新特能源

XINTE ENERGY CO., LTD.
新特能源股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 1799)

Interim Results Announcement for the Six Months Ended 30 June 2020

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2020, the Group's revenue amounted to RMB3,367.43 million, representing a decrease of 16.67% over the corresponding period of last year.
- For the six months ended 30 June 2020, the Group's profit before income tax amounted to RMB24.60 million.
- For the six months ended 30 June 2020, profit attributable to owners of the Company amounted to RMB1.74 million.
- For the six months ended 30 June 2020, the basic earnings per share amounted to RMB0.00, representing a decrease of RMB0.21 over the corresponding period of last year.

The board of directors (the "**Board**") of Xinte Energy Co., Ltd. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2019. The results were prepared in accordance with the International Accounting Standard (the "**IAS**") 34, "Interim Financial Reporting" and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As of 30 June 2020** *RMB'000* **(Unaudited)**	As of 31 December 2019 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**20,917,148**	19,277,873
Right-of-use assets		**727,324**	686,665
Intangible assets		**90,293**	96,617
Investments accounted for using the equity method		**341,010**	644,967
Financial assets at fair value through other comprehensive income		**1,000**	1,000
Deferred tax assets		**246,901**	198,775
Other non-current assets		**3,406,323**	4,434,533
Total non-current assets		**25,729,999**	25,340,430
Current assets			
Inventories		**3,552,756**	3,037,744
Contract assets		**2,178,215**	2,409,573
Other current assets		**2,804,151**	2,606,307
Trade and notes receivable	*5*	**3,938,487**	3,873,852
Other receivables		**455,202**	380,004
Restricted cash		**1,655,816**	1,310,161
Cash and cash equivalents		**2,495,043**	2,747,045
Total current assets		**17,079,670**	16,364,686
Total assets		**42,809,669**	41,705,116

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	Note	**As of 30 June 2020** ***RMB'000*** **(Unaudited)**	As of 31 December 2019 *RMB'000* (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,200,000**	1,200,000
Share premium		**5,957,405**	5,957,405
Other reserves		**568,583**	554,047
Retained earnings		**3,636,169**	3,711,992
		11,362,157	11,423,444
Non-controlling interests		**2,337,799**	2,425,233
Total equity		**13,699,956**	13,848,677
LIABILITIES			
Non-current liabilities			
Borrowings		**14,023,167**	12,821,706
Lease liabilities		**51,445**	50,227
Deferred tax liabilities		**166,427**	153,120
Deferred government grants		**443,533**	430,518
Total non-current liabilities		**14,684,572**	13,455,571
Current liabilities			
Trade and notes payable	*6*	**7,501,919**	8,343,280
Provisions and other payables		**1,840,863**	1,728,964
Contract liabilities		**1,333,046**	1,039,916
Current income tax liabilities		**14,860**	20,373
Borrowings		**3,731,275**	3,267,509
Lease liabilities		**3,178**	826
Total current liabilities		**14,425,141**	14,400,868
Total liabilities		**29,109,713**	27,856,439
Total equity and liabilities		**42,809,669**	41,705,116

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**3,367,426**	4,041,315
Cost of sales		**(2,741,771)**	(3,187,876)
Gross profit		**625,655**	853,439
Selling and marketing expenses		**(138,423)**	(137,611)
General and administrative expenses		**(259,462)**	(222,249)
Net impairment losses on financial assets and contract assets		**(3,418)**	(18,380)
Other income		**43,308**	35,298
Other losses — net		**(6,429)**	(3,007)
Operating profit		**261,231**	507,490
Interest income		**20,317**	19,498
Finance expenses		**(274,603)**	(208,535)
Finance expenses — net		**(254,286)**	(189,037)
Share of profit of investments accounted for using the equity method		**17,654**	21,365
Profit before income tax		**24,599**	339,818
Income tax credit/(expense)	*7*	**14,388**	(36,385)
Profit for the period		**38,987**	303,433

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

		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Owners of the Company		**1,738**	235,488
Non-controlling interests		**37,249**	67,945
		38,987	303,433
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**3**	116
Total comprehensive income for the period		**38,990**	303,549
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,741**	235,604
Non-controlling interests		**37,249**	67,945
		38,990	303,549
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (RMB)	*8*	**0.00**	0.21
Diluted earnings per share (RMB)	*8*	**0.00**	0.21

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Xinte Energy Co., Ltd. (新特能源股份有限公司) (the "**Company**") was established in the People's Republic of China (the "**PRC**") on 20 February 2008 as a limited liability company. On 16 October 2012, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The address of the Company's registered office is No. 2249, Zhongxin Street, Ganquanpu Economic and Technological Development Zone (Industrial Park), Urumqi, Xinjiang Uygur Autonomous Region, the PRC.

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

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

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

This condensed consolidated interim financial information is presented in thousands of Renminbi ("**RMB**"), unless otherwise stated, and is approved for issue by the Board of Directors on 28 August 2020.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the adoption of amended standards as set out below.

Amended standards adopted by the Group

The following amended standards became applicable for the current reporting period:

- Definition of Material — Amendments to IAS 1 and IAS 8
- Definition of a Business — Amendments to IFRS 3
- Interest Rate Benchmark Reform — Amendments to IFRS 9, IAS 39 and IFRS 7

These amended standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

4 SEGMENT INFORMATION

The chief operating decision-makers ("**CODM**") have been identified as the general manager, deputy general manager and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments on the basis of these reports. As the Group's operations are primarily located in the PRC, the CODM considers the business from a product and service perspective. Management separately considers polysilicon production, ECC and BOO as reportable operating segments. Others segment primarily consists of production and sale of inverter and static VAR generator, and other miscellaneous business.

