新特能源

XINTE ENERGY CO., LTD.
新特能源股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1799)

Results Announcement
For the Year Ended 31 December 2018

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2018, the Group's revenue amounted to RMB12,053.74 million, representing an increase of 5.54% as compared with the corresponding period of last year.
- For the year ended 31 December 2018, the Group's profit before income tax amounted to RMB1,208.50 million, representing a decrease of 0.78% over the corresponding period of last year.
- For the year ended 31 December 2018, profit attributable to owners of the Company amounted to RMB1,107.80 million, representing an increase of 3.47% over the corresponding period of last year.
- For the year ended 31 December 2018, earnings per share amounted to RMB1.06, representing an increase of RMB0.04 as compared with the corresponding period of last year.
- The Board recommended a final dividend of RMB0.15 per share (tax inclusive) for the year ended 31 December 2018, subject to the approval at the Company's forthcoming annual general meeting.

The board of directors (the "**Board**") of Xinte Energy Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2017. The results were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements under the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong)

(Unless otherwise specified, the following information disclosures are based on consolidated financial statements prepared in accordance with International Financial Reporting Standards.)

CONSOLIDATED BALANCE SHEET

		As of 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**16,504,406**	13,058,520
Land use rights		**558,755**	557,839
Intangible assets		**106,863**	46,510
Investments accounted for using the equity method		**140,969**	113,593
Financial assets at fair value through other comprehensive income		**1,000**	—
Available-for-sale financial assets		**—**	1,000
Deferred income tax assets		**177,977**	179,663
Other non-current assets		**1,768,438**	1,755,748
Total non-current assets		**19,258,408**	15,712,873
Current assets			
Inventories		**2,915,121**	3,874,701
Contract assets		**2,254,679**	—
Amounts due from customers for contract work		**—**	2,378,952
Other current assets		**1,047,998**	260,716
Trade and notes receivable	4	**3,640,933**	4,244,084
Other receivables		**415,969**	—
Prepayments and other receivables		**—**	1,376,627
Restricted cash		**2,310,187**	1,500,300
Cash and cash equivalents		**3,856,408**	2,316,610
Total current assets		**16,441,295**	15,951,990
Total assets		**35,699,703**	31,664,863

CONSOLIDATED BALANCE SHEET *(continued)*

	Note	As of 31 December 2018 RMB'000	2017 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,045,005**	1,045,005
Share premium		**4,945,506**	5,030,375
Other reserves		**524,965**	457,310
Retained earnings		**3,505,764**	2,674,707
		10,021,240	9,207,397
Non-controlling interests		**1,268,816**	53,015
Total equity		**11,290,056**	9,260,412
LIABILITIES			
Non-current liabilities			
Borrowings		**8,099,000**	6,487,970
Deferred income tax liabilities		**123,497**	78,742
Deferred government grants		**397,442**	378,263
Total non-current liabilities		**8,619,939**	6,944,975
Current liabilities			
Trade and notes payable	5	**7,788,493**	7,276,778
Provisions and other payables		**2,077,073**	2,894,570
Contract liabilities		**1,067,850**	—
Amounts due to customers for contract work		**—**	489,684
Current income tax liabilities		**6,832**	3,972
Borrowings		**4,849,460**	4,794,472
Total current liabilities		**15,789,708**	15,459,476
Total liabilities		**24,409,647**	22,404,451
Total equity and liabilities		**35,699,703**	31,664,863

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue		**12,053,742**	11,420,951
Cost of sales		**(9,642,150)**	(8,927,654)
Gross profit		**2,411,592**	2,493,297
Selling and marketing expenses		**(420,463)**	(403,039)
General and administrative expenses		**(593,816)**	(654,442)
Net impairment losses on financial assets and contract assets		**13,646**	—
Other income		**96,601**	89,211
Other gains/(losses) — net		**38,756**	(33,011)
Operating profit		**1,546,316**	1,492,016
Interest income		**27,220**	25,789
Finance expenses		**(382,073)**	(295,680)
Finance expenses — net		**(354,853)**	(269,891)
Share of profit/(loss) of investments accounted for using the equity method		**17,032**	(4,138)
Profit before income tax		**1,208,495**	1,217,987
Income tax expense	6	**(97,853)**	(144,290)
Profit for the year		**1,110,642**	1,073,697

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(continued)

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Profit for the year attributable to:			
Owners of the Company		**1,107,797**	1,070,671
Non-controlling interests		**2,845**	3,026
		1,110,642	1,073,697
Other comprehensive loss			
Items that may be reclassified to profit and loss			
Currency translation differences		**(84)**	(31)
Total comprehensive income for the year		**1,110,558**	1,073,666
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,107,713**	1,070,640
Non-controlling interests		**2,845**	3,026
		1,110,558	1,073,666
Earnings per share for profit attributable to owners of the Company	7		
Basic earnings per share (RMB)		**1.06**	1.02
Diluted earnings per share (RMB)		**1.06**	1.02

1 GENERAL INFORMATION

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and requirements of the Hong Kong Companies Ordinance (Cap.622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets through other comprehensive income ("FVOCI") (previously classified as available-for-sale financial assets ("AFS")), which are carried at fair value.

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 reporting period commencing 1 January 2018:

- IFRS 9 Financial instruments (1)
- IFRS 15 Revenue from Contracts with Customers (1)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (2)
- Annual improvements 2014-2016 cycle (2)
- Amendments to IAS 40 Transfer of Investment Property (2)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (2)

(1) The impact of the adoption of these new standards are disclosed in the notes to the consolidated financial statements.

(2) Adoption of these new and amended standards did not have any material impact on the Group's accounting policies.

(b) *New and amended 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 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

	Effective for the financial year beginning on or after
• IFRS 16 Lease (i)	1 January 2019
• IFRS 17 Insurance contracts	1 January 2019
• IFRIC 23 Uncertainty over income tax treatments	1 January 2019
• IFRS 9 (Amendments) Prepayment features with negative compensation	1 January 2019
• IAS 28 (Amendments) Long-term interests in associates and joint venture	1 January 2019
• IAS 19 (Amendments) Plan amendment, curtailment or settlement	1 January 2019
• Annual Improvement to IFRS Standards 2015–2017 Cycle	1 January 2019
• IFRS 10 and IAS 28 (Amendments) Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) IFRS 16 Leases

IFRS 16 was issued in January 2016. It result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance lease is removed. Under the new standards, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB2,061,000. Of these commitments, approximately RMB1,752,000 relate to short-term leases and RMB39,000 relate to low value leases which will be both recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Apart from IFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 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 inverter manufacturing, design services, PV wafer and module manufacturing and logistics services.

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.

