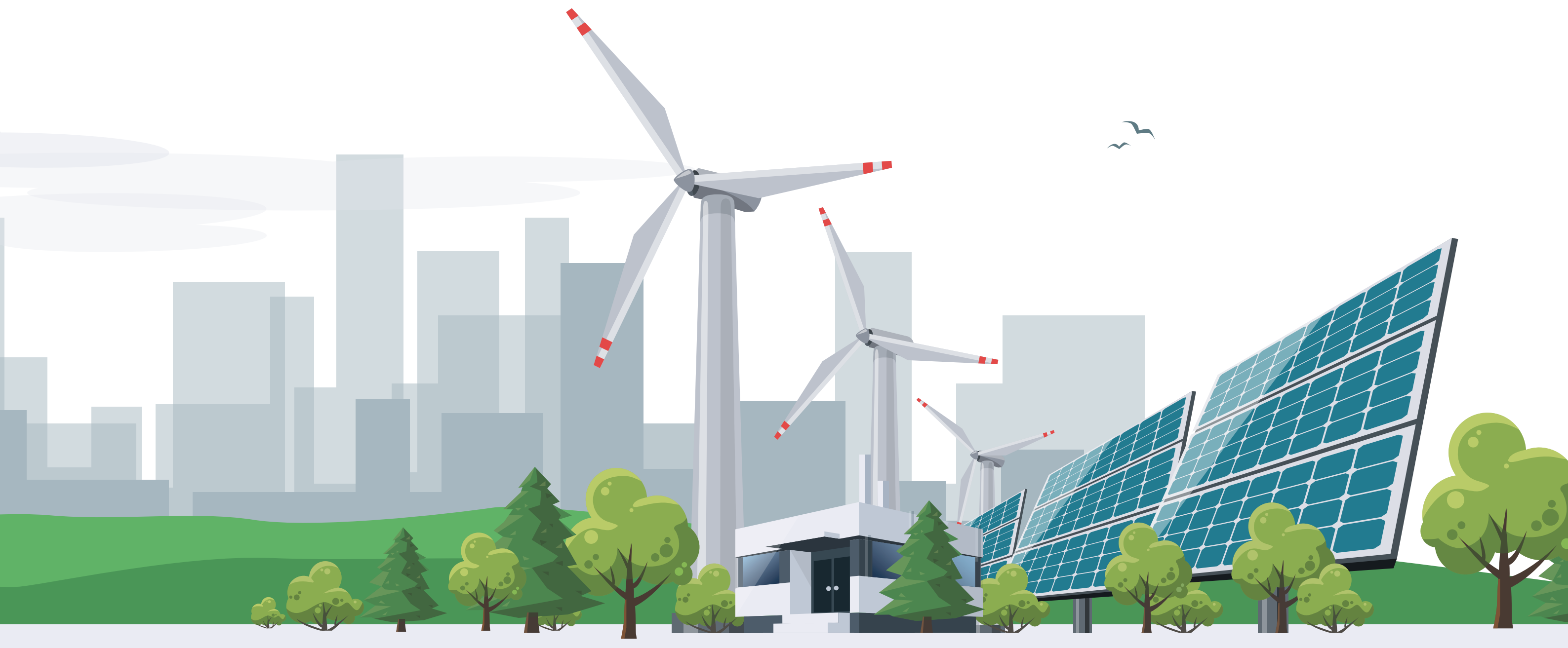
新特能源股份有限公司
Xinte Energy Co., Ltd.

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

Stock code : 1799



2019

Interim Report

Contents

Corporate Profile

DIRECTORS

Executive Directors

Mr. Zhang Jianxin *(Chairman)*
Mr. Yin Bo
Mr. Xia Jinjing

Non-executive Directors

Mr. Zhang Xin
Ms. Guo Junxiang
Mr. Lin Chengfei [1]
Mr. Wang Shi [2]

Independent Non-executive Directors

Mr. Qin Haiyan
Mr. Yang Deren
Mr. Wong, Yui Keung Marcellus

SUPERVISORS

Mr. Chen Qijun *(Chairman)*
Mr. Han Shu
Mr. Hu Shujun
Mr. Ma Junhua
Mr. Cao Huan

AUDIT COMMITTEE

Mr. Wong, Yui Keung Marcellus *(Chairman)*
Mr. Yang Deren
Mr. Qin Haiyan
Mr. Lin Chengfei [1]
Mr. Wang Shi [2]
Ms. Guo Junxiang

NOMINATION COMMITTEE

Mr. Qin Haiyan *(Chairman)*
Mr. Yang Deren
Mr. Yin Bo
Mr. Wong, Yui Keung Marcellus
Mr. Zhang Xin

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Yang Deren *(Chairman)*
Mr. Qin Haiyan
Mr. Xia Jinjing
Mr. Wong, Yui Keung Marcellus
Mr. Zhang Jianxin

STRATEGY COMMITTEE

Mr. Zhang Jianxin *(Chairman)*
Mr. Yang Deren
Mr. Qin Haiyan
Mr. Yin Bo
Mr. Zhang Xin

JOINT COMPANY SECRETARIES

Ms. Zhang Juan
Ms. Ng Wing Shan

AUTHORIZED REPRESENTATIVES

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

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

[1] On 13 March 2019, Mr. Lin Chengfei resigned as a non-executive Director and member of the Audit Committee of the Company, effective from 13 March 2019.
[2] On 28 June 2019, Mr. Wang Shi was appointed as a non-executive Director and member of the Audit Committee of the Company.

LEGAL ADVISERS

As to PRC law

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888 Hong Guang Shan Road
Shuimogou District
Urumqi, Xinjiang, the PRC

As to Hong Kong law

King & Wood Mallesons
13/F Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

REGISTERED OFFICE

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Ganquanpu Economic and Technological Development Zone (Industrial Park)
Urumqi, Xinjiang, the PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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STOCK CODE

1799

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Definitions

Unless the context otherwise requires, the following terms shall have the following meanings in this interim report:

"36,000-ton Polysilicon Project"	the 36,000 tons/year high-purity polysilicon project
"Audit Committee"	Audit Committee of the Board
"average utilization hours"	the gross generation in a specified period divided by the average installed capacity in such period
"Board" or "Board of Directors"	the board of Directors of the Company
"BOO"	Build-Own-Operate, a contracting model in which the contractor undertakes the construction, operations and maintenance of a project. Unlike the BT structure, the contractor owns the project and does not have to transfer it to another entity
"BT"	Build and Transfer, a contracting model in which the contractor serves as the project investor (by setting up a project company as its subsidiary) and undertakes the financing and development of the project. The BT contractor eventually transfers and sells the equity interest in the project company to a third-party purchaser, thereby recovering the construction, subcontracting and/or financing costs on the project
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company", "our Company", "Xinte Energy", "we" or "us"	Xinte Energy Co., Ltd. (新特能源股份有限公司), a joint stock company with limited liability incorporated under the laws of the PRC on 16 October 2012 and except where the context indicates otherwise, in respect of the period before our Company becomes the holding company of our present subsidiaries, refers to the present subsidiaries of our Company and the business carried on by such subsidiaries or (as the case may be) their respective predecessors

