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)

Interim Results Announcement For The Six Months Ended 30 June 2019

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2019, revenue amounted to RMB4,041.32 million, representing a decrease of 24.94% over the corresponding period of last year.

- For the six months ended 30 June 2019, profit before taxation amounted to RMB339.82 million, representing a decrease of 66.30% over the corresponding period of last year.

- For the six months ended 30 June 2019, profit attributable to owners of the Company amounted to RMB235.49 million, representing a decrease of 72.72% over the corresponding period of last year.

- For the six months ended 30 June 2019, the basic earnings per share amounted to RMB0.21, representing a decrease of RMB0.62 over the corresponding period of last year.

The board of directors (the "**Board**") of Xinte Energy Co., Ltd. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2018. The results were prepared in accordance with the International Accounting Standard (the "**IAS**") 34, "Interim Financial Reporting" and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As of 30 June 2019** *RMB'000* **(Unaudited)**	As of 31 December 2018 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**17,826,389**	16,504,406
Right-of-use assets		**143,248**	–
Land use rights		**563,160**	558,755
Intangible assets		**101,442**	106,863
Investments accounted for using the equity method		**189,109**	140,969
Financial assets at fair value through other comprehensive income		**1,000**	1,000
Deferred tax assets		**167,269**	177,977
Long-term accounts receivable		**945,763**	714,083
Other non-current assets		**1,534,782**	1,054,355
Total non-current assets		**21,472,162**	19,258,408
Current assets			
Inventories		**2,713,025**	2,915,121
Contract assets		**2,118,137**	2,254,679
Other current assets		**1,594,768**	1,047,998
Trade and notes receivable	*6*	**3,421,644**	3,640,933
Other receivables		**441,804**	415,969
Restricted cash		**1,666,266**	2,310,187
Cash and cash equivalents		**3,559,434**	3,856,408
Total current assets		**15,515,078**	16,441,295
Total assets		**36,987,240**	35,699,703

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	Note	**As of 30 June 2019** ***RMB'000*** **(Unaudited)**	As of 31 December 2018 *RMB'000* (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,200,000**	1,045,005
Share premium		**5,957,404**	4,945,506
Other reserves		**528,361**	524,965
Retained earnings		**3,557,972**	3,505,764
		11,243,737	10,021,240
Non-controlling interests		**2,379,028**	1,268,816
Total equity		**13,622,765**	11,290,056
LIABILITIES			
Non-current liabilities			
Borrowings		**10,086,893**	8,099,000
Lease liabilities		**49,792**	–
Deferred tax liabilities		**144,127**	123,497
Deferred government grants		**389,646**	397,442
Total non-current liabilities		**10,670,458**	8,619,939
Current liabilities			
Trade and notes payable	*7*	**6,793,731**	7,788,493
Provisions and other payables		**1,980,736**	2,077,073
Contract liabilities		**1,022,802**	1,067,850
Current income tax liabilities		**5,018**	6,832
Borrowings		**2,888,430**	4,849,460
Lease liabilities		**3,300**	–
Total current liabilities		**12,694,017**	15,789,708
Total liabilities		**23,364,475**	24,409,647
Total equity and liabilities		**36,987,240**	35,699,703

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	Note	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**4,041,315**	5,384,123
Cost of sales		**(3,187,876)**	(3,827,578)
Gross profit		**853,439**	1,556,545
Selling and marketing expenses		**(137,611)**	(158,094)
General and administrative expenses		**(222,249)**	(247,582)
Net impairment losses on financial assets and contract assets		**(18,380)**	(15,602)
Other income		**35,298**	37,679
Other losses — net		**(3,007)**	(9,954)
Operating profit		**507,490**	1,162,992
Interest income		**19,498**	13,522
Finance expenses		**(208,535)**	(173,717)
Finance expenses — net		**(189,037)**	(160,195)
Share of profits of investments accounted for using the equity method		**21,365**	5,638
Profit before income tax		**339,818**	1,008,435
Income tax expense	*8*	**(36,385)**	(143,662)
Profit for the period		**303,433**	864,773

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

	Note	**Six months ended 30 June 2019** *RMB'000* **(Unaudited)**	2018 *RMB'000* (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**235,488**	863,382
Non-controlling interests		**67,945**	1,391
		303,433	864,773
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Currency translation differences		**116**	(5)
Total comprehensive income for the period		**303,549**	864,768
Total comprehensive income for the period attributable to:			
Owners of the Company		**235,604**	863,377
Non-controlling interests		**67,945**	1,391
		303,549	864,768
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (RMB)	*9*	**0.21**	0.83
Diluted earnings per share (RMB)	*9*	**0.21**	0.83

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 parent 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 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3 ACCOUNTING POLICIES

The accounting policies applied in this interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 *Leases*.

The impact of the adoption of the leasing standard is disclosed in note 4 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Impacts on transition

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

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Impacts on transition *(Continued)*

(a) The impacts arising from the adoption of IFRS 16

The lease liabilities as of 1 January 2019 reconciled to the operating leases commitments and long-term land lease commitments as of 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease and long-term land lease commitments as of 31 December 2018	86,961
Weighted average incremental borrowing rate as of 1 January 2019	4.90%
Discounted present value as of 1 January 2019	57,183
Less: short-term leases recognized on a straight-line basis as expenses	(2,022)
Less: low-value leases recognized on a straight-line basis as expenses	(39)
Lease liability recognized as of 1 January 2019	55,122
of which are:	
Current lease liabilities	3,300
Non-current lease liabilities	51,822
	55,122

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as of 31 December 2018. There were no onerous lease contracts in the Group that would have required an adjustment to the right-of-use assets at the date of initial application.

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Impacts on transition *(Continued)*

(a) The impacts arising from the adoption of IFRS 16 (Continued)

The recognized right-of-use assets related to the following type of assets:

	As of 30 June 2019 *RMB'000*	As of 1 January 2019 *RMB'000*
Land	**143,248**	143,907

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

- right-of-use assets — increase by RMB143,907,000
- other non-current assets — decrease by RMB88,785,000
- lease liabilities — increase by RMB55,122,000

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

Segment assets for 30 June 2019 all increased as a result of the change in accounting policies. The following segments were affected by the change in policy:

	Segment assets *RMB'000*
BOO	52,620

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Impacts on transition *(Continued)*

(b) 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 30 years. 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, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of land use right were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liabilities at the date which the leased asset is available for use by the Group. Each lease payment is allocated between the liability 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

- amounts expected to be payable by the lessee under residual value guarantees

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Impacts on transition *(Continued)*

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

Payments associated with short-term leases and leases of low-value assets are recognized 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. Leases of low-value assets are mainly rentals of offices.

