新特能源股份有限公司

Xinte Energy Co., Ltd.

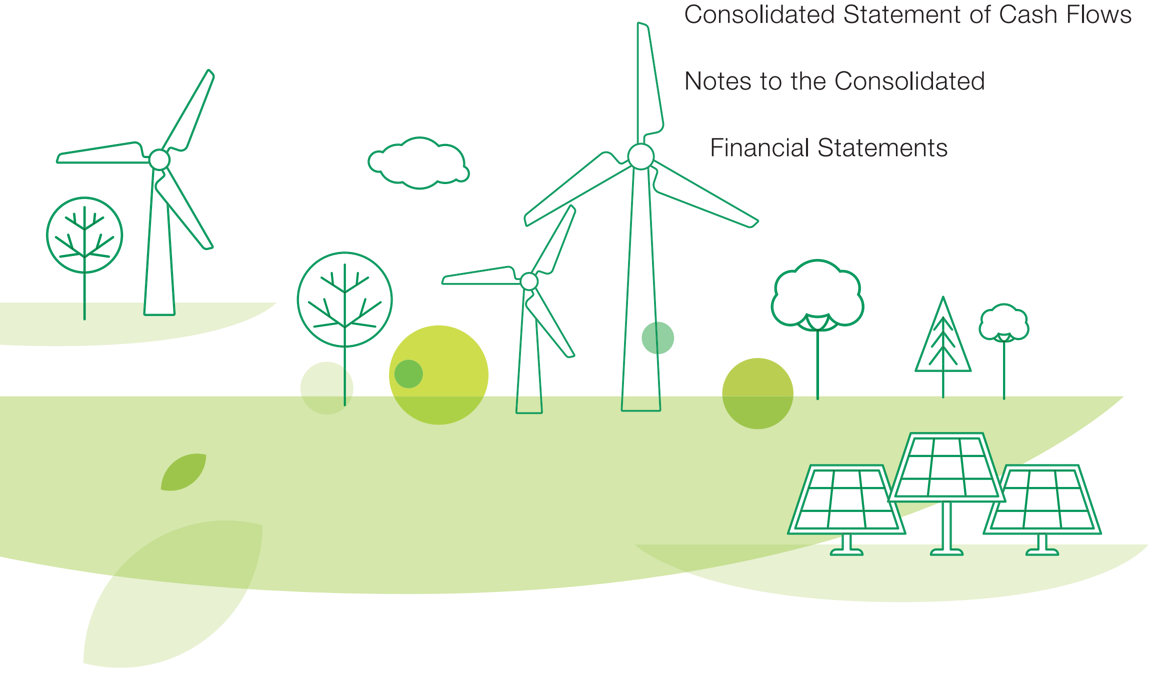
(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock code : 1799

2018

Annual Report

Contents



Corporate Profile

DIRECTORS

Executive Directors

Mr. Zhang Jianxin *(Chairman)*
Mr. Yin Bo
Mr. Ma Xuping(1)
Mr. Xia Jinjing(2)

Non-executive Directors

Mr. Zhang Xin
Ms. Guo Junxiang
Mr. Tao Tao(3)
Mr. Lin Chengfei(4)

Independent Non-executive Directors

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

SUPERVISORS

Mr. Chen Qijun *(Chairman)*
Ms. Wu Wei(5)
Mr. Han Shu(6)
Mr. Hu Shujun
Mr. Zhang Yueqiang(7)
Mr. Ma Junhua(8)
Mr. Cao Huan

AUDIT COMMITTEE

Mr. Wong, Yui Keung Marcellus *(Chairman)*
Mr. Yang Deren
Mr. Qin Haiyan
Mr. Tao Tao(3)
Mr. Lin Chengfei(4)
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. Ma Xuping(1)
Mr. Xia Jinjing(2)
Mr. Wong, Yui Keung Marcellus
Mr. Zhang Jianxin

STRATEGY COMMITTEE

Mr. Zhang Jianxin *(Chairman)*
Mr. Yang Deren
Mr. Qin Haiyan
Mr. Ma Xuping(1)
Mr. Yin Bo(9)
Mr. Zhang Xin

