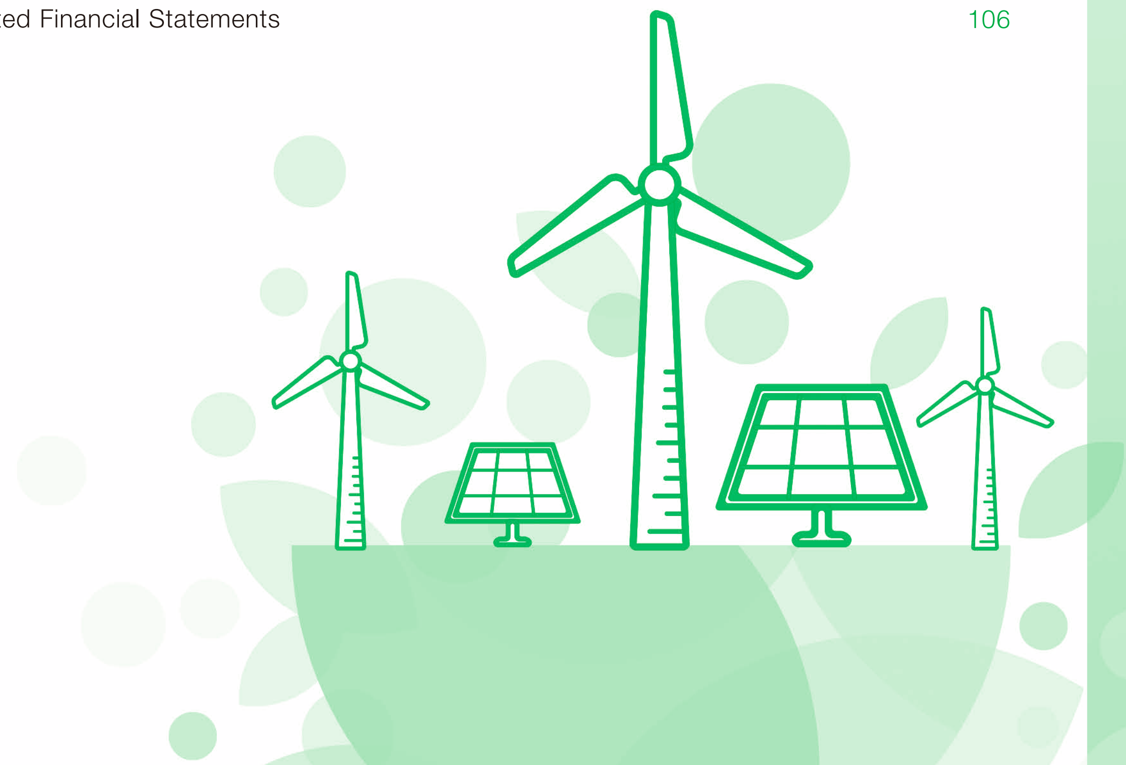
新特能源股份有限公司
Xinte Energy Co., Ltd.

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

Stock code : 1799

Annual Report 2020

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. Qin Xiaodong (1)
Mr. Wang Shi (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
Ms. Guo Junxiang
Mr. Qin Xiaodong (1)
Mr. Wang Shi (2)

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. Yin Bo
Mr. Yang Deren
Mr. Qin Haiyan
Mr. Zhang Xin

JOINT COMPANY SECRETARIES

Ms. Zhang Juan
Ms. Ng Wing Shan

AUTHORIZED REPRESENTATIVES

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

(1) On 16 June 2020, Mr. Qin Xiaodong was appointed as a non-executive Director and member of the Audit Committee. He resigned as a non-executive Director and member of the Audit Committee on 11 January 2021.

(2) Mr. Wang Shi resigned as a non-executive Director and member of the Audit Committee on 24 April 2020.

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity 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, the 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. 2249, Zhongxin Street
Ganquanpu Economic and Technological
Development Zone (Industrial Park)
Urumqi, Xinjiang,
the PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 2249, Zhongxin Street
Ganquanpu Economic and Technological
Development Zone (Industrial Park)
Urumqi, Xinjiang,
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

H SHARES 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 COMMUNICATIONS

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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:

"100,000-ton Polysilicon Project"	the 100,000-ton-per-annum high-purity polysilicon green energy circular economy construction project
"30%-controlled company"	has the meaning as ascribed to it under the Listing Rules
"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, as amended from time to time
"associate(s)"	has the meaning as ascribed to it under the Listing Rules
"Auditor"	PricewaterhouseCoopers
"Audit Committee"	Audit Committee of the Board
"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. (新特能源股份有限公司), a joint stock company with limited liability incorporated under the laws of the PRC on 20 February 2008
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Connected Person(s)"	has the meaning as ascribed to it under the Listing Rules
"Connected Transaction(s)"	has the meaning as ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the 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)
"Director(s)"	a director (all 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
"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

Definitions

"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
"Latest Practicable Date"	26 April 2021, 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
"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
"MOF"	Ministry of Finance 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 the Company
"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 can sell the electricity it generated to the power grid companies, usually denominated in RMB/kWh
"Pandemic"	COVID-19 pandemic
"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 the Company

"Reporting Period"	the year ended 31 December 2020
"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)"	share(s) in the share capital of our 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
"Strategy Committee"	Strategy Committee of the Board of the Company
"Subsidiary(ies)"	has the meaning as ascribed to it under the Listing Rules
"Supervisor(s)"	a supervisor (all supervisors) of the Company
"Supervisory Board"	the supervisory board of the Company
"Supplemental Coal Procurement Framework Agreement"	the supplemental agreement entered into between the Company and TBEA on 23 September 2020, which amended the maximum coal procurement cost (including transportation cost) payable to TBEA Group for the year ended 31 December 2020
"Supplemental Product Procurement Framework Agreement"	the supplemental agreement entered into between the Company and TBEA on 10 November 2020, which amended the maximum product procurement cost payable to TBEA Group for the year ended 31 December 2020
"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 or indirectly held 65.43% equity interest of the Company, and is our Controlling Shareholder
"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 subsidiary of TBEA as at the Latest Practicable Date
"TBEA Group"	TBEA and its 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 a 30%-controlled company of TBEA as at the Latest Practicable Date
"Xinjiang New Energy"	TBEA Xinjiang New Energy Co., Ltd. (特變電工新疆新能源股份有限公司), a joint stock company incorporated in the PRC on 30 August 2000 and 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), a company with limited liability incorporated in the PRC on 27 January 2003, holding 4.85% equity interest in our Company as at the Latest Practicable Date. Xinjiang Tebian is a connected person of the company as it is a 30%-controlled company of Mr. Zhang Xin, who is a connected person of the company by virtue of his position as a Director
"Xinjiang Tebian Group"	Xinjiang Tebian and its associates (excluding the Group)
"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 30%-controlled company of Xinjiang Tebian as at the Latest Practicable Date
"%"	per cent.

Financial Summary

For the year ended 31 December 2020, the Group recorded a revenue of RMB13,506.51 million and profit before income tax of RMB965.66 million. Profit attributable to owners of the Company amounted to RMB695.37 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				
	2020		2019		
	RMB'000	**Percentage of revenue**	RMB'000	Percentage of revenue	Rate of change
Polysilicon production	**3,985,424**	**29.51%**	2,229,525	25.56%	78.76%
ECC	**7,011,748**	**51.91%**	4,985,807	57.16%	40.63%
BOO	**886,934**	**6.57%**	829,464	9.51%	6.93%
Others	**1,622,399**	**12.01%**	677,317	7.77%	139.53%
Total	**13,506,505**	**100.00%**	8,722,113	100.00%	54.85%

The Group's consolidated financial statements from 2016 to 2020 prepared in accordance with the IFRS are summarised as follows:

	As of 31 December/Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**45,588,884**	41,705,116	35,699,703	31,664,863	27,812,554
Total liabilities	**31,029,491**	27,856,439	24,409,647	22,404,451	19,500,810
Non-controlling interests	**2,488,132**	2,425,233	1,268,816	53,015	51,442
Equity attributable to owners of the Company	**12,071,261**	11,423,444	10,021,240	9,207,397	8,260,302
Revenue	**13,506,505**	8,722,113	12,053,742	11,420,951	12,001,303
Gross profit	**2,142,361**	1,834,035	2,411,592	2,493,297	1,996,172
Profit before income tax	**965,659**	561,934	1,208,495	1,217,987	947,865
Profit attributable to the owners of the Company	**695,370**	402,642	1,107,797	1,070,671	801,133

Chairman's Statement

Brave the Wind and Waves of a New Start — for the "14th Five-Year" Plan

Dear Shareholders,

On behalf of the Board of Directors of the Company, I am pleased to announce the Group's annual results for 2020.

In 2020, with the strong support and help from friends from all circles, we have successfully withstood the crisis and challenges brought by the Pandemic and industry changes, overcome various difficulties, borne heavy pressure, and steadily improved our business performance.

This year, our 36,000-ton Polysilicon Project successfully reached the design capacity and released capacity. The sales volume of the polysilicon with recognised revenue was approximately 66,300 tons representing a year-on-year increase of 86.91%, with the scale effect further enhanced.

This year, we obtained more than 2GW of projects of grid parity and competitive bidding, newly launched wind and PV projects of more than 2GW, and overcame various difficulties such as the Pandemic, the rush of installation in wind power industry, and construction in severe winter to promote the construction of two wind power base projects in Ximeng and Zhundong.

This year, the ±800 kV UHV flexible DC converter valve delivered by us to the world's first UHV multi-terminal hybrid DC project — the Southern Power Grid Kunliulong DC project was successfully operated.

This year, we researched and developed and released three important products, namely, the new generation TS228KTL-HV string inverter, energy storage converter PCS and TC3125KF centralized inverter.

This year, the E-Cloud PV plant intelligent monitoring and analysis system developed by us has been connected to more than 30 power plants of various types, with the cumulative capacity exceeding 6GW and improving power generation by more than 3%.

On 12 December 2020, President Xi Jinping announced at the Climate Ambition Summit that carbon peaking will be achieved by 2030, carbon neutrality will be achieved by 2060, and the total installed capacity of wind power and PV will be more than 1.2 billion kilowatts by 2030, with an annual average of no less than 75GW of new installations in the next 10 years. The ever-clear top-level design brings huge space for the development of new energy industry.

In 2021, Xinte Energy will continue to improve its core competitiveness in polysilicon and industry chain extension, inverter, SVG, power electronic transformer, power router and flexible DC transmission products, so as to drive the industrialization of E-Cloud, micro grid EMS, SCADA and other independent software services. The Company will adhere to taking customers as the core, inherit the craftsmanship spirit, and strive for the goal of "becoming a global outstanding green smart energy service provider" in the "14th Five-Year" Plan period.

Finally, on behalf of the Board of Directors, I would like to thank our shareholders and business partners for their strong support and encouragement in 2020, and express my sincere gratitude to all the employees of Xinte Energy for their hard work.

Chairman
Zhang Jianxin
Xinjiang, the PRC, 31 March 2021

Management Discussion and Analysis

I. REVIEW OF INDUSTRY DEVELOPMENT STATUS

In recent years, new energy, including wind power and PV, has experienced constant and rapid development, taking the lead in the global energy transformation. Under the combined effect of technological innovation, practical innovation and large-scale promotion and application, the development and construction cost of PV and wind power generation projects has been reducing continuously, the new energy feed-in tariff gradually realized a steady decline, and some regions have already met the preliminary conditions of grid parity. In 2020, the Chinese government successively launched a number of policies to support the development of new energy. Our state leaders also announced the future development plan for new energy industry in China on many public occasions at home and abroad. China strives to reach the peak of carbon dioxide emission by 2030, and to achieve carbon neutrality by 2060. The wind power and PV industries have received unprecedented attention across the world, ushering in a new era of development.

1. Review of Major Policies in Relation to China's New Energy Industry

- On 20 January 2020, MOF, NDRC and NEA jointly issued Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (《關於促進非水可再生能源發電健康發展的若干意見》), which indicates that renewable energy including PV and wind power have met the preliminary conditions of grid parity with traditional energy including coal power, requires the improvement of the current subsidy methods, and adheres to the principle of determining expenditures based on income to decide the scale of newly subsidized projects and the principle of increasing income and reducing expenditure to increase subsidy income in a variety of ways; it continues to promote the price reduction mechanism for onshore wind power, PV power stations and industrial and commercial distributed PV projects and allocates newly approved projects through competitive bidding; it optimizes the subsidy payment process to ensure that subsidies are paid in a timely manner on an annual basis, and encourages financial institutions to support enterprises included in the list of subsidized power generation projects in accordance with the principle of marketization.

- On 20 January 2020, the MOF, the NDRC and the NEA jointly issued the amended Measures for the Administration of Renewable Energy Tariff Additional Subsidies (《可再生能源電價附加資金管理辦法》), which clarifies the methods of calculation and issuance of subsidies for existing projects and new projects, adjusts the methods for calculating the demand for subsidies by power grid enterprises and relevant provincial departments, stipulates that plans will be made based on the level of subsidy growth, technological progress and industry development in the current year, reasonably determines the total amount of subsidies and the type and scale of new projects, fully guarantees the subsidy quota for the approved full-capacity grid connection projects, and gives priority for payment and scale support of subsidies for the existing projects that voluntarily convert to parity.

- On 5 March 2020, the NEA issued the Notice on the Issues Related to the Construction of Wind and PV Power Generation Projects in 2020 (《關於2020年風電、光伏發電項目建設有關事項的通知》), which requires to actively promote the construction of grid parity projects, reasonably determine the scale of projects requiring state subsidies, carry out the competitive allocation scheme, fully implement conditions for grids of power transmission and consumption, clarify that the consumption capacity is the prerequisite of new construction projects, and distribute rationally to prevent investment risk. Meanwhile, the notice requires the agencies dispatched by the NEA to strengthen follow-up supervision and local energy authorities to improve coordination with the departments of land, environmental protection and others to promote the reduction of non-technical costs and create a favorable environment for the development of wind and PV power generation.

- On 18 May 2020, the NDRC and the NEA jointly issued the Notice on Weight of Responsible Consumption of Renewable Energy for Each Provincial-level Administrative Region in 2020 (《各省級行政區域2020年可再生能源電力消納責任權重的通知》), which clarifies the minimum value and incentive value of the responsibility weighting of the total renewable energy consumption and non-hydro responsibility weighting of each province in 2020, and divides the responsibilities and tasks of each of the provincial energy authority, power grid company and each agency dispatched by the NEA to promote the construction of renewable energy power in each administrative region, conscientiously accomplish grid connection and consumption of renewable energy power, cross-provincial and cross-regional transmission and various market transactions.

- On 29 September 2020, the MOF, the NDRC and the NEA jointly issued the Supplementary Notice on Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (《關於<關於促進非水可再生能源發電健康發展的若干意見>有關事項的補充通知》), which determined the reasonable utilization hours of the whole life cycle of the wind power, PV and biomass projects, respectively. Any power generated in excess of the eligible total lifetime subsidy is no longer entitled to central government subsidy, and in which case green certificates would be issued and trading of green certificates is allowed.

2. Review of Development Status 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 at the end of 2020, the effective capacity of global polysilicon reached approximately 563,000 tons, representing a decrease of approximately 96,000 tons as compared with the same period last year. In 2020, the global polysilicon production capacity reached approximately 525,000 tons with the total demand of approximately 543,000 tons. China had a polysilicon output of approximately 396,000 tons in 2020. Its net import of polysilicon was approximately 100,000 tons with total demand of approximately 509,000 tons. Therefore, all of the above indicated a situation of global and nation-wide polysilicon market where the supply was less than the demand in 2020.

From the perspective of specific price change, in the first half of 2020, impacted by the Pandemic, the terminal demand for PV installations has decreased, and the price of polysilicon continued to fall sharply and hit a record low in May, representing the prices of monocrystalline dense materials and clean silicon materials only amounted to RMB58,400/ton and RMB29,700/ton, respectively. In the second half of 2020, on the one hand, many polysilicon companies successively carried out large-scale unscheduled overhaul, leading to a sharp decline of domestic supply; on the other hand, China has introduced favorable PV policies, which has enabled the industry insiders to predict that PV demand will continue to increase in the future, accelerating and driving the capacity expansion of silicon wafer, and demonstrating steady growth for the demand of polysilicon. Under the combined effect of supply and demand, the price of polysilicon in China recovered its growth after hitting a record low, and gradually rebounded to RMB84,000/ton at the end of the year. In 2020, the average price of solar monocrystalline dense materials was RMB76,100/ton, which was basically in line with the same period last year, and the average price of clean silicon materials was RMB48,000/ton, representing a decrease of 21.2% as compared with the same period last year.

3. **Review of China's Development Status of the PV Power Generation Industry**

According to statistics from the NEA, newly installed PV power generation capacity in China was 48.20GW in 2020, representing a year-on-year increase of 60.13%, of which newly installed capacity of centralised power stations was 32.68GW, representing a year-on-year increase of 82.57%; newly installed capacity of distributed PV was 15.52GW, representing a year-on-year increase of 27.21%. As at the end of 2020, China's total installed PV power generation reached 253GW.

In 2020, China's PV power generation was 260.5 billion kWh, representing a year-on-year increase of 16.1%; the average utilisation hours of such power were 1,160 hours, representing a year-on-year decrease of 9 hours. The PV power curtailment of China was 5.26 billion kWh with the average utilization rate of 98% and the average PV power curtailment rate of 2%, which was basically in line with the same period last year. The curtailment rates of northwest China where consumption problem is relatively prominent, reduced to 4.8%, representing a year-on-year decrease of 1.1 percentage points. In particular, the curtailment rates of Xinjiang and Gansu further reduced to 4.6% and 2.2%, respectively, representing a year-on-year decrease of 2.8 and 2.0 percentage points respectively.

4. **Review of China's Development Status 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 71.67GW in 2020, representing a year-on-year increase of 178.44%, of which newly installed capacity of onshore wind power was 68.61GW and newly installed capacity of offshore wind power was 3.06GW. At the end of 2020, the accumulative installed wind power capacity for grid connection in China reached 281GW.

In 2020, the output of wind power in China was 466.5 billion kWh, representing a year-on-year increase of approximately 15%. The average utilisation hours of such power stations were 2,097 hours, representing a year-on-year increase of 15 hours; the wind power curtailment in China was approximately 16.6 billion kWh with the average utilisation rate of 97%, representing an increase of one percentage point as compared with the same period last year. The average curtailment rate was 3%, representing a year-on-year decrease of one percentage point as compared with the same period last year, the decrease is particularly notable in Xinjiang, Gansu, and western Inner Mongolia where the curtailment rates were 10.3%, 6.4% and 7%, respectively, with a year-on-year decrease of 3.7, 1.3, and 1.9 percentage points, respectively.