5 SEGMENT INFORMATION

The chief operating decision-makers ("**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 primarily consists of production and sale of inverter and SVG, and other miscellaneous business.

5 SEGMENT INFORMATION *(Continued)*

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 is 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.

The segment results for the six months ended 30 June 2019 are as follows:

	Polysilicon production *RMB'000*	ECC *RMB'000*	BOO *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
(Unaudited)						
For the six months ended 30 June 2019:						
Segment revenue and results						
Total segment revenue	**1,216,885**	**2,101,772**	**520,084**	**340,381**	**(137,807)**	**4,041,315**
Inter-segment revenue	**(1,169)**	**(31,437)**	**(520)**	**(104,681)**	**137,807**	**—**
Revenue from external customers	**1,215,716**	**2,070,335**	**519,564**	**235,700**	**—**	**4,041,315**
Timing of revenue recognition						
At a point in time	**1,215,716**	**86,171**	**519,564**	**235,700**	**—**	**2,057,151**
Over time	**—**	**1,984,164**	**—**	**—**	**—**	**1,984,164**
Segment results	**200,898**	**269,664**	**343,874**	**39,003**	**—**	**853,439**
Amortisation	**9,707**	**2,613**	**9,615**	**5,691**	**—**	**27,626**
Depreciation	**254,524**	**3,398**	**143,157**	**23,251**	**—**	**424,330**
(Reversal)/provisions of impairment:						
— trade and other receivables	**(1,928)**	**46,441**	**—**	**5,737**	**—**	**50,250**
— inventories	**—**	**16,675**	**—**	**6,809**	**—**	**23,484**
— contract assets	**—**	**(31,870)**	**—**	**—**	**—**	**(31,870)**
Share of profit of investments accounted for using the equity method	**—**	**21,365**	**—**	**—**	**—**	**21,365**

5 SEGMENT INFORMATION *(Continued)*

	Polysilicon production *RMB'000*	ECC *RMB'000*	BOO *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
(Unaudited)						
For the six months ended 30 June 2018:						
Segment revenue and results						
Total segment revenue	2,128,009	2,841,201	253,622	487,540	(326,249)	5,384,123
Inter-segment revenue	(54)	(58,141)	—	(268,054)	326,249	—
Revenue from external customers	2,127,955	2,783,060	253,622	219,486	—	5,384,123
Timing of revenue recognition						
At a point in time	2,127,955	293,106	253,622	219,486	—	2,894,169
Over time	—	2,489,954	—	—	—	2,489,954
Segment results	867,847	472,523	178,103	38,072	—	1,556,545
Amortisation	7,608	2,724	6,648	2,618	—	19,598
Depreciation	240,596	3,310	63,866	24,701	—	332,473
(Reversal)/provisions of impairment:						
— trade and other receivables	(550)	14,375	—	1,749	—	15,574
— inventories	—	31,573	—	2,149	—	33,722
— contract assets	—	29	—	—	—	29
Share of profit of investments accounted for using the equity method	—	5,638	—	—	—	5,638

5 SEGMENT INFORMATION *(Continued)*

A reconciliation of segment result to profit for the period is provided as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Polysilicon production	**200,898**	867,847
ECC	**269,664**	472,523
BOO	**343,874**	178,103
Others	**39,003**	38,072
Total gross profit for reportable segments	**853,439**	1,556,545
Selling and marketing expenses	**(137,611)**	(158,094)
General and administrative expenses	**(222,249)**	(247,582)
Net impairment losses on financial assets and contract assets	**(18,380)**	(15,602)
Other income	**35,298**	37,679
Other losses — net	**(3,007)**	(9,954)
Finance expenses — net	**(189,037)**	(160,195)
Share of profit of investments accounted for using the equity method	**21,365**	5,638
Profit before income tax	**339,818**	1,008,435
Income tax expense	**(36,385)**	(143,662)
Profit for the period	**303,433**	864,773

5 SEGMENT INFORMATION *(Continued)*

The segment assets as of 30 June 2019 are as follows:

	Polysilicon production *RMB'000*	ECC *RMB'000*	BOO *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
(Unaudited)						
As of 30 June 2019						
Segment assets	**20,334,730**	**13,874,920**	**8,179,274**	**2,918,679**	**(8,676,741)**	**36,630,862**
Investments accounted for using the equity method	**—**	**189,109**	**—**	**—**	**—**	**189,109**
	20,334,730	**14,064,029**	**8,179,274**	**2,918,679**	**(8,676,741)**	**36,819,971**
Unallocated assets						**167,269**
Total assets						**36,987,240**
(Audited)						
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

5 SEGMENT INFORMATION *(Continued)*

Entity-wide information

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Provision of ECC services	**2,070,335**	2,783,060
Sales of goods	**1,880,916**	2,523,265
Provision of services other than ECC	**90,064**	77,798
	4,041,315	5,384,123

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**3,929,753**	5,269,128
Other countries	**111,562**	114,995
	4,041,315	5,384,123

There were four (2018: One) external customers contributed more than 10% of the total revenue for the six months ended 30 June 2019.

As of 30 June 2019 and 31 December 2018, all the Group's non-current assets, other than deferred tax assets, are primarily located in the PRC.

6 TRADE AND NOTES RECEIVABLE

	As of 30 June 2019 *RMB'000* **(Unaudited)**	As of 31 December 2018 *RMB'000* (Audited)
Trade receivables	**2,763,486**	2,428,942
Notes receivable	**736,111**	1,282,442
	3,499,597	3,711,384
Less: provision for impairment	**(77,953)**	(70,451)
	3,421,644	3,640,933

Notes receivable of the Group are bank acceptance notes and trade acceptance notes with maturity dates within six months to one year.

As of 30 June 2019, the Group's trade receivables with the original book value of RMB478,927,000 (31 December 2018: RMB304,765,000) were pledged as security for long-term bank borrowings.

Ageing analysis of the Group's gross trade receivables at the respective balance sheet dates is as follows:

	As of 30 June 2019 *RMB'000* **(Unaudited)**	As of 31 December 2018 *RMB'000* (Audited)
Within 3 months	**694,580**	1,134,036
3 to 6 months	**684,077**	260,277
6 months to 1 year	**629,395**	367,179
1 to 2 years	**571,626**	542,777
2 to 3 years	**146,364**	41,561
Over 3 years	**37,444**	83,112
	2,763,486	2,428,942

As of 30 June 2019, trade receivables of RMB2,763,486,000 (31 December 2018: RMB2,428,942,000) was partially impaired. The amount of the related provisions for impairment pertaining to these receivables was approximately RMB77,953,000 as of 30 June 2019 (31 December 2018: RMB70,451,000).

