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

2020

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. Wang Shi[1]
Mr. Qin Xiaodong[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. Wang Shi[1]
Mr. Qin Xiaodong[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

(1) Mr. Wang Shi resigned as a non-executive Director and member of the Audit Committee of the Company, effective from 24 April 2020.

(2) On 16 June 2020, Mr. Qin Xiaodong was appointed as a non-executive Director and member of the Audit Committee of the Company.

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

LEGAL ADVISERS

As to PRC law
Xinjiang Tianyang Law Firm
7/F, Block A Greentown Plaza
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

No. 2249, Zhongxin Street
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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Urumqi, Xinjiang, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Computershare Hong Kong Investor Services Limited
Shops 1712–1716
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STOCK CODE

1799

COMPANY WEBSITE

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INVESTOR COMMUNICATIONS

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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
"Articles of Association"	the articles of association adopted by the Company
"associate(s)"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"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"	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
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"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

Definitions

"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"	10 September 2020, 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
"MOF"	Ministry of Finance of the PRC
"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
"Pandemic"	the COVID-19 pandemic
"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 2020
"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)"	a supervisor (all supervisors) of the Company
"Supervisory Board"	the Supervisory Board of our Company
"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 STATUS

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

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

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

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

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

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

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

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

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

2. Review of Development Status of the Polysilicon Industry

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

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

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

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

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

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

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

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

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

II. THE MAIN BUSINESS OPERATIONS OF THE GROUP

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

1. Polysilicon Production

During the first half of 2020, the price of polysilicon dropped continuously, the price spread between monocrystalline and polycrystalline materials was on a rise. In the face of adverse impacts, the Group adhered to quality improvement and cost reduction to improve efficiency. Through scientific and technological innovation and process optimization, the Group managed to improve the operation efficiency of equipment, increase the proportion of monocrystalline silicon materials, improve the extension of polycrystalline silicon industrial chain, accelerate operation of projects of organic silicon and zirconium-based materials, continue to establish the industrial cluster advantages, and enhance the core competitiveness of the Group.

During the first half of 2020, the Group realized a polysilicon production of 26,200 tons, representing an increase of approximately 43.96% over the corresponding period of last year, mainly attributable to the release of capacity of 36,000-ton Polysilicon Project.

2. Development of Wind and PV Power Resources

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

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

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

3. Power Plant Operation — BOO Projects

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

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

4. Driving industry development with technological and management innovation

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

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

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

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

5. Promote the construction of safety management

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

III. OPERATING RESULTS AND ANALYSIS

Financial Review:

Business Performance Table

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

Revenue

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

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

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

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

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

Cost of sales

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

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

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

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

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

Gross profit and gross profit margin

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

Other income

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

Other losses — net

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

Selling and marketing expenses

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

General and administrative expenses

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

Finance expenses — net

For the six months ended 30 June 2020, the net finance expenses of the Group was RMB254.29 million, representing an increase of RMB65.25 million or 34.52% from RMB189.04 million in the corresponding period of last year, mainly due to the increase of funds borrowed by the Group resulting in an increase in interest expense during the Reporting Period.

Share of profit of investments accounted for using the equity method

For the six months ended 30 June 2020, the profit of investments accounted for using the equity method of the Group was RMB17.65 million, representing a decrease of RMB3.71 million or 17.37% from RMB21.37 million in the corresponding period of last year, mainly due to the decrease in the profit of associates of the Group during the Reporting Period.

Income tax credit/(expense)

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

Profit attributable to the owners of the Company

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

Profit attributable to the non-controlling interests

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

Cash Flows

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

Net cash used in operating activities

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

Net cash used in investing activities

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

Net cash generated from financing activities

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

Operation Fund

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

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

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

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

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

Capital expenditure

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

Contingent liabilities

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

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

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

Further details of the Project and the litigations as mentioned above are set out on page 37 of this interim report.

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

Asset mortgage

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

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

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

Significant investments

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

Foreign exchange risk

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

Interest rate risk

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

Capital liquidity

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

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

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

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

Borrowings and notes payable

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

Credit risk

Credit risk arises from cash and cash equivalents, restricted bank deposits, trade and notes receivable, tariff adjustment receivables, contract assets, other receivables and other financial assets at FVOCI. Credit risk is managed on a group basis. Each local entity is responsible for managing and analyzing the credit risk for their respective new customers before standard payment and delivery terms and conditions are offered. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and other factors.