II. PRINCIPAL BUSINESS OPERATIONS OF THE GROUP

During the Reporting Period, although the Pandemic has temporarily affected the development of the new energy industry, the low-carbon energy transition is an irresistible trend. The subsidies for new energy electricity price were reduced at a faster pace, and the newly installed PV and wind power capacity has exceeded expectations; the price of polysilicon surged following a drop, as affected by the supply and demand in the market and recovered its growth after hitting a record low. Confronted with the complex and ever-changing external environment, the Group rose up to challenges and took high-quality development as its fundamental requirement to continuously improve product output and quality, reduce costs and steadily advance the construction and transfer of power stations, and achieved good results. During the Reporting Period, the Group achieved revenue of RMB13,506.51 million and the profits attributable to owners of the Company of RMB695.37 million, representing an increase of 54.85% and 72.70% respectively over the corresponding period of last year.

1. Polysilicon Production

During the Reporting Period, the Group placed the emphasis on improving equipment operation efficiency and internal and external product quality through technological innovation and process optimization, reducing raw material and energy consumption, and increasing the proportion of monocrystalline silicon materials. During the Reporting Period, the Group's sales amount of the polysilicon with recognised revenue was 66,300 tons, representing an increase of approximately 86.91% over the corresponding period of last year, mainly attributable to the capacity release of the 36,000-ton Polysilicon Project. At the same time, by improving the extension of polycrystalline silicon industrial chain and accelerating the operation of projects of organic silicon and zirconium-based materials, the Group continued to establish the industrial cluster advantages and constantly enhanced the core competitiveness.

In September and December 2020, the Group entered into the sales framework agreements with downstream customers including Donghai JA Solar Technology Co., Ltd. (東海晶澳太陽能科技有限公司) and the subsidiaries of LONGi Green Energy Technology Co., Ltd. (隆基綠能科技股份有限公司), which stipulated the sales of polysilicon amounting to 97,200 tons and 270,000 tons to the above clients respectively, from 2021 to 2025. The entering into of above sales framework agreements will facilitate the Group's stable sales of polysilicon products, safeguard its daily operations, and further enhance the Group's position in the new energy industry.

2. **Development of Wind and PV Power Resources**

In 2020, closely following the national policies and adhering to the strategic concept of "Simultaneous Development of Wind and PV Power Generation", the Group focused on the allocation of grid parity and competitive bidding for grid connection projects in Guizhou, Shanxi, Jiangsu and Hebei, captured centralized projects while taking into account distributed and decentralized projects, and actively obtained project development qualification. In 2020, the Group obtained bidding and parity grid connection project indicators of over 2GW.

During the Reporting Period, the Group overcame various difficulties such as the Pandemic, the rush installation in the wind power industry and construction in severe winter, the Group vigorously promoted the construction PV and wind power model projects, strengthened the process quality control, and continuously reduced construction costs via technological innovation. Among them, the 300MW PV parity project in Jiaokou County of Shanxi Province invested and constructed by the Group by utilizing the comprehensive land utilization concept of combining flat land and sloping land in the coal mining reclamation area adopted flexible support for the first time and large-slope and large-span slope support technology in the process of construction can resist wind damage, ensure safety and durability, and effectively reduce the overall construction cost of the project. Meanwhile, relying on intelligent products such as the E-cloud platform, intelligent monitoring, analysis and prediction system and centralized operation and maintenance system of power stations, the Group established an intelligent service platform to support the remote operation and maintenance of power generating equipment and new energy power stations to enhance the operation and maintenance service capabilities of power stations and continuously improve the market competitiveness of the Group.

During the Reporting Period, the Group completed approximately 2GW for PV and wind power projects with recognized revenue and gains.

3. Power Plant Operation — BOO Projects

In 2020, the Group continued to promote the construction of wind power projects of the ultra-high voltage transmission lines base in Xiliin Gol League, Inner Mongolia and Zhundong, Xinjiang with high quality, leading the quality of the construction of project in strict accordance with model project standards, and striving to create high-quality electric projects in the industry. At the same time, the Group promoted centralized operation and maintenance management of power stations through the construction of two centralized control centers in Inner Mongolia and Xinjiang, remotely dispatched stations and adopted unified data standards, so as to realize functions including large-scale data storage, high-performance computing, data mining as well as comparison and analysis of data from multiple stations, timely identify and solve potential risks, enhance the intelligent operation and maintenance, and further increase the operating income of BOO projects.

As at 31 December 2020, the Group had a total scale of 830 MW BOO projects which had realized revenue from power generation.

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 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 reduction process, optimization of cold hydrogenation system, recovery of tail gas, cleaning of silicon material and cost accounting modelling, the Group managed and controlled the entire process, including the internal and external quality of polysilicon and various cost components, and combined with the recovery of waste liquid and waste gas from polysilicon production through industrial chain extension projects, to further improve product quality and increase the proportion of electronic-grade polysilicon. In 2020, the Group was awarded the first and second prize of "Fourth Session of Patent Award in the Xinjiang Uygur Autonomous Region" (第四屆新疆維吾爾自治區專利獎) for the project of "An optimization method for combustion in a boiler with mixed combustion of Zhundong coal" and "A Method to Hydrogenate Silicon Tetrachloride"; and the second prize of 2020 China Nonferrous Metals Industry Science and Technology Award (2020年度中國有色金屬工業科學技術獎) for the project of the "Solar-grade Polysilicon Quality Improvement and Standard Establishment" (《太陽能級多晶硅質量提升及標準建立》).

In terms of the development of wind and PV power resources, the Group promoted the refined control of the complete life cycle of power station projects through the application of new technology and the industrialization of scientific and technological achievements, conducted dynamic management and control through project estimation, design budget, equipment procurement, and project settlement, etc.. The Group made key exploration on new technologies such as PV flexible support bracket and PV system design with complex terrain, completed the development and application of PV economy comparison software, and carried out optimized design of wind turbine foundation, power transmission and transformation equipment foundation, to reduce project construction costs and enable parity and bidding projects to achieve optimal benefits. Meanwhile, the Group improved the intelligent operation and maintenance measure such as the remote monitoring function of E-cloud platform, and managed to efficiently identify and screen failures of power stations to improve their operation and maintenance and reduce the cost of power generation. At the same time, the Group conducted 12 management innovation research on topics focusing on power routers, energy storage converters, energy management system technology, etc., to continuously enhance the Group's competitiveness.

The UHV flexible direct current converter valve successfully developed by the Group adopted a series of non-locking overhead flexible direct current transmission technology, which was applied in the Kunliulong direct current project, national UHV multi-terminal direct current demonstration project during the Reporting Period. The successful delivery of such product demonstrated the world-leading delivery capabilities and operational quality of the Group's converter valve products in the design, production, installation, commissioning, on-site problem solving and other life cycle projects.

During the Reporting Period, the Group achieved fruitful results in technological innovations. A total of 124 applications for patents and technical secrets were submitted with 101 applications granted. As of the end of 2020, the Group had a total of 567 domestic patents and 7 international patents. It has participated in the formulation of 70 standards, including 3 international standards, 38 national standards and 29 industry standards.

5. Focusing on Safety to Ensure Healthy Business Development

With “the prevention of risks, elimination of hidden dangers, restraint of accidents and enhancement of foundation” as the main line, and closely centering on the HSSE (health, safety, security and environmental protection) management system “based on behavior safety, focusing on process and equipment safety and controlled production management”, the Group promoted safety production in an all-round manner.

In 2020, with “Eliminating Accidents and Hidden Hazards and Consolidating the Safety Line of Defence” as our overall thought, the Group improved the safety production management system, took into account the Pandemic prevention and control and production and operation, refined prevention and control measures, implemented safety responsibilities at each and every level, and promoted the construction of a dual prevention mechanism for risk grading control and potential hazard identification and management. The full operation of the system regulating the promotion of safe production through informationization means, managed abnormal data, comprehensively monitored major dangerous source and key areas, and realized early warning and information linkage to improve the stable operation rate of production.

6. Strengthening Talent Team Building to Improve Comprehensive Competitiveness

In 2020, by upholding the talent concept of “establishing a professional enterprise and strengthening the enterprise with talents”, the Group adhered to the concept of creation and sharing featured by “people-oriented and win-win situation between staff and enterprises”. Oriented on priority to benefit and business development, the Group actively built performance-driven incentive mechanism to develop a professional team that was active, upheld professionalism and innovation. The Group matched strategic development through organizational changes, optimized the establishment of departments and business divisions, strengthened its ability of developing core business, and improved management and production efficiency; by carrying out our remuneration system optimization and career development channel projects and taking full career cycle management of talents as the main line, the Group established a large pool of talents, formulated a special training plan for potential employees, and improved the comprehensive management capabilities of employees through rotation, mentorship, job practice, and action and study; driven by performance indicators, the Group linked performance with employee compensation, job promotion, ranking adjustment and evaluation of the employees, to specify the development path of employees, increase the enthusiasm of employees and achieve mutual development with the Company.

III. OPERATING RESULTS AND ANALYSIS

Financial Review:

Business Performance Table

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	**13,506,505**	8,722,113
Cost of sales	**(11,364,144)**	(6,888,078)
Gross profit	**2,142,361**	1,834,035
Other income	**148,210**	84,219
Other gains — net	**671,342**	22,696
Selling and marketing expenses	**(567,133)**	(402,723)
General and administrative expenses	**(646,148)**	(580,598)
Finance expenses — net	**(552,918)**	(375,964)
Share of profit of investments accounted for using the equity method	**20,268**	34,783
Profit before income tax	**965,659**	561,934
Income tax expense	**(73,206)**	(45,141)
Profit attributable to the owners of the Company	**695,370**	402,642
Profit attributable to the non-controlling interests	**197,083**	114,151

Revenue

The Group generates revenue mainly from three business segments, including polysilicon production, ECC and BOO. For the year ended 31 December 2020, the revenue of the Group was RMB13,506.51 million, representing an increase of RMB4,784.39 million or 54.85% from RMB8,722.11 million in the corresponding period of last year. This was mainly attributable to the capacity release of the Group's 36,000-ton Polysilicon Project during the Reporting Period, the increase in product sales and the increase in the scale of the ECC business.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Business Segments		
Polysilicon production	**3,985,424**	2,229,525
ECC	**7,011,748**	4,985,807
BOO	**886,934**	829,464
Others	**1,622,399**	677,317
Total revenue	**13,506,505**	8,722,113

For the year ended 31 December 2020, the revenue of polysilicon production segment was RMB3,985.42 million, representing an increase of RMB1,755.90 million or 78.76% from RMB2,229.53 million in the corresponding period of last year, mainly attributable to the increase in the sales of products due to the capacity release of the Group's 36,000-ton Polysilicon Project during the Reporting Period.

For the year ended 31 December 2020, the revenue of ECC segment was RMB7,011.75 million, representing an increase of RMB2,025.94 million or 40.63% from RMB4,985.81 million in the corresponding period of last year, which was mainly due to the increase in the scale of the Group's transferred PV and wind power projects during the Reporting Period.

For the year ended 31 December 2020, the revenue of BOO segment was RMB886.93 million, representing an increase of RMB57.47 million or 6.93% from RMB829.46 million in the corresponding period of last year, mainly attributable to the increase in scale of the Group's BOO projects which resulted in increased capacity of power generation during the Reporting Period.

Cost of sales

For the year ended 31 December 2020, the cost of sales incurred by the Group was RMB11,364.14 million, representing an increase of RMB4,476.07 million or 64.98% from RMB6,888.08 million in the corresponding period of last year, which was mainly due to the increase in the revenue of the Group during the Reporting Period.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Business Segments		
Polysilicon production	**3,218,959**	1,831,549
ECC	**6,470,762**	4,276,590
BOO	**304,852**	263,434
Others	**1,369,571**	516,505
Total cost	**11,364,144**	6,888,078

For the year ended 31 December 2020, the cost of sales incurred by polysilicon production segment was RMB3,218.96 million, representing an increase of RMB1,387.41 million or 75.75% from RMB1,831.55 million in the corresponding period of last year, which was mainly due to the increase in costs resulting from the increase in sales arising from the capacity release of the 36,000-ton Polysilicon Project during the Reporting Period.

For the year ended 31 December 2020, the cost of sales incurred by ECC segment was RMB6,470.76 million, representing an increase of RMB2,194.17 million or 51.31% from RMB4,276.59 million in the corresponding period of last year, which was mainly due to the increase in the cost resulting from the increase in the scale of the Group's transferred PV and wind power projects during the Reporting Period.

For the year ended 31 December 2020, the cost of sales incurred by BOO segment was RMB304.85 million, representing an increase of RMB41.42 million or 15.72% from RMB263.43 million in the corresponding period of last year, mainly attributable to the increase in the cost resulting from the increase in the scale of the Group's BOO projects with achieved power generation during the Reporting Period.

Gross profit and gross profit margin

For the year ended 31 December 2020, the gross profit of the Group was RMB2,142.36 million, representing an increase of RMB308.33 million or 16.81% from RMB1,834.04 million in the corresponding period of last year, which was mainly attributable to the capacity release of the Group's 36,000-ton Polysilicon Project during the Reporting Period and the increase in product sales; the comprehensive gross profit margin was 15.86%, representing a decrease of 5.17 percentage points over the corresponding period of last year, which was mainly due to the transfer of the certain PV and wind power projects by the Group during the Reporting Period. Such power stations were under commercial operation during the previous years and part of the gross profit was realized through revenue from the power generation, which resulted in the decrease of certain power stations' gross profit margin when transferred.

Other income

For the year ended 31 December 2020, other income of the Group was RMB148.21 million, representing an increase of RMB63.99 million or 75.98% from RMB84.22 million in the corresponding period of last year, which was mainly due to the increased amortization of government grants of the Group during the Reporting Period.

Other gains — net

For the year ended 31 December 2020, the net other gains of the Group were RMB671.34 million, representing an increase of RMB648.65 million or 2,857.97% from RMB22.70 million in the corresponding period of last year, which was mainly due to the gains from disposal of certain PV and wind power projects by the Group during the Reporting Period.

Selling and marketing expenses

For the year ended 31 December 2020, the selling and marketing expenses of the Group were RMB567.13 million, representing an increase of RMB164.41 million or 40.82% from RMB402.72 million in the corresponding period of last year, which was mainly due to the increase in marketing expenses resulting from the Group's intensified efforts to develop the market during the Reporting Period.

General and administrative expenses

For the year ended 31 December 2020, the general and administrative expenses of the Group were RMB646.15 million, representing an increase of RMB65.55 million or 11.29% from RMB580.60 million in the corresponding period of last year, which was mainly due to the increase in the research and development expenses of the Group's products during the Reporting Period.

Finance expenses — net

For the year ended 31 December 2020, the net finance expenses of the Group was RMB552.92 million, representing an increase of RMB176.95 million or 47.07% from RMB375.96 million in the corresponding period of last year, which was mainly due to the increase in interest expenses resulting from the completion of the 36,000-ton Polysilicon Project of the Group during the Reporting Period.

Share of profit of investments accounted for using the equity method

For the year ended 31 December 2020, the profit of investments accounted for using the equity method of the Group was RMB20.27 million, representing a decrease of RMB14.52 million or 41.73% from RMB34.78 million in the corresponding period of last year, which was mainly due to the partial disposal of associates by the Group during the Reporting Period.

Income tax expense

For the year ended 31 December 2020, the income tax expense of the Group was RMB73.21 million, representing an increase of RMB28.07 million or 62.17% from RMB45.14 million in the corresponding period of last year, which was mainly due to the increase in the Group's profit before income tax as compared with the corresponding period last year during the Reporting Period.

Profit attributable to the owners of the Company

For the year ended 31 December 2020, the profit attributable to the owners of the Company was RMB695.37 million, representing an increase of RMB292.73 million or 72.70% from RMB402.64 million in the corresponding period of last year, which was mainly due to the increase in the Group's profit before income tax as compared with the corresponding period last year during the Reporting Period.

Profit attributable to the non-controlling interests

For the year ended 31 December 2020, the profit attributable to the non-controlling interests of the Group was RMB197.08 million, representing an increase of RMB82.93 million or 72.65% from RMB114.15 million in the corresponding period of last year, which was mainly due to the increase in the profit of Crystal Silicon Hightech and Xinjiang New Energy, the subsidiaries of the Group during the Reporting Period.

Cash Flows

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	**2,278,636**	(1,474,301)
Net cash used in investing activities	**(7,021,674)**	(4,312,886)
Net cash generated from financing activities	**3,784,153**	4,673,221
Net decrease in cash and cash equivalents	**(958,885)**	(1,113,966)

Net cash generated from/(used in) operating activities

For the year ended 31 December 2020, the net cash generated from operating activities of the Group was RMB2,278.64 million, representing an increase of RMB3,752.94 million from the net cash used in operating activities of RMB1,474.30 million in the corresponding period of last year, which was mainly due to the increase in the operating cash payment resulting from the increase in the sales revenue of polysilicon and in the scale of the ECC business of the Group during the Reporting Period.

Net cash used in investing activities

For the year ended 31 December 2020, the net cash used in investing activities of the Group was RMB7,021.67 million, representing an increase of RMB2,708.79 million or 62.81% from RMB4,312.89 million in the corresponding period of last year, mainly attributable to the increase in the construction expenditure of the Group's BOO projects during the Reporting Period.

Net cash generated from financing activities

For the year ended 31 December 2020, the net cash generated from financing activities of the Group was RMB3,784.15 million, representing a decrease of RMB889.07 million or 19.02% from RMB4,673.22 million in the corresponding period of last year, which was mainly due to the fact that the net increase in the Group's borrowings was less than that of the financing amounts resulting from the issuance of domestic shares by the Company and the funds injection to the subsidiary of the Group by BOCOM Financial Asset Investment Co., Ltd. in the corresponding period of last year.

Operation Fund

	As of 31 December	
	2020	2019
Cash and cash equivalents at the end of the year (RMB'000)	**1,773,792**	2,747,045
Gearing ratio	**86.55%**	87.25%
Inventory turnover rate (times)	**4.29**	2.31
Inventory turnover days (days)	**83.92**	155.56

As of 31 December 2020, the cash and cash equivalents of the Group were RMB1,773.79 million (31 December 2019: RMB2,747.05 million).

The required capital fund of the BT and BOO businesses in which the Group is engaged generally accounts for 20%-30% of the total investment of a project, the rest of which is mainly bank loans that could materially affect the Group's gearing ratio. As of 31 December 2020, the gearing ratio of the Group was 86.55% while that as of 31 December 2019 was 87.25%. The gearing ratio was calculated by dividing its net debts by total equity, and net debts was 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 4.29 times and 83.92 days on 31 December 2020, respectively, and the inventory turnover rate and turnover days of the Group were 2.31 times and 155.56 days on 31 December 2019, 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 2020, the material capital expenditure of the Group incurred from the purchase of property, plant and equipment was RMB6,339.71 million.

