interests		**1,005,000**	1,128,300
Repayments of borrowings		**(5,789,557)**	(7,741,560)
Proceeds from borrowings		**9,326,815**	10,296,973
Interest paid		**(727,410)**	(636,086)
Principal elements of lease payments		**(19,769)**	—
Dividends paid	32	**(326,561)**	(83,216)
Dividends paid to non-controlling interests		**(1,157)**	(222)
Net cash generated from financing activities		**4,673,221**	2,964,189
Net (decrease)/increase in cash and cash equivalents		**(1,113,966)**	1,523,497
Cash and cash equivalents at beginning of the year	18	**3,856,408**	2,316,610
Exchange gains on cash and cash equivalents		**4,603**	16,301
Cash and cash equivalents at end of the year	18	**2,747,045**	3,856,408

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 109 to 192.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1 GENERAL INFORMATION

Xinte Energy Co., Ltd. (新特能源股份有限公司) (the "Company") was established in the People's Republic of China (the "PRC") on 20 February 2008 as a limited liability company. On 16 October 2012, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The address of the Company's registered office is No.2499, Mianguangdong Street, Ganquanpu Economic and Technological Development Zone (Industrial Park), Urumqi, Xinjiang Uygur Autonomous Region, the PRC.

The Company's parent company and ultimate holding company is TBEA Co., Ltd. (特變電工股份有限公司) ("TBEA"), a joint stock company with limited liability incorporated in the PRC.

The Company and its subsidiaries (the "Group") are principally engaged in polysilicon production, rendering of engineering and construction contracting ("ECC") service for solar and wind power plants and systems and solar and wind power plants operation ("BOO").

On 30 December 2015, the H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and requirements of the Hong Kong Companies Ordinance (Cap.622).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets through other comprehensive income ("FVOCI"), which are carried at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended accounting policy

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation — Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures — Amendments to International Accounting Standards ("IAS") 28
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement — Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2.1.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 Change in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1.1 above, the Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.24.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.9%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as of 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as of 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 Change in accounting policies (continued)

(ii) *Measurement of lease liabilities*

	RMB'000
Operating lease and long-term land lease commitments as of 31 December 2018	86,961
Discounted using the lessee's incremental borrowing rate of at the date of initial application	57,183
(Less): short-term leases not recognised as a liability	(2,022)
(Less): low-value leases not recognised as a liability	(39)
Lease liability recognised as of 1 January 2019	55,122
Of which are:	
Current lease liabilities	3,300
Non-current lease liabilities	51,822
	55,122

(iii) *Measurement of right-of-use assets*

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as of 31 December 2018.

(iv) *Adjustments recognised in the balance sheet on 1 January 2019*

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increase by RMB702,662,000
- land use rights — decrease by RMB558,755,000
- other non-current assets — decrease by RMB88,785,000
- lease liabilities — increase by RMB55,122,000

There is no impact on retained earnings on 1 January 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 Change in accounting policies (continued)

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.3 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associate (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer, deputy general managers and directors of the Company who makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Chinese Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within "Finance expenses — net". All other foreign exchange gains and losses are presented in the profit or loss within "Other gains/(losses) — net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Buildings	20–40 years
Machinery and equipment	5–25 years
Vehicles	5–10 years
Furniture and fixtures	5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses) — net" in the consolidated statement of comprehensive income.

2.7 Land use rights

Land use rights represent upfront prepayments made for the land use rights and are expensed in the profit or loss on a straight-line basis over the periods of the leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets

(a) Patent and proprietary technologies

Patent and proprietary technologies are initially recorded at cost and are amortised on a straight-line basis over the shorter of their useful lives or licence terms.

(b) Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 10 years.

2.9 Research and development

Research expenditures is recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are fulfilled:

(i) It is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) Management intends to complete the intangible asset and use or sell it;

(iii) There is an ability to use or sell the intangible asset;

(iv) It can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as expenses when incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment is reviewed for possible reversal of the impairment at each reporting date.

Provision for impairment of inventory is usually determined by the excess of cost over net realisable value on single item basis and recorded in the statement of comprehensive income. Net realisable value are determined based on the estimated selling price less estimated conversion costs, selling expenses and related taxes in the ordinary course of business. Provision for or reversal of impairment of inventory is recognised in the consolidated statement of comprehensive income.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

2.11.3 Measurement (continued)

Debt instruments (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2.11.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and notes receivable, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Inventories

Inventories comprise raw materials, work in progress including power plants under development and held for sale (Note 2.23(c)), finished goods and spared parts. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method except for construction of power plant which is stated at accumulated construction cost. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 3.1(b) for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has a contractual or an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(a) Pension and social obligations

The Group companies operate various defined contribution plan in accordance with the local conditions and practices in which they operate. Defined contribution plans are pensions and other social benefit plans under which the Group pay fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as labour costs when they are due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits (continued)

(b) Housing benefits

The Group contributes to the state-prescribed housing fund. Such costs are charged to consolidated statement of comprehensive income as incurred. Apart from this, the Group do not have other legal or constructive obligations over such benefits.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the parent of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specified period of time).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits (continued)

(d) Share-based compensation (continued)

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income with a corresponding adjustment to equity.

When the options are exercised, the parent of the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium. The corresponding amount accounted for as “other reserve” when recognising the share-based compensation are reclassified to share premium as well.

The grant by the parent of the Company of options over its equity instruments to the employees of entities in the Group is treated as a capital contribution by the parent. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as employee benefit expenses, with a corresponding credit to equity.

2.22 Provisions

Provisions for product and service warranty are recognised when: the Group has a present contractual or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.23 Revenue recognition

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good to a customer, which is when the customer obtains control of that good, dominates the use of the good and gain almost all of the economic benefits. If the control of the goods and services is transferred over a period of time, the Group shall recognise revenue by reference to the stage of completion in fulfill its obligations during the entire contract period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition (continued)

Among the revenue recognised for goods transferred and services provided, the Group shall present any unconditional rights to consideration separately as a receivable and the rest as a contract asset, and assess provisions for impairment losses of the receivable and the contract asset based on expected credit loss; if the received or receivable consideration of the contract exceeds the services provided by the Group, a contract liability shall be recognised. The Group presents a net contract asset or a net contract liability under each contract.

(a) Rendering of ECC services to customers

Revenues from ECC services of the Group is recognised over the period of the contract by reference of the stage of completion. Stage of completion is estimated based on actual costs incurred to the end of the reporting period as a proportion to the total forecasted costs of the contract. As at the reporting date, the Group reassesses the stage of completion to reflect the changes in performance.

(b) Rendering of other services

The Group also provides design, consultation and supervision services to power plant owners/ operators and other manufacturers. The services revenue is recognised in the accounting period in which the services are rendered, by reference to state of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

(c) Sales of power plant projects

Under the Group's normal operation of ECC, it establishes various subsidiaries as the owner of power plant projects to be disposed during or upon completion of the relevant construction ("project companies"). Before a buyer is identified, all construction costs in progress pertaining to these projects are recognised as inventories in the consolidated balance sheet. These projects will be sold to third-party customers at different stages by way of transferring the equity interests in these subsidiaries. These subsidiaries have no other operation except for holding of the relevant projects. In the opinion of the directors of the Company, the disposal of equity interests in these project companies is in substance the sales of inventories held by the Group.

Sales of power plant projects are recognised when control of the power plant projects are transferred to the customers and the customer has accepted the projects.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition (continued)

(d) Sales of other goods

The Group manufactures and sells polysilicon, as well as produces and sells electricity. Sales of goods are recognised when control of the goods are transferred, being when the goods are delivered to the customers.

2.24 Leases

As explained in note 2.1.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.1.2.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 35). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of offices and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value leases comprise offices and vehicles.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.27 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not have significant derivative financial instruments to hedge these risk exposures.

Risk management is carried out by the Company's finance department under the policies and directions approved by its Board of Directors. The Company's finance department identifies, evaluates and manages financial risks in close co-operation with the Group's operating units.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The Group's operations are substantially located in the PRC and transacted at RMB. As of 31 December 2019, if RMB had weakened/strengthened by 1% against the USD with all other variables held constant, profit before tax for the year ended 31 December 2019 would have been RMB2,053,000 higher/lower (2018: RMB2,861,000 higher/lower).

The aggregate net foreign exchange gains/(losses) recognised in profit or loss were:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net exchange gains/(losses) included in other gains/(losses)-net	**6,297**	(5,898)
Exchange gains/(losses) in finance costs	**3,866**	(6,653)
Total net foreign exchange gains/(losses) recognised in profit before income tax for the period	**10,163**	(12,551)

(ii) Interest rate risk

The Group's interest rate risk mainly arises from short-term borrowings and long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

As of 31 December 2019, if interest rates on the Group's floating rate borrowings amounting to RMB13,126,071,000 (2018: RMB11,452,876,000) at that dates had been 50 basis points higher/lower with all other variables held constant, profit before tax for the year ended 31 December 2019 would have been RMB38,032,000 lower/higher (2018: RMB34,001,000 lower/higher). The estimated fair value changes of the Group's fixed rate borrowings were immaterial.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted bank deposits, trade and notes receivable, tariff adjustment receivables, contract assets, other receivables and other financial assets at FVOCI.