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

4 SEGMENT INFORMATION *(Continued)*

The segment results for the six months ended 30 June 2020 are as follows:

	Polysilicon production *RMB'000*	ECC *RMB'000*	BOO *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
(Unaudited)						
For the six months ended 30 June 2020:						
Segment revenue and results						
Total segment revenue	1,378,355	1,550,693	421,582	459,600	(442,804)	3,367,426
Inter-segment revenue	(5,926)	(270,141)	—	(166,737)	442,804	—
Revenue from external customers	1,372,429	1,280,552	421,582	292,863	—	3,367,426
Timing of revenue recognition						
At a point in time	1,372,429	112,878	421,582	292,863	—	2,199,752
Over time	—	1,167,674	—	—	—	1,167,674
Segment results	114,486	161,778	280,057	69,334	—	625,655
Amortisation	3,972	1,931	484	5,017	—	11,404
Depreciation	326,287	4,544	119,617	30,879	—	481,327
Provisions/(reversal) of impairment:						
— trade and other receivables	3,215	(9,072)	236	6,573	—	952
— inventories	—	59,559	—	1,309	—	60,868
— contract assets	—	2,466	—	—	—	2,466
Share of profit of investments accounted for using the equity method	—	17,654	—	—	—	17,654

4 SEGMENT INFORMATION *(Continued)*

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

4 SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Polysilicon production	**114,486**	200,898
ECC	**161,778**	269,664
BOO	**280,057**	343,874
Others	**69,334**	39,003
Total gross profit for reportable segments	**625,655**	853,439
Selling and marketing expenses	**(138,423)**	(137,611)
General and administrative expenses	**(259,462)**	(222,249)
Net impairment losses on financial assets and contract assets	**(3,418)**	(18,380)
Other income	**43,308**	35,298
Other losses — net	**(6,429)**	(3,007)
Finance expenses — net	**(254,286)**	(189,037)
Share of profit of investments accounted for using the equity method	**17,654**	21,365
Profit before income tax	**24,599**	339,818
Income tax credit/(expense)	**14,388**	(36,385)
Profit for the period	**38,987**	303,433

4 SEGMENT INFORMATION *(Continued)*

The segment assets as of 30 June 2020 are as follows:

	Polysilicon production *RMB'000*	ECC *RMB'000*	BOO *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
(Unaudited)						
As of 30 June 2020						
Segment assets	**21,288,323**	**16,983,890**	**14,432,614**	**3,946,602**	**(14,429,671)**	**42,221,758**
Investments accounted for using the equity method	**—**	**341,010**	**—**	**—**	**—**	**341,010**
	21,288,323	**17,324,900**	**14,432,614**	**3,946,602**	**(14,429,671)**	**42,562,768**
Unallocated assets						**246,901**
Total assets						**42,809,669**
Additions to non-current assets	**137,742**	**4,322**	**1,676,595**	**375,186**	**—**	**2,193,845**
(Audited)						
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

4 SEGMENT INFORMATION *(Continued)*

Entity-wide information

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Provision of ECC services	**1,280,552**	2,070,335
Sales of goods	**1,991,817**	1,880,916
Provision of services other than ECC	**95,057**	90,064
	3,367,426	4,041,315

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**3,304,799**	3,929,753
Other countries	**62,627**	111,562
	3,367,426	4,041,315

There were two (2019: four) external customers contributed more than 10% of the total revenue for the six months ended 30 June 2020.

As of 30 June 2020 and 31 December 2019, all the Group's non-current assets, other than deferred tax assets, are primarily located in the PRC.

5 TRADE AND NOTES RECEIVABLE

	As of 30 June 2020 RMB'000 (Unaudited)	As of 31 December 2019 RMB'000 (Audited)
Trade receivables	**3,273,739**	2,936,083
Notes receivable	**805,899**	1,078,993
	4,079,638	4,015,076
Less: provision for impairment	**(141,151)**	(141,224)
	3,938,487	3,873,852

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

As of 30 June 2020, the Group's certain receivable collection right was pledged as security for long-term bank borrowings.

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 30 June 2020 RMB'000 (Unaudited)	As of 31 December 2019 RMB'000 (Audited)
Within 3 months	**852,444**	806,044
3 to 6 months	**209,272**	231,813
6 months to 1 year	**424,134**	1,000,836
1 to 2 years	**866,684**	502,988
2 to 3 years	**590,860**	370,680
Over 3 years	**330,345**	23,722
	3,273,739	2,936,083

6 TRADE AND NOTES PAYABLE

	As of 30 June 2020 *RMB'000* (Unaudited)	As of 31 December 2019 *RMB'000* (Audited)
Trade payables	**3,579,553**	3,666,536
Notes payable	**3,922,366**	4,676,744
	7,501,919	8,343,280

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

	As of 30 June 2020 *RMB'000* (Unaudited)	As of 31 December 2019 *RMB'000* (Audited)
Within 1 year	**2,440,511**	2,532,985
1 to 2 years	**570,197**	660,810
2 to 3 years	**326,244**	219,058
Over 3 years	**242,601**	253,683
	3,579,553	3,666,536

7 INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax expense	**20,431**	6,301
Deferred income tax (credit)/expense	**(34,819)**	30,084
	(14,388)	36,385

Subsidiaries incorporated in the PRC are subject to PRC enterprise income tax. Certain subsidiaries were exempted or entitled to preferential tax rate of 15% for the six months ended 30 June 2020 and 2019. The remaining entities are taxed based on the statutory income tax rate of 25% as determined in accordance with the relevant PRC income tax rules and regulations.

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	**1,738**	235,488
Weighted average number of ordinary shares in issue (thousands)	**1,200,000**	1,148,335
Basic earnings per share (RMB)	**0.00**	0.21

(b) Diluted

No dilutive effect on earnings per share for the six months ended 30 June 2020 and 2019, as the Group had no dilutive potential ordinary shares.

9 DIVIDENDS

On 16 June 2020, the 2019 final dividend of RMB0.06 per share (2018: RMB0.15) totalling RMB72,000,000 (2018: RMB180,000,000) has been approved at the annual general meeting, but has not been paid as of 30 June 2020.

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2020.

10 IMPACTS OF COVID-19 OUTBREAK

The outbreak of Coronavirus Diseases 2019 ("**COVID-19**") brought unprecedented challenges and added uncertainties to the global economy, which may affect the Group's financial performance and position to certain extent. Management will focus continuous attention on the situation of the COVID-19 and react proactively.

MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW OF INDUSTRY DEVELOPMENT STATUS

Under the guidance of the Guidance Views on Renewable Energy Development in the Implementation of the "13th Five-Year Plan" (《可再生能源發展「十三五」規劃實施的指導意見》), during the "13th Five-Year Plan" period, the new energy industry has been developing rapidly, transition to low-carbon energy consumption has been accelerating, the development and construction cost of photovoltaic ("**PV**") and wind power generation projects has been reducing continuously, tariff adjustment cut of new energy has been realizing gradually and steadily, some regions have already met the preliminary conditions of grid parity. In the first half of 2020, the Chinese government and power grid enterprises have introduced a number of new energy policies and industry construction plans to accelerate the transformation of PV and wind power from supplementary energy to alternative energy and promote the healthy and orderly development of the new energy industry.