Events after the balance sheet date

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

IV. PROSPECTS

Market Prospects

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

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

Business Plan in the Second Half of 2020

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

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

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

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

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

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

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

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

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

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

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

V. RISK FACTORS AND RISK MANAGEMENT

1. Risks associated with falling price of polysilicon

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

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

2. Risks associated with intensified market competition

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

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

3. Risks associated with tariff cuts

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

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

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

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

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

5. **Risk associated with the Pandemic**

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

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

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 2020, the Company had fully complied with all the code provisions contained in the CG Code in Appendix 14 of the Listing Rules.

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

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

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

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 "**IPO**"). The net proceeds of the H Shares offering were the equivalent of approximately RMB1,191.67 million in HKD. The planned purposes for the proceeds from the IPO is as follows:

- Approximately 65% for construction and operation of the BOO projects of the Group;
- Approximately 20% for repayment of part of long-term bank loans;
- Approximately 10% for replenishment of operating capital; and
- Approximately 5% for investment in R&D activities and purchasing or upgrading of IT systems.

The amount of unused proceeds brought forward from 31 December 2019 was equivalent to approximately RMB35.79 million and the proceeds brought forward was used in the Group's investment in R&D activities and purchasing or upgrading of IT systems. As at 30 June 2020, the net proceeds of the Company has been fully utilized according to the above purposes.

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 programs 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. Qin Xiaodong (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 2020, the 2020 interim report and the unaudited condensed consolidated interim financial statement for the six months ended 30 June 2020 prepared in accordance with IAS 34 "Interim Financial Reporting".

Other Information

SHARE CAPITAL

As of 30 June 2020, the share capital structure of the Company is as follows:

Classification of Shares	Number of issued shares as of 30 June 2020	Approximate percentage of total issued shares as of 30 June 2020 (%)
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 2020, 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 2020.

PURCHASE, SALE OR REDEMPTION 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 2020.

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

As of 30 June 2020, 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 share-holding 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 2020.

(2) The calculation is based on the total number of 886,524,370 Domestic Shares of the Company in issue as of 30 June 2020.

(3) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, and as of 30 June 2020, 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 2020, 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 2020, 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 2020, so far as is known to the Directors 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 which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and have 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 shareholding in the relevant class of Shares of the Company[1]	Approximate percentage of shareholding 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 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 shareholding in the relevant class of Shares of the Company[1]	Approximate percentage of shareholding 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	17,583,200	5.61%	1.47%	Long position
Fubon Life Insurance Co., Ltd.[8]	Beneficial owner	H Shares	17,583,200	5.61%	1.47%	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 2020, 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 2020, 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 the 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 2020, 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 are 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 at 30 June 2020, the Group had a total of 4,341 employees. Remuneration paid to the Group's employees is comprised of basic salary of the respective position and performance-based salary, with the performance-based salary determined based on the performance of the Group and performance assessment results of the employees.

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

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

MAJOR LEGAL PROCEEDING

For the six months ended 30 June 2020, the Company was involved in two major legal proceedings, which have been disclosed in the announcements dated 20 May 2020 and 22 June 2020:

Litigation of the Intermediate Court of Beijing:

In January 2017, Xinjiang New Energy, a subsidiary of the Company, entered into a construction agreement with Xuyi High Drive, stipulating that Xinjiang New Energy shall undertake the general construction of the project.

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

Litigation of the Intermediate People's Court of Huaian:

According to the Construction Agreement, the project payment of RMB130,488,063.62 payable to Xinjiang New Energy by Xuyi High Drive has not been effected as at the date of filing the lawsuit with the Intermediate People's Court of Huaian, Jiangsu (the "**Intermediate People's Court of Huaian**"). With Huaxia Financial Leasing having filed a claim to the Intermediate Court of Beijing, even though Xinjiang New Energy is of the opinion that the claim from Huaxia Financial Leasing lacks merit, if the Intermediate Court of Beijing ultimately decides that Xinjiang New Energy shall bear the legal responsibilities, Xuyi High Drive should compensate all the losses of Xinjiang New Energy.