For the year ended 31 December 2018:

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

For the year ended 31 December 2017:

	Polysilicon production *RMB'000*	ECC *RMB'000*	BOO *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment revenue and results						
Total segment revenue	3,472,901	7,261,921	308,328	1,031,392	(653,591)	11,420,951
Inter-segment revenue	(10,566)	(398,304)	—	(244,721)	653,591	—
Revenue from external customers	3,462,335	6,863,617	308,328	786,671	—	11,420,951
Timing of revenue recognition						
At a point in time	3,462,335	980,257	308,328	786,671	—	5,537,591
Over time	—	5,883,360	—	—	—	5,883,360
	3,462,335	6,863,617	308,328	786,671	—	11,420,951
Segment results	1,409,921	770,057	201,389	111,930	—	2,493,297
Amortisation	15,502	5,677	8,146	335	—	29,660
Depreciation	495,992	5,554	83,124	41,730	—	626,400
Provisions of impairment:						
— trade and other receivables	2,466	42,944	—	5,734	—	51,144
— property, plant and equipment	—	—	—	55,777	—	55,777
— inventory	—	6,827	—	4,957	—	11,784
— construction contracts	—	9,946	—	—	—	9,946
Share of loss of investments accounted for using the equity method	—	4,138	—	—	—	4,138

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Polysilicon production	**1,038,993**	1,409,921
ECC	**914,695**	770,057
BOO	**373,201**	201,389
Others	**84,703**	111,930
Total gross profit for reportable segments	**2,411,592**	2,493,297
Selling and marketing expenses	**(420,463)**	(403,039)
General and administrative expenses	**(593,816)**	(654,442)
Net impairment losses on finacial assets and contract assets	**13,646**	—
Other income	**96,601**	89,211
Other gains/(losses) — net	**38,756**	(33,011)
Finance expenses — net	**(354,853)**	(269,891)
Share of profit/(loss) of investments accounted for using the equity method	**17,032**	(4,138)
Profit before income tax	**1,208,495**	1,217,987
Income tax expense	**(97,853)**	(144,290)
Profit for the year	**1,110,642**	1,073,697

The segment assets as of 31 December 2018 are as follows:

	Polysilicon production	**ECC**	**BOO**	**Others**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of 31 December 2018						
Segment assets	**18,540,886**	**13,836,486**	**7,187,943**	**2,948,671**	**(7,133,229)**	**35,380,757**
Investments accounted for using the equity method	**—**	**136,769**	**—**	**4,200**	**—**	**140,969**
	18,540,886	**13,973,255**	**7,187,943**	**2,952,871**	**(7,133,229)**	**35,521,726**
Unallocated assets						**177,977**
Total assets						**35,699,703**
Additions to non-current assets	**3,989,649**	**17,974**	**959,326**	**234,984**	**—**	**5,201,933**
As of 31 December 2017						
Segment assets	13,029,475	15,057,944	6,696,896	3,191,467	(6,604,175)	31,371,607
Investments accounted for using the equity method	—	109,393	—	4,200	—	113,593
	13,029,475	15,167,337	6,696,896	3,195,667	(6,604,175)	31,485,200
Unallocated assets						179,663
Total assets						31,664,863
Additions to non-current assets	688,389	95,081	1,069,046	184,974	—	2,037,490

Entity-wide information

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Provision of ECC services	**7,486,564**	6,863,617
Sales of goods	**4,357,001**	4,409,284
Provision of services other than ECC	**210,177**	148,050
	12,053,742	11,420,951

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
The PRC	**11,082,311**	11,192,620
Other countries	**971,431**	228,331
	12,053,742	11,420,951

For the year ended 31 December 2018, there was no external customer (2017: none) contributed more than 10% of the total revenue.

At 31 December 2018 and 2017, all the Group's non-current assets, other than deferred income tax assets are primarily located in the PRC.

Assets and liabilities related to contracts with customers

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current contract assets relating to construction contract	**2,303,139**	—
Loss allowance	**(48,460)**	—
Total contract assets	**2,254,679**	—
Total contract liabilities	**1,067,850**	—

4 TRADE AND NOTES RECEIVABLE

	As of 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**2,428,942**	2,308,610
Notes receivable	**1,282,442**	2,063,138
	3,711,384	4,371,748
Less: provision for impairment	**(70,451)**	(127,664)
	3,640,933	4,244,084

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	
	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**1,134,036**	1,050,363
3 months to 6 months	**260,277**	302,559
6 months to 1 year	**367,179**	296,875
1 year to 2 years	**542,777**	356,940
2 years to 3 years	**41,561**	232,477
Over 3 years	**83,112**	69,396
	2,428,942	2,308,610

5 TRADE AND NOTES PAYABLE

	As of 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**3,650,785**	3,379,730
Notes payable	**4,137,708**	3,897,048
	7,788,493	7,276,778

The aging analysis of trade payables is as follows:

	As of 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**2,714,555**	2,515,194
1 year to 2 years	**510,710**	555,856
2 years to 3 years	**277,454**	269,548
Over 3 years	**148,066**	39,132
	3,650,785	3,379,730

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax expense	**51,412**	108,817
Deferred income tax expense	**46,441**	35,473
	97,853	144,290

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	
	2018	2017
	RMB'000	*RMB'000*
Profit before income tax	**1,208,495**	1,217,987
Tax expense calculated at statutory tax rate of 25%	**302,124**	304,497
Effect of difference between applicable preferential tax rate and statutory tax rate	**(186,793)**	(95,060)
Tax losses and other temporary differences for which no deferred income tax assets were recognised	**16,496**	19,294
Utilisation of previously unrecognised temporary differences and tax losses	**(938)**	(2,898)
Elimination/(reversal) of transactions with associates	**3,951**	(2,507)
Expenses not deductible for taxation purposes	**5,947**	5,730
Tax credits and additional deduction entitlements	**(42,934)**	(84,766)
	97,853	144,290

Most of the companies now comprising the Group are subject to PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 25% on the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries were exempted or taxed at preferential rate of 15%.

Tax credits and additional deduction entitlements mainly represent research and development expenses eligible for additional tax deduction.

7 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 2018.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**1,107,797**	1,070,671
Weighted average number of ordinary shares in issue (thousands)	**1,045,005**	1,045,005
Basic earnings per share (RMB)	**1.06**	1.02

(b) Diluted

No dilutive effect on earnings per share for the years ended 31 December 2018 and 2017, as the Group had no dilutive potential ordinary shares.

8 DIVIDENDS

On the Board meeting held on 27 March 2019, the Board proposed, based on the latest total of 1,200 million shares in issue, payment of a final dividend of RMB0.15 per share for the year ended 31 December 2018, totalling RMB180,000,000. 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 RMB0.20 per share for the year ended 31 December 2017, totalling RMB209,001,000 was approved in the annual general meeting of shareholders of the Company on 15 June 2018, and RMB83,216,000 has been paid as of 31 December 2018 (as of 31 December 2017: RMB49,930,000).

MANAGEMENT DISCUSSION AND ANALYSIS

I. Review of Industry Development Trends

In 2018, the Chinese economy has maintained a steady yet positive trend. As the supply side structural reform deepened, the new energy industry in China started to transform and upgrade through efficiency improvement in terms of quality, speed and technological advancement. For China's new energy industry, 2018 was a year of new successes and a year with major paradigm shift: it was a year for transformation and upgrades and a year for bold advancements despite adversity. Grid parity and low-tariff connection for new energies has become a major trend. In 2018, the installed capacity of wind power and Photovoltaic ("**PV**") reached 360GW, accounting for about 20% of total installed capacity, while the annual power generation of wind power and PV was about 600 billion kWh, accounting for about 9% of total power generation. In order to drive the transformation and upgrade of the energy structure, improve efficiency of energy utilization, promote the sustainable and healthy development of wind power and PV industries, the PRC government announced a number of policies from 2018 to the beginning of 2019, covering areas including competitive bidding and grid parity, renewable energy quota system, so as to continue the consolidation of the new energy industry for healthy development.

