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 2019

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2019, the Group's revenue amounted to RMB8,722.11 million, representing a decrease of 27.64% as compared with the corresponding period of last year.
- For the year ended 31 December 2019, the Group's profit before income tax amounted to RMB561.93 million, representing a decrease of 53.50% over the corresponding period of last year.
- For the year ended 31 December 2019, the profit attributable to owners of the Company amounted to RMB402.64 million, representing a decrease of 63.65% over the corresponding period of last year.
- For the year ended 31 December 2019, the basic earnings per share amounted to RMB0.34, representing a decrease of RMB0.72 as compared with the corresponding period of last year.
- The Board recommended the payment of a final dividend of RMB0.06 per share (tax inclusive) for the year ended 31 December 2019, 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 2019 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2018. The results were prepared in accordance with the International Financial Reporting Standards ("**IFRS**") 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	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**19,277,873**	16,504,406
Right-of-use assets		**686,665**	—
Land use rights		**—**	558,755
Intangible assets		**96,617**	106,863
Investments accounted for using the equity method		**644,967**	140,969
Financial assets at fair value through other comprehensive income		**1,000**	1,000
Deferred tax assets		**198,775**	177,977
Other non-current assets		**4,434,533**	1,768,438
Total non-current assets		**25,340,430**	19,258,408
Current assets			
Inventories		**3,037,744**	2,915,121
Contract assets		**2,409,573**	2,254,679
Other current assets		**2,606,307**	1,047,998
Trade and notes receivable	*4*	**3,873,852**	3,640,933
Other receivables		**380,004**	415,969
Restricted cash		**1,310,161**	2,310,187
Cash and cash equivalents		**2,747,045**	3,856,408
Total current assets		**16,364,686**	16,441,295
Total assets		**41,705,116**	35,699,703

CONSOLIDATED BALANCE SHEET *(Continued)*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue		**8,722,113**	12,053,742
Cost of sales		**(6,888,078)**	(9,642,150)
Gross profit		**1,834,035**	2,411,592
Selling and marketing expenses		**(402,723)**	(420,463)
General and administrative expenses		**(580,598)**	(593,816)
Net impairment (losses)/gains on financial and contract assets		**(54,514)**	13,646
Other income		**84,219**	96,601
Other gains — net		**22,696**	38,756
Operating profit		**903,115**	1,546,316
Interest income		**41,157**	27,220
Finance expenses		**(417,121)**	(382,073)
Finance expenses — net		**(375,964)**	(354,853)
Share of net profit of investments accounted for using the equity method		**34,783**	17,032
Profit before income tax		**561,934**	1,208,495
Income tax expense	*6*	**(45,141)**	(97,853)
Profit for the year		**516,793**	1,110,642

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Profit for the year attributable to:			
Owners of the Company		**402,642**	1,107,797
Non-controlling interests		**114,151**	2,845
		516,793	1,110,642
Other comprehensive income/(loss):			
Items that may be reclassified to profit and loss			
Currency translation differences		**60**	(84)
Total comprehensive income for the year		**516,853**	1,110,558
Total comprehensive income for the year attributable to:			
Owners of the Company		**402,702**	1,107,713
Non-controlling interests		**114,151**	2,845
		516,853	1,110,558
Earnings per share for profit attributable to owners of the Company	*7*		
Basic earnings per share *(RMB)*		**0.34**	1.06
Diluted earnings per share *(RMB)*		**0.34**	1.06

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1.1 New and amended accounting policy

(a) New and amended standards adopted by the Group

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1.2 Change in accounting policies

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

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

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

(i) Practical expedients applied

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1.2 Change in accounting policies *(Continued)*

(i) Practical expedients applied (Continued)

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

3 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 mainly comprises of businesses including manufacturing and sales of inverter and SVG and other retail businesses.