In June 2020, Xinjiang New Energy filed a lawsuit against Xuyi High Drive and other independent third parties with the Intermediate People's Court of Huaian, and sought the Intermediate People's Court of Huaian's confirmation that (i) the Construction Agreement shall be terminated; (ii) Xuyi High Drive shall effect the project payment of RMB130,488,063.62 and the relevant liquidated damages for late payment; (iii) Xuyi High Drive shall compensate the losses of Xinjiang New Energy as a result of its breach with a tentative amount of RMB600 million (subject to the decision of Intermediate Court of Beijing); (iv) other defendants shall be jointly and severally liable for claims (ii) and (iii); (v) Xinjiang New Energy has the priority of compensation in respect of proceeds from pledged assets and pledged power fare; and (vi) Xinjiang New Energy has the priority of compensation in respect of the Project's project payment. As at the date of this interim report, the first instance of the litigation has been held but no judgment has been made.

Except the abovementioned proceedings, as of 30 June 2020, 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 2020, the changes of information of Directors, Supervisors and senior management of the Company are as follows:

(1) Mr. Wang Shi resigned from his duties as a non-executive Director and member of the Audit Committee, with effect from 24 April 2020.

(2) On 16 June 2020, Mr. Qin Xiaodong was appointed as a non-executive Director of the third session of the Board. At the same time, Mr. Qin Xiaodong was appointed as a member of the Audit Committee.

Since the publication of the Company's 2019 annual report, saved as disclosed above, there have been no other changes in the information of Directors, Supervisors and senior management.

Review Report

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 41 to 68, 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 2020 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, 28 August 2020

Interim Condensed Consolidated Balance Sheet

As of 30 June 2020

	Note	As of 30 June 2020 RMB'000 (Unaudited)	As of 31 December 2019 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**20,917,148**	19,277,873
Right-of-use assets		**727,324**	686,665
Intangible assets		**90,293**	96,617
Investments accounted for using the equity method		**341,010**	644,967
Financial assets at fair value through other comprehensive income		**1,000**	1,000
Deferred tax assets	8	**246,901**	198,775
Other non-current assets		**3,406,323**	4,434,533
Total non-current assets		**25,729,999**	25,340,430
Current assets			
Inventories		**3,552,756**	3,037,744
Contract assets	9	**2,178,215**	2,409,573
Other current assets		**2,804,151**	2,606,307
Trade and notes receivable	10	**3,938,487**	3,873,852
Other receivables		**455,202**	380,004
Restricted cash		**1,655,816**	1,310,161
Cash and cash equivalents		**2,495,043**	2,747,045
Total current assets		**17,079,670**	16,364,686
Total assets		**42,809,669**	41,705,116

Interim Condensed Consolidated Balance Sheet

As of 30 June 2020

	Note	As of 30 June 2020 RMB'000 (Unaudited)	As of 31 December 2019 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	**1,200,000**	1,200,000
Share premium	11	**5,957,405**	5,957,405
Other reserves		**568,583**	554,047
Retained earnings		**3,636,169**	3,711,992
		11,362,157	11,423,444
Non-controlling interests		**2,337,799**	2,425,233
Total equity		**13,699,956**	13,848,677
LIABILITIES			
Non-current liabilities			
Borrowings	12	**14,023,167**	12,821,706
Lease liabilities		**51,445**	50,227
Deferred tax liabilities	8	**166,427**	153,120
Deferred government grants		**443,533**	430,518
Total non-current liabilities		**14,684,572**	13,455,571
Current liabilities			
Trade and notes payable	13	**7,501,919**	8,343,280
Provisions and other payables		**1,840,863**	1,728,964
Contract liabilities	9	**1,333,046**	1,039,916
Current income tax liabilities		**14,860**	20,373
Borrowings	12	**3,731,275**	3,267,509
Lease liabilities		**3,178**	826
Total current liabilities		**14,425,141**	14,400,868
Total liabilities		**29,109,713**	27,856,439
Total equity and liabilities		**42,809,669**	41,705,116

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes on pages 47 to 68.