7 TRADE AND NOTES PAYABLE

	As of 30 June 2019 *RMB'000* **(Unaudited)**	As of 31 December 2018 *RMB'000* (Audited)
Trade payables	**3,141,078**	3,650,785
Notes payable	**3,652,653**	4,137,708
	6,793,731	7,788,493

The ageing analysis of trade payables is as follows:

	As of 30 June 2019 *RMB'000* **(Unaudited)**	As of 31 December 2018 *RMB'000* (Audited)
Within 1 year	**2,321,421**	2,714,555
1 to 2 years	**440,579**	510,710
2 to 3 years	**209,665**	277,454
Over 3 years	**169,413**	148,066
	3,141,078	3,650,785

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax expense	**6,301**	68,417
Deferred income tax expense	**30,084**	75,245
	36,385	143,662

Subsidiaries incorporated in the PRC are subject to PRC enterprise income tax. Certain subsidiaries were exempted or entitled to preferential tax rate of 15% for the six months ended 30 June 2019 and 2018. The remaining entities are taxed based on the statutory income tax rate of 25% as determined in accordance with the relevant PRC income tax rules and regulations.

9 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 six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	**235,488**	863,382
Weighted average number of ordinary shares in issue (thousands)	**1,148,335**	1,045,005
Basic earnings per share (RMB)	**0.21**	0.83

(b) Diluted

No dilutive effect on earnings per share for the six months ended 30 June 2019 and 2018, as the Group had no dilutive potential ordinary shares.

10 DIVIDENDS

On 28 June 2019, the 2018 final dividend of RMB0.15 per share (2017:RMB0.20) totalling RMB180,000,000 (2017: RMB209,001,000) has been approved at the annual general meeting, but has not been paid as of 30 June 2019.

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2019.

I. REVIEW OF INDUSTRY DEVELOPMENT TRENDS

Since the "13th Five-Year Plan", under the guidance of the Chinese government's renewable energy development plan, the new energy industry has been developing rapidly, the technology level has been improving constantly, the development and construction cost of photovoltaic ("**PV**") and wind power generation projects has been reducing continuously, and the consumption problem has improved significantly. At present, some parts of China have already met the preliminary conditions of grid parity. In the first half of 2019, the Chinese government issued a series of policies to promote grid parity, competitive bidding for grid connection and reduce the consumption of new energy. Relying on market-oriented reform, we gradually got rid of the dependence of new energy power generation projects on subsidies and accelerated the long-term mechanism for the healthy development of new energy industries.

1. Review of major policies in relation to China's new energy industry

- On 7 January 2019, the National Development and Reform Commission of the People's Republic of China ("**NDRC**") and the National Energy Administration ("**NEA**") announced the Notice on Active Promotion of the Work Concerning Subsidy-free Grid Parity for Wind Power and PV Generation (《關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》). The document aims to increase the income of subsidy-free pilot projects through a number of measures including optimizing the investment environment, lowering non-technical costs, to ensure the priority in power generation and full-amount guaranteed purchase of electricity as well as improving the trading mechanism. Expediting the grid parity process for unsubsidised wind power and PV power projects is not only beneficial in constantly 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.

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

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

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

2. Review of Development Trends of the Polysilicon Industry

According to statistics from the Silicon Industry Branch of China Nonferrous Metals Industry Association (中國有色金屬工業協會硅業分會), in the first half of 2019, global polysilicon production was 241,000 tons, representing a slight year-on-year increase of 2.60%, while total demand was 229,000 tons, representing a year-on-year increase of 6.51%. In the first half of 2019, polysilicon production output in China was approximately 154,000 tons, representing a year-on-year increase of 9.2%, with net import of approximately 67,000 tons, making up a total supply of 221,000 tons, while total demand in China was 212,000 tons. In the first half of 2019, both the global and Chinese polysilicon markets showed a supply that was slightly higher than the demand.

In the first half of 2019, affected by the 531 PV New Policy, the reduction of end-user demand and the release of new capacity, the average price of solar level dense polycrystalline materials in China was RMB67,300 per ton, representing a significant year-on-year decrease of 47.1%, and the average price of solar level dense monocrystalline materials was RMB77,300 per ton, representing a significant year-on-year decrease of 41.2%. Meanwhile, the solar level dense monocrystalline and polycrystalline materials showed an increase in the spread. In the first half of 2019, the market price of polysilicon in China fluctuated all the way, and the price of dense polycrystalline materials has experienced three ups and downs. The highest price was RMB73,500 per ton in late February 2019. As of the end of June 2019, the price was RMB62,700 per ton, representing a decrease of 14.7% compared with the highest price. The price of dense monocrystalline materials experienced two ups and downs. The highest price was RMB80,300 per ton from late February to late March 2019. As of the end of June 2019, the price was RMB76,600 per ton, representing a decrease of 4.6% compared with the highest price.

3. Review of Development Trends of the PV Generation Industry

According to statistics from the NEA, newly installed PV power generation capacity in China was 11.40GW in the first half of 2019, representing a year-on-year decrease of 53.09%, of which newly installed capacity of centralised power stations was approximately 6.82GW, representing a year-on-year decrease of 43.3%, and newly installed capacity of distributed PV was approximately 4.58GW, representing a year-on-year decrease of 61.7%. As of the end of June 2019, China's total installed PV power generation reached 185.4GW, 130.82GW of which were from centralised power stations, and 54.58GW of which were from distributed power stations.

In the first half of 2019, China's PV power generation was 106.7 billion kWh, representing a year-on-year growth of 30%. The average utilisation hours of such power were 576 hours, representing a year-on-year increase of 10 hours. The PV power curtailment was 2.6 billion kWh, and the PV power curtailment rate was 2.4%, representing a year-on-year decrease of 1.2 percentage points. The curtailment rate of Xinjiang and Gansu was 11% and 7%, respectively, representing a slight year-on-year decrease.

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

According to the statistics from the NEA, the newly installed wind power capacity in China was 9.09GW in the first half of 2019, representing a year-on-year increase of 14.48%, and continued to maintain a steady growth momentum. Specifically, the newly installed wind power capacity in the central, eastern and southern regions of China accounted for more than 50%, and the development layout continued to be optimized. The provinces with larger newly installed capacity were Henan, Qinghai and Shanxi, with the newly installed capacity of 1GW, 0.93GW and 0.89GW respectively. As of the end of June 2019, the accumulative installed wind power capacity in China reached 193.09GW, of which the installed wind power capacity in the central, eastern and southern regions of China accounted for 35%, and that in the "Three North" region accounted for 65%.