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

- On 18 May 2018, the National Energy Administration of the PRC (the "**NEA**") issued the Notice on the Relevant Requirements for the Management of Wind Power Construction in 2018 (《關於2018年度風電建設管理有關要求的通知》), requiring new wind power projects to apply the competitive resource allocation method in the future for the determination of the on-grid tariffs. Starting from 2019, all newly approved centralised onshore wind power projects and offshore wind power projects in various provinces (autonomous regions and municipalities) must be allocated through competitive bidding with confirmed on-grid tariff; distributed wind power projects may not be subject to competitive bidding and will be gradually included in the scope of marketised transactions for distributed power generation. Implementing the competitive resource allocation in wind power projects will further reduce the costs of wind power generation, enhance the integrated capabilities in design, manufacturing and installation of wind power, reduce electricity subsidies, and hence promotes high-quality development of the wind power generation industry.

- On 31 May 2018, the National Development and Reform Commission of the PRC (the "**NDRC**"), the Ministry of Finance of the PRC (the "**MOF**") and the NEA issued the Notice on Relevant Matters in Relation to PV Power Generation in 2018 (《關於2018年光伏發電有關事項的通知》) ("**531 PV New Policy**"). The 531 PV New Policy required reasonable control over the pace of development and the optimization of construction scale for new PV power generation, expedited the reduction of PV power generation subsidies through lowering the levels of subsidies and strengthening marketization in project allocation. In the short run, profit margin of all parts of the new energy industry chains will be squeezed, facilitating the reshuffling of the industry, phasing out of lagging production capacities, and acceleration of industry consolidation. Yet, in the long run, the promulgation of the 531 PV New Policy will be beneficial to technological advancement and cost reduction, and thus will promote the quality and enhance the efficiency of the PV industry in realizing high-quality and sustainable developments.

- On 15 November 2018, the NEA issued the Notice on the Implementation of Quota System with Respect to Renewable Energy Generated Power (Consultation Paper) (《關於實行可再生能源電力配額制的通知（徵求意見稿）》), proposing the implementation of a quota system for renewable energy-generated power, setting quotas for renewable energy with specified targets according to electricity consumption at the level of provincial administrative regions. Government institutions will strengthen its monitoring and assessment works on renewable energy-generated power quota, electricity sales enterprises and electricity users together will be responsible for the obligations of the quota system, and the grid companies will be responsible for the implementation of the quotas in their areas of operation. The implementation of quota system for renewable energy-generated power will not only alleviate the consumption issue of renewable energy power generation and solve the problems of wind power and PV curtailments, but will also encourage and promote the healthy development of the renewable power industry, accelerate the marketization of renewable energy transaction, as well as the early realization of grid parity and low-tariff connection of the renewable energy industry.

- On 7 January 2019, the NDRC and NEA announced the Notice on Active Promotion of the Work on Grid Parity of Wind Power and Photovoltaic Power without Subsidies (《關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》). The document aims to increase the income of subsidy-free pilot projects through a number of measures including optimizing the investment environment, lowering non-technical costs, ensuring the priority in power generation and full-amount guaranteed purchase of electricity as well as improving the trading mechanism. Expediting the grid parity process for unsubsidised wind power and PV power projects is not only beneficial in improving the consumption situation of renewable energy, but will also promote technological advances of renewable energy, lower the costs of development and construction, and gradually enhance the market competitiveness of the new energy industry.

2. *Review of Development Trends of the Polysilicon Industry*

According to the statistics of China Nonferrous Metals Industry Association (中國有色金屬工業協會), the global polysilicon production capacity reached 598,000 tons per year in 2018, The production capacity in China was 388,700 tons per year, compared with overseas production capacity of 210,000 tons per year; whereas the actual amount produced in China was approximately 259,000 tons, while that of overseas was 189,000 tons.

Due to the effect of the "531 PV New Policy", there was a decrease in the demand from user-end at downstream, and together with new low-cost capacity putting into production in the fourth quarter of 2018, the price of polysilicon continued its decline to a historic low. In 2018, the average polysilicon price in China was RMB105,900 per ton, representing a drastic drop of 21.6% year-on-year. Throughout the year the polysilicon price has undergone a drastic fall from RMB153,000 per ton at beginning of the year to RMB76,000 per ton at the end of the year, representing a decline of 50.30%.

3. Review of Development Trends of the PV Generation Industry

According to the statistics from the NEA, due to the effect of the "531 PV New Policy", the growth of China's PV power generation market slowed down in 2018, with newly installed capacity of 44.26GW, ranking second only to that of 2017 and the second highest ever. Newly installed capacity of centralised power stations was 23.30GW, representing a year-on-year growth of 23%; newly installed capacity of distributed PV was 20.96GW, representing a year-on-year growth of 71%. This brought China's total installed PV capacity to 174GW as of the end of 2018, among which 124GW were attributable to centralised power stations and 50GW were attributable to distributed PV.

In 2018, China's PV power generation was 177.5 billion kWh, representing a year-on-year growth of 50%. The average utilisation hours of such power was 1,115 hours, representing a year-on-year increase of 37 hours. The PV power curtailment of China was 5.49 billion kWh, representing a year-on-year decrease of 1.8 billion kWh, while the PV power curtailment rate was 3%, representing a year-on-year decrease of 2.8 percentage points, achieving a decrease in both PV power curtailment and PV power curtailment rate. PV curtailment was concentrated in Xinjiang and Gansu, of which the curtailment rate of Xinjiang (excluding the corps) was 16%, representing a year-on-year decrease of 6 percentage points; while that of Gansu was 10%, representing a year-on-year decrease of 10 percentage points.

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

According to the statistics from the NEA, the newly installed wind power capacity for grid connection in China was 20.59GW in 2018, and the accumulative installed on-grid capacity reached 184GW. In 2018, China's wind generated power was 366.0 billion kWh, representing a year-on-year increase of 19.73%. The average utilisation hours was 2,095 hours, representing a year-on-year increase of 147 hours. The wind power curtailment for the year was 27.7 billion kWh, representing a year-on-year decrease of 14.2 billion kWh. The average wind energy curtailment rate was 7%, representing a year-on-year decrease of 5 percentage points. The situation of wind power curtailment has shown marked improvement, but wind power curtailment in Xinjiang, Gansu and Inner Mongolia remains critical, with wind power curtailment in these three provinces and regions accounted for 84% of the national total.

II. The main business operations of the Group

During the Reporting Period, there were challenges as well as opportunities. The development of China's new energy industry experienced changes as well as highs and lows. Grid parity, improved quality and efficiency, along with technological transformation have become the new label of the industry, setting a solid foundation for the healthy, rational and sustainable development of the new energy industry. By closely following the directions of national policies and keeping track on the pulse of the industry, the Group accelerated its business deployment, made further efforts in innovation and cost reduction, strengthened refined management and achieved relatively good results. During the Reporting Period, the Group achieved a revenue of RMB12,053.74 million and a profit attributable to owners of the Company of RMB1,107.80 million, representing increases of 5.54% and 3.47% respectively over the same period of the preceding year.

1. Polysilicon Production

In 2018, competition in the PV industry intensified under the impact of "531 PV New Policy", with the gradual elimination of high energy consumption products. Improvements in quality and efficiency, as well as cost reduction were imperative. Based on its study on the trend of the polysilicon industry, the Group strengthened its costs control and quality management during the Reporting Period, achieving steady growth of its polysilicon production volume and gradual reduction of costs. In 2018, the Group achieved the polysilicon production output of 34,000 tons, representing an increase of 15.65% over the same period of the previous year. Due to the decline in polysilicon prices, the polysilicon segment achieved a gross profit of RMB1,038.99 million, representing a decrease of 26.31% as compared with the same period of the previous year.