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

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

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

- On 10 March 2020, the NEA issued the Notice on the Issues Related to the Construction of Wind and PV Power Generation Projects in 2020 (《關於2020年風電、光伏發電項目建設有關事項的通知》), which requires to actively promote the construction of grid parity projects, reasonably determine the scale of projects requiring state subsidies, carry out the competitive allocation scheme, fully implement conditions for grids of power transmission and consumption as it is a condition for new construction projects to have consumption capacity, and distribute rationally to prevent investment risk. Meanwhile, the notice requires the agencies dispatched by the NEA to strengthen follow-up supervision and local energy authorities to increase coordination with the departments of land, environmental protection and others to promote the reduction of non-technical costs and create a favorable environment for the development of wind and PV power generation.

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

- In May 2020, pursuant to the requirement of the Notice on the Issues Related to the Construction of Wind and PV Power Generation Projects in 2020 (《關於2020年風電、光伏發電項目建設有關事項的通知》) issued by the NEA, State Grid Co., Ltd., China Southern Power Grid Co., Ltd. and Inner Mongolia Power Co., Ltd. carried out the calculation of the new energy consumption capacity of wind and PV power generation in the province-level regions within the operating area in 2020, and the National New Energy Consumption Monitoring and Early Warning Center (全國新能源消納監測預警中心) carried out calculation and evaluation. After reviewing, the NEA announced the specific scale as follows: After excluding the limited power generation in the first quarter of 2020, the total new consumption capacity of wind and PV power generation nationwide in 2020 will be 85.10GW, of which wind power will be 36.65GW and PV power will be 48.45GW.

- On 12 June 2020, the NDRC and the NEA issued the Guiding Opinions on Guaranteeing Safety of Energy in 2020 (《關於做好2020年能源安全保障工作的指導意見》), which points out that under the premise of ensuring consumption, vigorous development of clean energy power generation shall be supported, subsidy cut to new energy industry shall be sped up, a batch of grid parity projects of wind and PV power generation shall be built, the pilot project of integration of coal power, wind and PV power storage shall be carried out, and a comprehensive base of renewable energy integrated with hydro, wind and PV power shall be built.

- On 23 June 2020, the NEA announced the results of the 2020 national government subsidy tender for PV power generation projects, which shows the total planned installed capacity of 25.97GW is to be included into the scope of the 2020 national government subsidy tender. Among them, ordinary PV power stations are 25.63GW, and the industrial and commercial decentralized PV power generation projects are 0.34GW. For bidding projects that have not been completed and connected to the grid before the end of 2020, the grid-connected electricity price subsidy will be reduced by RMB0.01/kWh for every quarter of overdue; if the project has not been completed and connected to the grid after two quarters of overdue, the project's qualification for subsidy will be cancelled. On 31 July 2020, the NDRC and the NEA announced the Notice on Wind and PV Power Generation Grid Parity Projects in 2020 (《2020年風電、光伏發電平價上網項目的通知》), which determined that in 2020, the installed capacity of wind power grid parity projects will be 11.40GW, and the installed capacity of PV power grid parity projects will be 33.05GW. At the same time, it is clarified that the above-mentioned grid parity projects must be approved (filed for record) and commenced construction before the end of 2020. In addition to the restriction of grid connection and consumption, grid connection for wind power projects shall be completed before the end of 2022, and grid connection for PV power generation projects shall be completed before the end of 2021.

2. Review of Development Status of the Polysilicon Industry

According to the statistics of China Nonferrous Metals Industry Association Silicon Industry Branch (中國有色金屬工業協會硅業分會), in the first half of 2020, the global polysilicon production capacity reached approximately 265,000 tons, slightly increased by 10.0% on a year-on-year basis; the total demand for polysilicon globally was approximately 257,000 tons, increased by 10.89% on a year-on-year basis, indicating that the supply slightly exceeded the demand. China had a polysilicon output of approximately 205,000 tons, increased by 33.1% on a year-on-year basis. China's net import of polysilicon was approximately 55,000 tons and its total supply and the total demand were approximately 260,000 tons and 240,000 tons respectively, indicating a situation where the supply exceeded the demand.

From the perspective of the composition of monocrystalline and polycrystalline materials, the global production of monocrystalline materials was approximately 200,000 tons and approximately 208,000 tons of polysilicon was consumed to produce monocrystalline silicon wafers; while the global production of materials used to cast polycrystalline ingots was approximately 50,000 tons and approximately 34,000 tons of polysilicon was consumed to produce polysilicon wafers, indicating that the oversupply was about 16,000 tons. China's production of monocrystalline materials was approximately 162,000 tons while approximately 47,000 tons was imported, supply of monocrystalline materials was approximately 209,000 tons and 204,000 tons of polysilicon was consumed to produce monocrystalline silicon wafers; China's production of materials used to cast polycrystalline ingots was approximately 42,000 tons while approximately 7,000 tons was imported, supply of monocrystalline materials was approximately 49,000 tons and approximately 34,000 tons of polysilicon was consumed to produce polysilicon wafers, indicating that the oversupply was about 15,000 tons. This indicates that the majority of the global and China's surplus was attributable to the materials used to cast polycrystalline ingots in the first half of 2020.

In the first half of 2020, impacted by the COVID-19 pandemic (the "**Pandemic**"), overseas PV power installations have been largely shelved, terminal demand has decreased, and the price of polysilicon market has repeatedly hit historical lows. The average price of clean silicon materials in China was RMB38,200/ton, representing a sharp drop of 41.2% on a year-on-year basis; the average price of monocrystalline dense materials was RMB66,200/ton, representing a drop of 14.4% on a year-on -year basis. The price spread between monocrystalline and polycrystalline materials was on a rise.

3. Review of Development Status of the PV Power Generation Industry

According to statistics from the NEA, newly installed PV power generation capacity in China was approximately 11.52GW in the first half of 2020, representing a year-on-year increase of approximately 1.05%, of which newly installed capacity of centralised power stations was approximately 7.08GW, and newly installed capacity of distributed PV was approximately 4.43GW. The new installations were mainly in regions of north China and east China. As of 30 June 2020, China's total installed PV power generation reached 216GW, 149GW of which were from centralised power stations, and 67GW of which were from distributed power stations.