(i) Risk Management

Credit risk is managed on group basis. Each local entity is responsible for managing and analysing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and other factors.

As of 31 December 2019 and 2018, all cash and cash equivalents were deposited in state-owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses from non-performance by these counterparties.

(ii) Impairment of financial assets

The Group has following types of financial assets that are subject to the expected credit loss model:

- trade and notes receivable and tariff adjustment receivables
- contract assets
- other receivables
- other financial assets at FVOCI

While cash and cash equivalents and restricted bank deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade and notes receivable, tariff adjustment receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance from initial recognition. To measure the expected credit losses, trade and notes receivable have been grouped based on shared credit risk characteristics and the days past due.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade and notes receivable, tariff adjustment receivables and contract assets (continued)

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade and notes receivable for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and notes receivable are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of three years before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as of 31 December 2019 and 31 December 2018 was determined as follows for trade and notes receivable, tariff adjustment receivables and contract assets:

As of 31 December 2019	**Within 1 year**	**1 year to 2 years**	**2 years to 3 years**	**3 years to 4 years**	**Over 4 years**	**Total**
Expected loss rate	**1%**	**3%**	**13%**	**45%**	**98%**	
Gross carrying amount — trade and notes receivable (RMB'000)	**2,686,081**	**502,988**	**370,646**	**14,473**	**9,249**	**3,583,437**
Gross carrying amount — contract assets (RMB'000)	**2,141,548**	**100,454**	**171,324**	**9,727**	**3,080**	**2,426,133**
Loss allowance (RMB'000)	**46,892**	**16,932**	**71,047**	**10,796**	**12,117**	**157,784**

As of 31 December 2018	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	Over 4 years	Total
Expected loss rate	1%	3%	8%	30%	89%	
Gross carrying amount — trade and notes receivable (RMB'000)	2,324,282	542,777	41,561	56,515	26,597	2,991,732
Gross carrying amount — contract assets (RMB'000)	1,917,366	267,175	112,548	2,868	3,182	2,303,139
Loss allowance (RMB'000)	41,627	20,494	12,597	17,815	26,378	118,911

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade and notes receivable, tariff adjustment receivables and contract assets (continued)

Tariff adjustment receivables were arising from sales of electricity, which are due from state-owned grid enterprises. The collection of such tariff receivables is supported by prevailing nationwide government policies. The directors are of the opinion that these tariff receivables will be received but only subject to timing of allocation of the funds from the PRC government. Therefore, expected credit loss rate of tariff adjustment receivables is assessed to be close to zero and no provision was made as of 31 December 2019 and 2018.

Trade and notes receivable and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery mainly include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade and notes receivable and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Other receivables

Loss allowance on other receivables are measured as either 12-months expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses. There is no increase of loss allowance for other receivables during the year ended 31 December 2019.

Other financial assets carried at FVOCI

As of 31 December 2019 and 2018, other financial assets carried at FVOCI are notes receivable which are issued from reputable state-owned banks in PRC. The credit quality of notes receivable has been assessed based on the external credit ratings or historical information about those banks. The existing banks do not have default in the past. Therefore, expected credit loss rate of notes receivable is assessed to be zero and no provision was made as of 31 December 2019 and 2018.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The liquidity risk of the Group is mainly controlled by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of 31 December 2019					
Borrowings	**4,027,051**	**3,116,842**	**6,578,585**	**7,346,677**	**21,069,155**
Trade payables (Note 23)	**3,666,536**	**–**	**–**	**–**	**3,666,536**
Notes payable (Note 23)	**4,676,744**	**–**	**–**	**–**	**4,676,744**
Lease Liabilities	**3,300**	**3,300**	**18,900**	**52,800**	**78,300**
Other payables	**1,452,598**	**–**	**–**	**–**	**1,452,598**
	13,826,229	**3,120,142**	**6,597,485**	**7,399,477**	**30,943,333**
As of 31 December 2018					
Borrowings	5,397,404	1,779,281	3,611,680	5,628,802	16,417,167
Trade payables (Note 23)	3,650,785	–	–	–	3,650,785
Notes payable (Note 23)	4,137,708	–	–	–	4,137,708
Other payables	1,877,664	–	–	–	1,877,664
	15,063,561	1,779,281	3,611,680	5,628,802	26,083,324

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to provide returns for the investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the debt ratio. The debt ratio is calculated as total liabilities divided by total assets as shown in the consolidated balance sheet. The Group aims to maintain the debt ratio at a reasonable level.

The debt ratio of the Group as of 31 December 2019 was 67% (31 December 2018: 68%). The debt ratio remained 67% following the adoption of IFRS 16 Leases. Both debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of power plants under development and held for sale

Power plants under development and held for sale are recorded in inventories and stated at the lower of cost or net realisable value, with net realisable value being the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Group estimates the selling price for such power plants held for sale based primarily upon the discounted future cash flows. If the net realisable value of a power plant held for sale item is determined to be below its carrying value, the Group records a write-down to cost of sales for the difference between the carrying cost and net realisable value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Revenue from construction contracts

Revenue from individual contract is recognised under the percentage of completion method, which requires estimations, by management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in construction and engineering businesses, the date at which the contract is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

5 SEGMENT INFORMATION

The CODM have been identified as the general manager, deputy general manager and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments on the basis of these reports. As the Group's operations are primarily located in the PRC, the CODM considers the business from a product and service perspective. Management separately considers polysilicon production, ECC and BOO as reportable operating segments. Others segment mainly comprises of businesses including manufacturing and sales of inverter and SVG and other retail businesses.

The CODM assesses the performance of the operating segments based on revenue and gross profit margin. Sales and other transactions between segments are carried out based on terms and conditions mutually agreed between the relevant parties. The measurement of segment revenue and results reported to the CODM are in a manner consistent with that in the statement of comprehensive income. The amounts provided to the CODM with respect to total assets are measured in a manner consistent with that of the balance sheet. These assets are allocated based on the operations of the segment.

5 SEGMENT INFORMATION (continued)

	Polysilicon production RMB'000	ECC RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2019:						
Segment revenue and results						
Total segment revenue	2,232,780	5,498,600	830,750	964,745	(804,762)	8,722,113
Inter-segment revenue	(3,255)	(512,793)	(1,286)	(287,428)	804,762	–
Revenue from external customers	2,229,525	4,985,807	829,464	677,317	–	8,722,113
Timing of revenue recognition						
At a point in time	2,229,525	294,197	829,464	677,317	–	4,030,503
Over time	–	4,691,610	–	–	–	4,691,610
	2,229,525	4,985,807	829,464	677,317	–	8,722,113
Segment results	397,976	709,217	566,030	160,812	–	1,834,035
Amortisation	16,228	4,424	793	1,926	–	23,371
Depreciation	527,998	8,780	263,284	50,733	–	850,795
(Reversal)/provisions of impairment:						
— trade and other receivables	(526)	77,500	162	4,686	–	81,822
— inventory	–	63,398	–	6,746	–	70,144
— contract assets	–	(27,308)	–	–	–	(27,308)
Share of profit of investments accounted for using the equity method	–	34,783	–	–	–	34,783

5 SEGMENT INFORMATION (continued)

	Polysilicon production RMB'000	ECC RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2018:						
Segment revenue and results						
Total segment revenue	3,363,137	7,715,560	584,404	977,752	(587,111)	12,053,742
Inter-segment revenue	(11,184)	(228,996)	—	(346,931)	587,111	—
Revenue from external customers	3,351,953	7,486,564	584,404	630,821	—	12,053,742
Timing of revenue recognition						
At a point in time	3,351,953	1,433,800	584,404	630,821	—	6,000,978
Over time	—	6,052,764	—	—	—	6,052,764
	3,351,953	7,486,564	584,404	630,821	—	12,053,742
Segment results	1,038,993	914,695	373,201	84,703	—	2,411,592
Amortisation	15,513	2,275	8,255	5,807	—	31,850
Depreciation	527,131	9,899	178,158	50,817	—	766,005
Provisions/(reversal) of impairment:						
— trade and other receivables	5,183	(64,763)	—	2,038	—	(57,542)
— inventory	—	47,476	—	30,914	—	78,390
— contract assets	—	43,896	—	—	—	43,896
Share of profit of investments accounted for using the equity method	—	17,032	—	—	—	17,032

5 SEGMENT INFORMATION (continued)

A reconciliation of segment results to total profit for the year is provided as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Polysilicon production	**397,976**	1,038,993
ECC	**709,217**	914,695
BOO	**566,030**	373,201
Others	**160,812**	84,703
Total gross profit for reportable segments	**1,834,035**	2,411,592
Selling and marketing expenses	**(402,723)**	(420,463)
General and administrative expenses	**(580,598)**	(593,816)
Net impairment (losses)/gains on financial assets and contract assets	**(54,514)**	13,646
Other income	**84,219**	96,601
Other gains — net	**22,696**	38,756
Finance expenses — net	**(375,964)**	(354,853)
Share of profit of investments accounted for using the equity method	**34,783**	17,032
Profit before income tax	**561,934**	1,208,495
Income tax expense	**(45,141)**	(97,853)
Profit for the year	**516,793**	1,110,642