Pledge of assets

As of 31 December 2020, secured short-term bank borrowings with amount of RMB16,470,000 were pledged with the Group's certain land use rights and property, plant and equipment; secured short-term bank borrowings with amount of RMB13,572,000 represented proceeds received under trade receivable factoring agreements with recourse with banks; secured long-term bank borrowings with amount of RMB11,588,800,000 were guaranteed by TBEA and the Company, and pledged with the Group's certain inventory, land use rights, property, plant and equipment and certain receivable collection right, respectively; secured long-term bank borrowings with amount of RMB300,000,000 were pledged with notes receivable from certain subsidiaries; secured long-term other borrowings with amount of RMB199,500,000 were guaranteed by the bank credit; secured long-term other borrowings with amount of RMB900,000,000 were pledged with certain property, plant and equipment and certain receivable collection right.

Capital liquidity

As of 31 December 2020, current assets of the Group amounted to RMB16,548.51 million, among which, RMB1,773.79 million was cash and cash equivalents; RMB6,092.55 million was trade and notes receivable, primarily consisting of receivables of ECC, receivable of power generation and sales of inverters; and RMB1,492.62 million was other current assets, primarily consisting of deductible VAT and prepayments to customers.

As of 31 December 2020, current liabilities of the Group amounted to RMB16,263.65 million, including RMB10,067.14 million of trade and notes payable, primarily consisting of payables for purchase of PV and wind power projects equipment, laboring, materials, coal fuels, and polysilicon producer goods; RMB3,271.98 million of provisions and other payables, primarily consisting of payables relating to purchase of property, plant, and equipment; and RMB1,983.68 million of short-term borrowings.

As of 31 December 2020, net current assets of the Group amounted to RMB284.86 million, representing a decrease of RMB1,678.96 million as compared with the net current assets of RMB1,963.82 million as of 31 December 2019. The current ratio was 101.75% as of 31 December 2020, representing a decrease of 11.89 percentage points as compared with the current ratio of 113.64% as of 31 December 2019. Restricted cash and term deposits with initial term of over three months amounted to RMB1,904.46 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 2020, the Group's balance of the borrowings and notes payable amounted to RMB22,357.47 million, representing an increase of RMB1,591.51 million as compared with the balance of the borrowings and notes payable of RMB20,765.96 million as of 31 December 2019. As of 31 December 2020, the Group's outstanding borrowings and notes included short-term borrowings and notes payable of RMB8,112.06 million (including long-term borrowings due within one year of RMB1,403.64 million and notes payable of RMB6,128.38 million), and long-term borrowings amounting to RMB14,245.41 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, restricted cash and term deposits with initial term of over three months, trade and notes receivable, tariff adjustment receivables, contract assets, other receivables and long-term receivables. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience, and other factors.

Contingent liabilities

For the year ended 31 December 2020, 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

As of 31 December 2020, the Group had 4,436 employees in total, including 921 management personnel, 248 technicians, 406 sales personnel and 2,861 production personnel. During the Reporting Period, the Group paid employees remuneration of RMB1,012.97 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.

Material acquisition and disposal of subsidiaries, associates and joint ventures

During the Reporting Period, the Group had no material acquisition and disposal of assets of relevant subsidiaries or associates.

Future plans for material investment or capital asset

Except for those disclosed in this annual report, the Group did not have any other future plans for material investment or capital asset as of 31 December 2020.

Significant investments

During the Reporting Period, the Group had no significant investments.

Foreign exchange risk

Most of the Group's business is located in China and is traded in RMB. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. 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.

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, and various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

IV. PROSPECTS

Market Prospects

On 12 December 2020, Xi Jinping, President of China, emphasized at the virtual Climate Ambition Summit that by 2030 China will lower its carbon dioxide emissions per unit of GDP by over 65% from the 2005 level, increase the share of non-fossil fuels in primary energy consumption to around 25%, increase the forest stock volume by 6 billion cubic meters from the 2005 level, and total installed capacity of wind and solar power will increase to over 1.2 billion kilowatts.

As the position of new energy in the field of energy and power is further clarified, the world will continue to promote the revolution on energy production and consumption, vigorously improve energy utilization efficiency, and accelerate the transformation of the energy structure to a clean and low-carbon energy. The new energy industry will play a more active and important role in promoting China's energy transformation and fulfilling its commitment to address climate change. The broad market prospects will bring good development opportunities for the development of new energy industry.

Business Plan in 2021

The year of 2021 is a critical year for China's new energy industry to enter into the era of grid parity. It is also the starting year of the "14th Five-Year" Plan. Based on the new development stage, the Group will implement new development concepts and adapt to the new development pattern. By taking high-quality development as the main line, and reform and innovation as effective means, the Group will strengthen the development of high-quality talent teams, comprehensively improve the level of operation and management, continuously enhance customer satisfaction with products, technologies and services, so as to better promote the development of the world's green energy industry. The Group is committed to becoming a world-leading green smart energy service provider.

1. Safety-oriented, ensuring the healthy development of enterprises

In July 2020, the Department of Safety Supervision and Administration of Hazardous Chemicals of the Ministry of Emergency Management of the PRC reminded the safety risks of silicon manufacturers, requiring manufacturers involving polysilicon, organosilicon, chlorosilane and other manufacturers to strengthen the potential hazard identification, improve prevention and control measures, and exert strict control over the safety of key processes.

In 2021, the safety production situation remains severe. The Group will adhere to the premise of strictly controlling the Pandemic in its operations, firmly establish safety awareness, and continuously improve its safety risk management and control abilities. Meanwhile, it will also mobilize all staff to conduct risk identification and investigation from bottom to top, organize a professional evaluation team to conduct in-depth analysis and assessment, classified management and control from top to bottom. It will formulate risk control measures according to different dimensions, to complete the identification and control of management risk. At the same time, the Group will strengthen the daily monitoring of major hazards and key areas, implement the long-term responsibility system, build a major hazard safety management and control mechanism with clear responsibilities, strict management, effective measures and strong emergency response, and overcome safety management shortcomings in the process of production and construction. The Group will continue to promote the implementation of safety management informatization construction plans to perform functions such as safety inspections, operation permit management, potential hazard identification and management, environmental protection monitoring, etc., and strengthen refined management, operation and working control through informatization methods, and ensure safe and stable production and operation.

2. Speeding up the construction of new projects to improve core competitiveness

With the improved competitiveness of China's polysilicon industry, polysilicon manufacturers move their production lines to China with a well-defined oligopoly competition pattern, and companies that do not have advantages in cost and quality, will find it difficult to have sustainable development in the industry in the medium and long term.

In order to seize the market opportunities arising from the rapid development of the global new energy industry, the Group will further reduce its production costs and improve product quality through technological innovation and large-scale production, to further enhance the core competitiveness of the Group's polysilicon products and increase profitability. The Group will develop 100,000-ton Polysilicon Project. According to the project design and approval documents, and land acquisition, the 100,000-ton Polysilicon Project is scheduled to commence construction in the first half of 2021, and will be put into production after 18 to 24 months of construction. The quality of all polysilicon products will reach electronic grade purity that can meet the production needs of N-type silicon wafers in batches. The Group will complete the project design with high standards, and guide the project construction in strict accordance with the design plan, technical standards and construction standards to ensure that the project can quickly achieve full production upon being put into production and record long-term and steady operation.

3. **Deepening the production and quality improvement of polysilicon to constantly reduce cost and realize high-quality development**

   In 2021, the Group will continue to promote production and quality improvement through the optimization of technological process and product R&D innovation, continuously reduce costs and consolidate core competitiveness, to ensure its sound and sustainable development, thereby promoting the high-quality development of the Group's polysilicon industry. In terms of quality improvement, the Group will continue to promote quality management improvements, formulate strict quality control plans, further optimize process control parameters, continuously improve the internal and external quality of polysilicon products, to increase the proportion of monocrystalline and enhance the development and market promotion of N-type monocrystalline materials. In terms of production improvement, the Group will continue to tap into the existing production potential, further promote small reforms targeted at production equipment and process bottlenecks, and improve production efficiency through digital transformation and supplement of production equipment, to maximize production. In terms of cost reduction, the Group will promote process optimization to achieve effective reduction of core indicators such as main materials and electricity consumption, and continue to optimize polysilicon production costs. At the same time, the Group will gradually improve the green loop economy industry model, focus on the silicon industry, continue to build and improve the industry chain combining polysilicon with new energy loop industry, and gradually build the ecological cluster advantages of energy and chemical material industry, promote the inherent quality and comprehensive cost reduction of polysilicon, and lay a solid foundation for the development of "horizontal expansion and vertical exploration".

4. **Following the guidance of the industry policy and steadily promoting the development and construction of wind and PV power resources**

   In respect of the development of wind and PV power resources, by closely following the "14th Five-Year" Plan proposed by the state and regional strategic energy plan, and making key arrangements for large base projects through centering on the construction of UHV transmission channels, the Group will conduct in-depth study of the market development characteristics during the transition period of grid parity, make timely and appropriate decision and promote strategic market development layout. Emphasis should be put on analyzing the impact of land nature and consumption space on the value of regional market development. Subject to risk costs of scientific argument, the Group will preferentially choose to obtain complementary resources of agriculture, forestry, animal husbandry and fishery, and gather advantageous resources to quickly access conditional and income-guaranteed grid parity project.

The Group will be in accordance with the management principle of "conducting scientific overall planning, being rigorous and meticulous", and reasonably arrange project design, equipment procurement, construction and installation according to the schedule. By fully leveraging the construction of demonstration project and building physical project guided by the demonstration project, the Group will steadily advance the construction of ECC projects, speed up the elimination, commissioning and consolidation of BOO projects in the two major bases in Xiliin Gol League of Inner Mongolia and Zhundong of Xinjiang. The scale of BOO projects which will realize revenue from power generation by the end of 2021 is expected to exceed 2GW, and contribute stable electricity income as soon as possible, to further enhance the Group's profitability.

5. **Strengthening scientific and technological innovation to boost enterprise development**

Based on the development concept of "green, circular, synergy, symbiosis and win-win results", the Group continuously improved the competitiveness of its products and services, guided by technological innovation.

In terms of polysilicon production, the Group will continue to focus on the research of smart factories and process optimization processes, reduce complete life cycle costs by improving information construction and optimizing processes, and focus on accelerating the development, transformation and application of core technology research and technological achievements such as electronic grade-level-1 polysilicon, N-type monocrystalline materials, production process optimization, silicon nitride powder and products, etc., and continuously improve the market competitiveness of products to achieve high-quality, informatization and sustainable innovative development through the construction of digital power plants, MES (Manufacturing Execution System) and HSSE systems.

In terms of the development, operation and maintenance of wind and PV power resources, the Group will focus on the solution supply of the lowest cost plan for the project's entire life cycle, establish a whole-process management system on quality and cost, improve the standardization and modularity of design and R&D, reduce project construction costs, and ensure project construction quality. At the same time, the Group will continue to promote innovation in cross-industry integration fields such as intelligent integration and intelligent operation and maintenance of substation, strengthen industry development and market trend research, and focus on PV system design research and engineering applications under large silicon wafer technology, big data mining and equipment failure diagnosis and prediction research, improve the level of inverter voltage level, capacity and intelligence, build an intelligent auxiliary monitoring system for substations, and further develop intelligent integrated service capabilities.

V. RISK FACTORS AND RISK MANAGEMENT

1. Risks associated with falling price of polysilicon

The price of polysilicon depends fundamentally on supply and demand. A number of factors, including the advancement of polysilicon production technology, the substantial expansion of polysilicon producers, the government's adjustments of policies in relation to PV power generation, or emergencies such as the outbreak of the Pandemic, may result in oversupply and hence a decline in price of polysilicon, which may in turn affect the operating results of the Group.

The Group will strengthen technological R&D through improvement in production and quality, reduce production costs and further enhance its competitiveness.

2. Risks associated with intensified market competition

The pace of global energy transformation has accelerated significantly, China's new energy structure adjustment has accelerated, new steps have been taken in industrial transformation and upgrading, to accelerate the decrease of subsidies for new energy power generation, and made an orderly transition to a new era of grid parity for grid connection. Under the background of new era development, enterprise with outdated technologies and higher costs will gradually be eliminated by the market, and the market competition is becoming increasingly fierce. The above factors may have a certain impact on the Group's market share and earnings, and further affect the Group's operating results.

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 constantly optimize its business structure so as to further consolidate and enhance its position in the industry.

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

In recent years, while grid connection and consumption problems of PV and wind power improved to a certain extent, the problem of wind and PV power curtailment still existed in certain regions due to inadequate local consumption, and problem of grid stability had not been resolved completely. The above factors may pose a certain impact on the development of wind and PV power resources, sales of BT power plants and grid capacity of BOO power plants of the Group.

The Group will make reasonable plans during the development of wind and PV power 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.

4. **Risk associated with the Pandemic**

In 2020, the Pandemic broke out on a global scale, causing a sudden crisis, and impacting human health, economic growth, social development and international relations, etc. The Pandemic also inevitably has an adverse impact on the development of the global new energy industry, and various segments of the industry have also been affected to varying degrees. The above factors may cause the delay of construction in new energy power stations, and resulted in an excessive supply of PV power products such as polysilicon and inverter, and intensify market competition in short period; or the cycle of the supply of key equipment such as fans and towers become longer, thus delaying the construction progress of the power plants, which in turn affect the Group's operating results.

The Group will continue to pay close attention to the development of the Pandemic and the supply of each segment of the new energy industry chain, reasonably arrange the production plan, marketing strategy and construction progress, increase the technical innovation, constantly reduce costs through improvement in production and quality, enhance its core competitiveness, and try to alleviate the adverse impact of the Pandemic on the Group.

Profile of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Jianxin, aged 48, 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 served as an executive Director of the Company since February 2008, and also served as the chairman since July 2012.

Mr. Yin Bo, aged 42, currently serves as an executive Director and general manager. Mr. Yin is a doctoral candidate and is a chief senior engineer with a major in chemical engineering. 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 served as an executive Director and deputy general manager of the Company since June 2015, and also served as executive Director and general manager of the Company since March 2016.

Mr. Xia Jinjing, aged 40, currently serves as an executive Director and deputy general manager. Mr. Xia holds a master degree and is a chief senior engineer with a major in chemical engineering. 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. (成都五環新銳化工有限公司), a deputy general manager at Chongqing Daquan New Energy Co., Ltd. and the process engineer, the general manager of the second branch and the general manager of polysilicon business of the Company. Mr. Xia has served as executive Director and deputy general manager of the Company since June 2018.

Non-executive Directors

Mr. Zhang Xin, aged 59, currently serves as a 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 director of Xinjiang Joinworld and the director of Xinjiang Tebian. 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 a non-executive Director of the Company since February 2008.

Ms. Guo Junxiang, aged 50, currently serves as a 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 a non-executive Director of the Company since February 2008.

Mr. Qin Xiaodong, aged 39, served as a non-executive director during the Reporting Period. Mr. Qin holds a master degree, and he is a certified public accountant and a chartered financial analyst in the PRC. He was an auditor, senior auditor and manager of Shanghai Branch of Ernst & Young Hua Ming LLP, the finance due diligence director in Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司), and the project audit manager in the capital operation center of China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司). Mr. Qin served as a non-executive Director of the Company from June 2020 to January 2021.

Mr. Wang Shi, aged 39, was a non-executive Director of the Company during the Reporting Period. Mr. Wang holds a master degree. He 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 served as a non-executive Director of the Company from June 2019 to April 2020.

Independent Non-executive Directors

Mr. Qin Haiyan, aged 51, currently serves as an 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), 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, a deputy director member of the Renewable Energy Committee under China Energy Research Society and the vice president of China Association for Consumer Products Quality and Safety Promotion, etc. Mr. Qin has served as an independent non-executive Director of the Company since June 2015.

Mr. Qin currently serves as an 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), 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), Shenergy Company Limited (申能股份有限公司) (Stock code: 600642.SH), and independent non-executive Director of Tianjin Quanyechang (Group) Co., Ltd. (天津勸業場 (集團) 股份有限公司) (Stock code: 600821.SH).

Mr. Yang Deren, aged 57, currently serves as an 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 State Key Laboratory of Silicon Materials (硅材料國家重點實驗室主任) in Zhejiang University (浙江大學), the President of Zhejiang University Ningbo Institute of Technology, 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 an independent non-executive Director of the Company since June 2015.

Mr. Yang now also serves as an 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), independent non-executive director of Zhejiang Jingsheng Mechanical & Electrical Co., Ltd. (浙江晶盛機電股份有限公司) (Stock code: 300316.SZ), and independent non-executive director of Zhejiang MTCN Technology Co., Ltd. (浙江中晶科技股份有限公司) (Stock code: 003026.SZ).

Mr. Wong, Yui Keung Marcellus, aged 67, currently serves as an 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, 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 an independent non-executive Director of the Company since June 2015.

Mr. Wong currently serves as director of AMTD International Inc. (尚乘國際有限公司) (Stock code: NYSE: HKIB/SGX: HKB), vice chairman of the board of AMTD Group, and supervisor of Jiangxi Bank Co., Ltd. (江西銀行股份有限公司) (Stock code: 01916.HK).

Supervisors

Mr. Chen Qijun, aged 50, currently serves as a 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 a Supervisor since June 2015.

Mr. Han Shu, aged 43, 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 a Supervisor since June 2018.

Mr. Hu Shujun, aged 48, currently serves as a 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. Chen has served as a Supervisor since June 2015.

Mr. Ma Junhua, aged 44, currently serves as an 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 a Supervisor since June 2018.

Mr. Cao Huan, aged 37, currently serves as an employee representative Supervisor. He obtained bachelor degree. Mr. Cao now serves as secretary of discipline inspecting department. He worked as the purchasing supervisor of purchase department, assistant to the director of audit department, deputy director of audit department and director of audit department. Mr. Cao has served as a Supervisor since June 2015.

Senior Management

Mr. Yin Bo, aged 42, currently serves as an executive Director and general manager. Biographical details of Mr. Yin as at the Latest Practicable Date are set out on page 37 of this annual report.

Mr. Xia Jinjing, aged 40, currently serves as an executive Director and deputy general manager. Biographical details of Mr. Xia as at the Latest Practicable Date are set out on page 37 of this annual report.

Mr. Gan Xinye, aged 45, currently serves as a 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 has served as a deputy general manager of the Company since December 2012.

Mr. Yang Long, aged 45, currently serves as a 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 and business administration department of Xinjiang New Energy, director of the finance department, and assistant to general manager of the Company. Mr. Yang has served as deputy general manager of the Company since June 2018.

Mr. Li Xiliang, aged 41, currently serves as a deputy general manager. He holds a PhD degree and is a chief senior engineer with a major in mechatronics. 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 of the technology management department and deputy chief engineer of the Company. Mr. Li has served as deputy general manager of the Company since June 2018.

Mr. Zhang Yueqiang, aged 43, served as deputy general manager during the Reporting Period. 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 served as deputy general manager of the Company from June 2018 to July 2020.

Mr. Mian Yulong, aged 52, served as the safety director during the Reporting Period. 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 served as the safety director of the Company from June 2015 to August 2020.

Mr. He Yongjian, aged 54, served as the chief mechanical engineer during the Reporting Period. He holds a bachelor's degree and is a senior mechanical engineer. Mr. He worked as deputy equipment director 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 served as the chief mechanical engineer of the Company from June 2015 to April 2021.