In the first half of 2020, China's PV power generation was 127.8 billion kWh, representing a year-on-year growth of 20%; the average utilisation hours of such power were 595 hours, representing a year-on-year increase of 19 hours. Northeast China region had the longest utilisation hours, being 771 hours, representing a year-on-year decrease of 19 hours; central China had the shortest utilisation hours, being 493 hours, representing a year-on-year increase of 46 hours.

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

According to the statistics from the NEA, the newly installed wind power capacity in China was 6.32GW in the first half of 2020, representing a year-on-year decrease of 30.47%, of which newly installed capacity of onshore wind power was 5.26GW and newly installed capacity of offshore wind power was 1.06GW. The newly installed capacity was mainly in the five provinces and regions, namely, Shanxi, Hebei, Xinjiang, Shandong and Ningxia. As of 30 June 2020, the accumulative installed capacity of wind power in China reached 216.75GW.

In the first half of 2020, China's wind generated power was 237.9 billion kWh, representing a year-on-year increase of 10.9%; the average utilisation hours were 1,123 hours, representing a year-on-year decrease of 10 hours. Regions had relatively longer utilisation hours were Yunnan (1,736 hours), Sichuan (1,488 hours) and Guangxi (1,414 hours).

II. THE MAIN BUSINESS OPERATIONS OF THE GROUP

During the Reporting Period, affected by the Pandemic, the world economic recession affected the upstream and downstream of the new energy industry chain to a certain extent. The demand for wind and PV power terminals has declined and industry competition has further intensified. In the face of numerous external difficulties and unfavorable conditions, the Group accelerated the product structure adjustment and industrial layout, but its performance still dropped significantly. During the Reporting Period, the Group achieved revenues of RMB3,367.43 million and realized the profits attributable to owners of the Company of RMB1.74 million, representing a decrease of 16.67% and 99.26% respectively over the corresponding period of last year.

1. Polysilicon Production

During the first half of 2020, the price of polysilicon dropped continuously, the price spread between monocrystalline and polycrystalline materials was on a rise. In the face of adverse impacts, the Group adhered to 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, increase the proportion of monocrystalline silicon materials, improve the extension of polycrystalline silicon industrial chain, accelerate operation of projects of organic silicon and zirconium-based materials, continue to establish the industrial cluster advantages, and enhance the core competitiveness of the Group.

During the first half of 2020, the Group realized a polysilicon production of 26,200 tons, representing an increase of approximately 43.96% over the corresponding period of last year, mainly attributable to the release of capacity of 36,000-ton/year high-purity polysilicon industrial upgrade project (the "**36,000-ton Polysilicon Project**").

2. Development of Wind and PV Power Resources

In the first half of 2020, closely following the national policies and adhering to the strategic concept of "Simultaneous Development of Wind and PV Power Generation", the Group focused on the allocation of grid parity and competitive bidding for grid connection projects in Guizhou, Shanxi, Jiangsu and Hebei, captured centralized projects while taking into account distributed and decentralized projects, and actively obtained project development qualification. In the first half of 2020, the Group obtained approximately 1.5GW competitive bidding and parity grid connection project indicators.

The Group vigorously promoted the construction of demonstration projects for PV and wind power projects, strengthened the process quality control, and continuously reduced construction costs via technological innovation, and achieved the optimal life cycle costs of power stations. Meanwhile, relying on intelligent products such as the E-Cloud Platform, intelligent monitoring, analysis and prediction system and centralized operation and maintenance system of power stations, the Group established an intelligent service platform to support the remote operation and maintenance of power generating equipment and new energy power stations to enhance the operation and maintenance service capabilities of power stations and continuously improve the market competitiveness of the Group.

During the Reporting Period, the Group completed a total of 244 MW of installed capacity for PV and wind power projects in the forms of EPC and BT with recognized revenue. As of 30 June 2020, the Group had a total of 802 MW of BT projects under construction and completed pending for transfer.

3. Power Plant Operation — BOO Projects

In the first half of 2020, the Group continued to promote the construction of wind power project of the ultra-high voltage transmission lines base in Ximeng, Inner Mongolia and Zhundong, Xinjiang while strictly following the demonstration project standards to lead the project quality construction, and striving to create high-quality projects in the power industry. At the same time, the Group promoted centralized operation and maintenance management of power stations through the construction of a centralized control center, remotely dispatched stations and adopted unified data standards, so as to realize functions including large-scale data storage, high-performance computing, data mining and comparison and analysis of data from multiple stations, enhance the intelligent operation and maintenance, and further increase the operating income of BOO projects.

As of 30 June 2020, the Group had a total of 850MW BOO projects completed and 1,925MW BOO projects under construction.

4. Driving industry development with technological and management innovation

With the accelerating pace of grid parity for new energy, high-quality development has become the inevitable choice for the future development of new energy industry. The Group actively promotes the application of new technologies and the industrialization of scientific and technological achievements to ensure the healthy, long-term and sustainable development of the Group.

In terms of polysilicon production, the Group focuses on the operating objectives of "efficiency upgrades through improved quality and reduced costs", and through the implementation of innovative projects such as reduction process, optimization of cold hydrogenation system, recovery of tail gas and cleaning of silicon material, and combine with the recovery of waste liquid and waste gas from polysilicon production through industrial chain extension projects, to further improve product quality and increase the proportion of electronic-grade polysilicon.

In terms of the development of wind and PV power resources, the Group promoted the refined control of the complete life cycle of power station projects through technological and management innovation, conducted dynamic management and control through project estimation, design budget, equipment procurement, and project settlement, deepened project cost reduction, and assisted parity and bidding projects to achieve optimal benefits; grasped policy dividends and vigorously develops flexible direct current (the "**DC**") products, Wudongde ultra-high voltage multi-terminal DC project flexible DC converter valves will be fully delivered in the second half of this year; improved the intelligent stability maintenance measure such as the remote monitoring function of E-Cloud Platform, and managed to efficiently identify and screen failures of power stations to improve their operation and maintenance and reduce the cost of power generation. At the same time, the Group conducted 12 management innovation research topics focusing on power routers, energy storage converters, energy management system technology, etc., to continuously enhance the Group's competitiveness.

In the first half of 2020, the Group achieved fruitful results in technological innovations. A total of 55 applications for patents and technical secrets were submitted with 38 applications granted. It has actively participated in the formulation of 4 standards, including 1 national standard and 3 industry standards. As of 30 June 2020, the Group had a total of 540 domestic patents and acquired 6 International Patent Cooperation Treaty (PCT) patents.