In order to increase market share and to seize the opportunity of the rapidly developing PV industry, the Group took full advantage of the scale effect to reduce costs and improve profitability. In the first half of 2018, the Group started to implement the 36,000 tons/year high-purity polysilicon project ("**36,000-ton Polysilicon Project**"). The project will be completed and put into production in the first quarter of 2019. The quality of all the polysilicon products will reach the level of electronic grade level 2 and above, serving the market of high-quality mono and polysilicon materials. At the same time, some products will be used to satisfy the quality requirements of semiconductor-grade electronic chips.

In July 2018 and January 2019, the Group has separately entered into polysilicon sale framework agreements with the corresponding subsidiaries of two downstream customers, namely Longi Green Energy Technology Co. Ltd. (隆基綠能科技股份有限公司) and Beijing Jingyuntong Technology Co. Ltd. (北京京運通科技股份有限公司), pursuant to which the Group will sell to the above companies a total of 91,000 tons and 32,000 tons of polysilicon respectively from 2019 to 2021. The entering into these polysilicon sale framework agreements will facilitate the steady sale of polysilicon in the Group's day-to-day operation thus securing the daily operation of the Group and further enhancing the Group's position in the new energy industry.

2. Development of PV and Wind Power Resources in China

In 2018, the Group comprehensively assessed the national and local policies and plans. In face of the elimination of subsidies and the trend of grid parity, the Group adjusted its resources development strategies by focusing on the development of distributed PV, micro-grids, multi-energy complementation and distributed wind power stations. It actively explored new markets and studied new development models, assigning central and eastern provinces such as Henan, Shandong, Hebei, Inner Mongolia as major development areas. At the same time, the Group took the market of distributed, PV poverty alleviation projects as differentiated supplements to its business. It also actively explored the layout of its PV poverty alleviation projects and new businesses such as distributed wind power, shifting its developmental direction from conventional large-scale ground-mounted wind and PV resources projects to multi-operation mode with diversified businesses, with wind power resources as the major driving force.

In 2018, the Group completed 1,364.74MW of installed capacity with recognised revenue for PV and wind power stations in form of EPC and BT projects, and completed transfer of 403.5MW of BT projects. As of 31 December 2018, the Group had a total of 368.45MW of BT projects under construction and BT projects pending transfer.

In June 2018, the NDRC, the MOF and the NEA jointly issued the Notice on Publication the Renewable Energy Tariff Subsidies Catalogue (the Seventh Batch) (《關於公佈可再生能源電價附加資金補助目錄（第七批）的通知》), in which the Group's projects with a total capacity of 610MW, including the Habehe 49.5MW wind power plant and the Awat 30MW PV power plant, were incorporated into the subsidies list of the seventh batch of renewable energy projects, successfully securing higher on-grid tariff and the grant of stable financial subsidies in the future.

3. Power plant operation — BOO projects

In 2018, the Group steadily expanded its scale of BOO business, taking power plant operation as the focus of the Group's future development by making efforts in improving its operation and maintenance capabilities in power plants, so as to further improve profitability.

During the Reporting Period, the Group expedited the constructions of the 975MW wind power project of the ultra-high voltage transmission lines base in Ximeng, Inner Mongolia and is expected to be completed gradually before 2020 for production.

As of 31 December 2018, the Group had a total of 700MW BOO projects completed and 1,125MW BOO projects under construction. In 2018, BOO projects of the Group achieved a total power generation of 1,122 million kWh with grid-connected power of 1,107 million kWh, realizing a power generation revenue of RMB584.40 million and a gross profit of RMB373.20 million, representing a growth of 89.54% and 85.31% respectively.

4. International market

Taking advantage of the initial layout of the global market and focusing on the countries along the "Belt and Road" routes, the Group has continuously promoted the development of the overseas new energy market and consolidated its advantage in resources, actively promoted the new development work for the wind power and PV projects in Pakistan, the PV + power storage projects in Sierra Leone and the PV projects in Argentina, so as to increase its market share and continuously improve its competitiveness in the international market. In 2018, the Group has completed the construction of the 186MW PV project in Egypt. The 50MW PV project in Pakistan was at the final stage of completion, and exporting agreements for products such as Static VAR generator ("**SVG**") and inverters have been entered into in countries including India, Pakistan and Thailand.

5. *Driving industry development with technological innovation*

With the accelerating pace of grid parity for new energy, the market demands for higher requirements in technological innovation. The Group has been keeping track of the market situation, and by focusing on economic benefits and customer needs, it was successful in turning research projects into industrialised operation.

In terms of polysilicon production, the Group, adhering to its strategic principle of "refining its main business and extending towards high-end industry", conducted researches on more than 81 innovative topics including quality improvement of electronic grade level 1 polysilicon and recycling of wastes and followed through with their implementations. Taking advantage of its research and development ("**R&D**") center and focusing on the extended industry of silicon and the bottleneck technical problems in crystalline silicon production, the Group was intensely involved in the strategic cooperation of "production, study and research" by introducing high-end talents, with an aim to improve R&D efficiency of projects as well as the application of industrial know-how.

In terms of the development, operation and maintenance of wind and PV resources, the Group focused on PV grid parity, optimization of wind power engineering design, intelligent micro-grid, and optimization of E-Cloud Platform intelligence. Efforts on technological innovations were directed at achieving the lowest cost per unit of electricity, highest revenue as well as intelligent operation and maintenance, with an aim to improve the competitiveness of the Group continuously.

- In response to the market demand of PV poverty alleviation, SME rooftop and double sided power stations, the Group specifically launched the SolarPoint series of cascaded multilevel inverters and SolarHome series of intelligent household inverters. With MPPT penetrations of all the products reaching 100%, the problem of misalignment and loss of component paralleling is completely solved, resulting in safer and more reliable products.

- Leveraging the technological advantage of the Group in the field of PV integration and core equipment manufacturing, we have developed the E-Cloud Platform intelligence, which is capable to carry out real time, comprehensive analysis on the massive data generated by the power stations, thus achieving precise, collectivised and complete life-cycle operation and maintenance management efficiently, intelligently and conveniently. Currently, the platform has been connected to more than 1.5GW of new energy power stations, improving power generation by more than 3%.

In 2018, the Group achieved fruitful results in technological innovations. A total of 118 applications for patents and technical secrets were submitted with 75 applications granted. As of the end of 2018, the Group had a total of 430 domestic patents and 4 PCT international patents. It has actively participated in the formulation of 51 standards, including 26 national standards, 14 industry standards and 11 local standards.

6. *Safety comes first with endeavors in environment protection*

In 2018, the Group deepened its launch of the HSSE (Health, Safety, Security and Environmental Protection) management philosophy, which is "based on behavioral safety and focused on the safety of production equipment, with controlled production management as its core". The Group constantly refined the establishment of its HSSE system and promoted the implementation of safety standardization, strengthened the HSSE system management and control, and organised the launch of cross-auditing of internal systems, identification of hazards and environmental factors as well as evaluation work, with an aim to promote the safety, health and environmental protection system in a more standardised and systematic manner. During the year, the Group launched projects related to various polysilicon production processes and major constructions in progress, as well as evaluations of safety hazards in power plants operation and maintenance, in order to ensure that all types of risks and potential hazards are controllable and manageable. Focusing on information security of new network, the Group also strengthened the management of internal control procedures, adopted office software and information encryption, in order to prevent data fraud and theft of confidential information.