In the first half of 2019, China's wind generated power was 214.5 billion kWh, representing a year-on-year increase of 11.5%. The average utilisation hours were 1,133, representing a year-on-year decrease of 0.87%. The wind power curtailment was 10.5 billion kWh, and the wind power curtailment rate was 4.7%, representing a year-on-year decrease of 4.0 percentage points. The situation in areas with severe wind power curtailment has improved. The wind power curtailment rate of Xinjiang, Gansu and Inner Mongolia were 17%, 10.1% and 8.2%, respectively, representing a year-on-year decrease of 12.0, 10.4 and 8.5 percentage points, respectively.

II. THE MAIN BUSINESS OPERATIONS OF THE GROUP

During the Reporting Period, the competition in the wind power and PV industries intensified. Affected by factors such as the "531 PV New Policy" and the release of new capacity, the polysilicon price dropped significantly compared with the same period of the preceding year. In the first half of 2019, under the background of subsidy elimination, grid parity and competitive bidding for grid connection, the Group faced difficulties and accelerated the adjustment of product structure and industrial layout. During the Reporting Period, the Group achieved a revenue of RMB4,041.32 million and a profit attributable to owners of the Company of RMB235.49 million, representing a decrease of 24.94% and 72.72% respectively over the same period of the preceding year.

1. Polysilicon Production

During the first half of 2019, the Group realized a polysilicon production of 18,200 tons, representing a slight decrease of approximately 3.70% over the same period of the preceding year, mainly attributable to the increase in market demand for monocrystalline silicon materials and the Group's active adjustment of product structure to increase the proportion of monocrystalline silicon materials due to the obvious price advantage of monocrystalline silicon materials over polysilicon materials, resulting in the total polysilicon production decreasing slightly over the same period of the preceding year. The Group has continuously reduced the cost of polysilicon production through process improvement to reduce product unit consumption, strict control over maintenance costs, and improvement of per capita efficiency. Affected by the sharp drop in polysilicon price, the Group's polysilicon production segment achieved a gross profit of RMB200.90 million, representing a decrease of 76.85% from the same period of the preceding year.

In order to capture the market, seize the opportunities brought by the rapid development of the PV industry, reduce costs by leveraging on the benefits in correspondence with the growth of production scale and enhance profitability, the Group commenced construction of an industrial upgrade project involving the production of 36,000 tons/year high-purity polysilicon ("**36,000-ton Polysilicon Project**") in the first half of 2018. The project produced the first batch of high-purity polysilicon on 21 May 2019, and is expected to reach design capacity in the third quarter of 2019. According to the current production situation, the product output, quality and cost of the project have reached the planned phased targets and are progressing smoothly. After the project reaches design capacity, the Group's total polysilicon production will increase to 80,000 tons/year. The quantity and quality of polysilicon produced will be greatly improved, and the product cost will be significantly reduced, further enhancing the Group's competitiveness in the polysilicon field.

At the same time, in order to improve the ability to resist risks and solve the problem of single products, the Group continued to develop the extension of silicon industry chains such as silicon nitride advanced ceramics, zirconium-based new materials and organic silicon by utilising the existing green recycling technology, talent reserve and other advantages, to resist the volatility impact of the PV policy adjustment on the new energy industry and further promote the long-term sustainable development of the Group.

2. Development of PV and Wind Power Resources in China

In the first half of 2019, 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 Shanxi, Hebei, Anhui, Shaanxi, Hunan and Henan, captured centralized projects while taking into account distributed and decentralized projects, and actively obtained project development qualification.

During the Reporting Period, the total installed capacity of PV and wind power projects of the Group completed under the EPC and BT models whereby revenue was recognised as 276 MW. As of 30 June 2019, the Group had a total of 549MW of BT projects, which included projects under construction and completed projects pending transfer.

On 20 May 2019, the NDRC and the NEA issued the Notice on the First Batch of 2019 of Grid Parity Wind and PV Power Generation Projects (《關於公佈2019年第一批風電、光伏發電平價上網項目的通知》), and the Group obtained 800MW grid parity project indicators. On 10 July 2019, the NEA issued the Notice on Results of 2019 National Government Subsidy Tender for PV Power Generation Projects (《關於公佈2019年光伏發電專案國家補貼競價結果的通知》), and the Group obtained 290MW competitive bidding for grid connection project indicators. The acquisition of the first batch of grid parity and competitive bidding for grid connection project indicators is a major breakthrough by the Group in subsidy elimination and is of great significance to promote the long-term healthy and sustainable development of the Group.

3. Power plant operation — BOO projects

In the first half of 2019, the Group steadily expanded its scale of power plant operation 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. The Group expedited the development and construction of the 975MW wind power project of the ultra-high voltage transmission lines base in Ximeng, Inner Mongolia and the 500MW wind power project in Zhundong, Xinjiang. The 975MW wind power project in Ximeng, Inner Mongolia is gradually mobilizing the equipment to the site and is being steadily implemented, according to the construction plan. The 500MW wind power project in Zhundong, Xinjiang has completed early-stage preparations such as project bidding and design, and strives to achieve full on-grid power connection by the end of 2020.

As of 30 June 2019, the Group had a total of 750MW BOO projects completed and 1,625MW BOO projects under construction. During the Reporting Period, BOO projects of the Group achieved a power generation of 755 million kWh with grid-connected power of 745 million kWh, realizing a power generation revenue of RMB519.56 million and a gross profit of RMB343.87 million, representing a growth of 104.86% and 93.08% over the same period of last year respectively.

4. International market

In the first half of 2019, the Group strengthened its international market layout, through setting up offices in the Middle East, Europe and the United States, it actively expanded new energy development information channels to obtain the latest market trends and new business opportunities through industry customers, government agencies, and industry exhibitions, established relationship with potential partners and conducted detailed project planning according to customer needs. In the first half of 2019, the Group completed the closing of the 50MW PV project in Pakistan, actively promoted the development of new national projects such as the PV + power storage projects in Sierra Leone, the wind power projects in Pakistan and the wind power projects in Ukraine, and successfully won the bid for the 100MW PV project in Tunisia, striving to expand its international market share and constantly improving its competitiveness in the international market.

In July 2019, according to the India Solar Compass Q1 2019 (《2019年印度光伏一季度指南針》) released by Bridge to India an industry consultancy in India, the Group ranked third among the inverter suppliers in the Indian PV ground market and its market share continued to increase.