(1) As the third session of the Board of Directors formally took office on 15 June 2018, Mr. Ma Xuping retired as the Company's executive director as well as member of Strategy Committee and Remuneration and Assessment Committee from 15 June 2018.
(2) Mr. Xia Jinjing was appointed as the Company's executive director and member of Remuneration and Assessment Committee on 15 June 2018.
(3) Mr. Tao Tao resigned as the Company's non-executive director and member of Audit Committee on 28 June 2018.
(4) Mr. Lin Chengfei was appointed as the Company's non-executive director and member of Audit Committee on 12 December 2018 and resigned from the above positions with effect from 13 March 2019.
(5) As the third session of the Supervisory Board formally took office on 15 June 2018, Ms. Wu Wei retired as the Company's supervisor from 15 June 2018.
(6) Mr. Han Shu was appointed as the Company's non-employee representative supervisor on 15 June 2018.
(7) As the third session of the Supervisory Board formally took office on 15 June 2018, Mr. Zhang Yueqiang retired as the Company's employee representative supervisor from 15 June 2018.
(8) Mr. Ma Junhua was appointed as the Company's employee representative supervisor on 15 June 2018.
(9) Mr. Yin Bo was appointed as a member of the Company's Strategy Committee on 15 June 2018.

Corporate Profile

JOINT COMPANY SECRETARIES
Ms. Zhang Juan
Ms. Ng Wing Shan

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

AUDITOR
PricewaterhouseCoopers
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
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. 2499, Mianguangdong Street
Ganquanpu Economic and Technological
Development Zone (Industrial Park)
High-tech Industrial Development Zone
(New Downtown), Urumqi, Xinjiang, PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
No. 2499, Mianguangdong Street
Ganquanpu Economic and Technological
Development Zone (Industrial Park)
High-tech Industrial Development Zone
(New Downtown), Urumqi, Xinjiang, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
40th Floor, Sunlight Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

H SHARE REGISTRAR
COMPUTERSHARE HONG KONG INVESTOR SERVICES LIMITED
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE
1799

COMPANY WEBSITE
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INVESTOR COMMUNICATION
TEL: 86 991-3665888
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E-mail: ir@xinteenergy.com

Definitions

In this annual report, unless the context otherwise requires, the following terms and expressions have the meanings as set forth below:

"36,000-ton Polysilicon Project"	the 36,000 tons/year high-purity polysilicon project
"Articles of Association" or "Articles"	the articles of association adopted by the Company
"Associate(s)"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Auditor"	PricewaterhouseCoopers
"Audit Committee"	Audit Committee of the Board of Directors
"average utilisation hours"	the gross generation in a specified period divided by the average installed capacity in such period
"Board" or "Board of Directors"	the Board of Directors of the Company
"BOO"	Build-Own-Operate, a contracting model in which the contractor undertakes the construction, operations and maintenance of a project. Unlike the BT structure, the contractor owns the project and does not have to transfer it to another entity
"BT"	Build and Transfer, a contracting model in which the contractor serves as the project investor (by setting up a project company as its subsidiary) and undertakes the financing and development of the project. The BT contractor eventually transfers and sells the equity interest in the project company to a third-party purchaser, thereby recovering the construction, subcontracting and/or financing costs on the project
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Company", "our Company", "Xinte Energy", "we" or "us"	Xinte Energy Co., Ltd., 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 become the holding company of our present subsidiaries, the present subsidiaries of our Company and the business carried on by such subsidiaries or (as the case may be) their respective predecessors

Definitions

"Companies Ordinance"	the 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
"DC"	direct current (the unidirectional flow of electric charge)
"Directors"	the directors of the Company
"Domestic Share(s)"	ordinary shares 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", "our Group"	our Company and its subsidiaries
"GW"	gigawatt, a unit of power. 1GW = 1,000MW
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Main Board of the Stock Exchange
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"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
"IFRS"	International Financial Reporting Standards and its interpretation issued by the International Accounting Standards Committee