"Connected Person(s)"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Connected Transaction(s)"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Controlling Shareholder(s)"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"ECC"	Engineering and Construction Contracting, including EPC and BT mode
"EPC"	Engineering-Procurement-Construction, a contracting model in which the contractor undertakes the entire process of designing, procuring, constructing and commissioning the project
"Group"	the Company and its subsidiaries
"GW"	gigawatt, a unit of power. 1GW = 1,000MW
"H Share(s)"	overseas listed foreign share(s) in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and are subscribed for and traded in HK dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"IAS"	International Accounting Standards and its interpretation
"IFRSs"	International Financial Reporting Standards and its interpretation issued by the International Accounting Standards Committee
"installed capacity"	the intended full-load output of a power generating project (usually denominated in MW); also known as the rated capacity or the (designed) production capacity

"kW"	kilowatt, a unit of power. 1kW = 1,000 watts
"kWh"	kilowatt hour, the unit of measurement for calculating the quantity of power production output. 1kWh is the work completed by a kilowatt generator running continuously for one hour at the rated output capacity
"Latest Practicable Date"	6 September 2019, being the latest practicable date prior to the printing of this interim report for ascertaining certain information contained herein
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"MW"	megawatt, a unit of power. 1MW = 1,000kW. The capacity of a power project is generally expressed in MW
"NDRC"	National Development and Reform Commission of the PRC
"NEA"	National Energy Administration of the PRC
"Nomination Committee"	Nomination Committee of the Board
"OFAC"	the United States Treasury Department's Office of Foreign Assets Control
"on-grid tariff"	the selling price of electricity for which a power generating project can sell the electricity it generated to the power grid companies, usually denominated in RMB/kWh
"Province"	a province or, as the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"PV"	photovoltaic
"R&D"	research and development
"Remuneration and Assessment Committee"	Remuneration and Assessment Committee of the Board

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the six-month period ended 30 June 2019
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) in the share capital of our Company with a nominal value of RMB1.00 each, including Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	has the meaning as ascribed to it under the Hong Kong Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Board"	the Supervisory Board of our Company
"SVG"	Static VAR generator
"TBEA"	TBEA Co., Ltd. (特變電工股份有限公司), holding 65.43% equity interest in our Company as at the Latest Practicable Date. TBEA is our Controlling Shareholder
"Xinjiang New Energy"	TBEA Xinjiang New Energy Co., Ltd. (特變電工新疆新能源股份有限公司), a principal subsidiary of our Company
"Xinjiang Tebian"	Xinjiang Tebian (Group) Co., Ltd. (新疆特變電工集團有限公司), holding 4.85% equity interest in our Company as at the Latest Practicable Date. Xinjiang Tebian is a Connected Person of our Company as it is a controlled company with more than 30% of its equity interest being held, directly or indirectly, by Mr. Zhang Xin, who is a Connected Person of our Company by virtue of his position as our Director

Management Discussion and Analysis

I. REVIEW OF INDUSTRY DEVELOPMENT TRENDS

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

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

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

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

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

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

2. Review of Development Trends of the Polysilicon Industry

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

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

3. Review of Development Trends of the PV Generation Industry

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

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

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

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

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

II. THE MAIN BUSINESS OPERATIONS OF THE GROUP

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

1. Polysilicon Production

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

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

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

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

In the first half of 2019, closely following the national policies and adhering to the strategic concept of "Simultaneous Development of Wind and PV Power Generation", the Group focused on the allocation of grid parity and competitive bidding for grid connection projects in Shanxi, Hebei, Anhui, Shaanxi, Hunan and Henan, captured centralized projects while taking into account distributed and decentralized projects, and actively obtained project development qualification.

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

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

3. **Power plant operation — BOO projects**

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

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

4. **International market**

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

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

5. **Promoting technological innovation and strengthening quality management**

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

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

6. Construction of safety culture

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

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

7. **Strengthening team building to enhance comprehensive competitiveness**

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

III. OPERATING RESULTS AND ANALYSIS

Financial Review:

Business Performance Table

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

Revenue

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

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

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

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

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

Cost of sales

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

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

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

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

For the six months ended 30 June 2019, the cost of sales incurred by BOO segment was RMB175.69 million, representing an increase of RMB100.17 million or 132.64% over RMB75.52 million in the corresponding period of last year, which was mainly due to the expansion of the scale of the Group's finished BOO projects during the Reporting Period, resulting in higher corresponding costs.

Gross profit and gross profit margin

For the six months ended 30 June 2019, the gross profit of the Group was RMB853.44 million, representing a decrease of RMB703.11 million or 45.17% less than RMB1,556.55 million in the corresponding period of last year. The comprehensive gross profit margin was 21.12%, representing a decrease of 7.79 percentage points over the corresponding period of last year. During the Reporting Period, the decrease in the Group's gross profit and gross profit margin mainly due to the sharp decrease in the selling price of polysilicon.

Other income

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

Other losses — net

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

Selling and marketing expenses

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

General and administrative expenses

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

Finance expenses — net

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

Share of profit of investments accounted for using the equity method

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

Income tax expense

For the six months ended 30 June 2019, the income tax expense of the Group was RMB36.39 million, representing a decrease of RMB107.28 million or 74.67% lower than RMB143.66 million in the corresponding period of last year, which was mainly due to the decrease in the profit before income tax and the additional tax deduction and tax exemption of income tax received by the Group under the PRC policy during the Reporting Period over the corresponding period of last year.

Profit attributable to the owners of the Company

For the six months ended 30 June 2019, profit attributable to the owners of the Company was RMB235.49 million, representing a decrease of RMB627.89 million or 72.72% over RMB863.38 million in the corresponding period of last year, which was mainly due to the sharp decrease in the selling price of polysilicon of the Group during the Reporting Period.

Profit attributable to the non-controlling interests

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

Cash Flows

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

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

Net cash used in investing activities

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

Net cash generated from financing activities

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

Operating Fund

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

On 30 June 2019, the cash and cash equivalents of the Group were RMB3,559.43 million (31 December 2018: RMB3,856.41 million).

The capital requirement of the BT and BOO businesses which the Group is engaged in generally accounts for 20%–30% of the total investment of the project, the rest being bank loans, has a greater impact to the gearing ratio of the Group. As of 30 June 2019, the gearing ratio of the Group was 56.89% while that as of 31 December 2018 was 60.07%. The gearing ratio was calculated by dividing its net debts by total equity, whereas net debts were calculated by deducting restricted bank balances and cash balances at bank from total interest-bearing liabilities.

The Group's BT projects under construction and pending transfer were included in the inventory item, and whether BT projects can be transferred in time is relatively important for the Group's inventory turnover rate and turnover days. The inventory turnover rate and turnover days of the Group were 1.13 times and 158.89 days as of 30 June 2019, respectively, and the inventory turnover rate and turnover days of Group were 2.84 times and 126.75 days as of 31 December 2018, respectively.