5. Promoting technological innovation and strengthening quality management

In terms of polysilicon production, the Group has formulated a two-wheel drive strategy to "refine its main business and extend towards the high-end industry", to build a recycling economy complex of new energy and chemical materials with polysilicon production as the core and synergetic development of advanced ceramics, zirconium-based new materials, new powder materials, organic silicon and energy conservation and environmental protection segments, continued to promote the production and quality improvement and cost reduction of polysilicon through technological innovation, and constantly explored new ways of extending the industrial chain. The Group adheres to the market-oriented principles and continuously meets the needs of customers, reduces the number of abnormal furnaces such as phase loss and turning down of reduction furnaces by promoting the new types of special-shaped silicon cores, integrating ceramic rings and remoulding the copper plates on reduction furnaces, to synchronously control of quality polysilicon inside and outside, so as to improve the proportion of clean silicon materials and electronic grade products. In the first half of 2019, the Group made full use of the resources and research conditions of domestic and foreign universities and research institutes to accelerate the research and development of new technologies and new products. At present, the Company is carrying out 6 university-industry cooperation projects involving energy storage materials, zirconium-based new materials and organosilicone monomers with 7 research groups in 8 universities in China.

In terms of the development of wind and PV power resources, the Group has established a "one body and two wings" development strategy with the operator business as the focus supplemented by engineering and manufacturing businesses. Centering on the development of wind and PV power resources, guided by the principle to have optimal cost per unit of electricity, it devoted to the exploration of clean power generation, intelligent power distribution, flexible direct current ("**DC**") power transmission, intelligent micro-grid and other aspects. It continued to study in the intelligent operation and maintenance of inverters, Static VAR generator ("**SVG**") and E-cloud products, strictly control the quality management of the projects and continuously improve the power generation efficiency through the demonstration project of new energy power station model and increase the self-inspection and inspection of the projects, and strived to provide diversified solutions for new energy technologies and protect the healthy and sustainable development of the new energy industry, with the goal of maximizing customer value. In the first half of 2019, the Group conducted research on 24 management innovation topics and 50 quality improvement topics for the optimal cost of new energy generation, the research and development of new inverter products, and the development of flexible DC converter valve system, to continuously strengthen quality management and reduce resource development costs.

6. Construction of safety culture

Focusing on safety culture construction, the Group fully implemented safety and environmental protection responsibilities, enhanced the construction of HSSE (Health, Safety, Security and Environmental Protection) system and consolidated foundational management to keep the entire production process under control. It strengthened risk management and control at different levels, and promoted foundational inspections such as HSSE inspections and potential hazard identifications. It organized all employees to complete HSSE system compliance self-evaluation, and carried out various forms of safety training at different levels, to strengthen the safety skills of all employees and establish the awareness of safety, environmental protection and compliance operation.

In the first half of 2019, the Group organized and conducted "Required Technical Knowledge and Skills" (應知應會) safety training and examinations to urge all employees to participate in "Good Answerer" (我司答人) contest on the mobile APP, and carried out various forms of emergency drills, to constantly improve the safety and environmental protection awareness of all employees and strive to improve the safety culture construction of the Group.

7. Strengthening team building to enhance comprehensive competitiveness

In the first half of 2019, the Group strengthened the construction of talent echelon and paid great attention to talent introduction. Guided by business strategy and based on human resources planning and the principle of talent structure adjustment, the Group focused on the implementation of training and introduction of professional and technical personnel for management positions, development sequence positions, production sequence positions, marketing sequence positions, etc. In the first half of 2019, the Group strengthened the "industry-university-research" cooperation with well-known domestic institutions and institutions, opened up research and development and production internship bases, and strengthened the training of middle and high-end professional talents through student subsidies and scholarships, to constantly improve the comprehensive competitiveness of the Group's human resources team.

III. OPERATING RESULTS AND ANALYSIS

Financial Review:

Business Performance Table

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**4,041,315**	5,384,123
Cost of sales	**(3,187,876)**	(3,827,578)
Gross profit	**853,439**	1,556,545
Other income	**35,298**	37,679
Other losses — net	**(3,007)**	(9,954)
Selling and marketing expenses	**(137,611)**	(158,094)
General and administrative expenses	**(222,249)**	(247,582)
Finance expenses — net	**(189,037)**	(160,195)
Share of profit of investments accounted for using the equity method	**21,365**	5,638
Profit before income tax	**339,818**	1,008,435
Income tax expenses	**(36,385)**	(143,662)
Profit attributable to the owners of the Company	**235,488**	863,382
Profit attributable to the non-controlling interests	**67,945**	1,391

Revenue

The Group generates revenue mainly from three business segments, including polysilicon production, ECC and BOO. For the six months ended 30 June 2019, the revenue of the Group was RMB4,041.32 million, representing a decrease of RMB1,342.81 million or 24.94% from RMB5,384.12 million in the corresponding period of last year, which was mainly due to the sharp decrease in the selling price of polysilicon and the decrease in revenue from ECC business of the Group during the Reporting Period.

	For the six months ended 30 June	
	2019	2018
Business Segments	***RMB'000***	*RMB'000*
Polysilicon Production	**1,215,716**	2,127,955
ECC	**2,070,335**	2,783,060
BOO	**519,564**	253,622
Others	**235,700**	219,486
Total Revenue	**4,041,315**	5,384,123

For the six months ended 30 June 2019, the revenue of polysilicon production segment was RMB1,215.72 million, representing a decrease of RMB912.24 million or 42.87% from RMB2,127.96 million in the corresponding period of last year, mainly attributable to the significant decrease in the selling price of polysilicon of the Group during the Reporting Period.

For the six months ended 30 June 2019, the revenue of ECC segment was RMB2,070.34 million, representing a decrease of RMB712.73 million or 25.61% from the revenue of RMB2,783.06 million in the corresponding period of last year. The decrease was mainly attributable to the reduction of ECC projects undertaken by the Group during the Reporting Period under the impact of policies on PV and wind power industry which resulted in decreased revenue.

For the six months ended 30 June 2019, the revenue of BOO segment was RMB519.56 million, representing an increase of RMB265.94 million or 104.86% over the revenue of RMB253.62 million in the corresponding period of last year, mainly attributable to the increase of power generation capacity arising from the increase in the scale of BOO projects during the Reporting Period.

Cost of sales

For the six months ended 30 June 2019, the cost of sales incurred by the Group was RMB3,187.88 million, representing a decrease of RMB639.70 million or 16.71% from RMB3,827.58 million in the corresponding period of last year, which was mainly due to the decrease in revenue and the Group's strengthening cost management and control during the Reporting Period.

	For the six months ended 30 June	
	2019	2018
Business Segments	***RMB'000***	*RMB'000*
Polysilicon Production	**1,014,818**	1,260,108
ECC	**1,800,671**	2,310,537
BOO	**175,690**	75,519
Others	**196,697**	181,414
Total cost	**3,187,876**	3,827,578

For the six months ended 30 June 2019, the cost of sales incurred by polysilicon production segment was RMB1,014.82 million, representing a decrease of RMB245.29 million or 19.47% over RMB1,260.11 million in the corresponding period of last year, mainly attributable to the Group's increasing the improvement of polysilicon technology and strengthening cost control during the Reporting Period resulting in a further decrease in production costs.