Definitions

"installed capacity"	the intended full-load output of a power generating project usually denominated in MW; also known as the rated capacity or the (designed) production capacity
"kW"	kilowatt, a unit of power, 1kW = 1,000 watts
"kWh"	kilowatt hour, the unit of measurement for calculating the quantity of power production output. 1kWh is the work completed by a kilowatt generator running continuously for one hour at the rated output capacity
"Latest Practicable Date"	16 April 2019, being the latest practicable date prior to the printing of this annual report for ascertaining certain information contained herein
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Macau"	Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"MIIT"	the Ministry of Industry and Information Technology
"Ministry of Finance"	the Ministry of Finance of the People's Republic of China
"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 of Directors
"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 could sell the electricity it generated to the power grid companies, usually denominated in RMB/kWh
"province"	a province or, as the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC

Definitions

"PV"	photovoltaic
"R&D"	research and development
"Remuneration and Assessment Committee"	Remuneration and Assessment Committee of the Board of Directors
"Reporting Period"	for the year ended 31 December 2018
"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)"	ordinary shares in the 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" or "subsidiaries"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Board"	the board of supervisors of the Company
"SVG"	Static VAR generator
"TBEA"	TBEA Co., Ltd. (特變電工股份有限公司), directly and indirectly holding a total of 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)
"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

Major Events in 2018

JANUARY

The Group was honoured with the first prize of “Scientific and Technological Progress Award in 2017 in Xinjiang Uygur Autonomous Region” (2017年度新疆維吾爾自治區科技進步獎) for the project of “Development and Application of the Key Anti-coking Technology of Fired High-alkali Coal in Zhundong” (《燃用准東高鹼煤防結焦關鍵技術開發及應用》).

FEBRUARY

The Group was honoured with the second prize of “Scientific and Technological Progress Award in Xinjiang Uygur Autonomous Region” for the project of “R&D and Industrial Application of 1.25MW Stand-alone Inverter for Photovoltaic Grid Connection” (《單機1.25MW光伏併網逆變器研發及產業化應用項目》).

The Group was awarded the first prize of “Scientific and Technological Progress Award of China Nonferrous Metal Industry Association” (中國有色金屬工業協會科技進步獎) for the project of “Independent Innovation and Industrialisation of Key Technologies for Green Production of High-purity Crystal Silicon” (《高純晶體硅綠色生產關鍵技術自主創新與產業化項目》).

MARCH

The project of “Reconstruction and Integrated Application of Internal Network of Industrial Internet Platform-based High-purity Silicon-based New Materials Enterprises” (《基於工業互聯網平台的高純硅基新材料企業內網改造集成應用項目》) undertaken by the Group has been listed as one of the National Industrial Internet Innovation and Development Projects of the MIIT.

APRIL

The Group was awarded the second prize of Scientific and Technological Progress Award of China Nonferrous Metal Industry Association for the project of “Development and Application of Key Technology for Intelligent Manufacturing of High-purity Crystal Silicon Materials” (高純晶體硅材料智能製造關鍵技術開發與應用項目).

MAY

The United Credit Rating Co., Ltd., one of the three major rating companies in China, conducted a tracking credit rating on the Group in 2018, giving AA+ rating for the Group.

The Group’s first phase green debt financing scheme in 2018 was successfully listed and issued as the first green debt financing scheme in China.

The Group was awarded the first prize and the second prize of “QC Achievements of Power Energy Industry in Xinjiang Uygur Autonomous Region” (新疆維吾爾自治區電力能源專業QC成果) for the projects of “Reducing the Concrete Filling Factor of Basic Bored Piles in Wind Turbines” (《降低風機基礎鑽孔灌注樁混凝土充盈系數》) and “Reducing the Sand Loss Rate Surrounding the Grouting Piles” (《降低灌注樁周圍沙土流失率》), respectively.

Major Events in 2018

SEPTEMBER

The Group won the bid for the pole 1 converter valve package of Liubei Power Station in the UHV multi-terminal DC demonstration project for the transmission of power to Guangdong and Guangxi from Wudongde Power Station of China Southern Power Grid Limited (中國南方電網有限責任公司), with bidding amount of RMB689 million. The Company successfully developed the world's first ±800kV/5000MW UHV flexible DC converter valve and achieved its industrialization.