5 SEGMENT INFORMATION (continued)

The segment assets as of 31 December 2019 are as follows:

	Polysilicon production RMB'000	ECC RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
As of 31 December 2019						
Segment assets	**20,309,246**	**17,520,623**	**10,735,468**	**3,227,579**	**(10,931,542)**	**40,861,374**
Investments accounted for using the equity method	**300,000**	**344,967**	**–**	**–**	**–**	**644,967**
	20,609,246	**17,865,590**	**10,735,468**	**3,227,579**	**(10,931,542)**	**41,506,341**
Unallocated assets						**198,775**
Total assets						**41,705,116**
Additions to non-current assets	**1,575,357**	**45,524**	**1,655,348**	**516,565**	**–**	**3,792,794**
As of 31 December 2018						
Segment assets	18,540,886	13,836,486	7,187,943	2,948,671	(7,133,229)	35,380,757
Investments accounted for using the equity method	–	136,769	–	4,200	–	140,969
	18,540,886	13,973,255	7,187,943	2,952,871	(7,133,229)	35,521,726
Unallocated assets						177,977
Total assets						35,699,703
Additions to non-current assets	3,989,649	17,974	959,326	234,984	–	5,201,933

Entity-wide information

Breakdown of the revenue from all goods and services is as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Provision of ECC services	**4,691,610**	7,486,564
Sales of goods	**3,883,171**	4,357,001
Provision of services other than ECC	**147,332**	210,177
	8,722,113	12,053,742

5 SEGMENT INFORMATION (continued)

Entity-wide information (continued)

Revenue from external customers in the PRC and other countries is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
The PRC	**8,567,151**	11,082,311
Other countries	**154,962**	971,431
	8,722,113	12,053,742

For the year ended 31 December 2019, there were two external customers (2018: none) contributed more than 10% of the total revenue.

As of 31 December 2019 and 2018, all the Group's non-current assets, other than deferred tax assets are primarily located in the PRC.

Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Current contract assets relating to construction contracts	**2,426,133**	2,303,139
Loss allowance	**(16,560)**	(48,460)
Total contract assets	**2,409,573**	2,254,679
Total contract liabilities	**1,039,916**	1,067,850

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**877,719**	1,829,816

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
As of 1 January 2018						
Cost	3,504,885	9,472,657	49,003	81,767	3,012,613	16,120,925
Accumulated depreciation	(468,712)	(2,266,772)	(16,570)	(35,104)	–	(2,787,158)
Accumulated impairment provisions	–	(273,649)	(20)	(1,578)	–	(275,247)
Net book value	3,036,173	6,932,236	32,413	45,085	3,012,613	13,058,520
Year ended 31 December 2018						
Opening net book value	3,036,173	6,932,236	32,413	45,085	3,012,613	13,058,520
Additions	794	48,065	6,696	7,510	4,941,571	5,004,636
Transfers	359,737	3,187,701	–	6,853	(3,554,291)	–
Disposals	(3,603)	(156,754)	(2,343)	(13)	–	(162,713)
Disposals of subsidiaries	(36,821)	(580,823)	–	(321)	–	(617,965)
Depreciation charge	(124,905)	(632,960)	(5,238)	(14,969)	–	(778,072)
Closing net book value	3,231,375	8,797,465	31,528	44,145	4,399,893	16,504,406
As of 31 December 2018						
Cost	3,817,239	11,339,757	51,521	91,725	4,399,893	19,700,135
Accumulated depreciation	(585,864)	(2,516,392)	(19,984)	(47,443)	–	(3,169,683)
Accumulated impairment provisions	–	(25,900)	(10)	(136)	–	(26,046)
Net book value	3,231,375	8,797,465	31,527	44,146	4,399,893	16,504,406
Year ended 31 December 2019						
Opening net book value	**3,231,375**	**8,797,465**	**31,527**	**44,146**	**4,399,893**	**16,504,406**
Additions	**1,932**	**83,446**	**5,670**	**9,464**	**3,546,613**	**3,647,125**
Transfers	**103,421**	**442,458**	**–**	**78**	**(545,957)**	**–**
Disposals	**(17,165)**	**(8,297)**	**(1,297)**	**(1,254)**	**–**	**(28,013)**
Depreciation charge	**(135,060)**	**(689,060)**	**(5,720)**	**(15,805)**	**–**	**(845,645)**
Closing net book value	**3,184,503**	**8,626,012**	**30,180**	**36,629**	**7,400,549**	**19,277,873**
As of 31 December 2019						
Cost	**3,901,743**	**11,851,494**	**53,741**	**98,870**	**7,400,549**	**23,306,397**
Accumulated depreciation	**(717,240)**	**(3,199,582)**	**(23,551)**	**(62,105)**	**–**	**(4,002,478)**
Accumulated impairment provisions	**–**	**(25,900)**	**(10)**	**(136)**	**–**	**(26,046)**
Net book value	**3,184,503**	**8,626,012**	**30,180**	**36,629**	**7,400,549**	**19,277,873**

6 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation expense has been charged as below:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**773,940**	707,202
Selling and marketing expenses	**380**	397
General and administrative expenses	**49,514**	58,406
Capitalised in inventories	**21,811**	12,067
	845,645	778,072

For the year ended 31 December 2019, interest expenses of RMB189,529,000 (2018: RMB76,840,000) were capitalised in property, plant and equipment at average interest rate of 5.17% (2018: 5.08%).

As of 31 December 2019, the Group's buildings, machinery and equipment and construction in progress with original book value of RMB6,307,236,000 were pledged as securities for Group's borrowings (31 December 2018: RMB14,863,338,000) (Note 21).

7 LEASES

(i) Amounts recognised in the balance sheet

	As of 31 December 2019 RMB'000	As of 1 January 2019 RMB'000
Right-of-use assets		
Land use rights (Note(a))	**554,329**	558,755
Leasehold land	**132,336**	143,907
	686,665	702,662
Lease liabilities		
Current	**826**	3,300
Non-current	**50,227**	51,822
	51,053	55,122

7 LEASES (continued)

(i) Amounts recognised in the balance sheet (continued)

(a) The Group has land lease arrangement with mainland China government.

For the year ended 31 December 2019, additions to the right-of-use assets were RMB13,170,000.

(ii) Amounts recognised in the statement of comprehensive income

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Depreciation charge of right-of-use assets		
Land use rights	**(17,516)**	—
Leasehold land	**(9,445)**	—
	(26,961)	—
Interest expense (included in finance expenses)	**(2,531)**	—
Expense relating to short-term leases and low-value assets (included in cost of sales, selling and marketing expenses and administrative expenses)	**(34,326)**	—

For the year ended 31 December 2019, depreciation of RMB8,253,000 was included in "general and administrative expenses", RMB18,708,000 was included in "cost of sales".

Except for the amounts recognised in the statement of comprehensive income, depreciation of right-of-use assets amounting to RMB2,206,000 was included in "construction in progress" of the Group.

For the year ended 31 December 2019, the total cash outflow for leases was RMB19,769,000.

(iii) The Group's leasing activities and how these are accounted for

The Group's leases are mainly rentals of land use rights. Rental contracts are typically made for fixed periods of 20 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

As of 31 December 2019, the Group's land use rights with the original book value of RMB141,321,000 were pledged as security for Group's borrowings (Note 21).

8 LAND USE RIGHTS

	RMB'000
As of 1 January 2018	
Cost	626,263
Accumulated amortisation	(68,424)
Net book value	557,839
Year ended 31 December 2018	
Opening net book value	557,839
Additions	17,643
Amortisation charge	(16,727)
Closing net book value	558,755
As of 31 December 2018	
Cost	643,906
Accumulated amortisation	(85,151)
Net book value	558,755
Year ended 31 December 2019	
Opening net book value	**558,755**
Adjustment for change in accounting policy (Note 2.1.2)	**(558,755)**
Closing net book value	**–**

For the year ended 31 December 2018, amortisation of RMB8,148,000 was included in "general and administrative expenses", RMB8,089,000 was included in "cost of sale" and RMB490,000 was included in "construction in progress" of the Group.

For the year ended 31 December 2018, the Group's land use rights with the original book value of RMB375,811,000 were pledged as security for long-term borrowings (Note 21).

9 INTANGIBLE ASSETS

	Patent and proprietary technologies RMB'000	Software RMB'000	Total RMB'000
As of 1 January 2018			
Cost	125,348	31,612	156,960
Accumulated amortisation	(94,906)	(12,798)	(107,704)
Impairment	(2,696)	(50)	(2,746)
Net book value	27,746	18,764	46,510
Year ended 31 December 2018			
Opening net book value	27,746	18,764	46,510
Additions	60,586	15,384	75,970
Disposals	(4)	—	(4)
Amortisation charge	(11,388)	(4,225)	(15,613)
Closing net book value	76,940	29,923	106,863
As of 31 December 2018			
Cost	185,927	43,618	229,545
Accumulated amortisation	(106,291)	(13,645)	(119,936)
Impairment	(2,696)	(50)	(2,746)
Net book value	76,940	29,923	106,863
Year ended 31 December 2019			
Opening net book value	**76,940**	**29,923**	**106,863**
Additions	**—**	**13,936**	**13,936**
Amortisation charge	**(16,706)**	**(7,476)**	**(24,182)**
Closing net book value	**60,234**	**36,383**	**96,617**
As of 31 December 2019			
Cost	**185,927**	**57,554**	**243,481**
Accumulated amortisation	**(122,997)**	**(21,121)**	**(144,118)**
Impairment	**(2,696)**	**(50)**	**(2,746)**
Net book value	**60,234**	**36,383**	**96,617**

9 INTANGIBLE ASSETS (continued)

The Group's patent and proprietary technologies represent solar energy, monocrystalline silicon, silicon dioxide and polycrystalline silicon related proprietary technologies that were mainly purchased from third parties and transmission technology that were developed by the Group.