This condensed consolidated interim financial information was approved by the Board of Directors on 28 August 2020 and were signed on its behalf.

Jianxin Zhang
Chairman

Bo Yin
Executive Director

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Note	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	6	**3,367,426**	4,041,315
Cost of sales		**(2,741,771)**	(3,187,876)
Gross profit		**625,655**	853,439
Selling and marketing expenses		**(138,423)**	(137,611)
General and administrative expenses		**(259,462)**	(222,249)
Net impairment losses on financial assets and contract assets		**(3,418)**	(18,380)
Other income	14	**43,308**	35,298
Other losses — net		**(6,429)**	(3,007)
Operating profit		**261,231**	507,490
Interest income	15	**20,317**	19,498
Finance expenses	15	**(274,603)**	(208,535)
Finance expenses — net		**(254,286)**	(189,037)
Share of profit of investments accounted for using the equity method		**17,654**	21,365
Profit before income tax		**24,599**	339,818
Income tax credit/(expense)	16	**14,388**	(36,385)
Profit for the period		**38,987**	303,433

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Note	Six months ended 30 June 2020 RMB'000 (Unaudited)	 2019 RMB'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**1,738**	235,488
Non-controlling interests		**37,249**	67,945
		38,987	303,433
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**3**	116
Total comprehensive income for the period		**38,990**	303,549
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,741**	235,604
Non-controlling interests		**37,249**	67,945
		38,990	303,549
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (RMB)	17	**0.00**	0.21
Diluted earnings per share (RMB)	17	**0.00**	0.21

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 47 to 68.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	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 2020	**1,200,000**	**5,957,405**	**554,047**	**3,711,992**	**11,423,444**	**2,425,233**	**13,848,677**
Comprehensive income							
Profit for the period	**–**	**–**	**–**	**1,738**	**1,738**	**37,249**	**38,987**
Currency translation differences	**–**	**–**	**3**	**–**	**3**	**–**	**3**
Total comprehensive income	**–**	**–**	**3**	**1,738**	**1,741**	**37,249**	**38,990**
Transactions with owners							
Dividends (Note 18)	**–**	**–**	**–**	**(72,000)**	**(72,000)**	**(124,683)**	**(196,683)**
Others	**–**	**–**	**5,561**	**(5,561)**	**–**	**–**	**–**
Employee share schemes							
— value of employee services	**–**	**–**	**8,972**	**–**	**8,972**	**–**	**8,972**
Total transactions with owners, recognized directly in equity	**–**	**–**	**14,533**	**(77,561)**	**(63,028)**	**(124,683)**	**(187,711)**
Balance at 30 June 2020	**1,200,000**	**5,957,405**	**568,583**	**3,636,169**	**11,362,157**	**2,337,799**	**13,699,956**
(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 18)	–	–	–	(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

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 47 to 68.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash used in operations	**(22,697)**	(145,629)
Income tax paid	**(17,324)**	(64,606)
Net cash used in operating activities	**(40,021)**	(210,235)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,794,107)**	(2,315,722)
Purchase of intangible assets	**(2,012)**	(5,392)
Proceeds from disposal of property, plant and equipment	**7,094**	15,162
Net proceeds from disposal of associates	**4,650**	4,200
Net proceeds from disposal of a subsidiary	**1,439**	—
Interest received	**20,317**	19,498
Government grants received	**30,800**	—
Changes in restricted cash	**87,128**	643,921
Loans to third parties	**(118,572)**	(56,445)
Net cash used in investing activities	**(1,763,263)**	(1,694,778)
Cash flows from financing activities		
Repayments of borrowings	**(4,313,787)**	(3,737,813)
Proceeds from borrowings	**6,415,940**	3,776,179
Issue of shares	**—**	2,210,860
Interest paid	**(429,153)**	(372,516)
Principal elements of lease payments	**(2,062)**	—
Dividends paid by the Company	**—**	(264,149)
Dividends paid to non-controlling interests	**(122,498)**	(945)
Net cash generated from financing activities	**1,548,440**	1,611,616
Net decrease in cash and cash equivalents	**(254,844)**	(293,397)
Cash and cash equivalents at the beginning of the period	**2,747,045**	3,856,408
Exchange gains/(losses) on cash and cash equivalents	**2,842**	(3,577)
Cash and cash equivalents at the end of the period	**2,495,043**	3,559,434

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 47 to 68.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

30 June 2020

1 GENERAL INFORMATION

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

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

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

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

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

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3 ACCOUNTING POLICIES

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

Amended standards adopted by the Group

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

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

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

4 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 2019.