OCTOBER

The MIIT of the PRC published "The Third Batch of Green Manufacturing List" (第三批綠色製造名單) on its official website. The Group was selected in the list of "The Third Batch of Demonstration Enterprises of Green Supply Chain Management of the PRC" (國家第三批綠色供應鏈管理示範企業), and was awarded the title of "Green Supply Chain Management Demonstration Enterprise" (綠色供應鏈管理示範企業) in the Green Manufacturing System Construction 2018.

The Group's R&D capabilities have been recognised by international authorities, and its eCloud product line has passed CMMI Level 3 evaluation and certification.

The Group was honoured with four prizes in "the 10 Most Popular PV Brands Award" of "Polaris Cup" (北極星杯), namely "Top 10 PV Materials and Accessories Companies" (十大光伏原材料即輔料企業), "Top 10 PV EPC Companies" (十大光伏EPC企業), "Top 10 PV Centralised Inverter Companies" (十大光伏集中式逆變器企業) and "Top 10 PV Plants Operation and Maintenance Companies" (十大光伏電站運維企業).

The Group was honoured with several prizes in "the PV Industry Evaluation Campaign" of "Solar Energy Cup" (光能杯) in 2018, including the "Outstanding PV Materials Company of the Year" (年度優秀光伏材料企業), the "Outstanding PV EPC Company of the Year" (年度優秀光伏EPC企業), the "Global Influential Brands Award" (全球品牌影響力大獎), the "EPC Team of the Year" (年度最佳EPC團隊) and the "Outstanding Inverter Company of the Year" (年度優秀逆變器企業).

The Group was honoured with the third prize of "Science and Technology Award of the National Mechanical Industry" (國家機械工業科學技術獎) for the project of "R&D and Industrial Application of 1.25MW Stand-alone Inverter for Photovoltaic Grid Connection" (單機1.25兆瓦光伏併網逆變器研發及產業化應用項目).

Major Events in 2018

NOVEMBER

The Group's "Demonstration Project of Complete Life-cycle Energy Management and Centralised Monitoring System of Big Data-based TB-eCloud New Energy Plants and Industrial Parks" (《基於大數據的TB-eCloud新能源電站及工業園區全生命週期能源管理與集中監控系統示範項目》) was recognised as the "2018 Industrial Internet Pilot Demonstration Project — Industrial Internet Platform Integration Innovation Application Pilot Demonstration Project" (2018年工業互聯網試點示範項目 — 工業互聯網平台集成創新應用試點示範項目) of the Ministry of Industry and Information Technology of the PRC.

The Group was granted the 20th National Outstanding Patent Award for its invention "A Method and Device for Recycling of Off-gas in Polysilicon Production" (《一種多晶硅生產中尾氣再回收利用的方法及裝置》).

The Group was honoured with three prizes in the 2018 Annual Ceremony for Good Chinese PV Brands, including "National PV Brand Award" (光伏民族品牌獎), "Top 10 PV Inverter Suppliers" (光伏逆變器十大供應商) and "PV Brands Honorary Award" (光伏企業品牌榮譽獎).

The Group was awarded the prizes of "Excellent PV Materials Supplier" (卓越光伏材料商) and "Excellent PV Inverter Suppliers" (卓越光伏逆變器供應商) in China High-Tech Industry Annual Selection Campaign of "Weike Cup" (維科杯) in 2018.

DECEMBER

At the China New Energy International Development Conference in 2018, the Group was honoured with two Pioneer Enterprise awards, in the 2018 China New Energy International Development "EPC Sector" and "Intelligent Manufacturing Sector".

Financial Summary

For the year ended 31 December 2018, the Group recorded a revenue of RMB12,053.74 million and net profit of RMB1,110.64 million. Profit attributable to owners of the Company amounted to RMB1,107.80 million.

The Group's business mainly comprises polysilicon production, ECC and BOO.

The following table sets forth the Group's revenue generated from each business segment during the periods as shown and the percentage of revenue in each segment:

	Year ended 31 December				
	2018		2017		
	RMB'000	Percentage of revenue	RMB'000	Percentage of revenue	Rate of change
Polysilicon production	3,351,953	27.81%	3,462,335	30.32%	-3.19%
ECC	7,486,564	62.11%	6,863,617	60.10%	9.08%
BOO	584,404	4.85%	308,328	2.70%	89.54%
Others	630,821	5.23%	786,671	6.88%	-19.81%
Total	12,053,742	100%	11,420,951	100.00%	5.54%

For the year ended 31 December 2018, the Group's total revenue was RMB12,053.74 million, representing an increase of 5.54% over the same period last year, mainly attributable to the increase of revenue from BOO and ECC business.