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

Capital expenditure

For the six months ended 30 June 2019, the major capital expenditure of the Group included: RMB2,315.72 million for the purchase of property, plant and equipment and RMB5.39 million for the purchase of intangible assets.

Contingent liabilities

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. ("**Jiangsu Zhongneng**") (江蘇中能硅業科技發展有限公司) filed a claim with Jiangsu Province People's Court against the Company for the infringement of certain patents and commercial secrets, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed by the Company, the Supreme People's Court of the PRC ruled that the case should be under the jurisdiction of Xinjiang Province People's Court. As at the date of this interim report, the aforementioned litigation is in the process of substantive hearing at first instance, but the Company is not subpoenaed and the specific court date is not determined. After considering the opinion of an independent legal counsel, the Directors are of the opinion that this litigation is still at an early stage, and there are no sufficient grounds to foresee and assess the outcome and the corresponding contingent liabilities. As such, no provision is made with respect to the aforementioned claim as of 30 June 2019.

Apart from the above, the Group and the Company have contingent liabilities in respect of claims or other legal proceedings arising in its ordinary course of business from time to time. For the six months ended 30 June 2019, the Directors of the Company did not foresee that any material liabilities would arise from the contingent liabilities other than those provided in the condensed consolidated interim financial information.

Assets mortgage

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

Major acquisition and disposal of assets

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

Major investments

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

Foreign exchange risks

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

Cash flow interest rate risk

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

Capital liquidity

As of 30 June 2019, current assets of the Group amounted to RMB15,515.08 million, among which, RMB3,559.43 million was cash and cash equivalents; RMB3,421.64 million was trade and notes receivable, primarily consisting of receivables from ECC and sales of inverters; and RMB2,036.57 million was other receivables and current assets, primarily consisting of deductible VAT and prepayments to customers.

As of 30 June 2019, current liabilities of the Group amounted to RMB12,694.02 million, including RMB6,793.73 million of trade and notes payable, primarily consisting of payables for purchase of PV and wind power projects equipment, laboring, materials, coal fuels, and polysilicon producer goods; RMB1,980.74 million of provisions and other payables, primarily consisting of payables relating to purchase of property, plant, and equipment; and RMB2,888.43 million of short-term borrowings.

As of 30 June 2019, net current assets of the Group amounted to RMB2,821.06 million, representing an increase of RMB2,169.47 million as compared with the net current assets of RMB651.59 million as of 31 December 2018. The current ratio was 122.22% as of 30 June 2019, representing an increase of 18.09 percentage points as compared with the current ratio of 104.13% as of 31 December 2018. Restricted deposits amounted to RMB1,666.27 million, mainly including deposits for bills and issuance of the letter of credit.

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

Borrowings and notes payable

As of 30 June 2019, the Group's balance of the borrowings and notes payable amounted to RMB16,627.98 million, representing a decrease of RMB458.19 million as compared with the balance of the borrowings and notes payable of RMB17,086.17 million as of 31 December 2018. As of 30 June 2019, the Group's outstanding borrowings and notes included short-term borrowings and notes payable of RMB6,541.08 million (including long-term borrowings due within one year of RMB1,435.03 million and notes payable of RMB3,652.65 million) and long-term borrowings amounting to RMB10,086.89 million.

Credit risk

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

Events after the balance sheet date

As at the Latest Practicable Date, the Group had no events after the balance sheet date.

IV. PROSPECTS

Market Prospects

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

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

Business Plan in the Second Half of 2019

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

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

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

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

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

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

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

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

3. Strengthen scientific and technological innovation to boost enterprise development

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

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

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

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

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

V. RISK FACTORS AND RISK MANAGEMENT

1. Risks associated with falling price of polysilicon

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

In the second half of 2019, the newly added production capacities of a number of polysilicon manufacturers will be released, further increasing the market supply. Faced with fierce market competition, there will also be more stringent requirements for the quality and price of polysilicon. Only polysilicon products with the highest qualities and the most competitive prices will be able to remain in the market, and the profit margin of polysilicon enterprises will be substantially compressed.

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

2. Risks associated with intensified market competition

In 2019, the Chinese PV and wind power industries were affected by the adjustments in government policies. The new energy industry has entered a development mode of efficiency upgrading through quality improvement and cost reduction. Production capacities with outdated technologies and higher costs will gradually be eliminated by the market. Polysilicon production and development of wind power and PV resources gradually move towards industrial integration, and market competition is intense. Under this situation, only the fittest survive. The above factors may pose a certain impact on the market share of the Group.

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

3. Risks associated with tariff cuts

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

The Group will increase its investments in 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 optimise design and construction plans. Through technological improvement, the Group will further reduce the costs of power generation and increase power generating hours so as to offset part of the risks associated with lowered tariffs.

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

In the first half of 2019, while grid connection and consumption problems of PV and wind power had improved to a certain extent, the problem of wind and PV power curtailment still existed in certain regions due to inadequate local consumption, and problem of grid stability and problem of control and management had not been resolved completely.

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

Corporate Governance

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a listed company on the Stock Exchange, the Company has always been committed to improving our corporate governance, which is considered as an ingredient essential to the creation of value for 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, by referring to the code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Listing Rules.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of listed issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code for all the Directors' and Supervisors' dealings in the Company's securities. Having made specific enquiries with the Directors and Supervisors, all the Directors and Supervisors confirmed that they had strictly complied with the required standards set out in the Model Code during the Reporting Period.

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

DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL INFORMATION

The Directors acknowledge the relevant responsibilities for the preparation of the Company's interim financial information, which are to ensure that the preparation of the Company's interim financial information is in accordance with the relevant regulations and applicable accounting standards, and to ensure that the Company's interim financial information is published in a timely manner.

USE OF PROCEEDS

1. The Company conducted the initial public offering of its H Shares and had its H Shares listed on the Main Board of the Stock Exchange in December 2015. The net proceeds of the H Shares offering were the equivalent of approximately RMB1,191.67 million in HKD. According to the plan of the investment of the proceeds of the Company, as of 30 June 2019, the accumulated used proceeds were the equivalent of approximately RMB1,151.70 million in HKD, and the unused proceeds were the equivalent of approximately RMB39.97 million in HKD, which will be used for the Company's technological R&D and information system update. The Company plans to use all the unused proceeds before 31 December 2019.