The amortisation expense has been charged as below:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**10,896**	10,086
General and administrative expenses	**6,309**	5,527
Capitalised in inventories	**6,977**	—
	24,182	15,613

10 FINANCIAL INSTRUMENTS BY CATEGORY

	As of 31 December	
	2019	2018
Financial assets	**RMB'000**	RMB'000
Financial assets at amortised cost		
— Trade and notes receivable held to collect (Note 15)	**3,442,213**	2,921,281
— Tariff adjustment receivables (Note 16)	**1,169,638**	714,083
— Other receivables (Note 17)	**380,004**	415,969
— Cash and bank balances (Note 18)	**4,057,206**	6,166,595
Financial assets at FVOCI		
— Unlisted equity investment	**1,000**	1,000
— Notes receivable held to collect and sell (Note 15)	**431,639**	719,652
	9,481,700	10,938,580

10 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities	As of 31 December 2019 RMB'000	2018 RMB'000
Financial liabilities at amortised cost		
— Trade and notes payable (Note 23)	**8,343,280**	7,788,493
— Provisions and other payables	**1,452,598**	1,877,664
— Borrowings (Note 21)	**16,089,215**	12,948,460
— Lease liabilities (Note 7)	**51,053**	—
	25,936,146	22,614,617

11 SUBSIDIARIES

The following is a list of the principal subsidiaries, all of which are incorporated and operated in the PRC:

Name	Places of incorporation and kind of legal entity	Principal activities	As of 31 December 2019 Registered capital RMB'000	As of 31 December 2019 Equity interests held by the Group (%)	As of 31 December 2018 Registered capital RMB'000	As of 31 December 2018 Equity interests held by the Group (%)
TBEA Xinjiang New Energy Co., Ltd. (特變電工新疆新能源股份有限公司) ("Xinjiang New Energy")	The PRC, limited liability company	ECC in Mainland China	**4,110,903**	**69.31%**	2,999,477	78.53%
Xinjiang Xinte Crystal Silicon Hightech Co., Ltd. (新疆新特晶體硅高科技有限公司)	The PRC, limited liability company	Production of polysilicon in Mainland China	**1,739,160**	**92.34%**	1,333,300	90.00%
TBEA Xi'an Electrical Technology Co., Ltd. (特變電工西安電氣科技有限公司)	The PRC, limited liability company	Production of invertor products in Mainland China	**200,000**	**100.00%**	150,000	100.00%
TBEA Xi'an Flexible Power Transmission & Distribution Co., Ltd. (特變電工西安柔性輸配電有限公司)	The PRC, limited liability company	Production of static var generator products in Mainland China	**50,000**	**100.00%**	50,000	100.00%

11 SUBSIDIARIES (continued)

Name	Places of incorporation and kind of legal entity	Principal activities	As of 31 December 2019 Registered capital RMB'000	As of 31 December 2019 Equity interests held by the Group (%)	As of 31 December 2018 Registered capital RMB'000	As of 31 December 2018 Equity interests held by the Group (%)
Shanxi TBEA New Energy Co., Ltd. (陝西特變電工新能源有限公司)	The PRC, limited liability company	ECC in Mainland China	**42,230**	**100.00%**	42,230	100.00%
Xi'an TBEA Electric Power Design Co., Ltd. (西安特變電工電力設計有限責任公司)	The PRC, limited liability company	Consulting, design, research and development in Mainland China	**20,999**	**66.09%**	20,999	66.09%
Zhengxiang Baiqi Fengsheng Power Generation Co., Ltd (正鑲白旗風盛發電有限公司)	The PRC, limited liability company	Sales of electricity in Mainland China	**732,939**	**100.00%**	727,939	100.00%
Hami Fengshang Power Generation Co.,Ltd. (哈密風尚發電有限責任公司)	The PRC, limited liability company	Sales of electricity in Mainland China	**384,577**	**100.00%**	384,577	100.00%
Hami Huafeng New Energy Power Generation Co., Ltd. (哈密華風新能源發電有限公司)	The PRC, limited liability company	Sales of electricity in Mainland China	**301,624**	**100.00%**	301,624	100.00%
Guyang Country Power Generation Co., Ltd. (固陽縣風源發電有限責任公司)	The PRC, limited liability company	Sales of electricity in Mainland China	**194,650**	**100.00%**	194,650	100.00%
Yuxian Huaguang Solar Electric Power Generation Co., Ltd (盂縣華光光伏發電有限公司)	The PRC, limited liability company	Sales of electricity in Mainland China	**153,946**	**100.00%**	153,946	100.00%

All English names represent the Company's directors' best effort of translations and are for reference only. The official names of these entities are in Chinese.

11 SUBSIDIARIES (continued)

Material non-controlling interests

The balance of total non-controlling interests as of 31 December 2019 is RMB2,425,233,000 (31 December 2018: RMB1,268,816,000), of which RMB2,282,465,000 (31 December 2018: RMB1,125,617,000) is for Xinjiang New Energy. The non-controlling interests in respect of other subsidiaries are not material.

Set out below are the summarised financial information for the subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Current		
Assets	**14,427,673**	13,219,889
Liabilities	**(9,939,040)**	(9,622,077)
Total current net assets	**4,488,633**	3,597,812
Non-current		
Assets	**11,627,765**	7,612,026
Liabilities	**(8,729,608)**	(5,958,604)
Total non-current net assets	**2,898,157**	1,653,422
Net assets	**7,386,790**	5,251,234
Net assets allocated to non-controlling interests	**2,282,465**	1,125,617

11 SUBSIDIARIES (continued)

Material non-controlling interests (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**6,312,350**	8,481,331
Profit before income tax	**431,544**	423,382
Income tax expense	**(33,130)**	(9,500)
Profit for the year	**398,414**	413,882
Total comprehensive income allocated to non-controlling interests	**115,051**	4,606

Summarised cash flows

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cash flows from operating activities		
Cash (used in)/generated from operations	**(945,575)**	730,726
Income tax paid	**(61,660)**	(19,927)
Net cash (used in)/generated from operating activities	**(1,007,235)**	710,799
Net cash used in investing activities	**(3,067,969)**	(553,396)
Net cash generated from financing activities	**2,889,831**	1,418,394
Net (decrease)/increase in cash and cash equivalents	**(1,185,373)**	1,575,797
Cash and cash equivalents at beginning of the year	**3,622,450**	2,030,506
Exchange (losses)/gains on cash and cash equivalents	**(4,570)**	16,147
Cash and cash equivalents at end of the year	**2,432,507**	3,622,450

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group's investments accounted for using the equity method represent investment in associates, all of which are incorporated and operated in the PRC. These companies are private companies and there is no quoted price available for its shares.

As of 31 December 2019 and 2018, in the opinion of the directors of the Company, no associates are considered individually material to the Group. Movements of investments in associates are set out as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**140,969**	113,593
Transfer from project companies to associates (Note (b))	**73**	54,425
Capital injections (Note (c))	**475,581**	17,701
Share of profit	**34,448**	14,243
Elimination of transactions with associates, net of tax (Note (d))	**(1,904)**	(15,802)
Disposal	**(4,200)**	(43,191)
At end of the year	**644,967**	140,969

(a) There are no contingent liabilities relating to the Group's interests in the associates.

(b) Under normal operation of the ECC service business, the Group establishes various subsidiaries as the owner of solar power plant projects to be disposed in future (these entities are refer as "Project Companies" thereafter). Before a buyer is identified, all construction costs in progress pertaining to these projects are recognised as inventories in the consolidated balance sheet. These ECC projects will be sold to third-party customers by way of transferring the equity interests in these Project Companies. These subsidiaries have no commercial operation other than the holding of the relevant ECC projects. In the opinion of the directors of the Company, the disposal of equity interests in these Project Companies is in substance the sales of inventories held by the Group.

The Group sold ECC projects to third party customers by way of transferring equity interests in the relevant project companies. The Group retained equity interests ranging from 20% to 50% in some of these disposed Project Companies and continue to exercise significant influence or joint control by virtue of its contractual right to appoint at least one director to the board of directors and has power to participate in the financial and operating policy decisions. Accordingly, these relevant Project Companies are accounted for as associates or joint venture after the disposal.

During the year ended 31 December 2019, initial investments amounting to RMB73,000 (2018:RMB54,425,000) represented the proportionate share of the estimated value of the relevant Project Companies at the date of the disposal.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(c) During the year ended 31 December 2019, the Group made capital injections to its associates and joint ventures amounting to RMB475,581,000 (2018: RMB17,701,000):

On September 2019, the Company, Hongshan Fund and Urumqi Fund Management Co., have entered into the Partnership Agreement for the establishment of Urumqi Strategic Emerging Industry Xinte Energy Guiding Fund (Limited Partnership) (the "Fund"). The Fund intends to invest in the enterprises established in Urumqi, which are engaged in strategic emerging industries such as high-end equipment manufacturing and new material manufacturing. The capital contribution committed by the Company was RMB300,000,000 which accounted for 49.75% of the Fund.