Financial Summary

The Group's consolidated financial statements in 2014, 2015, 2016, 2017 and 2018 prepared in accordance with the IFRS are summarised as follows:

	As of 31 December/Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**35,699,703**	31,664,863	27,812,554	25,229,293	18,763,327
Total liabilities	**24,409,647**	22,404,451	19,500,810	17,778,357	14,376,097
Non-controlling interests	**1,268,816**	53,015	51,442	46,242	39,447
Equity attributable to owners of the Company (excluding non-controlling interests)	**10,021,240**	9,207,397	8,260,302	7,404,694	4,347,801
Revenue	**12,053,742**	11,420,951	12,001,303	9,440,899	7,402,520
Gross profit	**2,411,592**	2,493,297	1,996,172	1,603,573	1,428,501
Profit before income tax	**1,208,495**	1,217,987	947,865	708,217	661,505
Profit attributable to owners of the Company	**1,107,797**	1,070,671	801,133	611,817	574,833

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of the Company, I am pleased to announce the annual results of the Group in 2018.

In 2018, under the background of great changes in China's economic structure, the adjustment of the energy structure and the deepening of the supply side structural reform, the new energy industry is facing a complicated situation with both opportunities and challenges. In 2018, the development of China's new energy industry has maintained a steady and positive trend despite the impact of the introduction of national policies such as "531 PV New Policy" and competitive bidding for grid connection. The newly installed PV capacity in China was 44.26GW, second only to that of 2017, while the newly installed wind power capacity was 20.59GW, representing a significant year-on-year increase of 37.27% compared with 2017. As a leading polysilicon producer as well as wind and solar resources developer and operator in the world, the Group actively met the challenges brought about by the sharp drop in polysilicon prices, parity and competitive bidding for grid connection for domestic wind and PV power and intensified competition in the industry. We focused on improving development quality and efficiency, strengthened research and development innovation, enhanced the fine management, accelerated the industrial layout planing, and grasped new opportunities to further achieve the steady development of the Group's business.

Chairman's Statement

In 2018, the Group realized a polysilicon production of 34,000 tons, representing a growth of approximately 15.65% over the same period last year. As for the development and operation of wind and solar resources, we continued to outperform others in the industry, as ECC projects with revenue recognized in 2018 exceeding 1.3GW and BOO projects which were under construction or completed reaching approximately 2GW. For the year ended 31 December 2018, the Group achieved a revenue of RMB12,053.74 million, representing an increase of 5.54% over the same period last year; a net profit of RMB1,110.64 million, representing an increase of 3.44% over the same period last year; and the profit attributable to owners of the Company of RMB1,107.80 million, representing an increase of 3.47% over the same period last year.

According to Bloomberg's relevant forecasts for new energy, the global newly installed PV capacity may reach 125GW to 141GW in 2019 and the wind power market will see a leap in new production capacity with the new installed capacity expected to reach more than 70GW in 2019. From the perspective of the long-term sustainable energy development, the trend of energy structure transformation featuring the development of new energy will be irreversible. The Group will seize the development opportunity in the new energy market of China and speed up the construction of the 36,000 tons polysilicon project to achieve the production capacity and create benefits as soon as possible. As for the development of wind and solar resources, we will reduce our reliance on the original large-scale centralized power stations with high tariffs, adjust the developing and marketing strategies in all directions to base ourselves on the life-time development model and actively participate in competitive allocation. We will continue to carry out business operations around wind power, distributed PV, micro-grid, multi-energy complementation business and decentralized wind power, actively promote the construction of the 975MW wind power BOO project in Ximeng, and accelerate the strategic transformation from a builder to an operator in the new energy business. At the same time, the Group will increase its efforts in science and technology innovation, including the quality improvement of polysilicon products, the extension of auxiliary products' industry chain, engineering and technology projects for adjustments and upgrade of new energy power stations, and the development of String Inverters to improve production with science and technology, realize productivity enhancement, cost reduction and quality improvement and further enhance the competitive strengths of the Group. Looking forward, reforms and opportunities will still be the theme of the Group. We will firmly grasp the development opportunities given to us by the times, overcome difficulties with cohesion, continuously explore new ideas and methods, cultivate new profit models, and further enhance the Group's comprehensive competitiveness and profitability. While striving to create returns for shareholders, the Group will focus on creating a new chapter for the making of an outstanding green and intelligent energy service provider in the world, contributing green energy to the society and creating better lives for mankind.