For the six months ended 30 June 2019, the cost of sales incurred by ECC segment was RMB1,800.67 million, representing a decrease of RMB509.87 million or 22.07% over RMB2,310.54 million in the corresponding period of last year, mainly due to the decrease of revenue from the ECC business of the Group during the Reporting Period, which in turn decreased the cost.

For the six months ended 30 June 2019, the cost of sales incurred by BOO segment was RMB175.69 million, representing an increase of RMB100.17 million or 132.64% over RMB75.52 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 six months ended 30 June 2019, the gross profit of the Group was RMB853.44 million, representing a decrease of RMB703.11 million or 45.17% less than RMB1,556.55 million in the corresponding period of last year. The comprehensive gross profit margin was 21.12%, representing a decrease of 7.79 percentage points over the corresponding period of last year. During the Reporting Period, the decrease in the Group's gross profit and gross profit margin mainly due to the sharp decrease in the selling price of polysilicon.

Other income

For the six months ended 30 June 2019, other income of the Group was RMB35.30 million, representing a decrease of RMB2.38 million or 6.32% over RMB37.68 million in the corresponding period of last year, which was mainly due to the decrease of the government grants amortized by the Group during the Reporting Period.

Other losses — net

For the six months ended 30 June 2019, the net other losses of the Group were RMB3.01 million, representing a decrease of RMB6.95 million or 69.79% over RMB9.95 million in the corresponding period of last year. The decrease was mainly due to the decrease in the foreign exchange losses of the Group during the Reporting Period.

Selling and marketing expenses

For the six months ended 30 June 2019, the selling and marketing expenses of the Group were RMB137.61 million, representing a decrease of RMB20.48 million or 12.96% over RMB158.09 million in the corresponding period of last year. The decrease was mainly due to the decrease in marketing expenses as a result of the Group's intensified efforts to control the selling and marketing expenses during the Reporting Period.

General and administrative expenses

For the six months ended 30 June 2019, the general and administrative expenses of the Group were RMB222.25 million, representing a decrease of RMB25.33 million or 10.23% less than RMB247.58 million in the corresponding period of last year, which was mainly due to decreased management expenses resulting from the enhanced control on the general and administrative expenses of the Group during the Reporting Period.

Finance expenses — net

For the six months ended 30 June 2019, the net finance expenses of the Group was RMB189.04 million, representing an increase of RMB28.84 million or 18.00% from RMB160.20 million in the corresponding period of last year, which was mainly because, during the Reporting Period, the Group optimized the borrowing structure, increased the proportion of medium and long term borrowings and reduced the proportion of short term borrowings, and as the Completion of BOO projects, the capitalization amount of interest of borrowings decreased, resulting in higher interest expenses.

Share of profit of investments accounted for using the equity method

For the six months ended 30 June 2019, the share of profit of investments accounted for using the equity method of the Group was RMB21.37 million, representing an increase of RMB15.73 million or 278.95% from RMB5.64 million in the corresponding period of last year, which was mainly due to the Group's profit increase of associates during the Reporting Period.

Income tax expense

For the six months ended 30 June 2019, the income tax expense of the Group was RMB36.39 million, representing a decrease of RMB107.28 million or 74.67% lower than RMB143.66 million in the corresponding period of last year, which was mainly due to the decrease in the profit before income tax and 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 30 June 2019, profit attributable to the owners of the Company was RMB235.49 million, representing a decrease of RMB627.89 million or 72.72% over RMB863.38 million in the corresponding period of last year, which was mainly due to the sharp decrease in the selling price of polysilicon of the Group during the Reporting Period.

Profit attributable to the non-controlling interests

For the six months ended 30 June 2019, the profit attributable to the non-controlling interests of the Group was RMB67.95 million, representing an increase of RMB66.55 million or 4,784.62% from RMB1.39 million in the corresponding period of last year, which was mainly due to the increase of minority interest arising from the introduction of new shareholders (i.e. ABC Financial Asset Investment Co., Ltd. and BoCom Financial Asset Investment Co., Ltd.) in TBEA Xinjiang New Energy Co., Ltd., being a subsidiary of the Group, in December 2018 and March 2019.

Cash Flows

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Net cash (used in)/generated from operating activities	**(210,235)**	559,558
Net cash used in investing activities	**(1,694,778)**	(1,372,415)
Net cash generated from financing activities	**1,611,616**	1,780,268
Net (decrease)/increase in cash and cash equivalents	**(293,397)**	967,411

For the six months ended 30 June 2019, the net cash used in from operating activities of the Group was RMB210.24 million, representing a decrease of RMB769.79 million over the net cash generated from operating activities of RMB559.56 million in the corresponding period of last year, which was mainly due to the decrease in sales revenue resulting from the sharp decrease in the Group's selling price of polysilicon during the Reporting Period.

Net cash used in investing activities

For the six months ended 30 June 2019, the net cash used in investing activities of the Group was RMB1,694.78 million, representing an increase of RMB322.36 million or 23.49% over RMB1,372.42 million in the corresponding period of last year, which was mainly due to the large amount of payment for construction of 36,000-ton Polysilicon Project and BOO projects of the Group during the Reporting Period.

Net cash generated from financing activities

For the six months ended 30 June 2019, the net cash generated from financing activities of the Group was RMB1,611.62 million, representing a decrease of RMB168.65million or 9.47% over RMB1,780.27 million in the corresponding period of last year, which was mainly due to the decrease in the borrowing facilities of the Group during the Reporting Period.

Operating Fund

	As of 30 June 2019	As of 31 December 2018
Cash and cash equivalents at the end of the period (RMB'000)	**3,559,434**	3,856,408
Gearing ratio	**56.89%**	60.07%
Inventory turnover rate (times)	**1.13**	2.84
Inventory turnover days (days)	**158.89**	126.75

On 30 June 2019, the cash and cash equivalents of the Group were RMB3,559.43 million (31 December 2018: RMB3,856.41 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 being bank loans, has a greater impact to the gearing ratio of the Group. As of 30 June 2019, the gearing ratio of the Group was 56.89% while that as of 31 December 2018 was 60.07%. The gearing ratio was calculated by dividing its net debts by total equity, whereas net debts were calculated by deducting restricted bank balances and cash balances at bank from total interest-bearing liabilities.