Mr. Zheng Weijie, aged 43, 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 32, 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 has served as the secretary to the Board of the Company since June 2015.

Report of the Board of Directors

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The details of discussion and analysis of the business review of the Company during this year are set out on pages 16 to 30 of this annual report.

RESULTS

The audited results of the Group for the year ended 31 December 2020 are set out in the Consolidated Statement of Comprehensive Income on pages 102 to 103. The financial position of the Group as at 31 December 2020 is set out in the Consolidated Balance Sheet on pages 100 to 101. The consolidated cash flows of the Group for the year ended 31 December 2020 are set out in the Consolidated Statement of Cash Flows on page 105. 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 Discussion and Analysis on pages 12 to 36 of this annual report.

SHARE CAPITAL

As of 31 December 2020, the structure of the issued share capital of the Company is as follow:

	Par value per Share	Number of issued shares	Percentage of the number of issued shares (%)
Domestic Shares	RMB1	**886,524,370**	**73.88**
H Shares	RMB1	**313,475,630**	**26.12**
Total		**1,200,000,000**	**100.00**

DISTRIBUTABLE RETAINED EARNINGS

As of 31 December 2020, the Company had distributable retained earnings of RMB2,388 million.

RESERVES

Movements in the reserves of the Company during the year are set out in Note 37 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 31 March 2021, the Board proposed the distribution of a final dividend of RMB120 million (equivalent to RMB0.10 per share (tax inclusive) based on the number of Shares in issue on 31 March 2021) for the year ended 31 December 2020, 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 2020 annual general meeting (the "**AGM**"), and such dividend (if approved) is expected to be paid before Friday, 13 August 2021. 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 shareholders who are entitled to receive the final dividend, the register of members of the Company will be closed from Thursday, 24 June 2021 to Wednesday, 30 June 2021, 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 at the close of business on Wednesday, 30 June 2021 are entitled to receive the final dividend. Holders of H Shares 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 Wednesday, 23 June 2021 for registration.

In order to determine Shareholders who are entitled to attend and vote at the AGM of the Company to be held on Wednesday, 16 June 2021, the register of members of the Company will be closed from Thursday, 10 June 2021 to Wednesday, 16 June 2021, 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 at the close of business on Wednesday, 9 June 2021 are entitled to attend and vote at the AGM. Holders of H Shares 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 Wednesday, 9 June 2021 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 Wednesday, 9 June 2021 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税法》) 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税法》) and its implementing rules as well as the Tax Notice (《税收通知》), 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 (《税收通知》). 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 2020.

USE OF PROCEEDS

The intended use of the net proceeds raised from the global offering of the Company's H shares is 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 2020, the Company has fully utilized the net proceeds from the global offering according to the aforementioned purposes. The utilization of the funds raised is as follows:

Usage	**Allocated and utilized amount RMB million**
Construction and operation of the Group's BOO projects	762.00
Replenishment of working capital	135.27
Repayment of certain long-term bank loans	235.74
Investment in R&D activities and purchasing or upgrading IT systems	58.66
Total	1,191.67

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the Group's revenues from operations attributed to its five major customers and the largest customer were 32.70% and 10.35%, respectively.

During the same period, the Group's total procurement amounts attributed to its five major suppliers and the largest supplier were 37.05% and 14.38%, 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, 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 2020, and owned 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

With an emphasis on the corporate culture of "Developing for Employees and Relying on Employees, Sharing Development Achievements with Employees" and actively implementing the philosophy of "Creation and Share", the Group further deepens livelihood-related projects and continuously promote the construction of harmonious enterprise. In 2020, focusing on the most needed, most urgent and most direct livelihood issues concerning most of the employees, the Group conducted "Livelihood-Related Projects" to address their children's education issue by providing support to financially stressed employees, health care, training and employee marriage, and delivered a satisfactory "livelihood-related answer sheet" to its employees with practical actions, thus improving the production, living, working and learning environment and welfares of its employees.

Meanwhile, the Group's employees have not less than one meeting with their superiors in a regular basis each year based on their positions and responsibilities, discuss their work performance and challenges they are facing, and set their goals and achieve them. The Group will evaluate their working quality, attitude and space for improvement and performance, which are considered as the evaluation bases of significant decision-making, such as wage/salary adjustment, promotion/demotion and job relocation. Employees can receive guidance and consultation, training or career development plan as appropriate. For details of staff development and training, please refer to environmental, social and governance report in 2020 issued 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 2020 are set out in Note 20 to the financial statements.

CHARITABLE DONATION

As of the year ended 31 December 2020, the Group has made charitable donations of approximately RMB0.73 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 Year are set out in Note 6 to the consolidated financial statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of Directors for the year ended 31 December 2020 and as at the date of this report are as follows:

Executive Directors

Zhang Jianxin *(Chairman)*
Yin Bo
Xia Jinjing

Non-executive Directors

Zhang Xin
Guo Junxiang
Qin Xiaodong[(1)]
Wang Shi[(2)]

Independent Non-executive Directors

Qin Haiyan
Yang Deren
Wong, Yui Keung Marcellus

(1) On 16 June 2020, Mr. Qin Xiaodong was appointed as a non-executive Director and member of the Audit Committee. He resigned as a non-executive Director and member of the Audit Committee on 11 January 2021.

(2) Mr. Wang Shi resigned as a non-executive Director and member of the Audit Committee on 24 April 2020.

Biographies of Directors, Supervisors and senior management of the Company for the year ended 31 December 2020 are set out on pages 37 to 41 of this report.

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, and therefore considers all independent non-executive Directors to be independent from the Company.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with each of the Directors and Supervisors. 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.

Save as disclosed above, none of the Directors or Supervisors 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 2020 are as follows:

	Total RMB'000
Executive Directors	
Zhang Jianxin	3,172
Yin Bo	4,177
Xia Jinjing	1,813
Non-executive Directors[1]	
Zhang Xin	–
Guo Junxiang	–
Qin Xiaodong	–
Wang Shi	–
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	3,439
Cao Huan	395

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 2020 are within the following bands:

Remuneration bands	No. of persons
RMB300,000 to RMB900,000	1
RMB900,000 to RMB1,500,000	4
RMB1,500,000 to RMB4,200,000	3

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

1. 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.

INTEREST OF DIRECTORS IN COMPETING BUSINESS

For the year ended 31 December 2020, none of the 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 OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, 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	Number/type of shares of the Company/relevant corporation held	Approximate percentage of shareholdings in the total share capital of the Company/ relevant 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
Ms. Guo Junxiang	Beneficial owner	TBEA(4)	260,180 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)	138,200 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 2020.

(2) The calculation is based on the total number of 886,524,370 Domestic Shares of the Company in issue as at 31 December 2020.

(3) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, and as at 31 December 2020, 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. As at 31 December 2020, 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 2020, 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, 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

During the Reporting Period and up to the date of this report, the Company has arranged appropriate insurance coverage for the Directors (current and resigned).

PERMITTED INDEMNITY PROVISIONS

During the Reporting Period and up to the date of this 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.

EQUITY INCENTIVE TO THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

EVENTS AFTER THE BALANCE SHEET DATE

At the first extraordinary general meeting of 2021 of the Company held on 25 March 2021, it was approved by the Shareholders to proceed with the 100,000-ton Polysilicon Project in Shangejia Chemical Park, a new type industrial park zone in Tumed Right Banner, Baotou City, Inner Mongolia Autonomous Region in the PRC. Please refer to the announcements of the Company dated 8 February 2021 and 1 March 2021 and the circular dated 5 March 2021 for the details.

On 31 March 2021, the Board has reviewed and approved to recommend a final dividend in the total amount of RMB120,000,000 (tax inclusive) for the year ended 31 December 2020, payable to Shareholders whose names appear on the register of members of the Company at the close of business on 30 June 2021. Based on 1,200,000,000 ordinary shares of the Company in issue on 31 March 2021, such a final cash dividend would amount to RMB0.10 per share (tax inclusive), after appropriations to the statutory surplus reserve according to the relevant regulations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2020, so far as known to the Directors after reasonable enquiry, the following persons (other than the Directors, Supervisors 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(1)	Approximate percentage of shareholdings in the total share capital(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
Nirvana Code Limited(3)	Beneficial owner	H Shares	73,977,120	23.60%	6.16%	Long position
CM International Capital Limited(3)	Interest in a controlled corporation	H Shares	73,977,120	23.60%	6.16%	Long position

Name of Shareholder	Nature of Interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares(1)	Approximate percentage of shareholdings in the total share capital(1)	Long position/ short position
CMIG International Capital Limited(3)	Beneficial owner	H Shares	26,776,849			
	Interest in a controlled corporation	H Shares	73,977,120			
			100,753,969	32.14%	8.40%	Long position
CMI Financial Holding Corporation(3)	Interest in a controlled corporation	H Shares	100,753,969	32.14%	8.40%	Long position
CMIG Asia Asset Management Co., Ltd.(3)	Interest in a controlled corporation	H Shares	100,753,969	32.14%	8.40%	Long position
China Minsheng Investment Corp., Ltd.(3)	Interest in a controlled corporation	H Shares	100,753,969	32.14%	8.40%	Long position
GF Securities Co., Ltd.(4)	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Holdings (Hong Kong) Corporation Limited(4)	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Investment (Hong Kong) Company Limited(4)	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Energy Investment Limited(4)	Beneficial owner	H Shares	29,239,766	9.33%	2.44%	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 2020, 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 corporate substantial shareholder notices submitted to the Stock Exchange, Nirvana Code Limited is 100% owned by CM International Capital Limited, which is 100% owned by CMIG International Capital Limited. CMIG International Capital Limited is 77.40% owned by CMI Financial Holding Corporation, which is 100% owned by CMIG Asia Asset Management Co., Ltd. (a company 100% owned by China Minsheng Investment Corp., Ltd.). Therefore, China Minsheng Investment Corp., Ltd., CM International Capital Limited, CMIG International Capital Limited, CMI Financial Holding Corporation and CMIG Asia Asset Management Co., Ltd. are deemed to be interested in all Shares held by Nirvana Code Limited for the purpose of the SFO.

(4) 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 Securities Co., Ltd. holds 100% of the equity interest of GF Holdings (Hong Kong) Corporation Limited. 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.

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

No contracts (as defined in Section 543 of the Companies Ordinance) relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the Reporting Period.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed elsewhere in the consolidated financial statements, there was no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which a Director or an entity connected with a Director had, whether directly or indirectly, a material interest, nor was there any other transaction, arrangement or contract of significance in relation to the Company's business, or significant contract for delivery of service between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

CONNECTED TRANSACTIONS

The following connected transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules, and conform to the relevant disclosure requirements. In relation to the continuing connected transactions mentioned below, the Directors confirm that the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules.

The following disclosed amounts in respect of the continuing connected transactions in this section are not equivalent to transactions with related parties in Note 35 to the consolidated financial statements. The differences are attributable to (i) the amount of the fully exempted continuing connected transactions; and (ii) the different definitions of Connected Person and related parties used in the consolidated financial statements.

Apart from the continuing connected transactions stated below in this annual report, none of the related party transactions set out in Note 35 to the consolidated financial statements constituted non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

Exempted Continuing Connected Transactions

The Group conducted certain exempted continuing connected transactions during the Reporting Period. The relevant transactions constitute transactions that meet the minimum exemption level under Rule 14A.76 of the Listing Rules or financial assistance received by the listed issuer group under Rule 14A.90 of the Listing rules; therefore, all relevant transactions are fully exempted from the shareholder approval, annual review, and all disclosure requirements under Chapter 14A of the Listing Rules.

Non-exempt Continuing Connected Transactions

The Group conducted certain non-exempt continuing connected transactions for the year ended 31 December 2020. The relevant transaction did not exceed the relevant caps announced or approved by shareholders for the year ended 31 December 2020.

The following table states the annual cap and actual transaction amount of such connected transactions in 2020:

Connected transactions	Connected person	2020 Annual cap (RMB million)	2020 Actual transaction amounts (RMB million)
1. Provision of products for the Group	TBEA	400	384
2. Provision of coal for the Group	TBEA	400	372
3. Provision of miscellaneous services for the Group	TBEA	250	235
4. Sales of products to TBEA	TBEA	100	61
5. Provision of products for the Group	Xinjiang Tebian	50	26
6. Provision of miscellaneous services for the Group	Xinjiang Tebian	250	161
7. Provision of transportation services for the Group	Xinjiang Tebian	150	6
8. Provision of deposit services for the Group	TBEA Finance	1,200(1)	841(2)
9. Provision of other financial services for the Group	TBEA Finance	60	–

Notes:

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

(2) The amount represented the maximum daily outstanding deposits during 2020.

(1) The Company entered into certain framework agreements with TBEA.

Product Procurement Framework Agreement and Supplemental 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 on 15 December 2017, pursuant to which, TBEA Group 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. 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.

Due to the requirement of the construction of wind and PV power stations, the Group's demand for the power transmission and transformation products from TBEA Group increased. According to the product procurement contract signed from January to October 2020, the contemplated procurement transactions from November to December 2020, and the transaction amount occurred from January to October 2020, the Company entered into the Supplemental Product Procurement Framework Agreement with TBEA on 10 November 2020 and changed the 2020 annual cap of the products purchased from TBEA Group to RMB400 million. For details, please refer to the circular of the Company dated 2 December 2020.

Coal Procurement Framework Agreement and Supplemental 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. As such, the Group has been procuring coal from Xinjiang Tianchi. The Company entered into a coal procurement framework agreement with TBEA on 15 December 2017, pursuant to which, TBEA Group 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. 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.

Due to the increased price and demand of coal required of the Group's polysilicon production business, and in light of the actual transaction amount incurred for the eight months ended 31 August 2020, the Company entered into the Supplemental Coal Procurement Framework Agreement with TBEA on 23 September 2020 and changed the 2020 annual cap of the coal purchased from TBEA Group to RMB400 million. For details, please refer to the circular of the Company dated 8 October 2020.

Miscellaneous Services Framework Agreement with TBEA

As TBEA's construction quality, construction period, and service capacity for miscellaneous construction services can meet the Group's requirements, and are more able to understand the Group's needs, TBEA has been providing relevant miscellaneous construction services to the Group. Therefore, the Company entered into a miscellaneous services framework agreement with TBEA on 15 December 2017, pursuant to which, TBEA Group shall provide the Group with miscellaneous services (such as engineering construction, greening service, installation of water, electricity, gas and heat equipment). The miscellaneous services are mainly in supporting nature which is different from the main construction service for the Group's 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. 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 Sales Framework Agreement with TBEA

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, thereby bring certain benefits to the Group, the Company entered into the products sales framework agreement with TBEA on 12 September 2019, pursuant to which, the Group shall sell industrial raw materials (i.e. silicon metal and liquid alkali) and industrial water to TBEA Group. The product sales framework agreement is for a term from 8 November 2019 to 31 December 2020 and is subject to renewal upon mutual consent. Both parties will enter into individual agreements which will set out the specific terms and conditions (including the pricing, settlement terms, and quality standards) according to the normal commercial terms provided in the product sales framework agreement.

Listing Rules Implications

For the transactions where TBEA provides the Group with products, coal and miscellaneous services and the Group sells products to TBEA (collectively the "**TBEA Transactions**"), the TBEA Transactions shall be treated and aggregated as one transaction pursuant to Rule 14A.81 of the Listing Rules. Accordingly, the annual caps in respect of the TBEA 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 of the TBEA Transactions (as aggregated) contemplated under the framework agreements with TBEA is more than 5%, the transactions contemplated under the framework agreements with TBEA shall be subject to the annual reporting, annual review, announcement, circular and shareholder approval requirements under Chapter 14A of the Listing Rules.

The revised overall annual cap (as aggregated) under the framework agreements with TBEA (the "**Revised Overall Annual Cap**") has been approved, and the Company has conducted related transactions with TBEA based on the Revised Overall Annual Cap.

For details of the above transactions and the Revised Overall Annual Cap, please refer to the Company's circulars dated 27 March 2018, 8 October 2020 and 2 December 2020.

(2) The Company entered into certain framework agreements with Xinjiang Tebian.

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 by Xinjiang Tebian, 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 on 15 December 2017, pursuant to which Xinjiang Tebian Group 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. 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, on 15 December 2017, 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 Group. 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. 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 make timely arrangements for coal transportation in response to the Company's demand. As such, on 15 December 2017, the Company entered into a transportation services framework agreement with Xinjiang Tebian, pursuant to which Xinjiang Tebian Group 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. 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.

Listing Rules Implications

For the transactions where Xinjiang Tebian provides the Group with products, miscellaneous services and transportation services (collectively the "**Xinjiang Tebian Transactions**"), the Xinjiang Tebian Transactions shall be treated and aggregated as one transaction pursuant to Rule 14A.81 of the Listing Rules. Accordingly, the annual caps in respect of the Xinjiang Tebian 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 in respect of the proposed annual caps for the Xinjiang Tebian Transactions (as aggregated) is more than 5%, the transactions are subject to the annual reporting, annual review, announcement, circular and shareholder approval requirements under Chapter 14A of the Listing Rules.

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

(3) The Company entered into financial services framework agreement with TBEA Finance.

TBEA Finance is a normative non-bank financial institution approved by China Banking and Insurance Regulatory Commission and provided financial services to the Company within its business scope and in compliance with the relevant national laws and regulations. The execution of the financial services framework agreement with TBEA Finance is favorable for the Group to enhance fund management and control, reduce and circumvent operation risks. With the continuous business expansion, the Group's size of borrowings has gradually increased, and it is particularly important to diversify financing channels, to reduce finance costs, and improve capital utilization rate. Therefore, 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 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.

Listing Rules Implications

As the maximum applicable percentage ratio in respect of the deposit services under the financial services framework agreement exceeds 5%, the deposit services is subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 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 are 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 of the Company dated 5 June 2019.

Information relating to TBEA

TBEA is a joint stock company incorporated in the PRC on 26 February 1993 with a registered capital of RMB3,714,312,789 as of the Latest Practicable Date. 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 80% 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 RMB1,024,705,400 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.

Information relating to Xinjiang Tianchi

Xinjiang Tianchi is a company with limited liability incorporated in the PRC on 29 November 2002, with a registered capital of RMB1,670,460,000 as at the Latest Practicable Date. The main business of Xinjiang Tianchi is the mining and sales of coal. As of the Latest Practicable Date, TBEA held 85.78% equity interest of Xinjiang Tianchi, and thus Xinjiang Tianchi is a subsidiary of TBEA. Accordingly, Xinjiang Tianchi is a connected person of the Company as defined under Chapter 14A of the Listing Rules.

Information relating to Zhongjiang Logistics

Zhongjiang Logistics is a company with limited liability incorporated in the PRC on 4 May 2011, with a registered capital of RMB375,000,000 as at the Latest Practicable Date. The main business of Zhongjiang Logistics is to provide services relating to railway freight transportation in China. As of the Latest Practicable Date, Zhongjiang Logistics is a 30%-controlled company of Xinjiang Tebian. Accordingly, Zhongjiang Logistics is a connected person of the Company as defined under Chapter 14A of the Listing Rules.