Finally, I would like to express my sincere gratitude to the management team and all the staff members for their efforts and hard work in 2018 on behalf of the Board of Directors. I also wish to extend my gratitude to our shareholders, clients, suppliers and business partners for their support and concern for the Group over the past year.

張建新

Chairman
Zhang JianXin

Xinjiang, the PRC
27 March 2019

Management Discussion and Analysis

I. REVIEW OF INDUSTRY DEVELOPMENT TRENDS

In 2018, the Chinese economy has maintained a steady yet positive trend. As the supply side structural reform deepened, the new energy industry in China started to transform and upgrade through efficiency improvement in terms of quality, speed and technological advancement. For China's new energy industry, 2018 was a year of new successes and a year with major paradigm shift: it was a year for transformation and upgrades and a year for bold advancements despite adversity. Grid parity and low-tariff connection for new energies has become a major trend. In 2018, the installed capacity of wind power and PV reached 360GW, accounting for about 20% of total installed capacity, while the annual power generation of wind power and PV was about 600 billion kWh, accounting for about 9% of total power generation. In order to drive the transformation and upgrade of the energy structure, improve efficiency of energy utilization, promote the sustainable and healthy development of wind power and PV industries, the PRC government announced a number of policies from 2018 to the beginning of 2019, covering areas including competitive bidding and grid parity, renewable energy quota system, so as to continue the consolidation of the new energy industry for healthy development.

Management Discussion and Analysis

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

- On 18 May 2018, the NEA issued the Notice on the Relevant Requirements for the Management of Wind Power Construction in 2018 (《關於2018年度風電建設管理有關要求的通知》), requiring new wind power projects to apply the competitive resource allocation method in the future for the determination of the on-grid tariffs. Starting from 2019, all newly approved centralised onshore wind power projects and offshore wind power projects in various provinces (autonomous regions and municipalities) must be allocated through competitive bidding with confirmed on-grid tariff; distributed wind power projects may not be subject to competitive bidding and will be gradually included in the scope of marketised transactions for distributed power generation. Implementing the competitive resource allocation in wind power projects will further reduce the costs of wind power generation, enhance the integrated capabilities in design, manufacturing and installation of wind power, reduce electricity subsidies, and hence promotes high-quality development of the wind power generation industry.

- On 31 May 2018, the NDRC, the MOF and the NEA issued the Notice on Relevant Matters in Relation to PV Power Generation in 2018 (《關於2018年光伏發電有關事項的通知》) ("531 PV New Policy"). The 531 PV New Policy required reasonable control over the pace of development and the optimization of construction scale for new PV power generation, expedited the reduction of PV power generation subsidies through lowering the levels of subsidies and strengthening marketization in project allocation. In the short run, profit margin of all parts of the new energy industry chains will be squeezed, facilitating the reshuffling of the industry, phasing out of lagging production capacities, and acceleration of industry consolidation. Yet, in the long run, the promulgation of the 531 PV New Policy will be beneficial to technological advancement and cost reduction, and thus will promote the quality and enhance the efficiency of the PV industry in realizing high-quality and sustainable developments.