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 1.13 times and 158.89 days as of 30 June 2019, respectively, and the inventory turnover rate and turnover days of Group were 2.84 times and 126.75 days as of 31 December 2018, 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 six months ended 30 June 2019, the major capital expenditure of the Group included: RMB2,315.72 million for the purchase of property, plant and equipment and RMB5.39 million for the purchase of intangible assets.

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) 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. As at the date of this announcement, the aforementioned litigation is in the process of substantive hearing at first instance, but the Company is not subpoenaed and the specific court date is not determined. 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 30 June 2019.

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 six months ended 30 June 2019, the directors of the Company did not foresee that any material liabilities would arise from the contingent liabilities other than those provided in the condensed consolidated interim financial information.

Assets mortgage

As of 30 June 2019, secured short-term bank borrowings with amount of RMB70,235,000 were pledged with certain land use rights, property, plant and equipment and intangible assets of the Group; secured long-term bank borrowings with amount of RMB9,598,518,000 were guaranteed by TBEA Co., Ltd., Xinte Energy Co., Ltd. and pledged with certain inventory, land use rights, property, plant and equipment and receivable collection right of the Group; secured long-term other borrowings amount of RMB32,400,000 were guarantee by TBEA Xinjiang New Energy Co., Ltd., the Company's subsidiary; secured long-term other borrowings amount of RMB729,500,000 were guaranteed by the bank credit.

Major acquisition and disposal of assets

During the Reporting Period, the Group had no major acquisition and disposal of assets.

Major investments

During the Reporting Period, the Group had no material investment except for the investment in 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. 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 30 June 2019, current assets of the Group amounted to RMB15,515.08 million, among which, RMB3,559.43 million was cash and cash equivalents; RMB3,421.64 million was trade and notes receivable, primarily consisting of receivables from ECC and sales of inverters; and RMB2,036.57 million was other receivables and current assets, primarily consisting of deductible VAT and prepayments to customers.

As of 30 June 2019, current liabilities of the Group amounted to RMB12,694.02 million, including RMB6,793.73 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; RMB1,980.74 million of provisions and other payables, primarily consisting of payables relating to purchase of property, plant, and equipment; and RMB2,888.43 million of short-term borrowings.

As of 30 June 2019, net current assets of the Group amounted to RMB2,821.06 million, representing an increase of RMB2,169.47 million as compared with the net current assets of RMB651.59 million as of 31 December 2018. The current ratio was 122.22% as of 30 June 2019, representing an increase of 18.09 percentage points as compared with the current ratio of 104.13% as of 31 December 2018. Restricted deposits amounted to RMB1,666.27 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 30 June 2019, the Group's balance of the borrowings and notes payable amounted to RMB16,627.98 million, representing a decrease of RMB458.19 million as compared with the balance of the borrowings and notes payable of RMB17,086.17 million as of 31 December 2018. As of 30 June 2019, the Group's outstanding borrowings and notes included short-term borrowings and notes payable of RMB6,541.08 million (including long-term borrowings due within one year of RMB1,435.03 million and notes payable of RMB3,652.65 million) and long-term borrowings amounting to RMB10,086.89 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

As at the date of this announcement, the Group had no events after the balance sheet date.

IV. PROSPECTS

Market Prospects

According to the "Global Wind Power Market Outlook Update: Q2 2019" report released by Wood Mackenzie, an energy research institute, the global installation capacity of wind power is expected to increase by 71 GW annually on average from 2019 to 2023 and by 76 GW annually on average from 2024 to 2028. SolarPower Europe's Global Market Outlook for Solar Power 2019–2023, which was published in May 2019, forecasts that there will be an increase of approximately 128 GW of PV installation capacity for global PV power generation in 2019, with a cumulative installation capacity of 645 GW and that there will be an increase of 180 GW of PV installation capacity by 2023, with a cumulative installed capacity of about 1,297 GW. The enormous market capacity and broad market prospect will bring good opportunities for the development of the new energy industry.

With new development in a new era, the Group will, continue to adhere to the philosophy of seeking change while making innovations, create value for our customers, promote the wide application of green energy around the world, and better advance the development of the global green energy industry with its advanced technologies, high-quality products, and reliable services, to live the mission of "contributing green energy and creating better lives".

Business Plan in the Second Half of 2019

In the second half of 2019, under the trends of the decline in polysilicon price, subsidy cut, grid parity and competitive bidding for grid connection, the Group will adjust and accelerate the industrial layout, deepen innovation and reduce costs, and improve product quality, to ensure the healthy and sustainable development of the Group. The Group will also coordinate the layout and make continuous efforts to achieve better development of various businesses in 2019 based on the "13th Five-Year Plan".

1. ***Bring into play the scale effect of polysilicon products, expand production, and enhance production quality and efficiency***

In the first half of 2019, the price of polysilicon continued to fall due to the reduced demand from the end market and the release of capacities of polysilicon expansion projects. However, the implementation of a series of policies has laid a good policy environment for the installation capacity of PV in the second half of the year and the increase in the end market, the supply of polysilicon products will be stimulated by the increasing demand from the end market and the price of polysilicon are expected to rebound. The Group will seize the opportunity to continuously promote cost reduction and efficiency improvement, strengthen technology improvement and innovation, and work hard to improve product quality and production output. In the second half of 2019, the Group is about to complete the construction of the 36,000-ton Polysilicon Project, which will increase the scale of production facilities while bringing low-cost, high-quality polysilicon products to further enhance the Group's profitability.

With respect to the extension of the polysilicon industry chain, the Group will continue to extend the silicon-based and zirconium-based industry chains around polysilicon production, and give full play to the advantages of industrial linkage, to create a complete, recycling, and environmentally-friendly clean production system. While improving the quality of polysilicon products, the Group will foster new profit growth points and improve the Group's product variety and ability to resist policy fluctuations, to contribute to the long-term sustainable development of the Group.

2. ***Follow the guidance of the industry policy and steadily promote the development of wind power and PV resources***

In the second half of 2019, the Group will focus on national and provincial policy trends, and actively prepare for the declaration and acquisition of indicators of subsequent projects with grid parity and competitive bidding for grid connection; follow the policy of bidding for wind power and PV resources released by key provinces to make good preparation for competitive bidding; and develop the reservation capacity of projects in various provinces in a focused and step-by-step manner, to ensure the steady growth of reserve capacity and the momentum for the sustainable development of the Group. In addition, the Group will continue to expand the international market layout. Through market analysis and historical experience, the Group will focus on countries with better wind power and PV resources and flexibly radiate neighboring countries to develop new customers and seek various cooperation models. The Group will conduct benchmarking and exchanges on the development, design, and construction risks of overseas wind power projects.