   As of 30 June 2019, the use of proceeds of H Shares of the Company is as follows:

No.	Usage	Allocated Amount RMB million	Used Proceeds RMB million	Unused Proceeds RMB million
1	65% for construction and operation of the BOO projects of the Group	**762.00**	**762.00**	**0.00**
2	10% for replenishment of operating capital	**135.27**	**135.27**	**0.00**
3	20% for repayment of part of long-term bank loans	**235.74**	**235.74**	**0.00**
4	5% for investment in R&D activities and purchasing or upgrading of IT systems	**58.66**	**18.69**	**39.97**
	Total	**1,191.67**	**1,151.70**	**39.97**

2. **Directional Issue of Domestic Shares**

   At the extraordinary general meeting, class meetings of H Shares Shareholders and Domestic Shares Shareholders of the Company held on 11 January 2019, the Company was approved to conditionally issue 154,994,838 Domestic Shares directionally to TBEA at RMB7.78 per Share, amounting to a total of RMB1,205,859,839.64 (the "**Directional Issue**"), which was completed on 15 February 2019. Upon completion of the Directional Issue, the total number of issued Shares of the Company was 1,200,000,000 Shares, with 313,475,630 H Shares and 886,524,370 Domestic Shares. The nominal value of the Shares issued under the Directional Issue is RMB1.0 per Share, and the net price per newly issued Domestic Share, after deducting all such related fees and expenses, was approximately RMB7.78. The closing price of the H Shares on the Stock Exchange on 13 November 2018, being the date on which the terms of the Directional Issue was fixed, was HK$7.54. The Directional Issue was carried out to meet the capital needs for the Group's 36,000-ton Polysilicon Project, to satisfy the capital requirement for the expansion of the Group's BOO business, and to further mitigate financial risks.

As disclosed in the circular of the Company dated 23 November 2018, the Company intends to apply the net proceeds from the Directional Issue of approximately RMB1.205 billion (i) as to approximately RMB800 million for the construction of the Ximeng BOO Wind Power Project of the Company and (ii) the remaining balance of approximately RMB405 million for the construction of the 36,000-ton Polysilicon Project of the Company.

As at the date of the interim report, the Company has utilized approximately RMB1,205.00 million of the net proceeds from the Directional Issue and the details are set out below:

No.	Usage	Allocated Amount RMB million	Used Proceeds RMB million	Unused Proceeds RMB million
1	Ximeng BOO Wind Power Project	800.00	800.00	0.00
2	36,000-ton Polysilicon Project	405.00	405.00	0.00
	Total	1,205.00	1,205.00	0.00

DIVERSITY POLICY OF BOARD MEMBERS

The Company believes that a diversified Board is highly beneficial to the performance of the Company, and confirms that it will consider diversity from various aspects when determining the composition of the Board, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based on the value and contribution the selected candidates would bring to the Board. All Board nominations will be based on meritocracy, and the candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board. The selection of candidates for the Board will be based on a range of diversified categories, including but not limited to age, cultural and educational background, professional experience, skills and knowledge.

The Nomination Committee will disclose the composition of the Board in the Corporate Governance Report contained in the annual report every year and monitor the implementation of such policy. The Nomination Committee will review such policy as appropriate to ensure its effectiveness. The Nomination Committee will also discuss and recommend any necessary revisions in relation to Xinte Energy Co., Ltd.'s diversity policy of the Board members to the Board for approval.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to the relevant requirements of the Listing Rules, the Company has appointed a sufficient number of independent non-executive Directors, with appropriate professional qualifications, or appropriate accounting or related financial management expertise. The Company has appointed a total of three independent non-executive Directors, namely, Mr. Wong, Yui Keung Marcellus, Mr. Yang Deren and Mr. Qin Haiyan.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rules 3.21 to 3.23 of the Listing Rules and paragraph C.3 of the CG Code. The main responsibilities of the Audit Committee are to review the annual internal audit plan of the Company; oversee the financial reporting process and internal control procedures of the Group and review the quality and financial information of the Group and its disclosure; audit and supervise the connected transactions and evaluate their appropriateness; oversee the appointment, reappointment and removal of external auditors, and make recommendations to the Board regarding the approval of external auditors' remuneration and terms of appointment; 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; 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 structure to ensure the coordination between the internal audit personnel and external auditor and to ensure that the internal audit functions are adequately resourced and the relevant staff have been trained with sufficient qualifications and experience and are provided with regular training programmes or other similar arrangement.

The Audit Committee consisted of three independent non-executive Directors and two non-executive Directors, namely, Mr. Wong, Yui Keung Marcellus (independent non-executive Director), Mr. Yang Deren (independent non-executive Director), Mr. Qin Haiyan (independent non-executive Director), Mr. Wang Shi (non-executive Director) and Ms. Guo Junxiang (non-executive Director). Mr. Wong, Yui Keung Marcellus serves as the chairman of the Audit Committee.

The Audit Committee reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2019, the 2019 interim report and the unaudited condensed consolidated interim financial statement for the six months ended 30 June 2019 prepared in accordance with IAS 34 "Interim Financial Reporting".

SHARE CAPITAL

As of 30 June 2019, the share capital structure of the Company is as follows:

Classification of Shares	Number of issued shares as of 30 June 2019	Approximate percentage of total issued shares as of 30 June 2019 (%)
Domestic Shares	886,524,370	73.88%
H Shares	313,475,630	26.12%
Total	1,200,000,000	100.00%

As of 30 June 2019, the total share capital of the Company was 1,200,000,000 Shares, divided into 886,524,370 Domestic Shares with nominal value of RMB1 each and 313,475,630 H Shares with nominal value of RMB1 each.

PUBLIC FLOAT

Based on the publicly available information to the Company, so far as to the Directors' knowledge, no less than 25% of the shares of the Company in issue are held by the public as at the Latest Practicable Date, which complied with the requirement of the Listing Rules.

INTERIM DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 30 June 2019, so far as is known to the Company, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) (a) which will have to be notified to the Company and the Stock Exchange (including those they are taken or deemed to have under the relevant provisions of the SFO); or (b) which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Name	Nature of interest	The Company/ relevant corporation (including associated corporations)	Number/class of Shares of the Company/relevant corporation (including associated corporations) held	Approximate percentage of shareholding in the total share capital of the Company/ relevant corporation (including associated corporations)(1)	Approximate percentage of shareholding in the relevant class of Shares of the Company(2)	Long position/ short position
Directors						
Mr. Zhang Xin	Interest in a controlled corporation(3)	The Company	58,246,308 Domestic Shares	4.85%	6.57%	Long position
	Beneficial owner	TBEA(4)	406,403 Shares	0.01%	N/A	Long position
	Interest in a controlled corporation(5)	TBEA(4)	446,982,637 Shares	12.02%	N/A	Long position
Mr. Xia Jinjing	Beneficial owner	TBEA(4)	69,376 Shares	0.00%	N/A	Long position
Ms. Guo Junxiang	Beneficial owner	TBEA(4)	346,880 Shares	0.01%	N/A	Long position
Supervisors						
Mr. Han Shu	Beneficial owner	TBEA(4)	1,058 Shares	0.00%	N/A	Long position
Mr. Hu Shujun	Beneficial owner	TBEA(4)	69,376 Shares	0.00%	N/A	Long position
Mr. Ma Junhua	Beneficial owner	TBEA(4)	111,000 Shares	0.00%	N/A	Long position

(1) The calculation is based on the total number of 3,718,647,789 shares of TBEA in issue or 1,200,000,000 Shares of the Company in issue as of 30 June 2019.

(2) The calculation is based on the total number of 886,524,370 Domestic Shares of the Company in issue as of 30 June 2019.

(3) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, and as of 30 June 2019, Xinjiang Tebian directly holds 4.85% equity interest of the Company.