The Company is a limited partner and has jointly control power of the financial and operation decisions of the Fund. Accordingly, it is recognised as "investments accounted for using the equity method".

The remaining RMB175,581,000 are further capital injections to the existing associates of the Group.

(d) Since the Group sold inventories and provided construction services to its associates ("Downstream Transactions"), the unrealised profits resulting from such transactions are eliminated against the carrying amount of its investment in associates. As a result, the deferred income tax arising from the elimination are charged to the carrying amount of the investment in associates, with corresponding adjustments in statement of comprehensive income within "Share of profit of investments accounted for using the equity method". When the related assets are disposed of or consumed by the associate, or the associates are disposed by the Group, the unrealised profit, as well as the corresponding tax adjustment, will be reversed. The table blow summarised the financial impact arising from the Downstream Transactions in the year ended 31 December 2019 and 2018.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Elimination effect arising from Downstream Transactions with associates	**(2,239)**	(18,591)
Relevant tax effect	**335**	2,789
Elimination of transactions with associates, net of tax	**(1,904)**	(15,802)

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Summarised financial information for associates

Set out below are the summarised financial information in aggregate for all individually immaterial associates, which are accounted for using the equity method.

Summarised statement of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**401,319**	273,367
Operating profit	**103,256**	42,589
Income tax expense	**(6,379)**	(1,793)
Profit for the year	**96,877**	40,796
Total comprehensive income	**96,877**	40,796

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

13 DEFERRED INCOME TAX

(a) Deferred tax assets

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Deferred tax assets:		
Deferred tax assets to be recovered within 12 months	**143,624**	126,666
Deferred tax assets to be recovered after more than 12 months	**55,151**	51,311
	198,775	177,977

13 DEFERRED INCOME TAX (continued)

(a) Deferred tax assets (continued)

The gross movement of the Group's deferred income tax account is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**177,977**	179,663
Credited/(debited) to the consolidated statements of comprehensive income (Note 30)	**20,798**	(1,686)
End of the year	**198,775**	177,977

The movements in deferred tax assets of the Group during the year ended 31 December 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Impairment provision of assets RMB'000	Government grants RMB'000	Taxable losses RMB'000	Others RMB'000	Total RMB'000
As of 1 January 2018	81,681	45,506	22,220	30,256	179,663
(Debited)/credited to the consolidated statement of comprehensive income	(39,730)	5,286	46,243	(13,485)	(1,686)
As of 31 December 2018	41,951	50,792	68,463	16,771	177,977
Credited/(debited) to the consolidated statement of comprehensive income	15,534	5,366	(13,681)	13,579	20,798
As of 31 December 2019	**57,485**	**56,158**	**54,782**	**30,350**	**198,775**

Others mainly represent unrealised profit of inter-group transactions, accrued warranty provision and unpaid salary.

13 DEFERRED INCOME TAX (continued)

(a) Deferred tax assets (continued)

As of 31 December 2019, the Group did not recognise deferred tax assets as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Taxable losses	**38,831**	33,082
Other temporary differences	**360**	360
	39,191	33,442

Deferred tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As of 31 December 2019, the Group did not recognise deferred tax assets of RMB38,831,000 (31 December 2018: RMB33,082,000) in respect of tax losses amounting to RMB179,465,000 (31 December 2018: RMB149,933,000), as the directors of the Company believe it is more likely than not that such tax losses would not be utilised before they expire.

	As of 31 December	
	2019	2018
Year of expiry	**RMB'000**	RMB'000
2019	**—**	839
2020	**8,915**	9,073
2021	**11,891**	11,891
2022	**40,173**	62,144
2023	**62,950**	65,986
2024	**55,536**	—
	179,465	149,933

13 DEFERRED INCOME TAX (continued)

(b) Deferred tax liabilities

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**123,497**	78,742
Charged to the consolidated statements of comprehensive income (Note 30)	**29,623**	44,755
End of the year	**153,120**	123,497

The movements in deferred tax liabilities of the Group during the year ended 31 December 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated depreciation of fixed assets RMB'000
As of 1 January 2018	78,742
Charged to the consolidated statement of comprehensive income	44,755
As of 31 December 2018	123,497
Charged to the consolidated statement of comprehensive income	29,623
As of 31 December 2019	**153,120**

14 INVENTORIES

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Raw materials	**629,671**	443,567
Finished goods	**245,387**	118,792
Work in progress	**218,121**	191,065
Power plants under development and held for sale	**2,095,617**	2,263,176
Spare parts	**15,371**	11,951
	3,204,167	3,028,551
Less: provision for impairment	**(166,423)**	(113,430)
	3,037,744	2,915,121

Movements of Group's provision for inventories are analysed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**113,430**	64,260
Additions	**70,144**	78,390
Write-off	**(17,151)**	(29,220)
End of the year	**166,423**	113,430

As of 31 December 2019, the Group's inventories with the original book value of RMB753,691,000 (31 December 2018: RMB1,063,139,000) were pledged as security for long-term borrowings (Note 21).

For the year ended 31 December 2019, the Group's total cost of inventories recognised in profit or loss was RMB3,582,179,000 (2018: RMB5,566,001,000).

15 TRADE AND NOTES RECEIVABLE

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables	**2,936,083**	2,428,942
Notes receivable	**1,078,993**	1,282,442
	4,015,076	3,711,384
Less: provision for impairment	**(141,224)**	(70,451)
	3,873,852	3,640,933

Notes receivable of the Group are mainly bank acceptance notes and trade acceptance notes with maturity dates within six months to one year.

The measurement category of notes receivable were as follows:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Notes receivable at amortised cost	**647,354**	562,790
Notes receivable at FVOCI	**431,639**	719,652
	1,078,993	1,282,442

As of 31 December 2019, the Group's trade receivables with the original book value of RMB553,412,000 (31 December 2018: RMB304,765,000) were pledged as security for long-term bank borrowings (Note 21).

15 TRADE AND NOTES RECEIVABLE (continued)

Aging analysis of the Group's gross trade receivables based on the invoice date at the respective balance sheet dates is as follows:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Within 3 months	**806,044**	1,134,036
3 months to 6 months	**231,813**	260,277
6 months to 1 year	**1,000,836**	367,179
1 year to 2 years	**502,988**	542,777
2 years to 3 years	**370,680**	41,561
Over 3 years	**23,722**	83,112
	2,936,083	2,428,942

As of 31 December 2019, trade receivables of RMB2,936,083,000 (31 December 2018: RMB2,428,942,000) was partially impaired. The amount of the related provisions for impairment pertaining to these receivables was approximately RMB141,224,000 as of 31 December 2019 (31 December 2018: RMB70,451,000).

Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**70,451**	127,664
Additions	**159,789**	57,250
Reversal	**(86,764)**	(108,069)
Write-off	**(2,252)**	(6,394)
End of the year	**141,224**	70,451

As of 31 December 2019 and 2018, the carrying amounts of trade and notes receivable approximated their fair values.

15 TRADE AND NOTES RECEIVABLE (continued)

The carrying amounts of the Group's trade and notes receivable are denominated in the following:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**3,821,949**	3,554,740
USD	**51,903**	81,997
PKR	**—**	4,196
	3,873,852	3,640,933

16 OTHER CURRENT/NON-CURRENT ASSETS

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Prepayments to suppliers	**2,199,692**	405,809
Prepayments for purchase of property, plant and equipment	**2,139,651**	408,202
Value-added tax recoverable (Note (a))	**1,395,104**	1,151,916
Prepaid income tax	**95,828**	80,762
Tariff adjustment receivables (Note (b))	**1,169,638**	714,083
Guarantee deposit for other borrowings (Note 21(b))	**—**	15,000
Others	**40,927**	40,664
	7,040,840	2,816,436
Less: current portion of		
— Prepayments to suppliers	**(2,199,692)**	(405,809)
— Value-added tax recoverable (Note (a))	**(310,787)**	(546,427)
— Prepaid income tax	**(95,828)**	(80,762)
— Guarantee deposit for other borrowings (Note 21(b))	**—**	(15,000)
	(2,606,307)	(1,047,998)
	4,434,533	1,768,438

(a) Value-added tax ("VAT") recoverable represents the input VAT relating to purchase of property, plant and equipment, which can be deducted from the output VAT arising from future sales.

(b) Tariff adjustment receivables represented the subsidies from the PRC government on renewable energy projects in China based on nationwide government policies.

17 OTHER RECEIVABLES

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Staff advances	**48,212**	45,389
Project development cost receivables	**108,402**	161,661
Deposits as guarantee for contract execution	**36,317**	63,530
Receivables from TBEA	**39,128**	67,737
Loans to the third parties	**91,349**	23,481
Others	**68,255**	60,070
Total other receivables	**391,663**	421,868
Less: provision for impairment	**(11,659)**	(5,899)
	380,004	415,969

As of 31 December 2019 and 2018, the carrying amounts of the Group's other receivables approximated their fair values due to short maturity.