5 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 2019.

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

6 SEGMENT INFORMATION

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

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

6 SEGMENT INFORMATION (continued)

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

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

6 SEGMENT INFORMATION (continued)

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

6 SEGMENT INFORMATION (continued)

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

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

6 SEGMENT INFORMATION (continued)

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

	Polysilicon production RMB'000	ECC RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
(Unaudited)						
As of 30 June 2020						
Segment assets	21,288,323	16,983,890	14,432,614	3,946,602	(14,429,671)	42,221,758
Investments accounted for using the equity method	–	341,010	–	–	–	341,010
	21,288,323	17,324,900	14,432,614	3,946,602	(14,429,671)	42,562,768
Unallocated assets						246,901
Total assets						42,809,669
Additions to non-current assets	137,742	4,322	1,676,595	375,186	–	2,193,845
(Audited)						
As of 31 December 2019						
Segment assets	20,309,246	17,520,623	10,735,468	3,227,579	(10,931,542)	40,861,374
Investments accounted for using the equity method	300,000	344,967	–	–	–	644,967
	20,609,246	17,865,590	10,735,468	3,227,579	(10,931,542)	41,506,341
Unallocated assets						198,775
Total assets						41,705,116
Additions to non-current assets	1,575,357	45,524	1,655,348	516,565	–	3,792,794

6 SEGMENT INFORMATION (continued)

Entity-wide information

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

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

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

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

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

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

7 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Opening net book value	**19,277,873**	16,504,406
Additions	**2,138,863**	1,778,441
Disposals	**(4,999)**	(15,397)
Depreciation charge	**(494,589)**	(441,061)
Closing net book value	**20,917,148**	17,826,389

The depreciation expense has been charged as below:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	**438,354**	395,651
Selling and marketing expenses	**205**	195
General and administrative expenses	**30,458**	28,484
Capitalized in inventories	**25,572**	16,731
	494,589	441,061

For the six months ended 30 June 2020, interest expenses of RMB89,181,000 (six months ended 30 June 2019: 91,603,000) has been capitalized in property, plant and equipment at average interest rate of 5.09% (six months ended 30 June 2019: 5.39%) (Note 15).

As of 30 June 2020, the Group's certain buildings and machinery with original book value of RMB7,194,070,000 (31 December 2019: RMB6,307,236,000) were pledged as securities for Group's borrowings (Note 12).

8 DEFERRED TAX

(a) Deferred tax assets

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Beginning of the period	**198,775**	177,977
Credited/(debited) to the consolidated statement of comprehensive income	**48,126**	(10,708)
End of the period	**246,901**	167,269

(b) Deferred tax liabilities

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Beginning of the period	**153,120**	123,497
Debited to the consolidated statement of comprehensive income	**13,307**	20,630
End of the period	**166,427**	144,127

9 CONTRACT ASSETS/LIABILITIES

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

	As of 30 June 2020 RMB'000 (Unaudited)	As of 31 December 2019 RMB'000 (Audited)
Current contract assets relating to construction contract	**2,197,241**	2,426,133
Less: Loss allowance	**(19,026)**	(16,560)
Total contract assets	**2,178,215**	2,409,573
Total contract liabilities	**1,333,046**	1,039,916

10 TRADE AND NOTES RECEIVABLE

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

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

As of 30 June 2020, the Group's certain receivable collection right was pledged as security for long-term bank borrowings (Note 12(a)).