- On 15 November 2018, the NEA issued the Notice on the Implementation of Quota System with Respect to Renewable Energy Generated Power (Consultation Paper) (《關於實行可再生能源電力配額制的通知(徵求意見稿)》), proposing the implementation of a quota system for renewable energy-generated power, setting quotas for renewable energy with specified targets according to electricity consumption at the level of provincial administrative regions. Government institutions will strengthen its monitoring and assessment works on renewable energy-generated power quota, electricity sales enterprises and electricity users together will be responsible for the obligations of the quota system, and the grid companies will be responsible for the implementation of the quotas in their areas of operation. The implementation of quota system for renewable energy-generated power will not only alleviate the consumption issue of renewable energy power generation and solve the problems of wind power and PV curtailments, but will also encourage and promote the healthy development of the renewable power industry, accelerate the marketization of renewable energy transaction, as well as the early realization of grid parity and low-tariff connection of the renewable energy industry.

- On 7 January 2019, the NDRC and NEA announced the Notice on Active Promotion of the Work on Grid Parity of Wind Power and Photovoltaic Power without Subsidies (《關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》). The document aims to increase the income of subsidy-free pilot projects through a number of measures including optimizing the investment environment, lowering non-technical costs, ensuring the priority in power generation and full-amount guaranteed purchase of electricity as well as improving the trading mechanism. Expediting the grid parity process for unsubsidised wind power and PV power projects is not only beneficial in improving the consumption situation of renewable energy, but will also promote technological advances of renewable energy, lower the costs of development and construction, and gradually enhance the market competitiveness of the new energy industry.

2. Review of Development Trends of the Polysilicon Industry

According to the statistics of China Nonferrous Metals Industry Association (中國有色金屬工業協會), the global polysilicon production capacity reached 598,000 tons per year in 2018, The production capacity in China was 388,700 tons per year, compared with overseas production capacity of 210,000 tons per year; whereas the actual amount produced in China was approximately 259,000 tons, while that of overseas was 189,000 tons.

Due to the effect of the "531 PV New Policy", there was a decrease in the demand from user-end at downstream, and together with new low-cost capacity putting into production in the fourth quarter of 2018, the price of polysilicon continued its decline to a historic low. In 2018, the average polysilicon price in China was RMB105,900 per ton, representing a drastic drop of 21.6% year-on-year. Throughout the year the polysilicon price has undergone a drastic fall from RMB153,000 per ton at beginning of the year to RMB76,000 per ton at the end of the year, representing a decline of 50.30%.

3. Review of Development Trends of the PV Generation Industry

According to the statistics from the NEA, due to the effect of the "531 PV New Policy", the growth of China's PV power generation market slowed down in 2018, with newly installed capacity of 44.26GW, ranking second only to that of 2017 and the second highest ever. Newly installed capacity of centralised power stations was 23.30GW, representing a year-on-year growth of 23%; newly installed capacity of distributed PV was 20.96GW, representing a year-on-year growth of 71%. This brought China's total installed PV capacity to 174GW as of the end of 2018, among which 124GW were attributable to centralised power stations and 50GW were attributable to distributed PV.

In 2018, China's PV power generation was 177.5 billion kWh, representing a year-on-year growth of 50%. The average utilisation hours of such power was 1,115 hours, representing a year-on-year increase of 37 hours. The PV power curtailment of China was 5.49 billion kWh, representing a year-on-year decrease of 1.8 billion kWh, while the PV power curtailment rate was 3%, representing a year-on-year decrease of 2.8 percentage points, achieving a decrease in both PV power curtailment and PV power curtailment rate. PV curtailment was concentrated in Xinjiang and Gansu, of which the curtailment rate of Xinjiang (excluding the corps) was 16%, representing a year-on-year decrease of 6 percentage points; while that of Gansu was 10%, representing a year-on-year decrease of 10 percentage points.

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

According to the statistics from the NEA, the newly installed wind power capacity for grid connection in China was 20.59GW in 2018, and the accumulative installed on-grid capacity reached 184GW. In 2018, China's wind generated power was 366.0 billion kWh, representing a year-on-year increase of 19.73%. The average utilisation hours was 2,095 hours, representing a year-on-year increase of 147 hours. The wind power curtailment for the year was 27.7 billion kWh, representing a year-on-year decrease of 14.2 billion kWh. The average wind energy curtailment rate was 7%, representing a year-on-year decrease of 5 percentage points. The situation of wind power curtailment has shown marked improvement, but wind power curtailment in Xinjiang, Gansu and Inner Mongolia remains critical, with wind power curtailment in these three provinces and regions accounted for 84% of the national total.