III. Operating Results And Analysis

Financial Review:

Business Performance Table

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**12,053,742**	11,420,951
Cost of sales	**(9,642,150)**	(8,927,654)
Gross profit	**2,411,592**	2,493,297
Other income	**96,601**	89,211
Other gains/(losses) — net	**38,756**	(33,011)
Selling and marketing expenses	**(420,463)**	(403,039)
General and administrative expenses	**(593,816)**	(654,442)
Finance expenses — net	**(354,853)**	(269,891)
Share of profit/(loss) of investments accounted for using the equity method	**17,032**	(4,138)
Profit before income tax	**1,208,495**	1,217,987
Income tax expense	**(97,853)**	(144,290)
Profit attributable to the owners of the Company	**1,107,797**	1,070,671
Profit attributable to the non-controlling interests	**2,845**	3,026

Revenue

The Group generates revenue mainly from three business segments, including polysilicon production, ECC and BOO. For the year ended 31 December 2018, the revenue of the Group was RMB12,053.74 million, representing an increase of RMB632.79 million or 5.54% over RMB11,420.95 million in the corresponding period of last year, mainly attributable to the increase in revenue from BOO and ECC businesses of the Group.

	Year ended 31 December	
	2018	2017
Business Segments	***RMB'000***	*RMB'000*
Polysilicon production	**3,351,953**	3,462,335
ECC	**7,486,564**	6,863,617
BOO	**584,404**	308,328
Others	**630,821**	786,671
Total Revenue	**12,053,742**	11,420,951

For the year ended 31 December 2018, the revenue of polysilicon production segment was RMB3,351.95 million, representing a decrease of RMB110.39 million or 3.19% lower than RMB3,462.34 million in the corresponding period of last year, mainly attributable to the decrease in the selling price of polysilicon which resulted in decreased sales revenue during the Reporting Period.

For the year ended 31 December 2018, the revenue of ECC segment was RMB7,486.56 million, representing an increase of RMB622.95 million or 9.08% higher than the revenue of RMB6,863.62 million in the corresponding period of last year. The increase was mainly attributable to the increase in revenue from the sales of BT power stations of the Group during the Reporting Period.

For the year ended 31 December 2018, the revenue of BOO segment was RMB584.40 million, representing an increase of RMB276.08 million or 89.54% increase over the revenue of RMB308.33 million in the corresponding period last year, mainly attributable to the increase of power generation capacity of the Group's BOO projects during the Reporting Period.

Cost of sales

For the year ended 31 December 2018, the cost of sales incurred by the Group was RMB9,642.15 million, representing an increase of RMB714.50 million or 8.00% over RMB8,927.65 million in the corresponding period of last year, mainly attributable to the increase in polysilicon production output of the Group, increased operation cost from ECC business and expansion of the scale of BOO business during the Reporting Period, which resulted in the corresponding increase of the costs.

Business Segments	**Year ended 31 December** **2018** *RMB'000*	2017 *RMB'000*
Polysilicon production	**2,312,960**	2,052,414
ECC	**6,571,869**	6,093,560
BOO	**211,203**	106,939
Others	**546,118**	674,741
Total cost of sales	**9,642,150**	8,927,654

For the year ended 31 December 2018, the cost of sales incurred by polysilicon production segment was RMB2,312.96 million, representing an increase of RMB260.55 million or 12.69% over RMB2,052.41 million in the corresponding period of last year, mainly attributable to the increase in sales amount of polysilicon during the Reporting Period resulting in an increase in costs.

For the year ended 31 December 2018, the cost of sales incurred by ECC segment was RMB6,571.87 million, representing an increase of RMB478.31 million or 7.85% over RMB6,093.56 million in the corresponding period of last year, mainly due to the corresponding cost increases as a result of the increase of revenue from the sale of BT power stations by the Group during the Reporting Period.

For the year ended 31 December 2018, the cost of sales incurred by BOO segment was RMB211.20 million, representing an increase of RMB104.26 million or 97.50% over RMB106.94 million in the corresponding period of last year, which was mainly due to the expansion of the scale of the Group's finished BOO projects during the Reporting Period, resulting in higher corresponding costs.

Gross profit and gross profit margin

For the year ended 31 December 2018, the gross profit of the Group was RMB2,411.59 million, representing a decrease of RMB81.71 million or 3.28% less than RMB2,493.30 million in the corresponding period of last year. The comprehensive gross profit margin was 20.01%, representing a decrease of 1.82 percentage points over the corresponding period of last year. During the Reporting Period, the main reason for the decrease in the Group's gross profits and gross profit margin was the decrease of the selling price of polysilicon.

Other income

For the year ended 31 December 2018, other income of the Group was RMB96.60 million, representing an increase of RMB7.39 million or 8.28% over RMB89.21 million in the corresponding period of last year, which was mainly due to the increase of the government grants received by the Group during the Reporting Period.

Other gains/(losses) — net

For the year ended 31 December 2018, the net other gains of the Group were RMB38.76 million, representing an increase of RMB71.77 million from the net other losses of RMB33.01 million in the corresponding period of last year. The increase was mainly due to the income from the disposal of subsidiaries and associates of the Group during the Reporting Period.

Selling and marketing expenses

For the year ended 31 December 2018, the selling and marketing expenses of the Group were RMB420.46 million, representing an increase of RMB17.42 million or 4.32% over RMB403.04 million in the corresponding period of last year. The increase was mainly due to the enhancement of market development efforts and the increased marketing expenses of the Group during the Reporting Period.

General and administrative expenses

For the year ended 31 December 2018, the general and administrative expenses of the Group were RMB593.82 million, representing a decrease of RMB60.63 million or 9.26% less than RMB654.44 million in the corresponding period of last year, which was mainly due to decreased management expenses resulted from the enhanced control on the general and administrative expenses of the Group during the Reporting Period.

Finance expenses — net

For the year ended 31 December 2018, the net finance expenses of the Group was RMB354.85 million, representing an increase of RMB84.96 million or 31.48% from RMB269.89 million in the corresponding period of last year, which was mainly due to the expansion of borrowings size of the Group, resulting in an increase in interest expense during the Reporting Period.

Share of profit/(loss) of investments accounted for using the equity method

For the year ended 31 December 2018, the share of profit of investments accounted for using the equity method of the Group was RMB17.03 million, representing an increase of RMB21.17 million from the loss of investments accounted for using the equity method of RMB4.14 million in the corresponding period of last year. The increase was mainly because of the profit of associates during the Reporting Period.

Income tax expense

For the year ended 31 December 2018, the income tax expense of the Group was RMB97.85 million, representing a decrease of RMB46.44 million or 32.18% lower than RMB144.29 million in the corresponding period of last year, which was mainly due to the additional tax deduction and tax exemption of income tax received by the Group under the PRC policy during the Reporting Period over the corresponding period of last year.

Profit attributable to the owners of the Company

For the year ended 31 December 2018, profit attributable to the owners of the Company was RMB1,107.80 million, representing an increase of RMB37.13 million or 3.47% over RMB1,070.67 million in the corresponding period of last year.