5. Promote the construction of safety management

The Group focused on the in-depth implementation of HSSE (health, safety, security and environmental protection) management system, namely "based on behavior safety and focusing on process equipment safety and taking controlled production management as the core", to comprehensively promoted safe production. In the first half of 2020, the Group improved the safety production management system, took into account the Pandemic prevention and control and production and operation, refined prevention and control measures, implemented safety responsibilities at all levels, promoted the construction of a dual prevention mechanism for risk grading control and potential hazard identification and management, strengthened safety production training and carried out emergency drills for safety accidents to improve the safety skills of all employees and ensure the smooth development of production and operation.

III. OPERATING RESULTS AND ANALYSIS

Financial Review:

Business Performance Table

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**3,367,426**	4,041,315
Cost of sales	**(2,741,771)**	(3,187,876)
Gross profit	**625,655**	853,439
Other income	**43,308**	35,298
Other losses — net	**(6,429)**	(3,007)
Selling and marketing expenses	**(138,423)**	(137,611)
General and administrative expenses	**(259,462)**	(222,249)
Finance expenses — net	**(254,286)**	(189,037)
Share of profit of investments accounted for using the equity method	**17,654**	21,365
Profit before income tax	**24,599**	339,818
Income tax credit/(expense)	**14,388**	(36,385)
Profit attributable to the owners of the Company	**1,738**	235,488
Profit attributable to the non-controlling interests	**37,249**	67,945

Revenue

The Group generates revenue mainly from three business segments, including polysilicon production, ECC and BOO. For the six months ended 30 June 2020, the revenue of the Group was RMB3,367.43 million, representing a decrease of RMB673.89 million or 16.67% from RMB4,041.32 million in the corresponding period of last year, mainly attributable to the decrease in revenue recognised from ECC as its business scale was affected by the Pandemic during the Reporting Period.

Business Segments	For the six months ended 30 June **2020** *RMB'000*	2019 *RMB'000*
Polysilicon production	**1,372,429**	1,215,716
ECC	**1,280,552**	2,070,335
BOO	**421,582**	519,564
Others	**292,863**	235,700
Total revenue	**3,367,426**	4,041,315

For the six months ended 30 June 2020, the revenue of polysilicon production segment was RMB1,372.43 million, representing an increase of RMB156.71 million or 12.89% from RMB1,215.72 million in the corresponding period of last year, mainly attributable to the increase in the sales of products due to the production capacity released by the 36,000-ton Polysilicon Project despite the decrease in the price of polysilicon during the Reporting Period.

For the six months ended 30 June 2020, the revenue of ECC segment was RMB1,280.55 million, representing a decrease of RMB789.78 million or 38.15% from RMB2,070.34 million in the corresponding period of last year. The decrease was mainly attributable to the reduction of EPC projects undertaken and BT projects transferred by the Group as affected by the Pandemic which resulted in the decrease in revenue from ECC business.

For the six months ended 30 June 2020, the revenue of BOO segment was RMB421.58 million, representing a decrease of RMB97.98 million or 18.86% from RMB519.56 million in the corresponding period of last year, mainly attributable to the reduction of power generated by BOO projects with recognised revenue during the Reporting Period.

Cost of sales

For the six months ended 30 June 2020, the cost of sales incurred by the Group was RMB2,741.77 million, representing a decrease of RMB446.11 million or 13.99% from RMB3,187.88 million in the corresponding period of last year, mainly attributable to the decrease in costs resulted from the decrease in the Group's revenue recognised from ECC as its business scale was affected by the Pandemic during the Reporting Period.

Business Segments	For the six months ended 30 June **2020** ***RMB'000***	 2019 *RMB'000*
Polysilicon production	**1,257,943**	1,014,818
ECC	**1,118,774**	1,800,671
BOO	**141,525**	175,690
Others	**223,529**	196,697
Total cost	**2,741,771**	3,187,876

For the six months ended 30 June 2020, the cost of sales incurred by polysilicon production segment was RMB1,257.94 million, representing an increase of RMB243.13 million or 23.96% from RMB1,014.82 million in the corresponding period of last year, mainly attributable to the increase in costs resulted from the increase in sales due to the production capacity released by the 36,000-ton Polysilicon Project during the Reporting Period.

For the six months ended 30 June 2020, the cost of sales incurred by ECC segment was RMB1,118.77 million, representing a decrease of RMB681.90 million or 37.87% from RMB1,800.67 million in the corresponding period of last year, mainly attributable to the decrease in costs resulted from the decrease in the Group's revenue recognised from ECC as its business scale was affected by the Pandemic.

For the six months ended 30 June 2020, the cost of sales incurred by BOO segment was RMB141.53 million, representing a decrease of RMB34.17 million or 19.45% from RMB175.69 million in the corresponding period of last year, mainly attributable to the decrease in costs resulted from the decreased capacity of power generated by BOO projects with recognized revenue during the Reporting Period.

Gross profit and gross profit margin

For the six months ended 30 June 2020, the gross profit of the Group was RMB625.66 million, representing a decrease of RMB227.78 million or 26.69% from RMB853.44 million in the corresponding period of last year. The comprehensive gross profit margin was 18.58%, representing a decrease of 2.54 percentage points over the corresponding period of last year. The decrease in the Group's gross profit margin was attributable to the decrease in the price of polysilicon during the Reporting Period.

Other income

For the six months ended 30 June 2020, other income of the Group was RMB43.31 million, representing an increase of RMB8.01 million or 22.69% from RMB35.30 million in the corresponding period of last year, mainly due to the increase of the received government grants during the Reporting Period.

Other losses — net

For the six months ended 30 June 2020, the net other losses of the Group was RMB6.43 million, representing an increase of RMB3.42 million or 113.80% from RMB3.01 million in the corresponding period of last year, mainly due to the increase in the foreign exchange losses of the Group during the Reporting Period.

Selling and marketing expenses

For the six months ended 30 June 2020, the selling and marketing expenses of the Group was RMB138.42 million, representing an increase of RMB0.81 million or 0.59% from RMB137.61 million in the corresponding period of last year.

General and administrative expenses

For the six months ended 30 June 2020, the general and administrative expenses of the Group was RMB259.46 million, representing an increase of RMB37.21 million or 16.74% from RMB222.25 million in the corresponding period of last year, mainly due to the increase in the research and development expenses related to the polysilicon segment of the Group during the Reporting Period compared to the corresponding period last year.