(4) TBEA is the Company's Controlling Shareholder and therefore is an "associated corporation" of the Company (within the meaning of Part XV of the SFO). As of 30 June 2019, TBEA held 783,921,287 Domestic Shares of the Company and TBEA (HONGKONG) CO., LIMITED, a wholly-owned subsidiary of TBEA, held 1,223,200 H Shares of the Company, which together accounted for approximately 65.43% of the total share capital of the Company.

(5) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, which directly holds 446,982,637 shares of TBEA.

Save as disclosed above, as of 30 June 2019, none of the Directors, Supervisors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As of 30 June 2019, so far as is known to the Directors of the Company after reasonable enquiry, the following persons (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and has been entered in the register required to be kept by the Company according to Section 336 of the SFO:

Name of Shareholders	Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares of the Company(1)	Approximate percentage of shareholdings in the total share capital of the Company(1)	Long position/ short position
TBEA	Beneficial owner	Domestic Shares	783,921,287	88.43%	65.33%	Long position
Xinjiang Tebian	Beneficial owner	Domestic Shares	58,246,308	6.57%	4.85%	Long position
Mr. Chen Weilin(2)	Interest in a controlled corporation	Domestic Shares	58,246,308	6.57%	4.85%	Long position
L.R.Capital Asia Markets Limited(3)	Beneficial owner	H Shares	47,894,956	15.28%	3.99%	Long position
CM International Capital Limited	Beneficial owner	H Shares	43,859,649	13.99%	3.65%	Long position
Keystone Group Ltd.(4)	Beneficial owner	H Shares	26,420,400	8.43%	2.20%	Long position
Ms. Ouyang Xinxiang(4)	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.20%	Long position
LRC. Belt and Road Investment Limited(5)	Beneficial owner	H Shares	26,420,400	8.43%	2.20%	Long position
Strategic Global Investment Corporation Limited(5)	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.20%	Long position
Explorer Sparkle Limited(6)	Beneficial owner	H Shares	17,618,800	5.62%	1.47%	Long position
Abhaya Limited(6)	Interest in a controlled corporation	H Shares	17,618,800	5.62%	1.47%	Long position
Wickhams Cay Trust Company Limited(6)	Trustee	H Shares	17,618,800	5.62%	1.47%	Long position
Ms. Shi Jing(6)	Founder of a discretionary trust	H Shares	17,618,800	5.62%	1.47%	Long position
GF Securities Co., Ltd.(7)	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Holdings (Hong Kong) Corporation Limited(7)	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position

Name of Shareholders	Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares of the Company[1]	Approximate percentage of shareholdings in the total share capital of the Company[1]	Long position/ short position
GF Investment (Hong Kong) Company Limited[7]	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.44%	Long position
GF Energy Investment Limited[7]	Beneficial owner	H Shares	29,239,766	9.33%	2.44%	Long position
Fubon Financial Holding Co., Ltd.[8]	Interest in a controlled corporation	H Shares	17,613,600	5.62%	1.47%	Long position
Fubon Life Insurance Co., Ltd. [8]	Beneficial owner	H Shares	17,613,600	5.62%	1.47%	Long position
Perfect Splendour Limited	Beneficial owner	H Shares	15,943,702	5.09%	1.33%	Long position

Notes:

(1) The calculation is based on the total number of 1,200,000,000 Shares of the Company in issue as of 30 June 2019, in which 313,475,630 are H Shares and 886,524,370 are Domestic Shares.

(2) Mr. Chen Weilin holds 33.61% of the equity interest of Xinjiang Tebian, which directly holds 4.85% interest of the Company. Accordingly, Mr. Chen Weilin is deemed to be interested in the 58,246,308 Domestic Shares held by Xinjiang Tebian for the purpose of the SFO.

(3) According to the Company's current information, as of 30 June 2019, L.R. Capital Asia Markets Limited holds 47,894,956 H Shares of the Company.

(4) Keystone Group Ltd. is 100% owned by Ms. Ouyang Xinxiang. Therefore, Ms. Ouyang Xinxiang is deemed or taken to be interested in all Shares held by Keystone Group Ltd. for the purpose of the SFO.

(5) Chan Mei Ching and Chan Min Chi hold 47% and 51% equity interest in Strategic Global Investment Corporation Limited, respectively. Strategic Global Investment Corporation Limited holds 99% equity interest in LRC. Belt and Road Investment Limited. Therefore, each of Chan Mei Ching, Chan Min Chi and Strategic Global Investment Corporation Limited is deemed or taken to be interested in all Shares held by LRC. Belt and Road Investment Limited for the purpose of the SFO.

(6) Explorer Sparkle Limited is 100% owned by Abhaya Limited. Abhaya Limited is 100% owned by Wickhams Cay Trust Company Limited and Ms. Shi Jing is the founder of a discretionary trust and Wickhams Cay Trust Company Limited is the trustee. Therefore, Ms. Shi Jing, Wickhams Cay Trust Company Limited and Abhaya Limited are deemed or taken to be interested in all Shares held by Explorer Sparkle Limited for the purpose of the SFO.

(7) GF Investment (Hong Kong) Company Limited holds 81% of the equity interest of GF Energy Investment Limited, and GF Investment (Hong Kong) Company Limited is 100% owned by GF Holdings (Hong Kong) Corporation Limited, and GF Holdings (Hong Kong) Corporation Limited is 100% owned by GF Securities Co., Ltd.. Accordingly, GF Securities Co., Ltd., GF Holdings (Hong Kong) Corporation Limited and GF Investment (Hong Kong) Company Limited are deemed to be interested in the 29,239,766 H Shares held by GF Energy Investment Limited for the purpose of the SFO.

(8) Fubon Life Insurance Co., Ltd. is 100% owned by Fubon Financial Holding Co., Ltd.. Therefore, Fubon Financial Holding Co., Ltd. is deemed to be interested in the Shares held by Fubon Life Insurance Co., Ltd. for the purpose of the SFO.

Save as disclosed above, as of 30 June 2019, the Directors are not aware that any other person (other than the Directors, Supervisors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or have to be entered in the register kept by the Company according to Section 336 of the SFO.

EMPLOYEES

As of 30 June 2019, there are a total of 3,947 employees in the Group. Remuneration of 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.

MAJOR LEGAL PROCEEDING

For the six months ended 30 June 2019, the Company was involved in one major legal proceeding, which has been disclosed in the prospectus dated 17 December 2015:

Jiangsu Zhongneng Case:

In June 2013, Jiangsu Zhongneng initiated a civil lawsuit against the Company at the Jiangsu Province People's Court for alleged infringement by us of certain intellectual property rights and trade secrets which Jiangsu Zhongneng claimed to own, including STC hydrochlorination technology, high-efficiency and energy saving CVD reactor and silane-based FBR technology. Jiangsu Zhongneng sought compensatory damages of RMB60 million, while demanding that the Company bear reasonable costs of RMB2 million and the legal costs of this case. In December 2014, after our appeals, the Supreme People's Court in China ruled in our favor that the Jiangsu Province People's Court lacked jurisdiction and this case should be heard in a court in Xinjiang. In addition, Jiangsu Zhongneng has withdrawn its claim against us in relation to the infringement of intellectual property rights in December 2014.