Profit attributable to the non-controlling interests

For the year ended 31 December 2018, the profit attributable to the non-controlling interests of the Group was RMB2.85 million, representing a decrease of RMB0.18 million or 5.98% from RMB3.03 million in the corresponding period of last year. The decrease was mainly due to the decrease in profit of Xi'an TBEA Electric Power Design Co., Ltd., a subsidiary of the Group, during the Reporting Period.

Cash Flows

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Net cash generated from operating activities	**1,851,134**	1,764,472
Net cash used in investing activities	**(3,291,826)**	(2,300,591)
Net cash generated from financing activities	**2,964,189**	966,420
Net increase in cash and cash equivalents	**1,523,497**	430,301

Net cash generated from operating activities

For the year ended 31 December 2018, the net cash generated from operating activities of the Group was RMB1,851.13 million, representing an increase of RMB86.66 million or 4.91% over RMB1,764.47 million in the corresponding period of last year. The increase was mainly due to more receivables collected as the Group improved the management of trade receivables during the Reporting Period.

Net cash used in investing activities

For the year ended 31 December 2018, the net cash used in investing activities of the Group was RMB3,291.83 million, representing an increase of RMB991.24 million or 43.09% over RMB2,300.59 million in the corresponding period of last year. The increase was mainly due to the increase in investing activities of the 36,000-ton Polysilicon Project of the Group during the Reporting Period.

Net cash generated from financing activities

For the year ended 31 December 2018, the net cash generated from financing activities of the Group was RMB2,964.19 million, representing an increase of RMB1,997.77 million or 206.72% over RMB966.42 million in the corresponding period of last year. The increase was mainly due to the introduction of capital investments from the non-controlling shareholders and the increased financing scale of BT projects and 36,000-ton Polysilicon Project of the Group during the Reporting Period.

Operating Fund

	Year ended 31 December	
	2018	2017
Cash and cash equivalents at the end of the year (RMB'000)	**3,856,408**	2,316,610
Gearing ratio	**60.07%**	80.62%
Inventory turnover rate (times)	**2.84**	2.16
Inventory turnover days (days)	**126.75**	166.86

On 31 December 2018, the cash and cash equivalents of the Group were RMB3,856.41 million (31 December 2017: RMB2,316.61 million).

The capital requirement of the BT and BOO businesses which the Group is engaged in generally accounts for 20%–30% of the total investment of the project, the rest of which is bank loans, which has a greater impact to the gearing ratio of the Group. As at 31 December 2018, the gearing ratio of the Group was 60.07% while that as of 31 December 2017 was 80.62%. The gearing ratio was calculated by dividing its net debts by total equity, whereas net debts were calculated by deducting restricted bank balances and cash balances at bank from total interest-bearing liabilities.

The Group's BT projects under construction and pending transfer were included in the inventory item, and whether BT projects can be transferred in time is relatively important for the Group's inventory turnover rate and turnover days. The inventory turnover rate and turnover days of the Group were 2.84 times and 126.75 days as of 31 December 2018, respectively, and the inventory turnover rate and turnover days of Group were 2.16 times and 166.86 days as of 31 December 2017, respectively.

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

Capital expenditure

For the year ended 31 December 2018, the major capital expenditure of the Group included: RMB2,489.23 million for the purchase of property, plant and equipment, RMB75.97 million for the purchase of intangible assets and RMB17.64 million for the purchase of land use rights.

Contingent liabilities

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司) ("**Jiangsu Zhongneng**") filed a claim with Jiangsu Province People's Court against the Company for the infringement of certain patents and commercial secrets, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed by the Company, the Supreme People's Court of the PRC ruled that the case should be under the jurisdiction of Xinjiang Province People's Court. Before this announcement is issued, the aforementioned litigation is in the process of transfer, therefore the trial has not commenced in the Xinjiang Province People's Court yet. After considering the opinion of an independent legal counsel, the Directors are of the opinion that this litigation is still at an early stage, and there are no sufficient grounds to foresee and assess the outcome and the corresponding contingent liabilities. As such, no provision is made with respect to the aforementioned claim as of 31 December 2018.

Apart from the above, the Group and the Company have contingent liabilities in respect of claims or other legal proceedings arising in its ordinary course of business from time to time. For the year ended 31 December 2018, 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 2018, the Group has 4,278 employees in total, including 924 management personnel, 471 technicians and 1,829 production personnel. The total remuneration of the Group's employees was RMB679.06 million for 2018.

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 set up a corporate annuity system to provide further protection for the retired employees. 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.

Assets mortgage

As of 31 December 2018, secured short-term bank borrowings in an amount of RMB62,910,000 were pledged with certain of the Group's land use rights and property, plant and equipment. As of 31 December 2018, secured long-term bank borrowings with an amount of RMB7,372,870,000 were pledged with certain of the Group's inventory, land use rights, property, plant and equipment and receivable collection right. As of 31 December 2018, secured short-term other borrowings with an amount of RMB308,082,355 were pledged with the Group's certain property plant and equipment and guarantee deposit of cash amounting RMB15,000,000 of the Group. As of 31 December 2018, secured long-term other borrowings with an amount of RMB488,500,000 were pledged with bank facilities. As of 31 December 2018, secured long-term other borrowings with an amount of RMB32,400,000 were guaranteed by TBEA Xinjiang New Energy Co., Ltd.. As of 31 December 2018, secured long-term other borrowings with the amount of RMB400,000,000 were pledged with certain of the Group's inventory.

Major acquisition and disposal of assets

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

Major investments

During the Reporting Period, the Group had no material investment except for the investment on the construction of the 36,000-ton Polysilicon Project and BOO projects.

Foreign exchange risks

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

Cash flow interest rate risk

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

Capital liquidity

As of 31 December 2018, current assets of the Group amounted to RMB16,441.30 million, among which, RMB3,856.41 million was cash and cash equivalents; RMB3,640.93 million was trade and notes receivable, primarily consisting of receivables from ECC and sales of inverter; RMB1,048.00 million was other current assets, primarily consisting of deductible VAT and prepayments to customers.

As of 31 December 2018, current liabilities of the Group amounted to RMB15,789.71 million, including RMB7,788.49 million of trade and notes payable, primarily consisting of payables for purchase of PV and wind power projects equipment, laboring, materials procurement, coal fuels and spare parts of polysilicon; RMB2,077.07 million of provisions and other payables, primarily consisting of payables relating to purchase of property, plant and equipment and RMB4,849.46 million of short-term borrowings.

As of 31 December 2018, net current assets amounted to RMB651.59 million, representing an increase of RMB159.07 million as compared with net current assets amounted to RMB492.51 million as of 31 December 2017. The current ratio was 104.13% as of 31 December 2018, representing an increase of 0.94 percentage point as compared with the current ratio of 103.19% as of 31 December 2017. Restricted deposits amounted to RMB2,310.19 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 2018, the Group's balance of the borrowings and notes payable amounted to RMB17,086.17 million, representing an increase of RMB1,906.68 million as compared with the balance of the borrowings and notes payable of RMB15,179.49 million as of 31 December 2017. As of 31 December 2018, the Group's outstanding borrowings and notes included short-term borrowings and notes payable of RMB8,987.17 million (including long-term borrowings due within one year of RMB963.27 million and notes payable of RMB4,137.71 million) and long-term borrowings amounting to RMB8,099.00 million.