Finance expenses — net

For the six months ended 30 June 2020, the net finance expenses of the Group was RMB254.29 million, representing an increase of RMB65.25 million or 34.52% from RMB189.04 million in the corresponding period of last year, mainly due to the increase of funds borrowed by 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 six months ended 30 June 2020, the profit of investments accounted for using the equity method of the Group was RMB17.65 million, representing a decrease of RMB3.71 million or 17.37% from RMB21.37 million in the corresponding period of last year, mainly due to the decrease in the profit of associates of the Group during the Reporting Period.

Income tax credit/(expense)

For the six months ended 30 June 2020, the income tax credit of the Group was RMB14.39 million, representing a decrease of RMB50.77 million compared to the income tax expense of RMB36.39 million in the corresponding period of last year, mainly due to the sharp decrease in profit before income tax during the Reporting Period over the corresponding period of last year as well as the provision for deferred income tax.

Profit attributable to the owners of the Company

For the six months ended 30 June 2020, profit attributable to the owners of the Company was RMB1.74 million, representing a decrease of RMB233.75 million or 99.26% from RMB235.49 million in the corresponding period of last year, mainly attributable to the decrease in the price of polysilicon and the reduction of the Group's ECC business scale as affected by the Pandemic during the Reporting Period.

Profit attributable to the non-controlling interests

For the six months ended 30 June 2020, the profit attributable to the non-controlling interests of the Group was RMB37.25 million, representing a decrease of RMB30.70 million or 45.18% from RMB67.95 million in the corresponding period of last year, mainly due to the decrease in profit attributable to non-controlling shareholders resulted from the decrease in the profit of TBEA Xinjiang New Energy Co., Ltd. ("**Xinjiang New Energy**"), the Company's subsidiary.

Cash Flows

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Net cash used in operating activities	**(40,021)**	(210,235)
Net cash used in investing activities	**(1,763,263)**	(1,694,778)
Net cash generated from financing activities	**1,548,440**	1,611,616
Net decrease in cash and cash equivalents	**(254,844)**	(293,397)

Net cash used in operating activities

For the six months ended 30 June 2020, the net cash used in operating activities of the Group was RMB40.02 million, representing a decrease of RMB170.21 million or 80.96% from RMB210.24 million in the corresponding period of last year, mainly attributable to the increase in revenue generated from the polysilicon production segment of the Group, and the increase in collections resulted from enhanced management of accounts receivable during the Reporting Period.

Net cash used in investing activities

For the six months ended 30 June 2020, the net cash used in investing activities of the Group was RMB1,763.26 million, representing an increase of RMB68.49 million or 4.04% from RMB1,694.78 million in the corresponding period of last year.

Net cash generated from financing activities

For the six months ended 30 June 2020, the net cash generated from financing activities of the Group was RMB1,548.44 million, representing a decrease of RMB63.18 million or 3.92% from RMB1,611.62 million in the corresponding period of last year.

Operation Fund

	As of 30 June 2020	As of 31 December 2019
Cash and cash equivalents at the end of the period *(RMB'000)*	**2,495,043**	2,747,045
Gearing ratio	**99.70%**	87.25%
Inventory turnover rate *(times)*	**0.83**	2.31
Inventory turnover days *(days)*	**216.34**	155.56

As of 30 June 2020, the cash and cash equivalents of the Group was RMB2,495.04 million (31 December 2019: RMB2,747.05 million).

The required capital fund for the Group's BT and BOO businesses generally accounts for 20%–30% of the total project investment, the rest of which is mainly bank loans which has a larger effect on the Group's gearing ratio. As of 30 June 2020, the gearing ratio of the Group was 99.70% while that as of 31 December 2019 was 87.25%. The gearing ratio was calculated by dividing net debts by total equity, and net debts was calculated by deducting restricted bank balances and cash balances at bank from total interest-bearing liabilities.

BT projects under construction and completed pending for transfer were treated as inventories, 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 0.83 times and 216.34 days on 30 June 2020, respectively while those as of 31 December 2019 were 2.31 times and 155.56 days, respectively, mainly attributable to the decrease in the scale of BT projects transferred by the Group during the Reporting Period compared with the corresponding period last year and the increase in inventories.

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 six months ended 30 June 2020, the major capital expenditure of the Group included: RMB1,794.11 million for the purchase of property, plant and equipment and RMB2.01 million for the purchase of intangible assets.

Contingent liabilities

In January 2017, Xinjiang New Energy, a subsidiary of the Company, entered into a construction agreement (the "**Construction Agreement**") with Xuyi High Drive Wind Power Co., Ltd.* (盱眙高傳風力發電有限公司) ("**Xuyi High Drive**"), stipulating that Xinjiang New Energy shall undertake the general construction of the 99MW Integration Wind Power Project at Guanyin Temple Sanhe Farm Guantan Wind Power Plant of Xuyi High Drive (盱眙高傳觀音寺三河農場官灘風電場99MW 整裝風電工程) (the "**Project**").

In May 2017, Xuyi High Drive entered into a finance lease agreement with Huaxia Financial Leasing Co., Ltd.* (華夏金融租賃有限公司) ("**Huaxia Financial Leasing**"), and carried out financial leasing business for the Project, with a total lease principal of RMB600 million. Huaxia Financial Leasing also entered into a transfer agreement with Xuyi High Drive and Xinjiang New Energy, stipulating that Huaxia Financial Leasing will undertake the payment obligation for the procurement of the major equipment, components and materials for the Project and obtain the Project's ownership after its completion; whilst other rights and obligations under the Construction Agreement shall continue to be fulfilled by Xuyi High Drive and Xinjiang New Energy in accordance with the Construction Agreement. If the equipment delivered by Xinjiang New Energy is seriously inconsistent with the Construction Agreement and Xuyi High Drive's requirements, resulting in the failure of the finance lease agreement, and Huaxia Financial Leasing terminates the transfer agreement accordingly, Huaxia Financial Leasing is entitled to request Xinjiang New Energy to refund the principal and interest of the finance lease paid by it. In May 2020, Huaxia Financial Leasing filed a claim to the Second Intermediate People's Court of Beijing Municipality on the ground that the equipment delivered by Xinjiang New Energy was inconsistent with those stipulated in the Construction Agreement, and sought to recover the principal of the finance lease of RMB600 million together with the interest, litigation and preservation fees from Xinjiang New Energy. As of the date of this announcement, the first instance of the litigation has been held but no judgment has been made.