Confirmation of Independent Non-Executive Directors

The Company has established the Management Rules on Connected Transaction (the "**Management Rules on Connected Transaction**"), and revised it from time to time, 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 (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 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 engaged Auditor of the Company 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 Auditors to believe that the disclosed continuing connected transactions have not been approved by the Board.

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 in the annual report, nothing has come to the Auditor's attention that causes the Auditor to believe that the disclosed continuing connected transactions have exceeded the overall annual cap as set by the Company and approved by the Shareholders.

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

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

BUSINESS REVIEW

In 2020, 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 2020.

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 2020, 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.

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 27 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 set up a corporate annuity system for providing retired employees with further 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.

EQUITY-LINKED AGREEMENT

The Group has not entered into any equity-linked agreement during the Reporting Period.

PUBLIC FLOAT

Based on the publicly available information to the Company, so far as to the Directors' knowledge, at the date of this report, the Company has fulfilled the minimum public float requirement under 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 2020, the Group has complied with all the applicable 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 2020, the principal accounting policies adopted by the Company in the preparation of the audited consolidated financial statements for the year 2020 are consistent with that adopted in the preparation of the audited consolidated financial statements for the year 2019. Details are set out in Note 2 to the financial statements.

ARTICLES OF ASSOCIATION

Articles of Association was reviewed and approved for revision by the 2019 annual general meeting on 16 June 2020.

LITIGATIONS

During the Reporting Period, the Company was involved in two major legal proceedings, which have been disclosed in the announcements dated 20 May 2020, 22 June 2020, 4 December 2020, 28 December 2020 and 20 January 2021:

Litigation of the Intermediate Court of Beijing:

In January 2017, Xinjiang New Energy entered into a construction agreement (the "**Construction Agreement**") with Xuyi High Drive Wind Power Co., Ltd.* (盱眙高傳風力發電有限公司) (the "**Xuyi High Drive**"), stipulating that Xinjiang New Energy shall undertake the general construction of the 99MW Integration Wind Power Project at Guanyin Temple Sanhe Farm Guantan Wind Power Plant of Xuyi High Drive (盱眙高傳觀音寺三河農場官灘風電場99MW整裝風電工程) (the "**Project**"). In May 2017, Xuyi High Drive entered into a finance lease agreement (the "**Finance Lease Agreement**") with Huaxia Financial Leasing Co., Ltd.* (華夏金融租賃有限公司) (the "**Huaxia Financial Leasing**"), and carried out financial leasing business for the Project, with a total financial lease principal of RMB600 million. Huaxia Financial Leasing also entered into a right and obligation transfer agreement with Xuyi High Drive and Xinjiang New Energy, stipulating that Huaxia Financial Leasing will undertake the payment obligation for the procurement of the major equipment, components and materials for the Project and obtain the Project's ownership after its completion; whilst other rights and obligations under the Construction Agreement shall continue to be fulfilled by Xuyi High Drive and Xinjiang New Energy in accordance with the Construction Agreement.

In May 2020, Huaxia Financial Leasing filed a claim to the Second Intermediate People's Court of Beijing Municipality (the "**Beijing Intermediate Court**") on the ground that the equipment delivered by Xinjiang New Energy was inconsistent with those stipulated in the Construction Agreement, and sought to recover the principal of the finance lease of RMB600 million together with the interest, litigation and preservation fees from Xinjiang New Energy. Xinjiang New Energy and Huaxia Financial Leasing entered into the Settlement Arrangement (the "**Settlement**") and the Creditor's Rights Transfer Arrangement, whereby all expired and undue creditor's rights under the Finance Lease Agreement and those to be incurred upon termination, security rights against all creditor's rights under the Finance Lease Agreement, including 100% equity interest in Xuyi High Drive, the Project's revenue from the generation of electricity (the "**Revenue**") and accounts receivables, were transferred to Xinjiang New Energy; and Xinjiang New Energy received the "Civil Ruling Paper" issued by the Beijing Intermediate Court in December 2020, confirming that Huaxia Financial Leasing has withdrawn the lawsuit. The litigation between Xinjiang New Energy and Huaxia Financial Leasing was terminated after the withdrawal of the lawsuit.

Litigation of the Intermediate People's Court of Huaian:

In June 2020, Xinjiang New Energy filed a lawsuit against, amongst others, Xuyi High Drive with the Intermediate People's Court of Huaian (the "**Litigation of Intermediate People's Court of Huaian**") in relation to the aforesaid contractual disputes. After the Settlement was reached, Xinjiang New Energy withdrew its claim in the lawsuit that Xuyi High Drive shall compensate the losses of Xinjiang New Energy as a result of its breach. As at the date of this report, the first instance judgment of the Litigation of Intermediate People's Court of Huaian was delivered, and the main contents of the Judgment were as follows: (i) the Construction Agreement was terminated; (ii) Xuyi High Drive shall pay the project payment and liquidated damages for late payment to Xinjiang New Energy; (iii) other defendants shall undertake joint liability or joint guarantee liability for the debts of Xuyi High Drive under (ii); and (iv) Xinjiang New Energy shall have the priority of compensation in respect of the Revenue within the scope of the creditor's rights stated in (ii).

As at 31 December 2020, except the abovementioned proceedings, the Group was not involved in any major legal proceedings or arbitrations, and so far as the Directors are aware, no major litigation or claims are pending or threatened against the Group.

Subsequently in March 2021, Xinjiang New Energy filed a lawsuit against Xuyi High Drive as it failed to pay the payables under the Finance Lease Agreement, and sought the Beijing Intermediate Court's order that (i) Xuyi High Drive shall pay the due and outstanding lease payables of RMB57,301,380.90, all undue lease payables of RMB813,402,747.68 and corresponding liquidated damages for late payment retained purchase amount, and attorney fee etc. (the "**Payments**"); (ii) Xinjiang New Energy is entitled to set off the Payments from Xuyi High Drive's deposit of RMB36,378,000.00; (iii) Jiangsu High Drive New Energy Co., Ltd shall be jointly and severally liable for the Payments; (iv) Xinjiang New Energy has the priority of compensation for the Payments in respect of (a) discounted price of Xuyi High Drive's equity interest or proceeds from auction or disposal; (b) the Revenue and relevant rights to earnings; and (c) discounted price of the related construction land use rights or proceeds from auction or disposal, all of which were pledged or mortgaged.

As at the date of this report, the trial for the litigation has not commenced. Please refer to the announcement of the Company dated 3 March 2021 for further details.

PARTNERSHIP AGREEMENT

On 27 September 2019, the Company (as a limited partner) entered into the partnership agreement in relation to the establishment of Urumqi Strategic Emerging Industry Xinte Energy Guiding Fund (Limited Partnership) (the "**Guiding Fund**"). The total capital contribution of all partners was RMB603 million. On 21 February 2020, the Company, the Guiding Fund and Crystal Silicon Hightech entered into an investment agreement, pursuant to which Guiding Fund agreed to make a capital injection in the amount of RMB600 million to Crystal Silicon Hightech to subscribe 25.65% of the equity interest in Crystal Silicon Hightech. The funds for the capital injection has been fully utilized by Crystal Silicon Hightech 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 establishment of the Guiding Fund and the capital injection are set out in the announcements of the Company dated 27 September 2019, 8 October 2019, 21 February 2020 and 11 March 2020.

Save as mentioned above, the Guiding Fund did not carry out other investments during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's 2020 annual results and the consolidated financial statements for the year ended 31 December 2020 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 2020. 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 past three years.

FINANCIAL SUMMARY

The summary of the operating results, assets and liabilities of the Group for the year ended 31 December 2020 is set out on page 9 of this annual report.

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

Xinjiang, the PRC, 31 March 2021

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 2020, the Supervisory Board of the Company, 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 of the Hong Kong Stock Exchange. Following is a report of the principal work of the Supervisory Board during the Reporting Period:

I. SUPERVISORY BOARD MEETINGS

During the year, a total of 6 Supervisory Board meetings took place. The Supervisory Board meetings has considered and approved, among others, the annual report and results announcement, the report of the Supervisory Board for the year ended 31 December 2019, the resolution of non-exempt continuing connected transactions for the year of 2019, the announcement of the key financial information for the first quarter of 2020, the results announcements for the first half and the first and the third quarter of 2020, the adjustment of TBEA's caps in respect of non-exempt continuing connected transactions of product and coal procurement in 2020, and the expected caps in respect of the non-exempt continuing connected transactions with TBEA and TBEA Group from 2021 to 2023.

All Supervisors attended the above meetings.

II. 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 and checked 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 2020, 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 2020 annual 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 2020 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, 31 March 2021

Corporate Governance Report

The Board of the Company hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2020.

1. BOARD OF DIRECTORS

1.1 Composition of the Board

As of 31 December 2020, 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 37 to 39 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. Qin Xiaodong	Non-executive Director	2020.6-2021.1
Mr. Wang Shi	Non-executive Director	2019.6-2020.4
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

During the Reporting Period, there were no financial, business or family relationships between the members of the Board of Directors.

Pursuant to the CG Code 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 2020, the Board convened 10 meetings and submitted 16 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	10	10	0
Mr. Yin Bo	10	10	0
Mr. Xia Jinjing	10	10	0
Mr. Zhang Xin	10	10	0
Ms. Guo Junxiang	10	10	0
Mr. Qin Xiaodong (1)	6	6	0
Mr. Wang Shi (2)	2	2	0
Mr. Qin Haiyan	10	10	0
Mr. Yang Deren	10	10	0
Mr. Wong, Yui Keung Marcellus	10	10	0

(1) On 16 June 2020, Mr. Qin Xiaodong was appointed as a non-executive Director and member of the Audit Committee. He resigned as a non-executive Director and member of the Audit Committee on 11 January 2021.

(2) Mr. Wang Shi resigned as a non-executive Director and member of the Audit Committee on 24 April 2020.

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;
- appointing or dismissing general manager and the Board secretary of the Company; appointing or dismissing Board secretary, 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 for three years.

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 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 2020 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 2020 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, industry research, etc.
Mr. Qin Haiyan	Independent Non-executive Director	No less than 60 hours	Corporate governance and relevant regulations, corporate management, strategy planning, industry research, etc.
Mr. Yang Deren	Independent Non-executive Director	No less than 60 hours	Corporate governance and relevant regulations, corporate management, macro economy, industry research, 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. The corporate governance functions include developing and reviewing the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements, overseeing the Company's orientation program for new Directors, reviewing and monitoring the training and continuous professional development of Directors and senior management, and developing, reviewing and monitoring 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. During the Reporting Period, the Board 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.

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 four Directors, including three independent non-executive Directors, namely, Mr. Wong, Yui Keung Marcellus, Mr. Yang Deren, Mr. Qin Haiyan and one non-executive Director, namely, 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 conferred 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 seven meetings during the Reporting Period. The Audit Committee considered and approved matters in relation to, among others, the Company's final financial report of 2019, annual report of 2019, the resolution for non-exempt continuing connected transactions for the year of 2019, the results announcements for the first half and the third quarter of 2020, the adjustment of TBEA's caps in respect of the non-exempt continuing connected transactions of product and coal procurement in 2020, and the expected caps in respect of the non-exempt continuing connected transactions with TBEA, TBEA Group and TBEA Finance from 2021 to 2023. 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. making 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 formulating such remuneration policies for the purpose of establishing a formal and transparent mechanism, making recommendations to the Board, reviewing the performance appraisal standards of Directors and senior management, and conducting appraisals and giving suggestions;

2. reviewing and approving the proposed remuneration of the management according to corporate operating objectives, and making 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. conducting appraisals on the performance of Directors and senior management based on the appraisal scheme, and deciding on their remuneration, rewards and punishments;

4. recommending 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. recommending to the Board on the remuneration of non-executive Directors;

6. recommending 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. ensuring that none of the Directors participates in determining his/her own remuneration;

8. being 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 to consider and approve the remuneration plan for Directors and Supervisors of the Company for 2020 as well as the review report on the remuneration of the senior management of the Company for 2020.

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. reviewing 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 advising on personnel changes of the Board so as to strengthen the Company's development strategy;

2. considering the criteria and procedures for selecting Directors and senior management staff and making recommendations thereon to the Board; developing or revising the Board Diversity Policy and focusing 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. identifying 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. assessing 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, assessing his/her ability to devote sufficient time to Board matters;

5. reviewing the particulars of the candidates for senior management staff of the Company and making recommendations thereon;

6. providing 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. evaluating on the structures of committees under the Board, recommending the Board members to serve as members of relevant committees, and submitting to the Board for approval;

8. establishing the plan for reserving potential Directors and making updates from time to time;

9. evaluating the work of Directors and providing advice or recommendations on the replacement of Directors based on the evaluation results;

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

11. considering the succession plan of the Board members, and conducting regular reviews thereon; and

12. dealing 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.

The Nomination Committee held two meetings during the Reporting Period. 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. Qin Xiaodong 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. reviewing the Company's long-term development strategic plans and making recommendations;
2. reviewing major investment financing programs which require the approval of the Board as stated in the Articles of Association and making recommendations;
3. reviewing major capital operations and assets management projects which require the approval of the Board as stated in the Articles of Association and making recommendations;
4. reviewing other significant matters which may affect the Company's development and making recommendations;
5. reviewing 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:

	Meetings Attended/Held		
Name	**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	2/2
Zhang Xin	N/A	N/A	2/2
Guo Junxiang	7/7	N/A	N/A
Mr. Qin Xiaodong (1)	4/4	N/A	N/A
Wang Shi (2)	2/2	N/A	N/A
Qin Haiyan	7/7	1/1	2/2
Yang Deren	7/7	1/1	2/2
Wong, Yui Keung Marcellus	7/7	1/1	2/2

(1) On 16 June 2020, Mr. Qin Xiaodong was appointed as a non-executive Director and member of the Audit Committee. He resigned as a non-executive Director and member of the Audit Committee on 11 January 2021.

(2) Mr. Wang Shi resigned as a non-executive Director and member of the Audit Committee on 24 April 2020.

3. INDEPENDENCE OF THE 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 2020.

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 MODEL CODE ON 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 enquiries with the Directors and Supervisors: the Directors and Supervisors confirmed that they had 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 its 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. INTERNAL CONTROL AND RISK MANAGEMENT

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 annual 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 2020, the Board is of the opinion that the Company's internal control system has been operating effectively and is adequate as of 31 December 2020, 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 Group to perform the auditing of the consolidated financial statements of the Group for the year ended 31 December 2020 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 2020 was RMB4.2 million. In addition, PricewaterhouseCoopers charged RMB1.2 million for rendering of non-audit services to the Company for the year of 2020 (mainly related to the report on the unaudited financial information of the Company). Save as disclosed above, PricewaterhouseCoopers did not provide any other non-audit services to the Company at a fee.

8. GENERAL MEETINGS

During the Reporting Period, the Company held three 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 required to be attended	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. Qin Xiaodong (1)	2	2
Mr. Wang Shi (2)	0	0
Mr. Qin Haiyan	3	3
Mr. Yang Deren	3	3
Mr. Wong, Yui Keung Marcellus	3	3

(1) On 16 June 2020, Mr. Qin Xiaodong was appointed as a non-executive Director and member of the Audit Committee. He resigned as a non-executive Director and member of the Audit Committee on 11 January 2021.

(2) Mr. Wang Shi resigned as a non-executive Director and member of the Audit Committee on 24 April 2020.

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. Twenty business days prior written notice for convening an annual general meeting shall be served to notify shareholders, and ten business days or fifteen days (whichever is the longer) prior written notice for convening an extraordinary general meeting shall be served to notify shareholders.

Shareholders who individually or collectively hold more than 10% of the shares of the Company shall have the right to request the Board to convene an extraordinary general meeting and shall submit such request in writing to the Board. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, provide written feedback on whether it agrees or disagrees to convene an extraordinary general meeting within 10 days after receiving the request.

If no notice of convening a general meeting was issued within 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.

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.

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 https://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

The Company consistently commits to maintain high level of corporate governance. During the year ended 31 December 2020, the Company complied with all code provisions of the CG Code as set out in Appendix 14 of Listing Rules in Hong Kong, 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. During the Reporting Period, 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 2020, the Company published 61 announcements on the Hong Kong Stock Exchange, including announcements on the deemed disposal, resignation of director and proposed appointment of director, entering into Supplemental Coal Procurement Framework Agreement, entering into Supplemental Product Procurement Framework Agreement, and entering into creditor's rights transfer arrangement.

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 not less than 15 hours in total.

13. HUMAN RESOURCES

13.1 Description of Human Resources

As of 31 December 2020, the Group has a total of 4,436 employees, and their professional and educational background are as follow:

Items	Categories	Number of people	Percentage to the total number of people
Profession	Management personnel	921	20.76%
	Technicians	248	5.59%
	Production personnel	2,861	64.50%
	Salesperson	406	9.15%
	Total	4,436	100.00%
Education	Postgraduate and above	421	9.49%
	Undergraduate	2,119	47.77%
	Associate degree & others	1,896	42.74%
	Total	4,436	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 during the Reporting Period. 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.

During the Reporting Period, 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. DIVERSITY POLICY OF BOARD MEMBERS

In order to achieve a sustainable and balanced development, the Company views the increasing diversity of its Board as a key factor in supporting its strategic targets and maintaining the sustainable development. The Company will consider and diversify its Board membership in various ways when setting the composition of the Board, and all appointments will continue to be made on the basis of the advantages and merits of the candidates, including but not limited to their gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and tenure of service, so as to ensure that the Board has a balance of skills, experiences and diverse perspectives appropriate to the Company's business needs. All Board appointments will be based on meritocracy, and the candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board. The Company understands and believes in the benefits of a diverse Board. As of the Latest Practicable Date, being reviewed by the Nomination Committee, the Board is in compliance with the diversity policy of Board members, and the Board includes members with different professional backgrounds, skills, ages and genders, which effectively facilitates the Company's scientific decision-making on major issues.

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.

pwc

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 100 to 196, which comprise:

- the consolidated balance sheet as of 31 December 2020;
- 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 2020, 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.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 matter identified in our audit is 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 13 to the consolidated financial statements. As of 31 December 2020, the Group held power plants under development and held for sale inventories of RMB1,620 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 the balance of the power plants under development and held for sale as of 31 December 2020 was significant, and the estimation of NRV was subject to high degree of estimation uncertainty. The inherent risk in relation to the management's NRV assessment is considered significant due to complexity of the model and subjectivity of assumptions used.	We obtained an understanding of management's internal control and assessment process of NRV and assessed the inherent risk of material misstatements by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity. 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. 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, actions taken to eliminate threats or safeguards applied.