Movements on the Group's allowance for impairment of other receivables are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**5,899**	13,418
Addition	**16,688**	13,540
Reversal	**(7,891)**	(20,263)
Write-off	**(3,037)**	(796)
End of the year	**11,659**	5,899

18 CASH AND BANK BALANCES

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Restricted cash:		
Bank deposits	**1,310,161**	2,310,187
Cash and cash equivalents:		
Cash in bank	**2,747,045**	3,856,408
Total cash and bank balances	**4,057,206**	6,166,595

The restricted bank deposits were held as security for Letter of Credit, Letter of Guarantee, Factoring, Bank Acceptance Bill.

Cash and bank were denominated in the following currencies:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**3,873,423**	5,563,196
HKD	**161**	166
USD	**165,386**	501,904
PKR	**10,248**	72,213
Others	**7,988**	29,116
	4,057,206	6,166,595

19 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares (thousands)	Nominal value RMB'000	Share premium RMB'000
As of 1 January 2019	1,045,005	1,045,005	4,945,506
Issue of shares (Note (a))	154,995	154,995	1,050,865
Transactions with non-controlling interests (Note (b))	—	—	(38,966)
As of 31 December 2019	**1,200,000**	**1,200,000**	**5,957,405**

(a) The Group completed the issuance of 154,994,838 domestic shares on 15 February 2019 to its ultimate holding company, TBEA with nominal value of RMB1.00 each at a price of HKD8.80 per share. The total proceeds from the issuance was approximately HKD1,363,955,000 (equivalent to approximately RMB1,205,860,000), with which share capital increased by approximately RMB154,995,000.

(b) For the year ended 31 December 2019, Xinjiang Socus Silicon Co.,Ltd. and BoCom Financial Asset Investment Co., Ltd. injected cash amounting to RMB5,000,000 and RMB1,000,000,000 respectively to the subsidiaries of the Company. The Company's interests in the subsidiary was changed due to such capital injection but did not result in loss of control. The Group treated it as equity transaction. The difference between its shares of the net assets of subsidiaries before and after the injection was recorded in equity.

20 OTHER RESERVES

	Surplus reserve RMB'000	Other reserves RMB'000	Total RMB'000
As of 1 January 2018	232,602	224,708	457,310
Appropriation of surplus reserve (Note (a))	67,739	—	67,739
Currency translation differences	—	(84)	(84)
As of 31 December 2018	300,341	224,624	524,965
Appropriation of surplus reserve (Note (a))	16,414	—	16,414
Share-based payments (Note (b))	—	12,608	12,608
Currency translation differences	—	60	60
As of 31 December 2019	**316,755**	**237,292**	**554,047**

(a) In accordance with the Company Law of the PRC and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. For the year ended 31 December 2019, according to a resolution of the board of directors, the Company made appropriation of statutory surplus reserve amounting to RMB16,414,000 (2018: RMB67,739,000).

(b) During the year ended 31 December 2019, 68,750,000 share options of TBEA were granted to Group's certain directors and employees at a price of RMB7.64 per option for their services rendered to the Group. These share options would vest at the rate of 30%, 30% and 40% respectively for each anniversary commencing from 16 months after the grant date, subject to TBEA and the Group achieving their target growth in profit over the vesting period.

20 OTHER RESERVES (continued)

Movements in the number of share options granted and related fair value are as follows:

	Year ended 31 December 2019 Average exercise price per share options RMB	Number of share options (thousands)
As of 1 January	—	—
Granted during the year	7.64	68,750
Forfeited during the year	7.64	(20,625)
Exercised during the year	—	—
As of 31 December	7.64	48,125

Fair value of options granted

The assessed fair value of options granted on 8 May 2019 was ranged from RMB0.75 to RMB1.27. The fair value at grant date is independently determined using an adjusted form of the Black Scholes Model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option.

For the year ended 31 December 2019, the share-based compensation expense recognized in the consolidated statement of comprehensive income as employee benefit expenses were RMB12,608,000 (2018: none).

21 BORROWINGS

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Long-term borrowings		
Bank borrowings:		
— Secured (Note (a))	**11,289,686**	7,372,870
— Unsecured	**1,565,217**	768,500
Other borrowings:		
— Secured (Note (b))	**728,000**	920,900
— Unsecured (Note (c))	**420,000**	—
Less: current portion of long-term borrowings	**(1,181,197)**	(963,270)
Total non-current borrowings	**12,821,706**	8,099,000
Short-term borrowings		
Bank borrowings:		
— Secured (Note (a))	**60,560**	62,910
— Unsecured	**980,752**	3,415,198
	1,041,312	3,478,108
Other borrowings:		
— Secured (Note (b))	**—**	308,082
— Unsecured (Note (c))	**1,045,000**	—
— Debentures (Note (d))	**—**	100,000
	1,045,000	408,082
Current portion of long-term borrowings	**1,181,197**	963,270
Total current borrowings	**3,267,509**	4,849,460
Total borrowings	**16,089,215**	12,948,460

21 BORROWINGS (continued)

The maturities of the Group's total borrowings at the balance sheet date are repayable as follows:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**3,267,509**	4,849,460
1 year to 2 years	**2,478,996**	1,364,532
2 years to 5 years	**5,031,215**	2,847,843
Over 5 years	**5,311,495**	3,886,625
	16,089,215	12,948,460

The currency of the borrowings at the balance sheet date:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**16,089,215**	12,680,525
USD	**—**	267,935
	16,089,215	12,948,460

(a) As of 31 December 2019, secured short-term bank borrowings with amount of RMB60,560,000 (2018: RMB62,910,000) were pledged with the Group's certain land use rights (Note 7 and 8) and property, plant and equipment (Note 6) and proprietary technology.

As of 31 December 2019, secured long-term bank borrowings with amount of RMB11,289,686,000 (2018: RMB7,372,870,000) were guaranteed by TBEA, the Company and pledged with the Group's certain inventory (Note 14), land use rights (Note 7 and 8), property, plant and equipment (Note 6) and receivable collection right, respectively.

21 BORROWINGS (continued)

(b) As of 31 December 2018, secured short-term other borrowings with amount of RMB308,082,000 were pledged with the Group's certain property, plant and equipment and guarantee deposit of cash amounting to RMB15,000,000.

As of 31 December 2018, secured long-term other borrowings with amount of RMB32,400,000 were guaranteed by Xinjiang New Energy.

As of 31 December 2018, secured long-term other borrowings with amount of RMB400,000,000 were pledged with Group's certain inventory.

As of 31 December 2019, secured long-term other borrowings with amount of RMB728,000,000 (2018: RMB488,500,000) were guaranteed by the bank credit.

(c) As of 31 December 2019, unsecured short-term other borrowings with amount of RMB1,045,000,000 and unsecured long-term other borrowings with amount of RMB420,000,000 were borrowed from TBEA Group Finance Co., Ltd. (Note 36).

(d) The Group has issued debentures in 17 April 2018 at par value of RMB100,000,000 with a maturity of 1 year from issuance and interest rate of 5.50% per annum.

(e) For the year ended 31 December 2019, the average interest rates of borrowings ranged from 4.00% to 5.88% (2018: from 1.20% to 5.92%).

(f) The Group has the following undrawn bank borrowing facilities:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Expiring within 1 year	**4,182,144**	5,567,582
Expiring beyond 1 year	**1,769,879**	1,624,820
	5,952,023	7,192,402

22 DEFERRED GOVERNMENT GRANTS

As of 31 December 2019 and 2018, deferred government grants mainly represented cost-related government grants received with respect to encouraging the research and development activities and asset-related grants in connection with the infrastructure construction of solar power projects and production of polysilicon.

23 TRADE AND NOTES PAYABLE

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables	**3,666,536**	3,650,785
Notes payable	**4,676,744**	4,137,708
	8,343,280	7,788,493

The aging analysis of trade payables based on the invoice date is as follows:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**2,532,985**	2,714,555
1 year to 2 years	**660,810**	510,710
2 years to 3 years	**219,058**	277,454
Over 3 years	**253,683**	148,066
	3,666,536	3,650,785

As of 31 December 2019 and 2018, the carrying amounts of trade and notes payable approximated their fair values due to short maturity.