Credit risk

Credit risk is managed on a group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for their respective new customers before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions (including restricted cash), as well as credit risk exposures to customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of its customers taking into account various factors including their financial position, past experience and other factors.

Events after the balance sheet date

On the Board meeting held on 27 March 2019, the Board proposed a final dividend of RMB0.15 (tax inclusive) per share for the year ended 31 December 2018.

At the general meeting of the Company held on 11 January 2019, the Company was approved by the Shareholders to conditionally issue 154,994,838 domestic shares of the Company directionally to TBEA Co., Ltd. at the price of RMB7.78 per share, amounting to a total of RMB1,205,859,839.64. The directional issue was completed on 15 February 2019. After the completion, the total issued share capital of the Company is 1,200,000,000 Shares, which is divided into 313,475,630 H Shares and 886,524,370 Domestic Shares. For further details, please refer to the announcement of the Company dated 15 February 2019.

IV. Prospects

- ***Market Prospects***

  Throughout 2018, the policy environment of new energy industry was subject to accelerated reshuffling of the industry and optimization of the industry's structure, stimulated industry development as well as shorter time to realise grid parity and low on-grid tariff, which was attributable to a series of events, from the "531 PV New Policy", the promulgation of the policy on competitive bidding for on-grid wind power to the implementation of the quota system. China's new energy industry is on its way toward a developmental stage which is stable, efficient and scientific, and will create a new challenge for new energy enterprises requiring them to focus on quality instead of quantity. Lagged behind production capacities will be further eliminated, consolidation of the industry will accelerate, and only the most advanced technology and the best products will become the mainstream in the new energy market.

  According to the forecasts of Bloomberg NEF, the global newly installed PV capacity may reach 125GW to 141GW; wind power market may have a leap in capacity, and the newly installed capacity is expected to be over 70GW in 2019. The huge market potential and the optimistic market prospect will provide the new energy industry with excellent development opportunities.

  Looking to the future, the new energy sector will still have to face transformations and uncertainties, and new opportunities and challenges will accelerate the reshuffling of the industry. With this imminently approaching transformation, the Group must stay calm in order to seize the new opportunities of the time, and only by recognizing the trend can it meet the challenges in the future.

- ***Business Plan in 2019***

In 2019, the Group will comprehensively assess the national and industrial policies and strengthen its analysis of the market environment. In face of the megatrend of grid parity, it will quickly adjust its industrial deployment by deepening innovation, reducing costs and strengthening refined management, to become a green, safe and strong enterprise with good quality and efficiency. In the meantime, the Group will maintain its initial objective of providing customers with full life cycle services tailored to their needs, by adhering to the management philosophy of becoming the leader in technology as well as in quality. With incessant effort in improving its overall competitiveness, the Group will focus on the strategic planning of the "13th Five-Year Plan" and coordinate its business deployment accordingly, in order to achieve better development in every aspect of its business in 2019.

(1) Bring into play the scale effect of polysilicon products, improve quality and efficiency, and engage in diversified development

In the area of polysilicon, the Group will strengthen technological innovation, focus on quality upgrade of its polysilicon products, improve production processes, and introduce refined management to reduce costs continuously; make efforts in enhancing differentiated service levels of polysilicon products to serve the needs of different customers; and improve its competitiveness in the market of polysilicon products. At the same time, the Group will accelerate the construction and commission tests of the 36,000-ton Polysilicon Project with an aim to achieve formal production ahead of time, so as to further reduce the production cost of polysilicon, improve the quality of products and bring into play the scale effect of polysilicon products and technological advantage.

In terms of industrial chain extension, the Group takes advantage of its existing production process of polysilicon, explore and vigorously develop the extension of industrial chain through continuous, overall and extensive deployment into the development of zirconium-based new materials, new powder materials, organic silicon, advanced ceramics, etc. Through continuous adjustments of production processes, technological development and application, efforts will be made to improve the qualities of the extended products in the industrial chain, with subsequent production scales to further enhance the profit level of the Group.

(2) Strengthen the management of safety and environmental protection responsibilities to ensure smooth business operation

In 2019, the Group will continuously promote the building of a safety culture, highlighting the philosophy of safety culture which is "based on behavioral safety and focused on the safety of production equipment, with controlled production management as its core", formulate the developmental planning of the safety culture by clearly defining the safety and environmental protection responsibilities and implementing responsibility targets. Further guidance will be made in carrying out safety management work. The concepts of safety and environmental protection, legal and compliance operation will be firmly established. A safety management information platform will be set up to accomplish the end-to-end process control of operation. The Group will actively launch the differentiation of risk levels to facilitate risk prevention and control as well as potential hazard inspection and management. Potential hazard assessments are organised every quarter to identify and mitigate potential risks and risk prevention mechanisms are implemented. Meanwhile, the Group will continue to ensure that environmental protection facilities are functioning properly, promote energy conservation and emission reduction, and on the basis of the current environmental protection facility management, improve the level of assurance with respect to long-term steady operation of environmental protection facilities. With focus on the reduced use of gas and water as well as reduced emission, process supervision will be thoroughly executed, environmental protection management will be implemented, emission reduction and efficiency enhancement programs will be carried out.

(3) *Closely follow the development trend of wind power and PV resources, adjust resource structure and business deployment accordingly*

In 2019, the Group will comprehensively assess the development policies. In face of the trend of grid parity and removal of subsidies, the Group will decrease its reliance on the original large scale centralised high-tariff power plants and completely adjust its development strategies and marketing strategies by setting its foot on the mode of full life cycle development and actively participating in allocation by competitive bidding. With wind resources as the main driver of its business, the Group will continue to work on wind power generation, distributed PV, micro-grid, supplementary energy sources and distributed wind power. Focus will also be placed on the development of cascaded multilevel inverters and power routers.

In 2019, the Group will accelerate the launch of BOO construction work by focusing on the construction of the Ximeng 975MW wind power project with an aim to commence operation ahead of time for early grid connection. This will expedite the strategic transformation of the Group from a wind power, PV power station construction vendor toward an operator, in order to increase its level of profitability and boost the healthy, long-term and sustainable development of the Group.

(4) *Accelerating the implementation of internationalization strategy and compete for quality international wind power and PV resources*

In recent years, the overseas new energy market has developed rapidly. The Group will actively take advantage of the market opportunities and financing conditions brought by China's "Belt and Road" strategies, increasing its efforts in exploring the international market, utilizing markets which it has a competitive advantage with focus on superior resources and key projects. Continued efforts will be made to connect with key customers, in establishing a solid strategic cooperation relationship which will contribute to mutual benefits and common growth. At the same time, with the current development trend of the international new energy market, the Group will be actively involved in the emerging markets, develop new customers and seek for different types of cooperation modes, with an aim to continuously increase its international market share and improve its competitiveness in the international market.

(5) Continuously improve competitiveness through strengthened technological innovations

In 2019, the Group will focus comprehensively on the core values of "efficiency upgrades through improved quality and reduced costs to achieve the lowest cost of electricity", launch technological innovative programs, continuously accelerate the transformation of technological development, and promote the industrialization of technological achievements.

In terms of polysilicon production, the Group will focus on the process optimization for electronic grade level 1 polysilicon and polysilicon production, the expedited launch of technological innovation projects such as the extended industrial chain of silicon products, strengthen the strategic cooperation of "production, study and research" by taking full advantage of the resources and research conditions of universities and research institutes in the PRC as well as overseas, accelerate the research and development of new technology and new products, actively take responsibilities to participate in China's key research programs as well as construction projects of key laboratories under the "Belt and Road" initiative. The objective is to occupy the technology high ground through deepening the technology innovation platform and accumulation of scientific credentials and honors.