10 TRADE AND NOTES RECEIVABLE (continued)

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

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

11 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 2020	**1,200,000**	**1,200,000**	**5,957,405**	**7,157,405**
As of 30 June 2020	**1,200,000**	**1,200,000**	**5,957,405**	**7,157,405**

12 BORROWINGS

	As of 30 June 2020 RMB'000 (Unaudited)	As of 31 December 2019 RMB'000 (Audited)
Long-term borrowings		
Bank borrowings:		
— Secured (note (a))	11,576,890	11,289,686
— Unsecured	2,428,217	1,565,217
Other borrowings:		
— Secured (note (b))	630,000	728,000
— Unsecured (note (c))	420,000	420,000
Less: current portion of long-term borrowings	(1,031,940)	(1,181,197)
Total non-current borrowings	14,023,167	12,821,706
Short-term borrowings		
Bank borrowings:		
— Secured (note (a))	52,583	60,560
— Unsecured	1,876,752	980,752
	1,929,335	1,041,312
Other borrowings:		
— Unsecured (note (c))	770,000	1,045,000
	770,000	1,045,000
Current portion of long-term borrowings	1,031,940	1,181,197
Total current borrowings	3,731,275	3,267,509
Total borrowings	17,754,442	16,089,215

12 BORROWINGS (continued)

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

	As of 30 June 2020 RMB'000 (Unaudited)	As of 31 December 2019 RMB'000 (Audited)
Within 1 year	**3,731,275**	3,267,509
1 year to 2 years	**3,050,968**	2,478,996
2 years to 5 years	**5,446,653**	5,031,215
Over 5 years	**5,525,546**	5,311,495
	17,754,442	16,089,215

(a) As of 30 June 2020, secured short-term bank borrowings with an amount of RMB30,015,000 (2019: RMB60,560,000) were pledged with the Group's certain land use rights and property, plant and equipment (Note 7).

As of 30 June 2020, secured short-term bank borrowings with an amount of RMB22,568,000 (2019: nil) represented proceeds received under trade receivable factoring agreements with recourse with banks.

As of 30 June 2020, secured long-term bank borrowings with an amount of RMB11,276,890,000 (2019: RMB11,289,686,000) were guaranteed by TBEA, the Company and pledged with the Group's certain inventory, land use rights, property, plant and equipment (Note 7) and receivable collection right (Note 10).

As of 30 June 2020, secured long-term bank borrowings with an amount of RMB300,000,000 (2019: nil) were pledged with notes receivable of certain subsidiaries.

12 BORROWINGS (continued)

(b) As of 30 June 2020, secured long-term other borrowings with an amount of RMB530,000,000 (2019: RMB728,000,000) were guaranteed by the bank credit.

As of 30 June 2020, secured long-term other borrowings with an amount of RMB100,000,000 were pledged with 100% of a subsidiary's equity interest (2019: nil).

(c) As of 30 June 2020, unsecured short-term other borrowings with an amount of RMB770,000,000 (2019: RMB1,045,000,000) and unsecured long-term other borrowings with an amount of RMB120,000,000 (2019: RMB420,000,000) were borrowed from TBEA Group Finance Co., Ltd, which is a fellow subsidiary of TBEA.

As of 30 June 2020, unsecured long-term other borrowings with an amount of RMB300,000,000 (2019: nil) represent the loan from Urumqi Fund Management Co., which will be settled in 5 years.

(d) For the six months ended 30 June 2020, the average interest rates of borrowings ranged from 2.05% to 6.62% (for six months ended 30 June 2019: from 1.20% to 5.88%).

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

	As of 30 June 2020 RMB'000 (Unaudited)	As of 31 December 2019 RMB'000 (Audited)
Expiring within 1 year	**7,083,754**	4,182,144
Expiring beyond 1 year	**2,097,835**	1,769,879
	9,181,589	5,952,023

13 TRADE AND NOTES PAYABLE

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

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

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

14 OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	**32,891**	21,498
Net income from sales of raw materials	**9,378**	11,437
Others	**1,039**	2,363
	43,308	35,298

For the six months ended 30 June 2020 and 2019, the Group's government grant income included amortisation of asset-related government grants with amounts of RMB16,034,000 and RMB12,051,000, respectively.