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

3 SEGMENT INFORMATION *(Continued)*

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

3 SEGMENT INFORMATION *(Continued)*

	Polysilicon production *RMB'000*	ECC *RMB'000*	BOO *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
For the year ended 31 December 2018:						
Segment revenue and results						
Total segment revenue	3,363,137	7,715,560	584,404	977,752	(587,111)	12,053,742
Inter-segment revenue	(11,184)	(228,996)	—	(346,931)	587,111	—
Revenue from external customers	3,351,953	7,486,564	584,404	630,821	—	12,053,742
Timing of revenue recognition						
At a point in time	3,351,953	1,433,800	584,404	630,821	—	6,000,978
Over time	—	6,052,764	—	—	—	6,052,764
	3,351,953	7,486,564	584,404	630,821	—	12,053,742
Segment results	1,038,993	914,695	373,201	84,703	—	2,411,592
Amortisation	15,513	2,275	8,255	5,807	—	31,850
Depreciation	527,131	9,899	178,158	50,817	—	766,005
Provisions 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

3 SEGMENT INFORMATION *(Continued)*

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

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

3 SEGMENT INFORMATION *(Continued)*

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

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

3 SEGMENT INFORMATION *(Continued)*

Entity-wide information

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

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

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

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

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

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

3 SEGMENT INFORMATION *(Continued)*

Assets and liabilities related to contracts with customers

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

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

4 TRADE AND NOTES RECEIVABLE

	As of 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**2,936,083**	2,428,942
Notes receivable	**1,078,993**	1,282,442
	4,015,076	3,711,384
Less: provision for impairment	**(141,224)**	(70,451)
	3,873,852	3,640,933

4 TRADE AND NOTES RECEIVABLE *(Continued)*

Aging analysis of the Group's gross trade receivables based on the invoice date at the respective balance sheet dates is as follows:

	As of 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**806,044**	1,134,036
3 months to 6 months	**231,813**	260,277
6 months to 1 year	**1,000,836**	367,179
1 year to 2 years	**502,988**	542,777
2 years to 3 years	**370,680**	41,561
Over 3 years	**23,722**	83,112
	2,936,083	2,428,942

5 TRADE AND NOTES PAYABLE

	As of 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables	**3,666,536**	3,650,785
Notes payable	**4,676,744**	4,137,708
	8,343,280	7,788,493

The aging analysis of trade payables is as follows:

	As of 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**2,532,985**	2,714,555
1 year to 2 years	**660,810**	510,710
2 years to 3 years	**219,058**	277,454
Over 3 years	**253,683**	148,066
	3,666,536	3,650,785

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax expense	**36,316**	51,412
Deferred income tax expense	**8,825**	46,441
	45,141	97,853

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax	**561,934**	1,208,495
Tax expense calculated at statutory tax rate of 25%	**140,484**	302,124
Effect of difference between applicable preferential tax rate and statutory tax rate	**(67,510)**	(186,793)
Tax losses and other temporary differences for which no deferred income tax assets were recognised	**13,884**	16,496
Utilisation of previously unrecognised temporary differences and tax losses	**(6,251)**	(938)
Elimination of transactions with associates	**476**	3,951
Expenses not deductible for taxation purposes	**7,294**	5,947
Tax credits and additional deduction entitlements	**(43,236)**	(42,934)
	45,141	97,853

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

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

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 2019.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	**402,642**	1,107,797
Weighted average number of ordinary shares in issue (thousands)	**1,174,167**	1,045,005
Basic earnings per share (RMB)	**0.34**	1.06

(b) Diluted

No dilutive effect on earnings per share for the years ended 31 December 2019 and 2018, as the Group had no dilutive potential ordinary shares.

8 DIVIDENDS

On the Board meeting held on 27 March 2020, the Board proposed, based on the total of 1,200 million shares in issue, payment of a final dividend of RMB0.06 per share for the year ended 31 December 2019, totalling RMB72,000,000. Such dividend is subject to the approval of the shareholders of the Company on the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements.

Final dividend of RMB0.15 per share for the year ended 31 December 2018, totalling RMB180,000,000 was approved in the annual general meeting of shareholders of the Company on 18 June 2019, and RMB64,412,000 has been paid as of 31 December 2019 (as of 31 December 2018: RMB83,216,000).

MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW OF INDUSTRY DEVELOPMENT TRENDS

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

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

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

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

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

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

2. Review of Development Trends of the Polysilicon Industry

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

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

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

3. Review of Development Trends of the PV Generation Industry

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

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

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

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

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

II. PRINCIPAL BUSINESS OPERATIONS OF THE GROUP

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

1. Polysilicon Production and Industrial Chain Extension

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

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

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

2. Development of Wind Power and PV Resources

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

During the Reporting Period, the Group completed a total of 1,288.86MW of installed capacity for PV and wind power projects in the forms of Engineering – Procurement – Construction and Build and Transfer ("**BT**") with recognized revenue. As of 31 December 2019, the Group had a total of 432MW of BT projects under construction and completed pending for transfer.

3. **Power Plant Operation — BOO Projects**

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

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

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

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

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

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

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

5. Focusing on Safety to Ensure Healthy Business Development

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

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

6. Strengthening Talent Team Building

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

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

III. OPERATING RESULTS AND ANALYSIS

Financial Review:

Business Performance Table

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

Revenue

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

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

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

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

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

Cost of sales

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

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

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

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

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

Gross profit and gross profit margin

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

Other income

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

Other gains — net

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

Selling and marketing expenses

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

General and administrative expenses

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

Finance expenses — net

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

Share of profit of investments accounted for using the equity method

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

Income tax expense

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

Profit attributable to the owners of the Company

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

Profit attributable to the non-controlling interests

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

Cash Flows

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

Net cash (used in)/generated from operating activities

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

Net cash used in investing activities

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

Net cash generated from financing activities

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

Operation Fund

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

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

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

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

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

Capital expenditure

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

Contingent liabilities

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

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

Employees, remuneration, retirement and employees benefit scheme

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

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

Charges on assets

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

Material acquisition and disposal of subsidiaries, associates and joint ventures

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

Future plans for material investment or capital asset

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

Significant investments

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

Foreign exchange risks

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

Cash flow interest rate risk

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

Capital liquidity

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

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

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

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

Borrowings and notes payable

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

Credit risk

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

Events after the balance sheet date

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

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

IV. PROSPECTS

Market Prospects

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

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

Business Plan in 2020

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

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

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

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

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

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

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

3. Strengthen scientific and technological innovation to boost enterprise development

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

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

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

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

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

V. RISK FACTORS AND RISK MANAGEMENT

1. Risks associated with falling price of polysilicon

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

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

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

2. Risks associated with intensified market competition

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

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

3. Risks associated with tariff cuts

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

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

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

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

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

5. Risk of novel coronavirus pneumonia outbreaks

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

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

IV. USE OF NET PROCEEDS FROM LISTING

As of 31 December 2019, 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 R&D activities and purchasing or upgrading IT system; and

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

As of 31 December 2019, the uses of proceeds of H Shares of the Company were as follows:

RMB million

Usage	Allocation Amount	Used Proceeds	Unused Proceeds
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 R&D activities and purchasing or upgrading IT system	58.66	22.87	35.79
Total	1,191.67	1,155.88	35.79

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 2020, 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 2020, the Board proposed the distribution of a final dividend of RMB0.06 per share (tax inclusive) for the year ended 31 December 2019, after the appropriations to the statutory surplus reserve according to the relevant regulations. The amount denominated in RMB shall be converted based on the average of the middle exchange rates for Hong Kong dollars to Renminbi declared by the People's Bank of China for the five working days prior to the declaration approval of dividends at the annual general meeting (the "**AGM**") to be held on Tuesday, 16 June 2020. The Company will distribute the final dividend for 2019 to the shareholders of the Company no later than Friday, 14 August 2020.

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

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

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 the code provisions as set out in the CG Code for the year ended 31 December 2019.

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' dealings in the securities of the Company. After specific enquiry, directors and supervisors of the Company confirmed that they have strictly complied with the required standard as set out in the Model Code during the year ended 31 December 2019. The Company has also set up guidelines in respect of the dealings in the Company's securities by its relevant employees (as defined in the Listing Rules), 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 during the year ended 31 December 2019 and up to the date of this announcement.

AUDIT COMMITTEE

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

AUDITOR

PricewaterhouseCoopers was appointed as the auditor for the year ended 31 December 2019. 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 2020 will be proposed by the Company at the 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.xinteenergy.com) and the 2019 annual report of the Company will be dispatched to 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 2020

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, 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.