Given that (i) the Company has never applied the silane-based FBR technology in our polysilicon production business, and (ii) the STC hydrochlorination technology and high-efficiency and energy saving CVD reactor which we used in our production were both purchased from legitimate third-party suppliers under valid purchase agreements, the Company believes that we did not infringe the intellectual property rights and trade secrets of Jiangsu Zhongneng. In June 2019, the legal proceeding was transferred to Higher People's Court of Xinjiang Uygur Autonomous Region. As of the Latest Practicable Date, the legal proceeding has entered the actual trial stage of first instance, but the Company has not received the written summons of the court, and the specific time of hearing has not been determined.

Except the abovementioned proceeding, as of 30 June 2019, the Group was not involved in any major legal proceedings or arbitrations. So far as the Directors are aware, no major litigation or claims are pending or threatened against the Group.

COMPLIANCE WITH OFAC UNDERTAKINGS

During the Listing of the Company, an undertaking has been made to the Stock Exchange by the Company that the Company will not use any proceeds from the global offering to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any sanctioned targets, regardless of the purpose ("**OFAC Undertakings**"). Hence, the Directors of the Company confirmed that the Company had complied with the OFAC Undertakings during the Reporting Period and will continue to comply with the OFAC Undertakings in the ordinary course of business in the future.

CHANGE OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the six months ended 30 June 2019, the changes of information of Directors, Supervisors and senior management of the Company are as follows:

(1) Mr. Lin Chengfei resigned from his duties as a non-executive Director and member of the Audit Committee on 13 March 2019, with effect from 13 March 2019.

(2) On 28 June 2019, Mr. Wang Shi was appointed as a non-executive Director of the third session of the Board. At the same time, Mr. Wang Shi was appointed as a member of the Audit Committee.

(3) Mr. Liu Weizeng resigned from his duties as the Company's deputy general manager in February 2019.

羅兵咸永道

Report on review of Interim Financial Information
To the Board of Directors of Xinte Energy Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 40 to 70, which comprises the interim condensed consolidated balance sheet of Xinte Energy Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 August 2019

Interim Condensed Consolidated Balance Sheet

30 June 2019

	Note	As of 30 June 2019 RMB'000 (Unaudited)	As of 31 December 2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	**17,826,389**	16,504,406
Right-of-use assets	4	**143,248**	—
Land use rights		**563,160**	558,755
Intangible assets		**101,442**	106,863
Investments accounted for using the equity method		**189,109**	140,969
Financial assets at fair value through other comprehensive income		**1,000**	1,000
Deferred tax assets	9	**167,269**	177,977
Long-term accounts receivable		**945,763**	714,083
Other non-current assets		**1,534,782**	1,054,355
Total non-current assets		**21,472,162**	19,258,408
Current assets			
Inventories		**2,713,025**	2,915,121
Contract assets	10	**2,118,137**	2,254,679
Other current assets		**1,594,768**	1,047,998
Trade and notes receivable	11	**3,421,644**	3,640,933
Other receivables		**441,804**	415,969
Restricted cash		**1,666,266**	2,310,187
Cash and cash equivalents		**3,559,434**	3,856,408
Total current assets		**15,515,078**	16,441,295
Total assets		**36,987,240**	35,699,703

	Note	As of 30 June 2019 RMB'000 (Unaudited)	As of 31 December 2018 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	1,200,000	1,045,005
Share premium	12	5,957,404	4,945,506
Other reserves		528,361	524,965
Retained earnings		3,557,972	3,505,764
		11,243,737	10,021,240
Non-controlling interests		2,379,028	1,268,816
Total equity		13,622,765	11,290,056
LIABILITIES			
Non-current liabilities			
Borrowings	13	10,086,893	8,099,000
Lease liabilities	4	49,792	—
Deferred tax liabilities	9	144,127	123,497
Deferred government grants		389,646	397,442
Total non-current liabilities		10,670,458	8,619,939
Current liabilities			
Trade and notes payable	14	6,793,731	7,788,493
Provisions and other payables		1,980,736	2,077,073
Contract liabilities	10	1,022,802	1,067,850
Current income tax liabilities		5,018	6,832
Borrowings	13	2,888,430	4,849,460
Lease liabilities	4	3,300	—
Total current liabilities		12,694,017	15,789,708
Total liabilities		23,364,475	24,409,647
Total equity and liabilities		36,987,240	35,699,703

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes on pages 47 to 70.

This condensed consolidated interim financial information was approved by the Board of Directors on 23 August 2019 and were signed on its behalf.

Jianxin Zhang
Chairman

Bo Yin
Executive Director

Interim Condensed Consolidated Statement of Comprehensive Income

30 June 2019

	Note	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	7	**4,041,315**	5,384,123
Cost of sales		**(3,187,876)**	(3,827,578)
Gross profit		**853,439**	1,556,545
Selling and marketing expenses		**(137,611)**	(158,094)
General and administrative expenses		**(222,249)**	(247,582)
Net impairment losses on financial assets and contract assets		**(18,380)**	(15,602)
Other income	15	**35,298**	37,679
Other losses — net		**(3,007)**	(9,954)
Operating profit		**507,490**	1,162,992
Interest income	16	**19,498**	13,522
Finance expenses	16	**(208,535)**	(173,717)
Finance expenses — net		**(189,037)**	(160,195)
Share of profits of investments accounted for using the equity method		**21,365**	5,638
Profit before income tax		**339,818**	1,008,435
Income tax expense	17	**(36,385)**	(143,662)
Profit for the period		**303,433**	864,773

Interim Condensed Consolidated Statement of Comprehensive Income

30 June 2019

	Note	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**235,488**	863,382
Non-controlling interests		**67,945**	1,391
		303,433	864,773
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Currency translation differences		**116**	(5)
Total comprehensive income for the period		**303,549**	864,768
Total comprehensive income for the period attributable to:			
Owners of the Company		**235,604**	863,377
Non-controlling interests		**67,945**	1,391
		303,549	864,768
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (RMB)	18	**0.21**	0.83
Diluted earnings per share (RMB)	18	**0.21**	0.83

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 47 to 70.

Interim Condensed Consolidated Statement of Changes in Equity

30 June 2019

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)							
Balance at 1 January 2019	1,045,005	4,945,506	524,965	3,505,764	10,021,240	1,268,816	11,290,056
Comprehensive income							
Profit for the period	–	–	–	235,488	235,488	67,945	303,433
Currency translation differences	–	–	116	–	116	–	116
Total comprehensive income	–	–	116	235,488	235,604	67,945	303,549
Transactions with owners							
Issue of shares	154,995	1,011,898	–	–	1,166,893	1,043,967	2,210,860
Dividends (Note 19)	–	–	–	(180,000)	(180,000)	(1,700)	(181,700)
Others	–	–	3,280	(3,280)	–	–	–
Total transactions with owners, recognized directly in equity	154,995	1,011,898	3,280	(183,280)	986,893	1,042,267	2,029,160
Balance at 30 June 2019	1,200,000	5,957,404	528,361	3,557,972	11,243,737	2,379,028	13,622,765

Interim Condensed Consolidated Statement of Changes in Equity

30 June 2019

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)							
Balance at 1 January 2018	1,045,005	5,030,375	457,310	2,674,707	9,207,397	53,015	9,260,412
Comprehensive income							
Profit for the period	–	–	–	863,382	863,382	1,391	864,773
Currency translation differences	–	–	(5)	–	(5)	–	(5)
Total comprehensive income	–	–	(5)	863,382	863,377	1,391	864,768
Transactions with owners							
Dividends (Note 19)	–	–	–	(209,001)	(209,001)	–	(209,001)
Others	–	–	2,893	–	2,893	–	2,893
Total transactions with owners, recognized directly in equity	–	–	2,893	(209,001)	(206,108)	–	(206,108)
Balance at 30 June 2018	1,045,005	5,030,375	460,198	3,329,088	9,864,666	54,406	9,919,072

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 47 to 70.