In the area of wind power and PV resources development, operation and maintenance, the Group will focus on PV grid parity and improvement of wind power engineering designs etc., with an objective to launch technological innovations with the lowest cost of electricity, highest return and intelligent O&M as its core. The Group will rigorously promote flexible DC power transmission as well as demonstration and application of power routers, continuously follow the micro-grid projects, strengthen the E-Cloud intelligent O&M platform and the integration of equipment including inverters, SVG, power routers, etc., consolidate various innovative products, optimise the mode of operation and management, vigorously develop the power storage business, in order to enhance the Group's competitiveness.

V. Risk Factors and Risk Management

(1) Risks associated with falling price of polysilicon

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

In 2019, the newly added production capacities of a number of polysilicon manufacturers will be released gradually, further increasing the market supply. In the meantime, the promulgation of a number of policies will facilitate the early entrance of the Chinese PV industry to the era of grid parity. While the release abolition of restriction on the installation scales of unsubsidised projects will provide the PV market with a brighter prospect, there will also be more stringent requirements for the quality and price of polysilicon. In the face of fierce market competition, only the polysilicon products with the highest qualities and the most competitive prices will be able to remain in the market, and the profit margin of polysilicon enterprises will be substantially compressed.

The Group will strengthen technological R&D, reduce costs and improve quality by expanding production and enhancing production quality and efficiency. At the same time, the Group will speed up the construction of the 36,000-ton Polysilicon Project, fully utilise the current advantage of low cost power resources to further achieve the benefits as a result of the increase in production scale, and improve the competitiveness of the Group's products in terms of qualities and costs, so as to reduce the risks associated with the falling prices of polysilicon.

(2) Risks associated with intensified market competition

In 2018, the Chinese PV and wind power industries were affected by the adjustments in government policies. The new energy industry has entered a development mode of efficiency upgrading through quality improvement and cost reduction. Production capacities with outdated technologies and higher costs will gradually be eliminated by the market. The number of polysilicon manufacturers and PV and wind power project contractors also reduced gradually and market competition was intense. The above factors may pose a certain impact on the market share of the Group.

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

(3) Risks associated with tariff cuts

Focusing on wind power and PV industries, the PRC government released separate policies related to competitive bidding and grid parity from 2018 to the beginning of 2019, clearly indicating that development pace should be reasonably controlled. In addition, size in development of new wind power and PV power projects should be optmised, subsidy cut to new energy industry was sped up, the level of subsidies was scaled down, and development of unsubsidised new energy projects is encouraged. The above factors may have certain impacts on the Group's market share, profit margin and income from the new BOO power stations in the future.

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

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

In 2018, while grid connection and consumption problems of PV and wind power had improved to a certain extent, the problem of wind and PV power curtailment still existed in certain regions due to inadequate local consumption, problem of grid stability and problem of control and management had not been resolved completely.

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

USE OF NET PROCEEDS FROM LISTING

As of 31 December 2018, the planned use of the funds raised by listing of the Company's H shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") is detailed as follows:

- Approximately 65% will be used for construction and operation of the Group's BOO projects;
- Approximately 20% will be used for repayment of certain long-term bank loans;
- Approximately 5% will be used for investment in research and development activities and purchase or update of IT system; and
- Approximately 10% will be used for working capital and other general corporate purposes.

As of 31 December 2018, the uses of proceeds of H Shares of the Company are as follows:

Usage	**Allocation Amount** *RMB million*	**Used Proceeds** *RMB million*	**Unused Proceeds** *RMB million*
Construction and operation of the Group's BOO projects	762.00	762.00	0.00
Replenishment of operating capital	135.27	135.27	0.00
Repayment of part of long-term bank loans	235.74	235.74	0.00
Investment in research and development activities and purchase or update of IT system	58.66	13.39	45.27
Total	**1,191.67**	**1,146.40**	**45.27**

The Board has deposited the unused proceeds from listing in short-term interest-bearing instruments, such as liquid fixed-income securities, bank deposits or money market instruments with licensed banks or financial institutions in Hong Kong or PRC. In 2019, the proceeds will be used by the Company successively according to its business development strategy and the capital market situation.

FINAL DIVIDEND

On 27 March 2019, the Board proposed the distribution of a final dividend of RMB0.15 per share (tax inclusive) for the year ended 31 December 2018, after the appropriations to the statutory surplus reserve according to the relevant regulations. The Company will pay dividend in respect of the domestic shares in RMB and dividend in respect of the H shares in HKD. The amount denominated in RMB will be converted based on the average of mid-point conversion rate between RMB and HKD issued by the People's Bank of China for the five working days prior to the declaration of dividends at the annual general meeting of the Company (the "**AGM**") to be held on Friday, 28 June 2019. The abovementioned dividend will be subject to shareholders' approval at the AGM and the Company expects to distribute the final dividend for 2018 to the shareholders of the Company no later than Wednesday, 28 August 2019.

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

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

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

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

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these individual holders of H Shares in the distribution of the final dividend. If relevant individual holders of H Shares would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice (《税收通知》). Qualified shareholders please submit in time a 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.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to receive the final dividend, the register of members of the Company will be closed from Friday, 5 July 2019 to Wednesday, 10 July 2019, both days inclusive, during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on Wednesday, 10 July 2019 are entitled to receive the final dividend. Holders of H shares of the Company who intend to receive the final dividend payment must lodge all transfer documents accompanied by the relevant H share certificates with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Thursday, 4 July 2019 for registration.

In order to determine the list of shareholders who are entitled to attend and vote at the AGM to be held on Friday, 28 June 2019, the register of members of the Company will be closed from Wednesday, 29 May 2019 to Friday, 28 June 2019, both days inclusive, during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on Wednesday, 29 May 2019 are entitled to attend and vote at the AGM. Holders of H shares of the Company who intend to attend and vote at the AGM must lodge all transfer documents accompanied by the relevant H share certificates with the Company's H share registrar mentioned above no later than 4:30 p.m. on Tuesday, 28 May 2019 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 Tuesday, 28 May 2019 for registration.

CORPORATE GOVERNANCE PRACTICES

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 Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. The Company has complied with applicable code provisions as set out in the CG Code for the year ended 31 December 2018.

MODEL CODE ON SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding directors' and supervisors' securities transactions. Directors and supervisors of the Company confirmed that, having made specific enquiry of all directors and supervisors, they have complied with the required standard as set out in the Model Code during the year ended 31 December 2018. 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 no less exacting terms than the Model Code. The Company is not aware of any breach of the guidelines by its relevant employees.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2018.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's 2018 annual results and the financial statements for the year ended 31 December 2018 prepared in accordance with the IFRS.

AUDITOR

PricewaterhouseCoopers was appointed as the auditor of the Company to audit the consolidated financial statements prepared in accordance with the IFRS for the year ended 31 December 2018. The consolidated financial statements prepared in accordance with the IFRS have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers will retire from its office as auditor of the Company, and a resolution for its re-appointment as auditor of the Company for the year 2019 will be proposed by the Board at the forthcoming AGM.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.xtnysolar.com) and the 2018 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Xinjiang, China
27 March 2019

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