The carrying amounts of the Group's trade and notes payable are denominated in the following currencies:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**8,321,663**	7,754,812
USD	**11,977**	29,861
Others	**9,640**	3,820
	8,343,280	7,788,493

24 PROVISIONS AND OTHER PAYABLES

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Payables relating to purchase of property, plant and equipment	**1,154,517**	1,392,789
Deposits	**103,613**	142,068
Warranty provisions (Note (a))	**24,825**	32,223
Accrued wages and other benefits	**142,697**	98,369
Tax payable other than income taxes	**131,815**	94,833
Dividends payable	**118,343**	264,363
Others	**53,154**	52,428
	1,728,964	2,077,073

(a) Movements on the Group's provision for warranty expenses are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**32,223**	50,581
Additional provisions	**49,731**	77,740
Utilisation	**(49,113)**	(87,000)
Reversal	**(8,016)**	(9,098)
End of the year	**24,825**	32,223

25 EXPENSE BY NATURE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	**(122,623)**	946,582
Raw materials, equipment and consumables	**3,436,151**	5,246,620
Subcontract costs	**1,184,164**	1,132,136
Depreciation and amortisation	**874,166**	797,855
Employee benefit expenses (Note 28)	**813,032**	679,061
Transportation	**339,431**	271,011
Utilities	**245,122**	242,178
Repair and maintenance	**126,032**	276,193
Taxation	**71,053**	38,944
Impairment of assets (Notes 6 and 14)	**70,144**	78,390
Travelling expenses	**46,812**	52,631
Warranty expenses (Note 24)	**41,715**	68,642
Rental expenses	**34,326**	42,268
Auditor's remuneration	**5,230**	4,668
— audit and related services	**4,200**	4,200
— non-audit services	**1,030**	468
Others	**706,644**	779,250
	7,871,399	10,656,429

26 OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Government grants	**52,085**	79,769
Sales of raw materials	**28,459**	12,965
Others	**3,675**	3,867
	84,219	96,601

For the year ended 31 December 2019, the Group's government grant income included amortisation of asset-related government grants with amount of RMB25,747,000 (2018: RMB40,207,000).

27 OTHER GAINS — NET

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Gains/(Losses) on disposal of property, plant and equipment	**2,727**	(770)
Gains on compensations and penalties	**7,763**	9,476
Donations	**(720)**	(30)
Net exchange gains/(losses) arising from other than borrowings	**6,297**	(5,898)
Gains on disposal of subsidiaries and associates	**782**	46,596
Others	**5,847**	(10,618)
	22,696	38,756

28 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages and salaries	**685,472**	583,951
Social insurance costs	**85,295**	72,681
Welfare benefits	**29,657**	22,429
Share-based payment (Note 20)	**12,608**	—
	813,032	679,061

(a) Five highest paid individuals

For the year ended 31 December 2019, the five individuals whose emoluments were the highest in the Group were as follows:

	Number of individuals	
	Year ended 31 December	
	2019	2018
Directors	**3**	3
Non-director individuals	**2**	2
	5	5

28 EMPLOYEE BENEFIT EXPENSES (continued)

(a) Five highest paid individuals (continued)

The Directors' emoluments are disclosed in Note 39. The emoluments of the remaining individuals were as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Basic salaries and allowances	**2,007**	2,220
Discretionary bonuses	**431**	475
Share-based compensation	**123**	—
	2,561	2,695

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2019	2018
Emolument bands		
HKD1,000,000 and below	**–**	—
HKD1,000,001 to HKD1,500,000	**2**	—
HKD1,500,001 to HKD2,000,000	**–**	2
	2	2

29 FINANCE EXPENSES — NET

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest expenses on borrowing	**721,526**	630,918
— Bank borrowings	**665,263**	607,821
— Other borrowings	**56,263**	23,097
Less: amounts capitalised	**(303,070)**	(255,498)
— in property, plant and equipment	**(189,529)**	(76,840)
— in inventories and contract assets	**(113,541)**	(178,658)
Net exchange (gains)/losses	**(3,866)**	6,653
Interest expenses payable for lease liabilities	**2,531**	—
Finance expenses	**417,121**	382,073
Interest income	**(41,157)**	(27,220)
	375,964	354,853

30 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current income tax expense	**36,316**	51,412
Deferred income tax expense (Note 13)	**8,825**	46,441
	45,141	97,853

30 INCOME TAX EXPENSE (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**561,934**	1,208,495
Tax expense calculated at statutory tax rate of 25%	**140,484**	302,124
Effect of difference between applicable preferential tax rate and statutory tax rate	**(67,510)**	(186,793)
Tax losses and other temporary differences for which no deferred tax assets were recognised	**13,884**	16,496
Utilisation of previously unrecognised temporary differences and tax losses	**(6,251)**	(938)
Elimination of transactions with associates (Note 12)	**476**	3,951
Expenses not deductible for taxation purposes	**7,294**	5,947
Tax credits and additional deduction entitlements	**(43,236)**	(42,934)
	45,141	97,853

Most of the companies now comprising the Group are subject to PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 25% on the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries were exempted or taxed at preferential rate of 15%.

Tax credits and additional deduction entitlements mainly represent research and development expenses eligible for additional tax deduction.

31 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2019.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	**402,642**	1,107,797
Weighted average number of ordinary shares in issue (thousands)	**1,174,167**	1,045,005
Basic earnings per share (RMB)	**0.34**	1.06

(b) Diluted

No dilutive effect on earnings per share for the years ended 31 December 2019 and 2018, as the Group had no dilutive potential ordinary shares.

32 DIVIDENDS

On the Board meeting held on 27 March 2020, the Board proposed, based on the total of 1,200 million shares in issue, payment of a final dividend of RMB0.06 per share for the year ended 31 December 2019, totalling RMB72,000,000. Such dividend is subject to the approval of the shareholders of the Company on the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements.

Final dividend of RMB0.15 per share for the year ended 31 December 2018, totalling RMB180,000,000 was approved in the annual general meeting of shareholders of the Company on 18 June 2019, and RMB62,412,000 has been paid as of 31 December 2019 (as of 31 December 2018: RMB83,216,000).

33 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cash generated from operations		
Profit before income tax	**561,934**	1,208,495
Adjustments for:		
— Provision for impairment of inventories	**70,144**	78,390
— Depreciation of property, plant and equipment	**823,834**	766,005
— Depreciation of right-of-use assets	**26,961**	—
— Amortisation of land use rights	**—**	16,237
— Amortisation of intangible assets and long-term prepayment	**23,371**	15,613
— Allowance/(reversal) for impairment of trade and other receivables	**81,822**	(57,542)
— (Reversal)/provision for impairment of contract assets	**(27,308)**	43,896
— Share of profit from investments accounted for using the equity method	**(34,783)**	(17,032)
— Share-based payment	**12,608**	—
— (Gains)/losses on disposal of property, plant and equipment	**(2,727)**	770
— Amortisation of asset-related deferred government grants	**(25,747)**	(40,207)
— Finance expenses — net	**375,964**	354,853
— Elimination effect arising from downstream transactions with associates	**2,239**	18,591
— Losses on disposal of investments accounted for using the equity method	**—**	691
— Gains on disposal of subsidiaries	**(782)**	(47,287)
Changes in working capital:		
— Inventories	**(2,497,230)**	85,311
— Trade and notes receivable	**(39,463)**	62,998
— Prepayments, other receivables, other current assets and other non-current assets	**(2,607,118)**	(138,153)
— Trade and notes payable	**1,779,083**	(621,861)
— Provisions and other payables	**245,035**	(445,743)
— Contract assets/liabilities	**(155,520)**	635,122
Cash (used in)/generated from operations	**(1,387,683)**	1,919,147

33 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) In the statement of cash flows, proceeds from sale of property, plant and equipment and intangible assets comprise:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net book amount of property, plant and equipment and intangible assets disposed (Note 6 and 9)	**28,013**	162,717
Gains/(Losses) on disposal of property, plant and equipment and intangible assets (Note 27)	**2,727**	(770)
Proceeds from disposal of property, plant and equipment and intangible assets	**30,740**	161,947

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2019	2018
Net debt	**RMB'000**	RMB'000
Cash and cash equivalents	**2,747,045**	3,856,408
Borrowings — repayable within one year (Note 21)	**(3,267,509)**	(4,849,460)
Borrowings — repayable after one year (Note 21)	**(12,821,706)**	(8,099,000)
Lease liabilities	**(51,053)**	—
Net debt	**(13,393,223)**	(9,092,052)
Cash and cash equivalents	**2,747,045**	3,856,408
Gross debt — variable and fixed interest rates	**(16,140,268)**	(12,948,460)
Net debt	**(13,393,223)**	(9,092,052)

33 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(c) Net debt reconciliation (continued)

		Liabilities from financing activities			
	Cash and cash equivalents RMB'000	Lease RMB'000	Borrow due within 1 year RMB'000	Borrow due after 1 year RMB'000	Total RMB'000
Net debt as of 1 January 2018	2,316,610	–	(4,794,472)	(6,487,970)	(8,965,832)
Cash flows	1,523,497	–	(86,336)	(2,469,077)	(1,031,916)
Other changes	–	–	38,001	858,047	896,048
Foreign exchange differences	16,301	–	(6,653)	–	9,648
Net debt as of 31 December 2018	3,856,408	–	(4,849,460)	(8,099,000)	(9,092,052)
Recognised on adoption of IFRS16 (Note 2.1.2)	–	(55,122)	–	–	(55,122)
Cash flows	(1,113,966)	6,600	1,578,085	(5,115,343)	(4,644,624)
Other changes	–	(2,531)	–	392,637	390,106
Foreign exchange differences	4,603	–	3,866	–	8,469
Net debt as of 31 December 2019	**2,747,045**	**(51,053)**	**(3,267,509)**	**(12,821,706)**	**(13,393,223)**

34 CONTINGENCY AND LITIGATION

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司) ("Jiangsu Zhongneng") filed a claim with Jiangsu Province People's Court against the Company for the infringement of certain patents and commercial secrets, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed by the Company, the Supreme People's Court of the PRC ruled that the case should be under the jurisdiction of Xinjiang Uygur Autonomous Region People's Court. In addition, Jiangsu Zhongneng withdrew its claim against the Company in relation to the infringement of intellectual property rights in December 2014. On 28 November 2019, the High People's Court of Xinjiang Uygur Autonomous Region made the first instance decision, and it believed that the claim of Jiangsu Zhongneng was not supported, and thus rejected the claim. The acceptance fee was borne by Jiangsu Zhongneng. As Jiangsu Zhongneng did not file an appeal within the stipulated period, the first instance decision came into effect and the case was closed. As such, no provision was made with respect to the aforementioned claim as of 31 December 2019.