In the second half of 2019, the Group will actively promote the construction of the first batch of grid parity and competitive bidding projects that have been acquired by accomplishing project design, procurement of equipment by tender, and construction and installation, conduct construction as planned, and combine the projects to the grid for power generation within the required time, to ensure that such projects are implemented smoothly.

To ensure that the Inner Mongolia Ximeng and Xinjiang Zhundong Wind Power BOO projects are built, put into operation, and combined to the grid for power generation by 2020, the Group will steadily promote the implementation of the overall plan on the management principle of scientific planning and careful management. Meanwhile, efforts will be made to accelerate the strategic transformation of the Group from a builder of wind power and photovoltaic power stations to an operator of such stations to further improve profitability, and facilitate the healthy and sustainable development of the Group.

3. Strengthen scientific and technological innovation to boost enterprise development

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

In terms of polysilicon production, the Group relies on the six research and development centers built in the United States, Germany, Japan, and other countries to strengthen the extensive "industry-university-research" cooperation. At the same time, it cooperates with customers, suppliers, and other related parties to build a consortium comprising enterprises, universities, and research institutions, to create an innovation-driven, open, and win-win global innovation network. In the second half of 2019, the Group will focus on the rapid implementation of major projects of scientific and technological innovation such as electronic grade level 1 polysilicon, and promote the identification of new products such as silicon nitride ceramic rings and electronic grade level 1 polysilicon, to accelerate the commercialization of scientific and technological achievements.

In the area of wind power and PV resources development, operation and maintenance, the Group will focus on PV grid parity, improvement of wind power engineering designs, inverter voltage level, capacity and intelligent level improvement, flexible DC power transmission, demonstration and application of power routers, and integration of E-Cloud intelligent operation and maintenance platform with inverters, SVG, power routers, and other devices. The Group will also launch technological innovations and consolidate various innovative products with the lowest cost of electricity, highest return, and intelligent operation and maintenance as its core, to further enhance the Group's competitiveness.

4. Strengthen the awareness of safety and environmental protection responsibilities to ensure smooth business operation

In the second half of 2019, the Group will continuously promote the building of a safety culture "based on behavioral safety and focused on the safety of production equipment, with controlled production management as its core". By organizing the check of qualifications and capability of safe sequence personnel, the Group will formulate training and promotion plans and create a professional team with high quality and strong execution, to effectively improve the management standard of the HSSE supervision system. In addition, the Group will, by making full use of network information means, develop online courses, establish training course libraries and examination databases and realize one-stop service that integrates online teaching and examination, to improve the overall effectiveness of safety training.

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 the second half of 2019, the newly added production capacities of a number of polysilicon manufacturers will be released, further increasing the market supply. Faced with fierce market competition, there will also be more stringent requirements for the quality and price of polysilicon. Only 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 research and development, 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, further achieve the benefits as a result of the increase in production scale, improve the competitiveness of the Group's products in terms of quality and costs, and accelerate the extension of industrial chain, so as to reduce the risks associated with the falling prices of undiversified polysilicon products.

2. Risks associated with intensified market competition

In 2019, the Chinese PV and wind power industries were affected by the adjustments in government policies. The new energy industry has entered a development mode of efficiency upgrading through quality improvement and cost reduction. Production capacities with outdated technologies and higher costs will gradually be eliminated by the market. Polysilicon production and development of wind power and PV resources gradually move towards industrial integration, and market competition is intense. Under this situation, only the fittest survive. 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 grid parity 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 for grid connection 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 optimised, subsidy cut to new energy industry was sped up, the level of subsidies was scaled down, and development of unsubsidised new energy projects and projects with competitive bidding for grid connection and grid parity is encouraged. The above factors may pose a certain impact on the market share and profit margin of the Group.

The Group will increase its investments in research and development, strengthen its capacity in obtaining the wind power and PV resources that can satisfy the conditions for grid parity and low-price grid connection, and 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 the first half of 2019, 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, and 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.

VI. OTHER INFORMATION

Employees

As of 30 June 2019, there are a total of 3,947 employees in the Group. Remuneration paid to the Group's employees is comprised of basic salary of the respective position and performance-based salary, with the performance-based salary determined based on the performance of the Group and performance assessment results of the employees.

Interim Dividend

The Board does not recommend the declaration of interim dividend for the six months ended 30 June 2019.

Compliance with Corporate Governance Code

As a company listed on The Stock Exchange of Hong Kong Limited, the Company has always been committed to improving its corporate governance, which is considered as an ingredient essential to the creation of value for shareholders of the Company (the "**Shareholders**"). The Company has established a modern corporate governance structure, which comprises a number of independently-operated and effectively-balanced bodies, including general meetings of Shareholders, the Board, the supervisory board and senior management of the Company, by referring to the code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Listing Rules.

For the six months ended 30 June 2019, the Company had fully complied with all the code provisions contained in the CG Code.

Compliance with the Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct for all the Directors' and the Company's supervisors' (the "**Supervisors**") dealings in the Company's securities. Having made specific enquiries with the Directors and Supervisors, all 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 Board will review the corporate governance and operation of the Company from time to time in order to comply with the relevant requirements of the Listing Rules and protect the interests of the Shareholders.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2019.

Audit Committee

The Company has established the audit committee in accordance with the requirements of the Listing Rules. The primary responsibilities of the audit committee are to review the annual internal audit plan of the Company; oversee the appointment, re-appointment and removal of external auditors, and make recommendations to the Board to approve the remuneration and terms of appointment of external auditors; review and oversee the independence and objectiveness of external auditors and effectiveness of audit procedures; formulate and implement policies in relation to non-audit services provided by external auditors; oversee the quality of internal audit and disclosure of financial information of the Company and review interim and annual financial statements before submission to the Board; oversee the financial reporting system and internal control procedures of the Company; evaluate the effectiveness of the internal control and risk management system; review and supervise internal audit control system and risk management function to ensure the independence of the audit function, to ensure co-ordination between the internal and external auditors and to ensure that functions in respect of accounting, internal auditing and financial reporting are operating with adequate resources in the Company and the relevant staff have sufficient qualifications and experience and are provided with regular training programmes or other similar arrangement. Moreover, the audit committee will discuss the risk management and internal control system with the management to ensure that the management has duly performed its duties and established effective system. It will also supervise relevant departments in disclosing the details about how the Company complies with the code provisions in respect of risk management and internal control during the Reporting Period under the Corporate Governance Report.

The audit committee of the Company reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2019 and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 which was prepared in accordance with IAS 34, "Interim Financial Reporting".

Publication of Interim Results and Interim Report

This interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk and on the website of the Company at http://www.xtnysolar.com. The 2019 interim report containing all the information required by the Listing Rules will be dispatched to the Shareholders in due course and will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited.

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

Xinjiang, the PRC
23 August 2019

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