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, 31 March 2021

Consolidated Balance Sheet

At of 31 December 2020

	Note	As of 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**25,504,650**	19,277,873
Right-of-use assets	7	**786,055**	686,665
Intangible assets	8	**110,882**	96,617
Investments accounted for using the equity method	11	**330,502**	644,967
Financial assets at fair value through other comprehensive income		**1,000**	1,000
Deferred tax assets	12	**258,819**	198,775
Other non-current assets	15	**2,048,470**	4,434,533
Total non-current assets		**29,040,378**	25,340,430
Current assets			
Inventories	13	**2,260,492**	3,037,744
Contract assets	5	**2,065,962**	2,409,573
Other current assets	15	**1,492,623**	2,606,307
Trade and notes receivable	14	**6,092,545**	3,873,852
Other receivables	16	**895,114**	380,004
Financial assets at fair value through profit or loss	9	**63,520**	—
Restricted cash and term deposits with initial term of over three months	17	**1,904,458**	1,310,161
Cash and cash equivalents	17	**1,773,792**	2,747,045
Total current assets		**16,548,506**	16,364,686
Total assets		**45,588,884**	41,705,116
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	**1,200,000**	1,200,000
Share premium	18	**5,964,123**	5,957,405
Other reserves	19	**598,305**	554,047
Retained earnings		**4,308,833**	3,711,992
		12,071,261	11,423,444
Non-controlling interests	10	**2,488,132**	2,425,233
Total equity		**14,559,393**	13,848,677

	Note	As of 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	**14,245,410**	12,821,706
Lease liabilities	7	**49,361**	50,227
Deferred tax liabilities	12	**64,466**	153,120
Deferred government grants	21	**406,604**	430,518
Total non-current liabilities		**14,765,841**	13,455,571
Current liabilities			
Trade and notes payable	22	**10,067,141**	8,343,280
Provisions and other payables	23	**3,271,978**	1,728,964
Contract liabilities	5	**831,208**	1,039,916
Current tax liabilities		**108,772**	20,373
Borrowings	20	**1,983,684**	3,267,509
Lease liabilities	7	**867**	826
Total current liabilities		**16,263,650**	14,400,868
Total liabilities		**31,029,491**	27,856,439
Total equity and liabilities		**45,588,884**	41,705,116

The above consolidated balance sheet should be read in conjunction with the accompanying notes on pages 106 to 196.

These consolidated statements on pages 100 to 196 were approved by the Board of Directors on 31 March 2021 and were signed on its behalf.

Zhang Jianxin
Chairman

Yin Bo
Executive Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	5	**13,506,505**	8,722,113
Cost of sales	24	**(11,364,144)**	(6,888,078)
Gross profit		**2,142,361**	1,834,035
Selling and marketing expenses	24	**(567,133)**	(402,723)
General and administrative expenses	24	**(646,148)**	(580,598)
Net impairment losses on financial assets and contract assets		**(250,323)**	(54,514)
Other income	25	**148,210**	84,219
Other gains — net	26	**671,342**	22,696
Operating profit		**1,498,309**	903,115
Interest income	28	**41,688**	41,157
Finance expenses	28	**(594,606)**	(417,121)
Finance expenses — net		**(552,918)**	(375,964)
Share of net profit of investments accounted for using the equity method		**20,268**	34,783
Profit before income tax		**965,659**	561,934
Income tax expense	29	**(73,206)**	(45,141)
Profit for the year		**892,453**	516,793
Profit for the year attributable to:			
Owners of the Company		**695,370**	402,642
Non-controlling interests		**197,083**	114,151
		892,453	516,793

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Other comprehensive (loss)/income:			
Items that may be reclassified to profit and loss			
Currency translation differences		**(7)**	60
Total comprehensive income for the year		**892,446**	516,853
Total comprehensive income for the year attributable to:			
Owners of the Company		**695,363**	402,702
Non-controlling interests		**197,083**	114,151
		892,446	516,853
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (RMB)	30	**0.58**	0.34
Diluted earnings per share (RMB)	30	**0.58**	0.34

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 106 to 196.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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 2019	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 18)	–	(38,966)	–	–	(38,966)	1,043,966	1,005,000
Appropriation of surplus reserve (Note 19(a))	–	–	16,414	(16,414)	–	–	–
Dividends (Note 31)	–	–	–	(180,000)	(180,000)	(1,700)	(181,700)
Employee share schemes — value of employee services (Note 19)	–	–	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
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**695,370**	**695,370**	**197,083**	**892,453**
Currency translation differences	**–**	**–**	**(7)**	**–**	**(7)**	**–**	**(7)**
Total comprehensive income	**–**	**–**	**(7)**	**695,370**	**695,363**	**197,083**	**892,446**
Transactions with owners							
Transactions with non-controlling interests (Note 18)	**–**	**6,718**	**–**	**–**	**6,718**	**(9,231)**	**(2,513)**
Appropriation of surplus reserve (Note 19(a))	**–**	**–**	**26,529**	**(26,529)**	**–**	**–**	**–**
Dividends (Note 31)	**–**	**–**	**–**	**(72,000)**	**(72,000)**	**(124,953)**	**(196,953)**
Employee share schemes — value of employee services (Note 19)	**–**	**–**	**17,736**	**–**	**17,736**	**–**	**17,736**
Total transactions with owners, recognised directly in equity	**–**	**6,718**	**44,265**	**(98,529)**	**(47,546)**	**(134,184)**	**(181,730)**
Balance as of 31 December 2020	**1,200,000**	**5,964,123**	**598,305**	**4,308,833**	**12,071,261**	**2,488,132**	**14,559,393**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 106 to 196.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	32(a)	**2,391,199**	(1,387,683)
Income tax paid		**(112,563)**	(86,618)
Net cash generated from/(used in) from operating activities		**2,278,636**	(1,474,301)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6,339,709)**	(4,902,243)
Purchase of intangible assets		**(31,562)**	(13,936)
Purchase of right-of-use assets		**(129,626)**	—
Loans to third parties		**(59,578)**	—
Proceeds from disposal of property, plant and equipment	32(b)	**19,356**	30,740
Net proceeds from disposal of subsidiaries	32(c)	**40,024**	—
Net proceeds from disposal of associates	11	**80,685**	4,200
Increase in investments accounted for using the equity method	11	**(100,317)**	(475,581)
Government grants received		**27,310**	2,751
Interest received		**41,688**	41,157
Dividends received from associates		**24,352**	—
Changes in restricted cash and term deposits with initial term of over three months	17	**(594,297)**	1,000,026
Net cash used in investing activities		**(7,021,674)**	(4,312,886)
Cash flows from financing activities			
Issue of shares		**—**	1,205,860
Capital injection from non-controlling interests		**—**	1,005,000
Acquisitions of non-controlling interests of subsidiaries		**(2,513)**	—
Repayments of borrowings		**(7,413,047)**	(5,789,557)
Proceeds from borrowings		**12,283,928**	9,326,815
Interest paid		**(933,183)**	(727,410)
Principal elements of lease payments		**(3,300)**	(19,769)
Dividends paid by the Company	31	**(24,965)**	(326,561)
Dividends paid to non-controlling interests		**(122,767)**	(1,157)
Net cash generated from financing activities		**3,784,153**	4,673,221
Net decrease in cash and cash equivalents		**(958,885)**	(1,113,966)
Cash and cash equivalents at beginning of the year	17	**2,747,045**	3,856,408
Exchange (losses)/gains on cash and cash equivalents		**(14,368)**	4,603
Cash and cash equivalents at end of the year	17	**1,773,792**	2,747,045

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 106 to 196.

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. 2249, Zhongxin 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 on a historical cost basis, except for certain financial assets which are measured 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 2020:

- Definition of Material — amendments to IAS 1 and IAS 8
- Definition of a Business — amendments to IFRS 3
- Interest Rate Benchmark Reform — amendments to IFRS 7, IFRS 9 and IAS 39
- Revised Conceptual Framework for Financial Reporting

The 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 2020 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Annual Improvements 2018–2020 cycle	IFRS 1, IFRS 9, IFRS 16 and IAS 41	January 1, 2022
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated balance sheet, consolidated statement of comprehensive income and consolidated statement of changes in equity respectively.

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

Associates are entities over which the Group has significant influence but not control or joint 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. Dividends received or receivable from associates are recognised as a reduction in 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associate (continued)

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.

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 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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 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)

2.9 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.

2.10 Financial assets

2.10.1 Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income ("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 fair value through other comprehensive income ("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)

2.10 Financial assets (Continued)

2.10.2 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.

2.10.3 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) — net 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)

2.10 Financial assets (Continued)

2.10.3 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.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (Continued)

2.10.4 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.

2.11 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.

2.12 Inventories

Inventories comprise raw materials, work in progress including power plants under development and held for sale (Note 2.22(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 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.

2.14 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 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)

2.16 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.

2.17 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 removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

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.

2.18 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)

2.19 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

Deferred income tax is provided in full, 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. Deferred income tax is also 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

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.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.20 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Employee benefits (continued)

(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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.22 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue recognition (continued)

(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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Leases

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.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Leases (continued)

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)

2.24 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Interest income

Interest income on financial assets at amortised cost and financial assets as FVOCI 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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 2020, 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 2020 would have been RMB1,810,000 higher/lower (2019: RMB2,053,000 higher/lower).

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net exchange (losses)/gains included in other gains	**(24,068)**	6,297
Exchange gains in finance costs	**–**	3,866
Total net foreign exchange (losses)/gains recognised in profit before income tax for the year	**(24,068)**	10,163

(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 2020, if interest rates on the Group's floating rate borrowings amounting to RMB15,298,770,000 (2019: RMB13,126,071,000) 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 2020 would have been RMB47,157,000 lower/higher (2019: RMB38,032,000 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 cash and term deposits with initial term of over three months, trade and notes receivable, tariff adjustment receivables, contract assets, other receivables and long-term receivables.

(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 2020 and 2019, 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 and long-term receivables

While cash and cash equivalents, restricted cash and term deposits with initial term of over three months are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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

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

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 2020 or 1 January 2020 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.

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)

On that basis, the loss allowance as of 31 December 2020 and 31 December 2019 was determined as follows for trade and notes receivable, tariff adjustment receivables and contract assets:

As of 31 December 2020	**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	**2%**	**5%**	**10%**	**27%**	**100%**	
Gross carrying amount — trade and notes receivable (including tariff adjustment receivables shown as other non-current assets) (RMB'000)	**4,585,069**	**1,130,650**	**495,234**	**325,916**	**23,311**	**6,560,180**
Gross carrying amount — contract assets (RMB'000)	**1,600,193**	**461,771**	**6,520**	**2,146**	**3**	**2,070,633**
Loss allowance (RMB'000)	**104,029**	**76,949**	**49,115**	**88,694**	**23,310**	**342,097**

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

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)

Trade and notes receivable, tariff adjustment receivables 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, tariff adjustment receivables 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 and long-term receivables

Allowance on other receivables and long-term 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.

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 2020					
Borrowings	**2,724,012**	**2,881,395**	**6,448,205**	**9,892,099**	**21,945,711**
Trade payables (Note 22)	**3,938,764**	**–**	**–**	**–**	**3,938,764**
Notes payable (Note 22)	**6,128,377**	**–**	**–**	**–**	**6,128,377**
Lease Liabilities	**3,300**	**12,300**	**9,900**	**49,500**	**75,000**
Provisions and other payables	**2,885,897**	**–**	**–**	**–**	**2,885,897**
	15,680,350	**2,893,695**	**6,458,105**	**9,941,599**	**34,973,749**
As of 31 December 2019					
Borrowings	4,027,051	3,116,842	6,578,585	7,346,677	21,069,155
Trade payables (Note 22)	3,666,536	–	–	–	3,666,536
Notes payable (Note 22)	4,676,744	–	–	–	4,676,744
Lease Liabilities	3,300	3,300	18,900	52,800	78,300
Provisions and other payables	1,452,598	–	–	–	1,452,598
	13,826,229	3,120,142	6,597,485	7,399,477	30,943,333

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 2020 was 68% (31 December 2019: 67%).

3.3 Fair value estimation

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2020					
Financial assets at FVOCI					
— Notes receivable	9	**–**	**794,253**	**–**	**794,253**
— Unlisted equity investments		**–**	**–**	**1,000**	**1,000**
Financial assets at FVPL					
— Unlisted equity investments	11(b)	**–**	**–**	**63,520**	**63,520**
Total financial assets		**–**	**794,253**	**64,520**	**858,773**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Financial assets at FVOCI				
— Notes receivable	–	431,639	–	431,639
— Unlisted equity investments	–	–	1,000	1,000
Total financial assets	–	431,639	1,000	432,639

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(i) Fair value hierarchy (continued)

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The fair value of the financial instruments that are not traded in an active market is determined by using valuation techniques. Notes receivable are valued based on the in-house models that using inputs which are legally binding quotes or observable prices. FVPL are equity investments and the fair value is determined based on pricing service using inputs from non-observable prices/data.

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.

(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.

(c) Allowances for impairment of financial assets and contract assets

The Group makes the allowances for financial assets and contract assets based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.

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, flexible direct current transmission converter valve, 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.

	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 2020:						
Segment revenue and results						
Total segment revenue	3,999,121	14,451,414	887,489	1,950,408	(7,781,927)	13,506,505
Inter-segment revenue	(13,697)	(7,439,666)	(555)	(328,009)	7,781,927	–
Revenue from external customers	3,985,424	7,011,748	886,934	1,622,399	–	13,506,505
Timing of revenue recognition						
At a point in time	3,985,424	132,411	886,934	1,622,399	–	6,627,168
Over time	–	6,879,337	–	–	–	6,879,337
	3,985,424	7,011,748	886,934	1,622,399	–	13,506,505
Segment results	766,465	540,986	582,082	252,828	–	2,142,361
Amortisation	7,581	3,269	895	3,358	–	15,103
Depreciation	764,069	9,106	253,182	66,160	–	1,092,517
Provisions/(reversal) of impairment:						
Trade and other receivables (including tariff adjustment receivables and long-term receivables)	10,941	188,340	59,051	3,880	–	262,212
— inventory	3,914	155,133	–	1,011	–	160,058
— contract assets	–	(11,889)	–	–	–	(11,889)
Share of profit of investments accounted for using the equity method	–	20,268	–	–	–	20,268

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
Provisions/(reversal) of impairment:						
Trade and other receivables (including tariff adjustment 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)

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Polysilicon production	**766,465**	397,976
ECC	**540,986**	709,217
BOO	**582,082**	566,030
Others	**252,828**	160,812
Total gross profit for reportable segments	**2,142,361**	1,834,035
Selling and marketing expenses	**(567,133)**	(402,723)
General and administrative expenses	**(646,148)**	(580,598)
Net impairment losses on financial assets and contract assets	**(250,323)**	(54,514)
Other income	**148,210**	84,219
Other gains — net	**671,342**	22,696
Finance expenses — net	**(552,918)**	(375,964)
Share of profit of investments accounted for using the equity method	**20,268**	34,783
Profit before income tax	**965,659**	561,934
Income tax expense	**(73,206)**	(45,141)
Profit for the year	**892,453**	516,793

5 SEGMENT INFORMATION (continued)

The segment assets as of 31 December 2020 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 2020						
Segment assets	**21,522,056**	**17,855,841**	**17,416,586**	**3,476,421**	**(15,271,341)**	**44,999,563**
Investments accounted for using the equity method	**–**	**330,502**	**–**	**–**	**–**	**330,502**
	21,522,056	**18,186,343**	**17,416,586**	**3,476,421**	**(15,271,341)**	**45,330,065**
Unallocated assets						**258,819**
Total assets						**45,588,884**
Additions to non-current assets	**393,538**	**16,748**	**9,392,667**	**307,130**	**–**	**10,110,083**
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

5 SEGMENT INFORMATION (continued)

Entity-wide information

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Provision of ECC services	**6,879,337**	4,691,610
Sales of goods	**6,357,859**	3,883,171
Provision of services other than ECC	**269,309**	147,332
	13,506,505	8,722,113

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
The PRC	**13,448,628**	8,567,151
Other countries	**57,877**	154,962
	13,506,505	8,722,113

For the year ended 31 December 2020, there was one external customer (2019: two) contributed more than 10% of the total revenue.

As of 31 December 2020 and 2019, all the Group's non-current assets, other than deferred income tax assets are primarily located in the PRC.

5 SEGMENT INFORMATION (continued)

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	
	2020	2019
	RMB'000	RMB'000
Current contract assets relating to construction contracts	**2,070,633**	2,426,133
Loss allowance	**(4,671)**	(16,560)
Total contract assets	**2,065,962**	2,409,573
Total contract liabilities	**831,208**	1,039,916

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**1,011,555**	877,719

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 2019						
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
Year ended 31 December 2020						
Opening net book value	**3,184,503**	**8,626,012**	**30,180**	**36,629**	**7,400,549**	**19,277,873**
Additions	**44,153**	**201,060**	**6,681**	**18,424**	**9,668,461**	**9,938,779**
Transfers	**1,421,210**	**4,550,068**	**6,538**	**68,465**	**(6,046,281)**	**–**
Disposals	**(3,247)**	**(11,312)**	**(2,636)**	**(927)**	**–**	**(18,122)**
Disposals of subsidiaries	**(16,761)**	**(237,799)**	**–**	**(32)**	**(2,354,280)**	**(2,608,872)**
Depreciation charge	**(181,869)**	**(869,644)**	**(8,854)**	**(24,641)**	**–**	**(1,085,008)**
Closing net book value	**4,447,989**	**12,258,385**	**31,909**	**97,918**	**8,668,449**	**25,504,650**
As of 31 December 2020						
Cost	**5,337,358**	**16,291,636**	**60,157**	**183,898**	**8,668,449**	**30,541,498**
Accumulated depreciation	**(889,369)**	**(4,007,351)**	**(28,238)**	**(85,844)**	**–**	**(5,010,802)**
Accumulated impairment provisions	**–**	**(25,900)**	**(10)**	**(136)**	**–**	**(26,046)**
Net book value	**4,447,989**	**12,258,385**	**31,909**	**97,918**	**8,668,449**	**25,504,650**

6 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation expense has been charged as below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of sales	**1,003,033**	773,940
Selling and marketing expenses	**486**	380
General and administrative expenses	**61,934**	49,514
Capitalised in inventories	**19,555**	21,811
	1,085,008	845,645

For the year ended 31 December 2020, interest expenses of RMB211,742,000 (2019: RMB189,529,000) were capitalised in property, plant and equipment at average interest rate of 4.97% (2019: 5.17%) (Note 28).

As of 31 December 2020, the Group's buildings, machinery and equipment and construction in progress with net book value of RMB10,692,445,000 were pledged as securities for Group's borrowings (31 December 2019: RMB5,903,800,000) (Note 20(a)).

7 LEASES

(i) Amounts recognised in the balance sheet

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Right-of-use assets		
Land use rights (Note (a))	**647,497**	554,329
Leasehold land	**138,558**	132,336
	786,055	686,665
Lease liabilities		
Current	**867**	826
Non-current	**49,361**	50,227
	50,228	51,053

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

For the year ended 31 December 2020, additions to the right-of-use assets were RMB126,036,000 (2019: RMB13,170,000).