In June 2020, Xinjiang new Energy has filed a lawsuit against Xuyi High Drive and other independent third parties for the failure of Xuyi High Drive to perform according the terms under the Construction Agreement. As Xuyi High Drive has failed to timely provide the approved documents required for construction of the Project which was suspended due to lack of construction condition, Xinjiang New Energy in turn has been sued by Huaxia Financial Leasing in May 2020 for RMB600 million together with accrued interest (the "**Huaxia Claim**") for failed to fully deliver the wind turbines in time due to the prolonged suspension of the Project. Accordingly Xinjiang New Energy has filed a claim for the monetary amount equivalent to Huaxia Claim against Xuyi High Drive for compensation to indemnify Xinjiang New Energy's contractual liability under the transfer agreement against Huaxia Financial Leasing.

Please refer to the announcement dated 20 May 2020 and 22 June 2020 for further details of the Project and the litigations as mentioned above.

Apart from the above, the Group has contingent liabilities in respect of claims or other legal proceedings arising in the ordinary course of business from time to time. For the period ended 30 June 2020, the directors of the Company did not foresee that any material liabilities would arise from the contingent liabilities other than those provided in the consolidated financial statements.

Asset mortgage

As of 30 June 2020, secured short-term bank borrowings with an amount of RMB30,015,000 were pledged with the Group's certain land use rights and property, plant and equipment; secured short-term bank borrowings with an amount of RMB22,568,000 represented proceeds received under trade receivable factoring agreements with recourse with banks; secured long-term bank borrowings with an amount of RMB11,276,890,000 were guaranteed by TBEA, the Company and pledged with the Group's certain inventory, land use rights, property, plant and equipment and receivable collection right; secured long-term bank borrowings with an amount of RMB300,000,000 were pledged with notes receivable of certain subsidiaries; secured long-term other borrowings with an amount of RMB530,000,000 were guaranteed by the bank credit; secured long-term other borrowings with an amount of RMB100,000,000 were pledged with 100% of a subsidiary's equity interest.

Material acquisition and disposal of assets, subsidiaries, associates and joint ventures

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

Significant investments

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

Foreign exchange risk

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

Interest rate risk

The Group's interest rate risk mainly arises from short-term borrowings and long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. By analyzing its interest rate exposure on a dynamic basis and simulating various scenarios, the Group expects no material adverse impact of interest rate exposure on the financial position of the Group.

Capital liquidity

As of 30 June 2020, current assets of the Group amounted to RMB17,079.67 million, among which, RMB2,495.04 million was cash and cash equivalents; RMB3,938.49 million was trade and notes receivable, primarily consisting of receivables of BOO revenue, ECC and sales of inverters; and RMB3,259.35 million were other receivables and other current assets, primarily consisting of deductible VAT and prepayments to customers.

As of 30 June 2020, current liabilities of the Group amounted to RMB14,425.14 million, including RMB7,501.92 million of trade and notes payable, primarily consisting of payables for purchase of PV and wind power projects equipment, laboring, materials, coal fuels, and polysilicon producer goods; RMB1,840.86 million of provisions and other payables, primarily consisting of payables relating to purchase of property, plant, and equipment; and RMB3,731.28 million of short-term borrowings.

As of 30 June 2020, net current assets of the Group amounted to RMB2,654.53 million, representing an increase of RMB690.71 million as compared with that of RMB1,963.82 million as of 31 December 2019. The current ratio was 118.40% as of 30 June 2020, representing an increase of 4.76 percentage points as compared with that of 113.64% as of 31 December 2019. Restricted deposits amounted to RMB1,655.82 million, mainly including deposits for notes and issuance of the letter of credit.

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

Borrowings and notes payable

As of 30 June 2020, the Group's balance of the borrowings and notes payable amounted to RMB21,676.81 million, representing an increase of RMB910.85 million as compared with that of RMB20,765.96 million as of 31 December 2019. As of 30 June 2020, the Group's outstanding borrowings and notes included short-term borrowings and notes payable of RMB7,653.64 million (including long-term borrowings due within one year of RMB1,031.94 million and notes payable of RMB3,922.37 million) and long-term borrowings amounting to RMB14,023.17 million.

Credit risk

Credit risk arises from cash and cash equivalents, restricted bank deposits, trade and notes receivable, tariff adjustment receivables, contract assets, other receivables and other financial assets at FVOCI. Credit risk is managed on a group basis. 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. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and other factors.

Events after the balance sheet date

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

IV. PROSPECTS

Market Prospects

In the context of energy structure transformation, according to the International Renewable Energy Agency, by 2030, renewable energy will account for 57% of global power generation, of which wind and PV power generation and installed capacity will take the lead status, one third of global electricity will come from wind and solar energy. New energy is expected to achieve leapfrog development from supplementary power to alternative power, and eventually become the leading power source of the power system. The huge market capacity and broad market prospects will bring good development opportunities for the development of the new energy industry.

With new development in a new era, the Company will firmly establish the development concept of innovation, coordination, greenness, openness and sharing, adhere to the mission of "contributing green energy and creating better lives", and strive to promote high-quality energy development and build a clean and low-carbon, safe and efficient modern energy system, and promote the construction of ecological civilization to a new level.

Business Plan in the Second Half of 2020

In 2020, China has announced 48.45GW of PV power and 26.65GW of wind power as new energy consumption scale which exceeds expectations. In the second half of 2020, overseas demand is expected to recover, the domestic polysilicon industry concentration will further increase, and wind and bidding PV power projects continue to compete for installation. In the face of new opportunities and challenges, the Group will combine internal and external changes in the industry, take high-quality development as the orientation, strengthen the weakness, seize the market, accelerate the adjustment of industrial layout, deepen the improvement of quality and reduce costs, and make continuous efforts to achieve better development of various businesses in 2020.

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

In July 2020, the Department of Safety Supervision and Administration of Hazardous Chemicals of the Ministry of Emergency Management of the PRC reminded the safety risks of silicon manufacturers, requiring manufacturers involving polysilicon, organosilicon, chlorosilane and other manufacturers to strengthen the potential hazard identification, improve leak-proof and anti-static measures, strict inspection and maintenance, and safety management and control of special operations. In the second half of 2020, the safety production situation remains severe. The Group will adhere to the premise of strictly controlling the Pandemic in its operations, firmly establish safety awareness, continuously improve its safety risk management and control abilities, and eliminate safety management shortcomings in the process of production and construction. At the same time, the Group will continue to promote the implementation of safety management informatization construction plans to realize functions such as safety inspections, operation permit management, potential hazard identification and management, environmental protection monitoring, etc., and strengthen fine management, operation and working control through informatization methods, and escort safe and stable production and operation.