15 FINANCE EXPENSES — NET

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on borrowings	**429,589**	377,221
— bank borrowings	**396,370**	351,290
— other borrowings	**33,219**	25,931
Less: amounts capitalized	**(156,224)**	(165,902)
— in property, plant and equipment (Note 7)	**(89,181)**	(91,603)
— in inventories and contract assets	**(67,043)**	(74,299)
Net foreign exchange losses	**—**	(3,866)
Interest expenses paid for lease liabilities	**1,238**	1,082
Finance expenses	**274,603**	208,535
Interest income	**(20,317)**	(19,498)
	254,286	189,037

16 INCOME TAX (CREDIT)/EXPENSE

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

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

17 EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

18 DIVIDENDS

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

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

19 CONTINGENT LIABILITIES

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

In May 2017, Xuyi High Drive entered into a finance lease agreement with Huaxia Financial Leasing Co., Ltd.* (華夏金融租賃有限公司) ("**Huaxia Financial Leasing**"), and carried out financial leasing business for the Project, with a total lease principal of RMB600 million. Huaxia Financial Leasing also entered into a right and obligation transfer agreement with Xuyi High Drive and Xinjiang New Energy, stipulating that Huaxia Financial Leasing will undertake the payment obligation for the procurement of the major equipment, components and materials for the Project and obtain the Project's ownership after its completion; whilst other rights and obligations under the Construction Agreement shall continue to be fulfilled by Xuyi High Drive and Xinjiang New Energy in accordance with the Construction Agreement. If the equipment delivered by Xinjiang New Energy is seriously inconsistent with the Construction Agreement and Xuyi High Drive's requirements, resulting in the failure of the finance lease agreement, and Huaxia Financial Leasing terminates the right and obligation transfer agreement accordingly, Huaxia Financial Leasing is entitled to request Xinjiang New Energy to refund the principal and interest of the finance lease paid by it. In May 2020, Huaxia Financial Leasing filed a claim to the Second Intermediate People's Court of Beijing Municipality ("**Beijing Intermediate Court**") on the ground that the equipment delivered by Xinjiang New Energy was inconsistent with those stipulated in the Construction Agreement, and sought to recover the principal of the finance lease of RMB600 million together with the interest, litigation and preservation fees from Xinjiang New Energy. As of the date when Huaxia Financial Leasing filed a claim to Beijing Intermediate Court, construction of the Project was suspended due to the lack of construction condition resulting from Xuyi High Drive's failure to timely handle the relevant procedures according to the regulations and some other reasons. In June 2020, Xinjiang New Energy filed a lawsuit against Xuyi High Drive and other defendants with the Intermediate People's Court of Huaian in relation to the aforesaid contractual disputes. As of the approval date of this condensed consolidated interim financial information for issue, the first instance of the aforementioned litigation has been held respectively but no judgement has been made. 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 2020.

19 CONTINGENT LIABILITIES (continued)

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 2020, 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.

20 COMMITMENTS

Capital commitments

As of 30 June 2020 and 31 December 2019, capital commitments with respect to capital expenditure of property, plant and equipment are as follows:

	As of 30 June 2020 RMB'000 (Unaudited)	As of 31 December 2019 RMB'000 (Audited)
Contractual but not yet incurred	**485,345**	742,856

21 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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
With parent company:		
— Sales of goods or services	**1,348**	3,335
— Rental expenses charged	**1,614**	3,568
— Purchases of goods or services	**88,541**	58,650
With fellow subsidiaries:		
— Sales of goods or services	**2,040**	1,598
— Rental expenses charged	**61**	61
— Proceeds from borrowings	**890,000**	—
— Interest charged	**28,517**	—
— Interest received	**495**	—
— Other financial services	**16,748**	—
— Other financial services fee	**8**	—
— Procurement deposits received	**50**	20
— Purchases of goods or services	**383,687**	185,288
With associates of parent company:		
— Sales of goods or services	**18,185**	5,937
— Purchases of goods or services	**1,598**	37,719
With associates:		
— ECC services provided	**240,945**	76,783
— Purchases of goods or services	**—**	3,638
With associate of a director of the Company:		
— Sales of goods	**268**	208
— Purchases of goods or services	**81,544**	87,194

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

21 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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and bonuses	**6,308**	8,011
Pension and others	**435**	676
Share-based payment	**1,341**	—
	8,084	8,687

22 IMPACTS OF COVID-19 OUTBREAK

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