(ii) Amounts recognised in the statement of comprehensive income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use rights	**(20,848)**	(17,516)
Leasehold land	**(6,216)**	(9,445)
	(27,064)	(26,961)
Interest expense (included in finance expenses)	**(2,475)**	(2,531)
Expense relating to short-term leases and low-value assets (included in cost of sales, selling and marketing expenses and administrative expenses)	**(37,065)**	(34,326)

7 LEASES (continued)

(ii) Amounts recognised in the statement of comprehensive income (continued)

For the year ended 31 December 2020, depreciation of RMB9,001,000 (2019: RMB8,253,000) was included in "general and administrative expenses", RMB18,063,000 (2019: 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 RMB393,000 (2019: RMB2,206,000) was included in "construction in progress" of the Group.

For the year ended 31 December 2020, the total cash outflow for leases was RMB40,365,000 (2019: 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 2020 and 2019, the Group's land use rights with the net book value of RMB131,575,000 were pledged as security for Group's borrowings (31 December 2019: RMB133,837,000) (Note 20(a)).

8 INTANGIBLE ASSETS

	Patent and proprietary technologies RMB'000	Software RMB'000	Total RMB'000
As of 1 January 2019			
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
Year ended 31 December 2020			
Opening net book value	**60,234**	**36,383**	**96,617**
Additions	**933**	**30,629**	**31,562**
Disposals of subsidiaries	**—**	**(188)**	**(188)**
Amortisation charge	**(7,199)**	**(9,910)**	**(17,109)**
Closing net book value	**53,968**	**56,914**	**110,882**
As of 31 December 2020			
Cost	**186,860**	**87,781**	**274,641**
Accumulated amortisation	**(130,196)**	**(30,817)**	**(161,013)**
Impairment	**(2,696)**	**(50)**	**(2,746)**
Net book value	**53,968**	**56,914**	**110,882**

8 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	
	2020	2019
	RMB'000	RMB'000
Cost of sales	**3,561**	10,896
General and administrative expenses	**6,152**	6,309
Capitalised in inventories	**7,396**	6,977
	17,109	24,182

9 FINANCIAL INSTRUMENTS BY CATEGORY

	As of 31 December	
	2020	2019
Financial assets	**RMB'000**	RMB'000
Financial assets at amortised cost		
— Trade and notes receivable held to collect (Note 14)	**5,298,292**	3,442,213
— Tariff adjustment receivables (Note 15)	**130,209**	1,169,638
— Other receivables (Note 16)	**895,114**	380,004
— Long-term receivables (Note 15)	**408,399**	—
— Cash and bank balances (Note 17)	**3,678,250**	4,057,206
Financial assets at FVPL		
— Unlisted equity investment (Note 11(b))	**63,520**	—
Financial assets at FVOCI		
— Unlisted equity investment	**1,000**	1,000
— Notes receivable held to collect and sell (Note 14)	**794,253**	431,639
	11,269,037	9,481,700

9 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities	As of 31 December 2020 RMB'000	2019 RMB'000
Financial liabilities at amortised cost		
— Trade and notes payable (Note 22)	**10,067,141**	8,343,280
— Provisions and other payables	**2,885,897**	1,452,598
— Borrowings (Note 20)	**16,229,094**	16,089,215
— Lease liabilities (Note 7)	**50,228**	51,053
	29,232,360	25,936,146

10 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 2020 Registered capital RMB'000	As of 31 December 2020 Equity interests held by the Group (%)	As of 31 December 2019 Registered capital RMB'000	As of 31 December 2019 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	**4,273,620**	**70.48%**	4,110,903	69.31%
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	**2,039,160**	**93.46%**	1,739,160	92.34%
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%**	200,000	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%

10 SUBSIDIARIES (continued)

Name	Places of incorporation and kind of legal entity	Principal activities	As of 31 December 2020 Registered capital RMB'000	As of 31 December 2020 Equity interests held by the Group (%)	As of 31 December 2019 Registered capital RMB'000	As of 31 December 2019 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**	**77.16%**	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%**	732,939	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.

10 SUBSIDIARIES (continued)

Material non-controlling interests

The balance of total non-controlling interests as of 31 December 2020 is RMB2,488,132,000 (31 December 2019: RMB2,425,233,000), of which RMB2,332,451,000 (31 December 2019: RMB2,282,465,000) 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	
	2020	2019
	RMB'000	RMB'000
Current		
Assets	**13,420,894**	14,427,673
Liabilities	**(10,890,588)**	(9,939,040)
Total current net assets	**2,530,306**	4,488,633
Non-current		
Assets	**16,292,253**	11,627,765
Liabilities	**(11,006,427)**	(8,729,608)
Total non-current net assets	**5,285,826**	2,898,157
Net assets	**7,816,132**	7,386,790
Net assets allocated to non-controlling interests	**2,332,451**	2,282,465

10 SUBSIDIARIES (continued)

Material non-controlling interests (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	**9,255,384**	6,312,350
Profit before income tax	**629,642**	431,544
Income tax expense	**(37,945)**	(33,130)
Profit for the year	**591,697**	398,414
Total comprehensive income allocated to non-controlling interests	**174,669**	115,051

Summarised cash flows

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from/(used in) operations	**1,084,876**	(945,575)
Income tax paid	**(68,249)**	(61,660)
Net cash generated from/(used in) operating activities	**1,016,627**	(1,007,235)
Net cash used in investing activities	**(6,849,526)**	(3,067,969)
Net cash generated from financing activities	**4,925,703**	2,889,831
Net decrease in cash and cash equivalents	**(907,196)**	(1,185,373)
Cash and cash equivalents at beginning of the year	**2,432,507**	3,622,450
Exchange losses on cash and cash equivalents	**(14,239)**	(4,570)
Cash and cash equivalents at end of the year	**1,511,072**	2,432,507

11 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 2020 and 2019, 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	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	**644,967**	140,969
Transfer from project companies to associates (Note (b))	**—**	73
Capital injections	**100,317**	475,581
Share of profit	**20,268**	34,783
Elimination of transactions with associates (Note (c))	**44,813**	(2,239)
Dividends declared	**(40,587)**	—
Disposal	**(439,276)**	(4,200)
At end of the year	**330,502**	644,967

(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 ECC 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 10% to 50% in some of these disposed Project Companies. For the Project Companies over which the Group 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, those relevant Project Companies are accounted for as associates or joint venture after the disposal. For the Project Companies over which the Group are not able to exercise significant influence and held for trading purpose, those Project Companies are accounted for as FVPL.

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(c) 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 2020 and 2019.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Elimination effect arising from Downstream Transactions with associates	**44,813**	(2,239)
Relevant tax effect	**(6,722)**	335
Elimination of transactions with associates, net of tax	**38,091**	(1,904)

11 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	
	2020	2019
	RMB'000	RMB'000
Revenue	**386,756**	401,319
Operating profit	**96,289**	103,256
Income tax expense	**(9,737)**	(6,379)
Profit for the year	**86,552**	96,877
Total comprehensive income	**86,552**	96,877

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.

12 DEFERRED INCOME TAX

(a) Deferred tax assets

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred tax assets:		
Deferred tax assets to be recovered within 12 months	**306,931**	143,624
Deferred tax assets to be recovered after more than 12 months	**61,777**	55,151
	368,708	198,775
Set-off of deferred liabilities to pursuant to set-off provisions (Note (b))	**(109,889)**	—
Net deferred tax assets	**258,819**	198,775

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Beginning of the year	**198,775**	177,977
Credited to the consolidated statements of comprehensive income (Note 29)	**169,933**	20,798
End of the year	**368,708**	198,775

12 DEFERRED INCOME TAX (continued)

(a) Deferred tax assets (continued)

The movements in deferred tax assets of the Group during the year ended 31 December 2020 and 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 2019	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
Credited to the consolidated statement of comprehensive income	37,707	6,625	45,814	79,787	169,933
As of 31 December 2020	**95,192**	**62,783**	**100,596**	**110,137**	**368,708**

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

12 DEFERRED INCOME TAX (continued)

(a) Deferred tax assets (continued)

As of 31 December 2020 and 2019, the Group did not recognise deferred tax assets as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Taxable losses	**47,672**	38,831
Other temporary differences	**—**	360
	47,672	39,191

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 2020, the Group did not recognise deferred tax assets of RMB47,672,000 (31 December 2019: RMB38,831,000) in respect of tax losses amounting to RMB214,654,000 (31 December 2019: RMB179,465,000), 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	
	2020	2019
Year of expiry	**RMB'000**	RMB'000
2020	**—**	8,915
2021	**10,317**	11,891
2022	**39,170**	40,173
2023	**56,710**	62,950
2024	**37,371**	55,536
2025	**71,086**	—
	214,654	179,465

12 DEFERRED INCOME TAX (continued)

(b) Deferred tax liabilities

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Beginning of the year	**153,120**	123,497
Debited to the consolidated statements of comprehensive income (Note 29)	**21,235**	29,623
End of the year	**174,355**	153,120
Set-off of deferred tax liabilities pursuant to set-off provisions (Note (a))	**(109,889)**	—
Net deferred tax liabilities	**64,466**	153,120

The movements in deferred tax liabilities of the Group during the year ended 31 December 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated depreciation of property, plant and equipment RMB'000
As of 1 January 2019	123,497
Charged to the consolidated statement of comprehensive income	29,623
As of 31 December 2019	153,120
Charged to the consolidated statement of comprehensive income	21,235
As of 31 December 2020	**174,355**

13 INVENTORIES

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Raw materials	**432,477**	629,671
Finished goods	**113,573**	245,387
Work in progress	**329,380**	218,121
Power plants under development and held for sale	**1,620,003**	2,095,617
Spare parts	**18,570**	15,371
	2,514,003	3,204,167
Less: provision for impairment	**(253,511)**	(166,423)
	2,260,492	3,037,744

Movements of Group's provision for inventories are analysed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Beginning of the year	**166,423**	113,430
Additions	**160,058**	70,144
Write-off	**(72,970)**	(17,151)
End of the year	**253,511**	166,423

As of 31 December 2020, the Group's inventories with the original book value of RMB303,087,000 (31 December 2019: RMB753,691,000) were pledged as security for long-term borrowings (Note 20(a)).

For the year ended 31 December 2020, the Group's total cost of inventories recognised in profit or loss was RMB4,630,263,000 (2019: RMB3,582,179,000).

14 TRADE AND NOTES RECEIVABLE

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables	**4,623,606**	2,936,083
Notes receivable	**1,800,503**	1,078,993
	6,424,109	4,015,076
Less: provision for impairment	**(331,564)**	(141,224)
	6,092,545	3,873,852

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	
	2020	2019
	RMB'000	RMB'000
Notes receivable at amortised cost	**1,003,357**	647,354
Notes receivable at FVOCI	**797,146**	431,639
	1,800,503	1,078,993

As of 31 December 2020, the Group's certain receivable collection right was pledged as security for long-term bank borrowings (Note 20).

14 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	
	2020	2019
	RMB'000	RMB'000
Within 3 months	**1,868,921**	806,044
3 months to 6 months	**415,350**	231,813
6 months to 1 year	**451,659**	1,000,836
1 year to 2 years	**1,078,502**	502,988
2 years to 3 years	**460,141**	370,680
Over 3 years	**349,033**	23,722
	4,623,606	2,936,083

Movements on the Group's allowance for impairment of trade and notes receivable are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Beginning of the year	**141,224**	70,451
Additions	**190,340**	159,789
Reversal	**–**	(86,764)
Write-off	**–**	(2,252)
End of the year	**331,564**	141,224

As of 31 December 2020 and 2019, the carrying amounts of trade and notes receivable approximated their fair values.

14 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	
	2020	2019
	RMB'000	RMB'000
RMB	**6,006,938**	3,821,949
USD	**79,704**	51,903
Others	**5,903**	—
	6,092,545	3,873,852

15 OTHER CURRENT/NON-CURRENT ASSETS

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Prepayments to suppliers	**875,466**	2,199,692
Prepayments for purchase of property, plant and equipment	**227,784**	2,139,651
Value-added tax recoverable (Note (a))	**1,822,572**	1,395,104
Prepaid income tax	**29,005**	95,828
Tariff adjustment receivables, net of provision (Note (b))	**130,209**	1,169,638
Long-term receivables, net of provision (Note (c))	**408,399**	—
Others	**47,658**	40,927
	3,541,093	7,040,840
Less: current portion of		
— Prepayments to suppliers	**(875,466)**	(2,199,692)
— Value-added tax recoverable (Note (a))	**(588,152)**	(310,787)
— Prepaid income tax	**(29,005)**	(95,828)
	(1,492,623)	(2,606,307)
	2,048,470	4,434,533

15 OTHER CURRENT/NON-CURRENT ASSETS (continued)

(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) As at 31 December 2020, tariff adjustment receivables represents subsidies from the PRC government on renewable energy projects in China based on nationwide government policies with allowance for impairment amounting to RMB5,862,000 (2019: nil).

(c) Long-term receivables represent the right to receive repayments for the remaining lease principal, and due and outstanding, outstanding and subsequent lease interests from a third party.

In November 2020, Xinjiang New Energy and Huaxia Financial Leasing Co., Ltd. ("Huaxia Financial Leasing") entered into the settlement arrangement and creditor's rights transfer arrangement, pursuit to which Xinjiang New Energy is entitled to obtain the repayments for the remaining lease principal, and due and outstanding, outstanding and subsequent lease interests from Xuyi High Drive Wind Power Co., Ltd. ("Xuyi High Drive") according to the finance lease agreement entered by Huaxia Financial Leasing and Xuyi High Drive.

Movements on the Group's allowance for impairment on long-term receivables is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
As at January 1	**–**	–
Provision for impairment recognised during the year	**59,415**	–
As at December 31	**59,415**	–

16 OTHER RECEIVABLES

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Staff advances	**20,250**	48,212
Project development cost receivables	**58,904**	108,402
Deposits as guarantee for contract execution	**47,028**	36,317
Receivables from disposals of subsidiaries (Note 32(c))	**430,933**	—
Receivables from disposals of associates	**48,071**	—
Receivables from TBEA	**14,838**	39,128
Loans to the third parties	**150,927**	91,349
Others	**141,093**	68,255
Total other receivables	**912,044**	391,663
Less: provision for impairment	**(16,930)**	(11,659)
	895,114	380,004

As of 31 December 2020 and 2019, 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	
	2020	2019
	RMB'000	RMB'000
Beginning of the year	**11,659**	5,899
Addition	**10,042**	16,688
Reversal	**(3,447)**	(7,891)
Write-off	**(1,324)**	(3,037)
End of the year	**16,930**	11,659

17 CASH AND BANK BALANCES

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Restricted cash and term deposits with initial term of over three months:		
Restricted cash (i)	**1,497,855**	1,066,481
Term deposits with initial term of over three months	**406,603**	243,680
Cash and cash equivalents:		
Cash in bank	**1,773,792**	2,747,045
Total cash and bank balances	**3,678,250**	4,057,206

(i) The restricted cash were held as security for Letter of Credit, Letter of Guarantee, Factoring, Bank Acceptance Bill.

Cash and bank balances were denominated in the following currencies:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	**3,546,927**	3,873,423
HKD	**150**	161
USD	**106,957**	165,386
PKR	**19,744**	10,248
Others	**4,472**	7,988
	3,678,250	4,057,206

18 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	154,995	154,995	1,050,865
Transactions with non-controlling interests	—	—	(38,966)
As of 1 January 2020	1,200,000	1,200,000	5,957,405
Transactions with non-controlling interests	—	—	6,718
As of 31 December 2020	**1,200,000**	**1,200,000**	**5,964,123**

19 OTHER RESERVES

	Surplus reserve RMB'000	Other reserves RMB'000	Total RMB'000
As of 1 January 2019	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
Appropriation of surplus reserve (Note (a))	26,529	—	26,529
Share-based payments (Note (b))	—	17,736	17,736
Currency translation differences	—	(7)	(7)
As of 31 December 2020	**343,284**	**255,021**	**598,305**

19 OTHER RESERVES (continued)

(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 2020, according to a resolution of the board of directors, the Company made appropriation of statutory surplus reserve amounting to RMB26,529,000 (2019: RMB16,414,000).

(b) During the year ended 31 December 2020, 930,000 share options of TBEA were granted to Group's certain directors and employees at a price of RMB7.27 per option for their services rendered to the Group. These share options would vest at the rate of 50% and 50% 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.

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.

Movements in the number of share options granted and related fair value are as follows:

	Year ended 31 December			
	2020		2019	
	Average exercise price per share options RMB	**Number of share options (thousands)**	Average exercise price per share options RMB	Number of share options (thousands)
As of 31 December 2019	**7.64**	**48,125**	—	—
Granted	**7.27**	**930**	7.64	68,750
Forfeited	**7.64**	**(6,650)**	7.64	(20,625)
Exercised	**—**	**—**	—	—
As of 31 December 2020	**7.63**	**42,405**	7.64	48,125

19 OTHER RESERVES (continued)

Fair value of options granted

The assessed fair value of options granted on 5 March 2020 was ranged from RMB0.66 to RMB0.86 (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 2020, the share-based compensation expense recognized in the consolidated statement of comprehensive income as employee benefit expenses were RMB17,736,000 (2019: RMB12,608,000).

20 BORROWINGS

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Long-term borrowings		
Bank borrowings:		
— Secured (Note (a))	**11,888,800**	11,289,686
— Unsecured	**2,240,752**	1,565,217
Other borrowings:		
— Secured (Note (b))	**1,099,500**	728,000
— Unsecured (Note (c))	**420,000**	420,000
Less: current portion of long-term borrowings	**(1,403,642)**	(1,181,197)
Total non-current borrowings	**14,245,410**	12,821,706
Short-term borrowings		
Bank borrowings:		
— Secured (Note (a))	**30,042**	60,560
— Unsecured	**400,000**	980,752
	430,042	1,041,312
Other borrowings:		
— Unsecured (Note (c))	**150,000**	1,045,000
	150,000	1,045,000
Current portion of long-term borrowings	**1,403,642**	1,181,197
Total current borrowings	**1,983,684**	3,267,509
Total borrowings	**16,229,094**	16,089,215

20 BORROWINGS (continued)

The maturities of the Group's total borrowings at the balance sheet date are repayable as follows:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**1,983,684**	3,267,509
1 year to 2 years	**2,230,419**	2,478,996
2 years to 5 years	**4,826,437**	5,031,215
Over 5 years	**7,188,554**	5,311,495
	16,229,094	16,089,215

As of 31 December 2020 and 2019, the borrowings are denominated in RMB.

(a) As of 31 December 2020, secured short-term bank borrowings with amount of RMB16,470,000 (2019: RMB60,560,000) were pledged with the Group's certain land use rights (Note 7) and property, plant and equipment (Note 6).

As of 31 December 2020, secured short-term bank borrowings with an amount of RMB13,572,000 (2019: nil) represented proceeds received under trade receivable factoring agreements with recourse with banks.