2. *Speed up the quality improvement and cost reduction of polysilicon, and realize the release of new production capacity*

With the start of construction of domestic parity and bidding PV power projects and the gradual easing of the Pandemic overseas, the installed capacity of global PV power stations will increase compared with the first half of this year, further stimulating market demand for polysilicon products, and as of the date of this announcement, the price of polysilicon has risen significantly compared to that of 30 June 2020. In the second half of 2020, the Group will seize market opportunities, continue to promote quality improvement and cost reduction, and take the market's absorption of polysilicon product structure as the orientation, increase the supply rate of monocrystalline customers, accelerate the application verification of the Group's polysilicon products in N-type monocrystalline silicon wafers, enhance product value, and maximize benefits; accelerate the release of benefits of the 36,000-ton Polysilicon Project, and promote the industrial chain extension project to achieve production and efficiency.

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

In the second half of 2020, the Group will focus on national and provincial policy trends, concentrate resources to develop high-quality regional projects with good power absorption and high electricity prices, and focus on the target areas with serious imbalance in energy structure and weakness in demand guarantee, and reserve parity and bidding indexes with high yield rate. Combining with the 2020 parity and bidding lists recently issued by Qinghai, Ningxia, Guangdong, Guizhou and other provinces, the Group will quickly organize analysis and research, formulate development strategies, and make effort in parity and bidding project declarations to ensure the sustainable development of the Group.

For the construction of engineering projects, the Group will be in accordance with the management principle of "conducting scientific overall planning, being rigorous and meticulous", and reasonably arrange project design, equipment procurement, construction and installation according to the schedule, and steadily advance the construction of ECC and BOO projects to ensure the smooth synchronization of bidding, parity and operator projects, further enhance the Group's profitability.

4. *Strengthen scientific and technological innovation to boost enterprise development*

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

In terms of the development, operation and maintenance of wind and PV power resources, the Group will focus on optimizing the cost reduction plans of competitive bidding and grid parity, establish a whole-process management system on quality and cost, improve the standardization and modularity of design and research and development, reduce project construction costs, and ensure project construction quality. At the same time, the Group will focus on the lowest cost per kilowatt-hour, the highest revenue, and intelligent operation and maintenance, strengthen industry development and market trend research, integrate internal and external advantageous industrial resources, improve inverter voltage levels, capacity, and intelligence, and launch adaptive converters for energy storage application scenarios, accelerate the integration of E-Cloud intelligent operation and maintenance platform with inverters, Static VAR generator (SVG), power routers and other devices, plan offshore wind power flexible converter station equipment integration and smart integrated energy station system solutions, build an intelligent auxiliary monitoring system for substations, and further cultivate smart integrated service capabilities.

V. RISK FACTORS AND RISK MANAGEMENT

1. Risks associated with falling price of polysilicon

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

The Group will strengthen technological R&D and increase the proportion of monocrystalline silicon materials, reduce production costs and further enhance competitiveness by upgrading efficiency through quality improvement and cost reduction.

2. Risks associated with intensified market competition

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

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

3. Risks associated with tariff cuts

Since 2018, focusing on wind power and PV power industries, the PRC government released separate policies related to competitive bidding for grid connection and grid parity. In addition, subsidy cut to new energy industry was sped up, and development of low-subsidy and unsubsidized new energy projects is encouraged, and the market's ability to allocate resources is increased. The above factors may pose a certain impact on the operating results of the Group.

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

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

5. Risk associated with the Pandemic

In the first half of 2020, the Pandemic broke out on a global scale, causing a sudden crisis, and impacting human health, economic growth, social development and international relations. The Pandemic also inevitably has an adverse impact on the development of the global new energy industry. The delivery of key equipment and the construction of power plants were delayed, which further affects the terminal demand of the new energy industry. The above factors may cause excessive supply of PV power products such as polysilicon and inverter, and intensify market competition; the supply of key equipment such as fans and towers is in short supply, thus delaying the construction progress of the power plants, which in turn affect the Group's operating results.

The Group will continue to pay close attention to the development of the Pandemic and the latest situation of each segment of the new energy industry chain, reasonably arrange the marketing strategy and construction progress, increase the technical innovation, upgrade efficiency through quality improvement and cost reduction, continuously enhance its core competitiveness, and try to alleviate the adverse impact of the Pandemic on the Group.

VI. OTHER INFORMATION

Employees

As at 30 June 2020, the Group had a total of 4,341 employees. Remuneration paid to the Group's employees is comprised of basic salary of the respective position and performance-based salary, with the performance-based salary determined based on the performance of the Group and performance assessment results of the employees.

The Group values the importance of training of its staff, and continuously improves its education and training system. Based on aspects including construction of a team of talents, qualifications of positions, and business requirements, the Group systematically organises the needs of training, and has built a training system that encompasses all our staff and is relevant to their career paths, based on the career development of different levels and positions. The Group has also taken the training of core personnel involved in technological innovation projects and qualification recognition of grassroots positions as the focus of training, and through scientific and technological innovations, technological problem-solving and productivity streamlining projects, has expanded the horizon and enriched the knowledge of our workers, and continuously improved their levels of self-cultivation and professional skills.

During the Reporting Period, the Group paid employees remuneration of RMB398.19 million in aggregate.

Interim Dividend

The Board does not recommend the declaration of interim dividend for the six months ended 30 June 2020.

Compliance with Corporate Governance Code

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

For the six months ended 30 June 2020, the Company had fully complied with all the code provisions contained in the CG Code.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct for all the Directors' and the Company's supervisors' (the "**Supervisors**") dealings in the Company's securities. The Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company's securities, which are on terms no less exacting than those in the Model Code. Having made specific enquiries with the Directors and Supervisors, all the Directors and Supervisors confirmed that they had strictly complied with the required standards set out in the Model Code during the Reporting Period.

The Board will review the corporate governance and operation of the Company from time to time in order to comply with the relevant requirements of the Listing Rules and protect the interests of the Shareholders.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Audit Committee

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

The audit committee of the Company reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2020 and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 which was prepared in accordance with IAS 34, "Interim Financial Reporting".

Publication of Interim Results and Interim Report

This interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk and on the website of the Company at https://www.xinteenergy.com. The 2020 interim report containing all the information required by the Listing Rules will be dispatched to the Shareholders in due course and will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited.

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

Xinjiang, the PRC
28 August 2020

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