Interim Condensed Consolidated Statement of Cash Flows

30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	**(145,629)**	627,489
Income tax paid	**(64,606)**	(67,931)
Net cash (used in)/generated from operating activities	**(210,235)**	559,558
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,315,722)**	(1,090,354)
Purchase of intangible assets	**(5,392)**	(7,384)
Purchase of land use rights	**—**	(1,429)
Proceeds from disposal of property, plant and equipment	**15,162**	6,396
Proceeds from disposal of associates	**4,200**	42,500
Increase in investments accounted for using the equity method	**—**	(17,701)
Interest received	**19,498**	13,522
Changes in restricted cash	**643,921**	(317,965)
Loans to third parties	**(56,445)**	—
Net cash used in investing activities	**(1,694,778)**	(1,372,415)
Cash flows from financing activities		
Repayments of borrowings	**(3,737,813)**	(3,139,890)
Proceeds from borrowings	**3,776,179**	5,203,615
Issue of shares	**2,210,860**	—
Interest paid	**(372,516)**	(283,457)
Dividends paid to shareholders	**(264,149)**	—
Dividends paid to non-controlling interests	**(945)**	—
Net cash generated from financing activities	**1,611,616**	1,780,268
Net (decrease)/increase in cash and cash equivalents	**(293,397)**	967,411
Cash and cash equivalents at the beginning of the period	**3,856,408**	2,316,610
Exchange losses on cash and cash equivalents	**(3,577)**	(5,292)
Cash and cash equivalents at the end of the period	**3,559,434**	3,278,729

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 47 to 70.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

30 June 2019

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

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

3 ACCOUNTING POLICIES

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

New and amended standards adopted by the Group

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

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

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 4(b).

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

Impacts on transition

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

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

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

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

4 CHANGES IN ACCOUNTING POLICIES *(continued)*

Impacts on transition *(continued)*

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

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

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

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

4 CHANGES IN ACCOUNTING POLICIES *(continued)*

Impacts on transition *(continued)*

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

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

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

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

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

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

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

	Segment assets RMB'000
BOO	52,620

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

The Group's leases are mainly rentals of land use rights. Rental contracts are typically made for fixed periods of 20 to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

4 CHANGES IN ACCOUNTING POLICIES *(continued)*

Impacts on transition *(continued)*

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

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Leases of low-value assets are mainly rentals of offices.

5 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

6 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of 31 December 2018.

There have been no changes in the risk management policies since year end.

7 SEGMENT INFORMATION

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

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.

7 SEGMENT INFORMATION *(continued)*

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

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

7 SEGMENT INFORMATION *(continued)*

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

7 SEGMENT INFORMATION *(continued)*

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

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

7 SEGMENT INFORMATION *(continued)*

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

	Polysilicon production RMB'000	ECC RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
(Unaudited)						
As of 30 June 2019						
Segment assets	20,334,730	13,874,920	8,179,274	2,918,679	(8,676,741)	36,630,862
Investments accounted for using the equity method	–	189,109	–	–	–	189,109
	20,334,730	14,064,029	8,179,274	2,918,679	(8,676,741)	36,819,971
Unallocated assets						167,269
Total assets						36,987,240
(Audited)						
As of 31 December 2018						
Segment assets	18,540,886	13,836,486	7,187,943	2,948,671	(7,133,229)	35,380,757
Investments accounted for using the equity method	–	136,769	–	4,200	–	140,969
	18,540,886	13,973,255	7,187,943	2,952,871	(7,133,229)	35,521,726
Unallocated assets						177,977
Total assets						35,699,703

7 SEGMENT INFORMATION *(continued)*

Entity-wide information

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

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

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

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

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

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

8 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Opening net book value	**16,504,406**	13,058,520
Additions	**1,778,441**	895,556
Disposals	**(15,397)**	(22,576)
Depreciation charge	**(441,061)**	(359,928)
Closing net book value	**17,826,389**	13,571,572

The depreciation expense has been charged as below:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	**395,651**	294,692
Selling and marketing expenses	**195**	224
General and administrative expenses	**28,484**	37,557
Capitalized in inventories	**16,731**	27,455
	441,061	359,928

For the six months ended 30 June 2019, interest expenses of RMB91,603,000 (six months ended 30 June 2018: RMB40,750,000) have been capitalized in property, plant and equipment at average interest rate of 5.39% (six months ended 30 June 2018: 4.75%)(Note 16).

As of 30 June 2019, Group's certain buildings and machinery with original book value of RMB14,252,300,000 (31 December 2018: RMB14,863,338,000) were pledged as securities for Group's borrowings (Note 13).

9 DEFERRED TAX

(a) Deferred tax assets

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Beginning of the period	**177,977**	179,663
Debited to the consolidated statement of comprehensive income	**(10,708)**	(43,901)
End of the period	**167,269**	135,762

(b) Deferred tax liabilities

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Beginning of the period	**123,497**	78,742
Debited to the consolidated statement of comprehensive income	**20,630**	31,344
End of the period	**144,127**	110,086

10 CONTRACT ASSETS/LIABILITIES

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

	As of 30 June 2019 RMB'000 (Unaudited)	As of 31 December 2018 RMB'000 (Audited)
Current contract assets relating to construction contract	2,129,677	2,303,139
Less: Loss allowance	(11,540)	(48,460)
Total contract assets	2,118,137	2,254,679
Total contract liabilities	1,022,802	1,067,850

11 TRADE AND NOTES RECEIVABLE

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

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

As of 30 June 2019, the Group's trade receivables with the original book value of RMB478,927,000 (31 December 2018: RMB304,765,000) were pledged as security for long-term bank borrowings (Note 13(a)).

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

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

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

12 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares (thousands)	Nominal value RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
(Unaudited)				
As of 1 January 2019	1,045,005	1,045,005	4,945,506	5,990,511
Issue of shares (note (a))	154,995	154,995	1,050,865	1,205,860
Transactions with non-controlling interests (note (b))	–	–	(38,967)	(38,967)
As of 30 June 2019	1,200,000	1,200,000	5,957,404	7,157,404

(a) The Group completed the issuance of 154,994,838 domestic shares on 15 February 2019 to its ultimate parent company, TBEA with nominal value of RMB1.00 each at a price of HKD8.80 per share. The total proceeds from the issuance was approximately HKD1,363,955,000 (equivalent to approximately RMB1,205,860,000), with which share capital increased by approximately RMB154,995,000.