As of 31 December 2020, secured long-term bank borrowings with amount of RMB11,588,800,000 (2019: RMB11,289,686,000) were guaranteed by TBEA, the Company and pledged with the Group's certain inventory (Note 13), land use rights (Note 7), property, plant and equipment (Note 6) and certain receivable collection right (Note 14), respectively.

As of 31 December 2020, secured long-term bank borrowings with amount of RMB300,000,000 (2019: nil) were pledged with notes receivable from certain subsidiaries (Note 14).

(b) As of 31 December 2020, secured long-term other borrowings with amount of RMB199,500,000 (2019: RMB728,000,000) were guaranteed by the bank credit.

As of 31 December 2020, secured long-term other borrowings with amount of RMB900,000,000 (2019: nil) were pledged with certain property, plant and equipment (Note 6) and certain receivable collection right (Note 14).

20 BORROWINGS (continued)

(c) As of 31 December 2020, unsecured short-term other borrowings with amount of RMB150,000,000 (2019: RMB1,045,000,000) and unsecured long-term other borrowings with amount of RMB120,000,000 (2019: RMB420,000,000) were borrowed from TBEA Group Finance Co., Ltd, which is a fellow subsidiary of TBEA (Note 35).

As of 31 December 2020, unsecured long-term other borrowings with an amount of RMB300,000,000 (2019: nil) represent the loan from Urumqi Fund Management Co., which will be settled in 5 years.

(d) For the year ended 31 December 2020, the average interest rates of borrowings ranged from 3.00% to 5.39% (2019: from 4.00% to 5.88%).

(e) The Group has the following undrawn bank borrowing facilities:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Expiring within 1 year	**8,138,016**	4,182,144
Expiring beyond 1 year	**207,578**	1,769,879
	8,345,594	5,952,023

21 DEFERRED GOVERNMENT GRANTS

As of 31 December 2020 and 2019, 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.

22 TRADE AND NOTES PAYABLE

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables	**3,938,764**	3,666,536
Notes payable	**6,128,377**	4,676,744
	10,067,141	8,343,280

The aging analysis of trade payables (based on the invoice date) is as follows:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**2,921,201**	2,532,985
1 year to 2 years	**459,592**	660,810
2 years to 3 years	**318,970**	219,058
Over 3 years	**239,001**	253,683
	3,938,764	3,666,536

As of 31 December 2020 and 2019, 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	
	2020	2019
	RMB'000	RMB'000
RMB	**10,046,341**	8,321,663
USD	**5,669**	11,977
Others	**15,131**	9,640
	10,067,141	8,343,280

23 PROVISIONS AND OTHER PAYABLES

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Payables relating to purchase of property, plant and equipment	**2,486,235**	1,154,517
Deposits	**137,125**	103,613
Warranty provisions (Note (a))	**27,433**	24,825
Accrued wages and other benefits	**194,960**	142,697
Tax payable other than income taxes	**187,273**	131,815
Dividends payable	**167,564**	118,343
Others	**71,388**	53,154
	3,271,978	1,728,964

(a) Movements on the Group's provision for warranty expenses are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Beginning of the year	**24,825**	32,223
Additional provisions	**75,431**	49,731
Utilisation	**(51,924)**	(49,113)
Reversal	**(20,899)**	(8,016)
End of the year	**27,433**	24,825

24 EXPENSE BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	**561,454**	(122,623)
Raw materials, equipment and consumables	**6,832,479**	3,436,151
Subcontract costs	**848,148**	1,184,164
Depreciation and amortisation	**1,107,620**	874,166
Employee benefit expenses (Note 27)	**1,012,971**	813,032
Transportation	**367,704**	339,431
Utilities	**514,964**	245,122
Repair and maintenance	**199,709**	126,032
Taxation	**96,948**	71,053
Impairment on non-financial assets (Note 13)	**160,058**	70,144
Travelling expenses	**49,187**	46,812
Warranty expenses (Note 23)	**54,532**	41,715
Rental expenses	**37,065**	34,326
Auditor's remuneration	**5,400**	5,230
— audit services	**4,200**	4,200
— non-audit services	**1,200**	1,030
Others	**729,186**	706,644
	12,577,425	7,871,399

25 OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants	**112,759**	52,085
Sales of raw materials	**28,017**	28,459
Others	**7,434**	3,675
	148,210	84,219

For the year ended 31 December 2020, the Group's government grant income included amortisation of asset-related government grants with amount of RMB81,671,000 (2019: RMB25,747,000).

26 OTHER GAINS — NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Gains on disposal of property, plant and equipment	**1,234**	2,727
Gains on compensations and penalties	**8,750**	7,763
Donations	**(734)**	(720)
Net exchange (losses)/gains arising from other than borrowings	**(24,068)**	6,297
Gains on disposal of subsidiaries (Note 32(c))	**709,085**	—
(Losses)/gains on disposal of associates	**(10,520)**	782
Others	**(12,405)**	5,847
	671,342	22,696

27 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages and salaries	**871,210**	685,472
Social insurance costs	**78,451**	85,295
Welfare benefits	**45,574**	29,657
Share-based payment (Note 19)	**17,736**	12,608
	1,012,971	813,032

(a) Five highest paid individuals

For the year ended 31 December 2020, the five individuals whose emoluments were the highest in the Group were as follows:

	Number of individuals Year ended 31 December	
	2020	2019
Directors	**3**	3
Non-director individuals	**2**	2
	5	5

27 EMPLOYEE BENEFIT EXPENSES (continued)

(a) Five highest paid individuals (continued)

The Directors' emoluments are disclosed in Note 38. The emoluments of the remaining individuals were as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Basic salaries and allowances	**1,462**	1,943
Contribution to pension scheme	**49**	64
Discretionary bonuses	**3,934**	431
Share-based compensation	**352**	123
	5,797	2,561

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2020	2019
Emolument bands		
HKD1,000,001 to HKD1,500,000	**—**	2
HKD2,500,001 to HKD3,000,000	**1**	—
HKD4,000,001 to HKD4,500,000	**1**	—
	2	2

During the year ended 31 December 2020, there was no emolument paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2019: nil).

28 FINANCE EXPENSES — NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest expenses on borrowing	**953,624**	721,526
— Bank borrowings	**889,917**	665,263
— Other borrowings	**63,707**	56,263
Less: amounts capitalised	**(361,493)**	(303,070)
— in property, plant and equipment	**(211,742)**	(189,529)
— in inventories and contract assets	**(149,751)**	(113,541)
Net exchange gains	**—**	(3,866)
Interest expenses payable for lease liabilities	**2,475**	2,531
Finance expenses	**594,606**	417,121
Interest income	**(41,688)**	(41,157)
	552,918	375,964

29 INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax expense	**221,904**	36,316
Deferred income tax expense (Note 12)	**(148,698)**	8,825
	73,206	45,141

29 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	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**965,659**	561,934
Tax expense calculated at statutory tax rate of 25%	**241,415**	140,484
Effect of difference between applicable preferential tax rate and statutory tax rate	**(86,889)**	(67,510)
Tax losses and other temporary differences for which no deferred tax assets were recognised	**17,772**	13,884
Utilisation of previously unrecognised temporary differences and tax losses	**(2,132)**	(6,251)
Income not subject to taxation	**(16,270)**	(8,136)
Expenses not deductible for taxation purposes	**7,694**	7,294
Tax credits and additional deduction entitlements	**(88,384)**	(34,624)
	73,206	45,141

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 environmental protection capital expenditures eligible for tax credits and research and development expenses eligible for additional tax deduction.

30 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 2020.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	**695,370**	402,642
Weighted average number of ordinary shares in issue (thousands)	**1,200,000**	1,174,167
Basic earnings per share (RMB)	**0.58**	0.34

(b) Diluted

No dilutive effect on earnings per share for the years ended 31 December 2020 and 2019, as the Group had no dilutive potential ordinary shares.

31 DIVIDENDS

On the Board meeting held on 31 March 2021, the Board proposed, based on the total of 1,200 million shares in issue, payment of a final dividend of RMB0.10 per share for the year ended 31 December 2020 in an aggregate amount of RMB120,000,000. 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 RMB0.06 per share for the year ended 31 December 2019, totalling RMB72,000,000 was approved in the annual general meeting of shareholders of the Company on 16 June 2020, and RMB24,965,000 has been paid as of 31 December 2020 (as of 31 December 2019: RMB62,412,000).

32 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	
	2020	2019
	RMB'000	RMB'000
Cash generated from operations		
Profit before income tax	**965,659**	561,934
Adjustments for:		
— Provision for impairment of inventories	**160,058**	70,144
— Depreciation of property, plant and equipment	**1,065,453**	823,834
— Depreciation charge of right-of-use assets	**27,064**	26,961
— Amortisation of intangible assets	**9,713**	23,371
— Amortisation of prepaid expenses	**5,390**	6,166
— Net impairment loss on financial assets and contract assets	**250,323**	54,514
— Share of profit from investments accounted for using the equity method	**(20,268)**	(34,783)
— Share-based payment	**17,736**	12,608
— Gains on disposal of property, plant and equipment	**(1,234)**	(2,727)
— Government grants relating to assets	**(81,671)**	(25,747)
— Finance expenses — net	**552,918**	375,964
— Elimination effect arising from Downstream Transactions with associates (Note 11(c))	**(44,813)**	2,239
— Losses on disposal of investments accounted for using the equity method	**10,520**	—
— Gains on disposal of subsidiaries	**(709,085)**	(782)
Changes in working capital:		
— Inventories	**(2,070,969)**	(2,497,230)
— Trade and notes receivable	**(1,977,873)**	(39,463)
— Prepayments, other receivables, other current assets and other non-current assets	**(307,198)**	(2,613,284)
— Trade and notes payable	**3,996,985**	1,779,083
— Provisions and other payables	**395,699**	245,035
— Contract assets/liabilities	**146,792**	(155,520)
Cash generated from/(used in) operations	**2,391,199**	(1,387,683)

32 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) **In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:**

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net book amount of property, plant and equipment disposed (Note 6)	**18,122**	28,013
Gains on disposal of property, plant and equipment (Note 26)	**1,234**	2,727
Proceeds from disposal of property, plant and equipment	**19,356**	30,740

32 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(c) Disposal of subsidiaries

The carrying amounts of assets and liabilities of certain subsidiaries disposed as at the dates of disposal were:

	As at the dates of disposal 2020 RMB'000
Assets/(liabilities) disposed of:	
— Property, plant and equipment	2,608,872
— Land use rights	12,896
— Intangible assets	188
— Value-added tax recoverable	356,232
— Accounts receivable	131,541
— Advances to suppliers, other receivables and prepayments	62,366
— Cash and cash equivalents	360,719
— Trade and notes payable	(996,400)
— Other payables and accruals	(30,887)
— Borrowings	(2,337,000)
Retained interest as FVPL	(45,936)
	122,591
Gains on disposal of subsidiaries	709,085
Cash consideration received and receivable	831,676
Analysis of net cashflow in respect of disposal of subsidiaries:	
Cash and cash equivalents of disposed subsidiaries	(360,719)
Cash consideration received	400,743
Proceeds from disposal of subsidiaries	40,024

32 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As of 31 December	
	2020	2019
Net debt	**RMB'000**	RMB'000
Cash and cash equivalents	**1,773,792**	2,747,045
Borrowings — repayable within one year (Note 20)	**(1,983,684)**	(3,267,509)
Borrowings — repayable after one year (Note 20)	**(14,245,410)**	(12,821,706)
Lease liabilities	**(50,228)**	(51,053)
Net debt	**(14,505,530)**	(13,393,223)
Cash and cash equivalents	**1,773,792**	2,747,045
Gross debt — fixed interest rates	**(980,552)**	(3,014,197)
Gross debt — variable interest rates	**(15,298,770)**	(13,126,071)
Net debt	**(14,505,530)**	(13,393,223)

32 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(d) Net debt reconciliation (continued)

		Liabilities from financing activities			
	Cash and cash equivalents RMB'000	Lease RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Total RMB'000
Net debt as of 1 January 2019	3,856,408	—	(4,849,460)	(8,099,000)	(9,092,052)
Recognised on adoption of IFRS16	—	(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)
Cash flows	(958,885)	3,300	1,283,825	(6,154,706)	(5,826,466)
Other changes	—	(2,475)	—	4,731,002	4,728,527
Foreign exchange differences	(14,368)	—	—	—	(14,368)
Net debt as of 31 December 2020	**1,773,792**	**(50,228)**	**(1,983,684)**	**(14,245,410)**	**(14,505,530)**

33 CONTINGENCY

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 2020, 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.

34 COMMITMENTS

(a) Capital commitments

As of 31 December 2020, 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	
	2020	2019
	RMB'000	RMB'000
Contractual but not yet incurred	**188,166**	742,856

(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	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**3,782**	3,848
Between 1 to 5 years	**–**	156
	3,782	4,004

35 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	
	2020	2019
	RMB'000	RMB'000
With parent company:		
— Sales of goods or services	**2,891**	3,677
— Rental expenses	**3,384**	3,456
— Purchases of goods or services	**221,803**	123,828
With fellow subsidiaries:		
— Sales of goods or services	**12,911**	6,445
— Rental expenses	**38**	115
— Repayment of/(Proceeds from) borrowings	**750,000**	(1,465,000)
— Interest charged	**42,402**	21,503
— Interest received	**30**	374
— Other financial services	**—**	435,536
— Other financial services fee	**—**	205
— Purchases of goods or services	**704,708**	387,563
With associates of parent company:		
— Sales of goods or services	**45,260**	19,540
— Purchases of goods or services	**67,253**	50,350
With associates:		
— ECC services provided	**581,950**	129,460
— Advances provided for project development	**—**	4,634
With associates of a director of the Company:		
— Sales of goods	**795**	2,853
— Purchases of goods or services	**193,355**	138,984

35 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	
	2020	2019
	RMB'000	RMB'000
Salaries and bonuses	**19,365**	15,322
Pension and others	**683**	603
Share-based payments	**2,687**	943
	22,735	16,868

35 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Included in "trade and notes receivable"		
Receivable from:		
— parent company	**1,076**	313
— fellow subsidiaries	**5,140**	1,995
— associates of parent company	**2,997**	6,322
— associates	**108,718**	70,134
— associates of a director of the Company	**201**	2
	118,132	78,766
Included in "other current/non-current assets and other receivables"		
Prepaid to or receivable from:		
— parent company	**5,969**	17,079
— fellow subsidiaries	**123**	13,290
— associates of parent company	**80**	86
— associates	**4,403**	4,634
— associates of a director of the Company	**23,322**	11,698
	33,897	46,787
Included in "trade and notes payable"		
Payable to:		
— parent company	**94,443**	6,564
— fellow subsidiaries	**56,468**	450,455
— associates of parent company	**7,281**	8,949
— associates	**—**	—
— associates of a director of the Company	**53,663**	42,400
	211,855	508,368
Included in "provisions and other payables"		
Advances received from:		
— parent company	**855**	479
— fellow subsidiaries	**327**	209
— associates of parent company	**4**	4
— associates	**103,708**	106,113
— associates of a director of the Company	**11**	24
	104,905	106,829

35 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Included in "cash and cash equivalents"		
— fellow subsidiaries	**107,901**	146,908
Included in "borrowings"		
— fellow subsidiaries	**270,000**	1,465,000

36 EVENTS AFTER THE BALANCE SHEET DATE

(1) At the first extraordinary general meeting of 2021 held on 25 March 2021, the Company was approved by the Shareholders to proceed with the 100,000-ton-per-annum high-purity polysilicon green energy circular economy construction project in Shangejia Chemical Park, a new type industrial park zone in Tumed Right Banner, Baotou City, Inner Mongolia Autonomous Region in the PRC.

(2) On 31 March 2021, the Board has reviewed and approved to recommend a final dividend in the total amount of RMB120,000,000 (tax inclusive) for the year ended 31 December 2020, payable to shareholders whose names appear on the register of members of the Company at the close of business on 30 June 2021. Based on 1,200,000,000 ordinary shares of the Company in issue, such a final cash dividend would amount to RMB0.10 per share (tax inclusive), after appropriations to the statutory surplus reserve according to the relevant regulations (Note 31).

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**6,617,520**	7,208,967
Right-of-use assets	**226,329**	190,742
Intangible assets	**1,362**	3,375
Investments in subsidiaries	**6,025,998**	5,718,398
Deferred tax assets	**–**	68,809
Other non-current assets	**15,415**	63,899
Total non-current assets	**12,886,624**	13,254,190
Current assets		
Inventories	**483,853**	380,733
Other current assets	**69,179**	127,273
Trade and notes receivable	**1,297,750**	1,030,228
Other receivables	**454,706**	1,325,471
Restricted cash	**482,872**	323,029
Cash and cash equivalents	**172,902**	259,064
Total current assets	**2,961,262**	3,445,798
Total assets	**15,847,886**	16,699,988

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Balance sheet (continued)

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
EQUITY		
Share capital	**1,200,000**	1,200,000
Share premium	**6,081,241**	6,081,241
Other reserves	**456,964**	421,249
Retained earnings	**2,388,114**	2,217,335
Total equity	**10,126,319**	9,919,825
LIABILITIES		
Non-current liabilities		
Borrowings	**1,312,500**	2,068,252
Deferred tax liabilities	**64,466**	153,120
Deferred government grants	**291,437**	293,606
Total non-current liabilities	**1,668,403**	2,514,978
Current liabilities		
Trade and notes payable	**2,420,151**	1,751,174
Provisions and other payables	**1,039,761**	1,571,259
Borrowings	**593,252**	942,752
Total current liabilities	**4,053,164**	4,265,185
Total liabilities	**5,721,567**	6,780,163
Total equity and liabilities	**15,847,886**	16,699,988

The balance sheet of the Company was approved by the Board of Directors on 31 March 2021 and was signed on its behalf.

Zhang Jianxin	Yin Bo
Chairman	*Executive Director*

37 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 2019	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
Dividends	—	—	(72,000)	(72,000)
Profit for the year	—	—	269,308	269,308
Appropriation of surplus reserve	26,529	—	(26,529)	—
Share-based payments	—	9,186	—	9,186
As of 31 December 2020	**341,666**	**115,298**	**2,388,114**	**2,845,078**

38 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 2020:

	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))	–	997	1,598	543	34	–	3,172
Yin Bo	–	1,233	2,386	518	40	–	4,177
Xia Jinjing	–	549	1,015	209	40	–	1,813
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
Qin Xiaodong (Note (iii))	–	–	–	–	–	–	–

(i) Zhang Jianxin is a director and also the chief executive of the Company.

(ii) Wang Shi was resigned on 24 April 2020.

(iii) Qin Xiaodong was appointed on 16 June 2020.

38 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

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.

38 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 2020 and 2019, 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 2020 and 2019, 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 2020 and 2019, no consideration was provided to or receivable by third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2020, there are no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors (31 December 2019: nil).

新特能源股份有限公司

Xinte Energy Co., Ltd.