Apart from the above, the Group has contingent liabilities in respect of claims or other legal proceedings arising in its ordinary course of business from time to time. As of 31 December 2019, the directors of the Company did not foresee that any material liabilities would arise from the contingent liabilities other than those provided in the consolidated financial statements.

35 COMMITMENTS

(a) Capital commitments

As of 31 December 2019, capital commitments with respect to capital expenditures of property, plant and equipment and long-term leases of land are as follows:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Contractual but not yet incurred	**742,856**	2,174,754

(b) Operating lease commitments

The Group leases various offices and warehouses under operating lease agreements. The future minimum lease payable under operating leases contracted for at the balance sheet dates but not recognised as liabilities, are as follows:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**3,848**	1,752
Between 1 to 5 years	**156**	309
	4,004	2,061

36 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) Significant transactions with related parties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
With parent company:		
— Sales of goods or services	**3,677**	4,311
— Rental expenses	**3,456**	9,952
— Procurement deposits	**—**	270
— Purchases of goods or services	**123,828**	291,184
With fellow subsidiaries:		
— Sales of goods or services	**6,445**	5,264
— Rental expenses	**115**	114
— Proceeds from borrowings	**1,465,000**	—
— Interest charged	**21,503**	—
— Interest received	**374**	—
— Other financial services	**435,536**	—
— Other financial services fee	**205**	—
— Procurement deposits	**—**	256
— Purchases of goods or services	**387,563**	595,227
With associates of parent company:		
— Sales of goods or services	**19,540**	20,058
— Purchases of goods or services	**50,350**	48,655
With associates:		
— ECC services provided	**129,460**	464,070
— Advances provided for project development	**4,634**	1,400
— Purchases of goods or services	**—**	9,634
With associates of a director of the Company:		
— Sales of goods	**2,853**	309
— Purchases of goods or services	**138,984**	251,820

36 RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions with related parties (continued)

These transactions are carried out on terms mutually agreed with the counter parties in the ordinary course of business.

(b) Key management compensation

The compensation paid or payable to key management is shown below:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries and bonuses	**15,322**	17,631
Pension and others	**603**	718
Share-based payments	**943**	—
	16,868	18,349

36 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Included in "trade and notes receivable"		
Receivable from:		
— parent company	**313**	578
— fellow subsidiaries	**1,995**	1,302
— associates of parent company	**6,322**	411
— associates	**70,134**	105,163
— associates of a director of the Company	**2**	43
	78,766	107,497
Included in "other current/non-current assets and other receivables"		
Prepaid to or receivable from:		
— parent company	**17,079**	94,739
— fellow subsidiaries	**13,290**	1,513
— associates of parent company	**86**	7
— associates	**4,634**	4,578
— associates of a director of the Company	**11,698**	39,313
	46,787	140,150
Included in "trade and notes payable"		
Payable to:		
— parent company	**6,564**	8,097
— fellow subsidiaries	**450,455**	71,300
— associates of parent company	**8,949**	4,772
— associates	**—**	6,818
— associates of a director of the Company	**42,400**	27,325
	508,368	118,312
Included in "provisions and other payables"		
Advances received from:		
— parent company	**479**	17
— fellow subsidiaries	**209**	8
— associates of parent company	**4**	30
— associates	**106,113**	40,517
— associates of a director of the Company	**24**	11
	106,829	40,583

36 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Included in "cash and cash equivalents"		
— fellow subsidiaries	**146,908**	—
Included in "borrowings"		
— fellow subsidiaries	**1,465,000**	—

37 EVENTS AFTER THE BALANCE SHEET DATE

On the board meeting held on 27 March 2020, the board of directors proposed a final dividend of RMB0.06 per share for the year ended 31 December 2019 (Note 32).

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**7,208,967**	7,322,584
Land use rights	**—**	195,467
Right-of-use assets	**190,742**	—
Intangible assets	**3,375**	11,372
Investments in subsidiaries	**5,718,398**	4,160,538
Deferred tax assets	**68,809**	42,762
Other non-current assets	**63,899**	77,251
Total non-current assets	**13,254,190**	11,809,974
Current assets		
Inventories	**380,733**	335,296
Other current assets	**127,273**	145,001
Trade and notes receivable	**1,030,228**	378,462
Other receivables	**1,325,471**	1,465,015
Restricted cash	**323,029**	375,734
Cash and cash equivalents	**259,064**	122,302
Total current assets	**3,445,798**	2,821,810
Total assets	**16,699,988**	14,631,784

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Balance sheet (continued)

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
EQUITY		
Share capital	**1,200,000**	1,045,005
Share premium	**6,081,241**	5,030,375
Other reserves	**421,249**	398,315
Retained earnings	**2,217,335**	2,249,610
Total equity	**9,919,825**	8,723,305
LIABILITIES		
Non-current liabilities		
Borrowings	**2,068,252**	1,615,938
Deferred tax liabilities	**153,120**	123,497
Deferred government grants	**293,606**	270,910
Total non-current liabilities	**2,514,978**	2,010,345
Current liabilities		
Trade and notes payable	**1,751,174**	1,306,000
Provisions and other payables	**1,571,259**	1,038,489
Borrowings	**942,752**	1,553,645
Total current liabilities	**4,265,185**	3,898,134
Total liabilities	**6,780,163**	5,908,479
Total equity and liabilities	**16,699,988**	14,631,784

The balance sheet of the Company was approved by the Board of Directors on 27 March 2020 and was signed on its behalf.

Zhang Jianxin	Yin Bo
Chairman	*Executive Director*

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Surplus reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
As of 1 January 2018	230,984	99,592	1,848,959	2,179,535
Dividends	—	—	(209,001)	(209,001)
Profit for the year	—	—	677,391	677,391
Appropriation of surplus reserve	67,739	—	(67,739)	—
As of 31 December 2018	298,723	99,592	2,249,610	2,647,925
Dividends	—	—	(180,000)	(180,000)
Profit for the year	—	—	164,139	164,139
Appropriation of surplus reserve	16,414	—	(16,414)	—
Share-based payments	—	6,520	—	6,520
As of 31 December 2019	**315,137**	**106,112**	**2,217,335**	**2,638,584**

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of the directors and the chief executive is set out below:

For the year ended 31 December 2019:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive Directors							
Zhang Jianxin (Note (i))	–	1,027	739	218	85	–	2,069
Yin Bo	–	3,000	350	196	19	–	3,565
Xia Jinjing	–	1,350	250	87	19	–	1,706
Non-executive Directors							
Zhang Xin	–	–	–	–	–	–	–
Guo Junxiang	–	–	–	–	–	–	–
Wang Shi (Note (ii))	–	–	–	–	–	–	–
Yang Deren	120	–	–	–	–	–	120
Qin Haiyan	120	–	–	–	–	–	120
Wong Yui Keung Marcellus	120	–	–	–	–	–	120
Lin chengfei (Note (iii))	–	–	–	–	–	–	–

(i) Zhang Jianxin is a director and also the chief executive of the Company.

(ii) Wang Shi was appointed on 28 June 2019.

(iii) Lin Chengfei was resigned on 13 March 2019.

39 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2018:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive Directors							
Zhang Jianxin (Note (i))	–	992	50	37	94	–	1,173
Ma Xuping (Note (iii))	–	–	–	–	–	–	–
Yin Bo	–	4,000	–	18	19	–	4,037
Xia Jinjing (Note (ii))	–	1,800	–	18	16	–	1,834
Non-executive Directors							
Zhang Xin	–	–	–	–	–	–	–
Guo Junxiang	–	–	–	–	–	–	–
Tao Tao (Note (iii))	–	–	–	–	–	–	–
Yang Deren	120	–	–	–	–	–	120
Qin Haiyan	120	–	–	–	–	–	120
Wong Yui Keung Marcellus	120	–	–	–	–	–	120
Lin Chengfei (Note (ii))	–	–	–	–	–	–	–

(i) Zhang Jianxin is a director and also the chief executive of the Company.

(ii) Xia Jinjing was appointed on 15 June 2018. Lin chengfei was appointed on 12 December 2018.

(iii) Tao Tao was resigned on 28 June 2018. Ma Xuping was retired on 15 June 2018.

39 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

In addition to the directors' emoluments disclosed above, certain directors of the Company receive emoluments from other companies they are employed to. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the other companies.

(b) Directors' retirement benefits

During the year ended 31 December 2019 and 2018, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) Directors' termination benefits

During the year ended 31 December 2019 and 2018, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable.

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2019 and 2018, no consideration was provided to or receivable by third parties for making available directors' services.

新特能源股份有限公司

Xinte Energy Co., Ltd.