(b) For the six months ended 30 June 2019, Xinjiang Socus Silicon Co., Ltd. and BoCom Financial Asset Investment Co., Ltd. injected cash amounting to RMB5,000,000 and RMB1,000,000,000 respectively to the subsidiaries of the Company. Pursuant to the capital injection, the Group recognized the difference between its shares of the net assets of subsidiaries before and after the investment as adjustments in equity attributable to owners of the Company.

13 BORROWINGS

	As of 30 June 2019 RMB'000 (Unaudited)	As of 31 December 2018 RMB'000 (Audited)
Long-term borrowings		
Bank borrowings:		
— Secured (note (a))	9,598,518	7,372,870
— Unsecured	1,161,500	768,500
Other borrowings:		
— Secured (note (b))	761,900	920,900
Less: current portion of long-term borrowings	(1,435,025)	(963,270)
Total non-current borrowings	10,086,893	8,099,000
Short-term borrowings		
Bank borrowings:		
— Secured (note (a))	70,235	62,910
— Unsecured	1,383,170	3,415,198
	1,453,405	3,478,108
Other borrowings:		
— Secured (note (b))	–	308,082
— Debentures	–	100,000
	–	408,082
Current portion of long-term borrowings	1,435,025	963,270
Total current borrowings	2,888,430	4,849,460
Total borrowings	12,975,323	12,948,460

13 BORROWINGS *(continued)*

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

	As of 30 June 2019 RMB'000 (Unaudited)	As of 31 December 2018 RMB'000 (Audited)
Within 1 year	**2,888,430**	4,849,460
1 year to 2 years	**1,484,325**	1,364,532
2 years to 5 years	**4,299,175**	2,847,843
Over 5 years	**4,303,393**	3,886,625
	12,975,323	12,948,460

(a) As of 30 June 2019, secured short-term bank borrowings with amount of RMB70,235,000 (2018: RMB62,910,000) were pledged with the Group's certain land use rights, property, plant and equipment (Note 8) and intangible assets.

As of 30 June 2019, secured long-term bank borrowings with amount of RMB9,598,518,000 (2018: RMB7,372,870,000)were guaranteed by TBEA Co., Ltd., Xinte Energy Co., Ltd. and pledged with Group's guarantee deposit of cash, the Group's certain inventory, land use rights, property, plant and equipment (Note 8) and receivable collection right (Note 11), respectively.

(b) As of 31 December 2018, secured short-term other borrowings with amount of RMB308,082,355 were pledged with the Group's certain property, plant and equipment (Note 8) and guarantee deposit of cash amounting to RMB15,000,000.

As of 30 June 2019, secured long-term other borrowings with amount of RMB32,400,000 (2018: RMB32,400,000) were guaranteed by TBEA Xinjiang New Energy Co., Ltd., the Company's subsidiary.

As of 30 June 2019, secured long-term other borrowings with amount of RMB729,500,000 were guaranteed by the bank credit (2018: RMB488,500,000).

As of 31 December 2018, secured long-term other borrowings with amount of RMB400,000,000 were pledged with Group's certain inventory.

(c) For the six months ended 30 June 2019, the average interest rates of borrowings ranged from 1.20% to 5.88% (six months ended 30 June 2018: from 1.20% to 5.88%).

13 BORROWINGS *(continued)*

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

	As of 30 June 2019 RMB'000 (Unaudited)	As of 31 December 2018 RMB'000 (Audited)
Expiring within 1 year	**7,418,980**	5,567,582
Expiring beyond 1 year	**4,490,760**	1,624,820
	11,909,740	7,192,402

14 TRADE AND NOTES PAYABLE

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

The ageing analysis of trade payables is as follows:

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

15 OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	**21,498**	32,239
Net income from sales of raw materials	**11,437**	3,957
Others	**2,363**	1,483
	35,298	37,679

For the six months ended 30 June 2019 and 2018, the Group's government grant income included amortisation of asset-related government grants with amount of RMB12,051,000 and RMB27,688,000, respectively.

16 FINANCE EXPENSES — NET

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on borrowings	**378,303**	279,964
Less: amounts capitalized	**(165,902)**	(112,032)
— in property, plant and equipment (Note 8)	**(91,603)**	(40,750)
— in inventories and contract assets	**(74,299)**	(71,282)
Net foreign exchange (gains)/losses	**(3,866)**	5,785
Finance expenses	**208,535**	173,717
Interest income	**(19,498)**	(13,522)
	189,037	160,195

17 INCOME TAX EXPENSE

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

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

18 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2019 and 2018.

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

(b) Diluted

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

19 DIVIDENDS

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

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

20 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 the Jiangsu Province People's Court against the Company for certain patent infringement and commercial secrets, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed the Company, the Supreme People's Court of the People's Republic of China ruled to the case should be under the jurisdiction of the Xinjiang Province People's Court. As of the approval date of this condensed consolidated interim financial information for issue, the aforementioned litigation is still in the process of substantive hearing at first instance, but the Company is not subpoenaed and the specific court date is not determined. After considering the opinion of an independent legal counsel, the Directors of the Company are of the opinion that this litigation is still at an early stage and there are no sufficient grounds to foresee and assess the outcome and the corresponding contingent liabilities. Accordingly, no provision is made with respect to the aforementioned claim at 30 June 2019.

Apart from the above, the Group and the Company have contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As of 30 June 2019, the Directors of the Company did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the interim condensed consolidated financial information.

21 COMMITMENTS

Capital commitments

As of 30 June 2019 and 31 December 2018, capital commitments with respect to capital expenditure of property, plant and equipment and long-term leases of land are as follows:

	As of 30 June 2019 RMB'000 (Unaudited)	As of 31 December 2018 RMB'000 (Audited)
Contractual but not yet incurred	**1,085,255**	2,174,754

22 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) Significant transactions with related parties

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
With parent company:		
— Sales of goods or services	**3,335**	3,306
— Rental expenses charged	**3,568**	3,448
— Purchases of goods or services	**58,650**	97,870
With fellow subsidiaries:		
— Sales of goods or services	**1,598**	902
— Rental expenses charged	**61**	—
— Procurement deposits received	**20**	150
— Purchases of goods or services	**185,288**	195,947
With associates of parent company:		
— Sales of goods or services	**5,937**	10,122
— Purchases of goods or services	**37,719**	45,853
With associates:		
— ECC services provided	**76,783**	326,709
— Project development cost provided	**—**	1,200
— Purchases of goods or services	**3,638**	—
With subsidiaries of a director of the Company:		
— Sales of goods	**208**	141
— Purchases of goods or services	**87,194**	12,320

These transactions are carried out on terms mutually agreed with the counter parties in the ordinary course of business.

22 RELATED PARTY TRANSACTIONS *(continued)*

(b) Key management compensation

The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and bonuses	**8,011**	6,360
Pension and others	**676**	555
	8,687	6,915