II. THE MAIN BUSINESS OPERATIONS OF THE GROUP

During the Reporting Period, there were challenges as well as opportunities. The development of China's new energy industry experienced changes as well as highs and lows. Grid parity, improved quality and efficiency, along with technological transformation have become the new label of the industry, setting a solid foundation for the healthy, rational and sustainable development of the new energy industry. By closely following the directions of national policies and keeping track on the pulse of the industry, the Group accelerated its business deployment, made further efforts in innovation and cost reduction, strengthened refined management and achieved relatively good results. During the Reporting Period, the Group achieved a revenue of RMB12,053.74 million and a profit attributable to owners of the Company of RMB1,107.80 million, representing increases of 5.54% and 3.47% respectively over the same period of the preceding year.

1. Polysilicon Production

In 2018, competition in the PV industry intensified under the impact of "531 PV New Policy", with the gradual elimination of high energy consumption products. Improvements in quality and efficiency, as well as cost reduction were imperative. Based on its study on the trend of the polysilicon industry, the Group strengthened its costs control and quality management during the Reporting Period, achieving steady growth of its polysilicon production volume and gradual reduction of costs. In 2018, the Group achieved the polysilicon production output of 34,000 tons, representing an increase of 15.65% over the same period of the previous year. Due to the decline in polysilicon prices, the polysilicon segment achieved a gross profit of RMB1,038.99 million, representing a decrease of 26.31% as compared with the same period of the previous year.

In order to increase market share and to seize the opportunity of the rapidly developing PV industry, the Group took full advantage of the scale effect to reduce costs and improve profitability. In the first half of 2018, the Group started to implement the 36,000-ton Polysilicon Project. The project will be completed and put into production in the first quarter of 2019. The quality of all the polysilicon products will reach the level of electronic grade level 2 and above, serving the market of high-quality mono and polysilicon materials. At the same time, some products will be used to satisfy the quality requirements of semiconductor-grade electronic chips.

In July 2018 and January 2019, the Group has separately entered into polysilicon sale framework agreements with the corresponding subsidiaries of two downstream customers, namely Longi Green Energy Technology Co. Ltd. (隆基綠能科技股份有限公司) and Beijing Jingyuntong Technology Co. Ltd. (北京京運通科技股份有限公司), pursuant to which the Group will sell to the above companies a total of 91,000 tons and 32,000 tons of polysilicon respectively from 2019 to 2021. The entering into these polysilicon sale framework agreements will facilitate the steady sale of polysilicon in the Group's day-to-day operation thus securing the daily operation of the Group and further enhancing the Group's position in the new energy industry.

2. Development of PV and Wind Power Resources in China

In 2018, the Group comprehensively assessed the national and local policies and plans. In face of the elimination of subsidies and the trend of grid parity, the Group adjusted its resources development strategies by focusing on the development of distributed PV, micro-grids, multi-energy complementation and distributed wind power stations. It actively explored new markets and studied new development models, assigning central and eastern provinces such as Henan, Shandong, Hebei, Inner Mongolia as major development areas. At the same time, the Group took the market of distributed, PV poverty alleviation projects as differentiated supplements to its business. It also actively explored the layout of its PV poverty alleviation projects and new businesses such as distributed wind power, shifting its developmental direction from conventional large-scale ground-mounted wind and PV resources projects to multi-operation mode with diversified businesses, with wind power resources as the major driving force.

In 2018, the Group completed 1,364.74MW of installed capacity with recognised revenue for PV and wind power stations in form of EPC and BT projects, and completed transfer of 403.5MW of BT projects. As of 31 December 2018, the Group had a total of 368.45MW of BT projects under construction and BT projects pending transfer.

In June 2018, the NDRC, the MOF and the NEA jointly issued the Notice on Publication the Renewable Energy Tariff Subsidies Catalogue (the Seventh Batch) (《關於公佈可再生能源電價附加資金補助目錄(第七批)的通知》), in which the Group's projects with a total capacity of 610MW, including the Habehe 49.5MW wind power plant and the Awat 30MW PV power plant, were incorporated into the subsidies list of the seventh batch of renewable energy projects, successfully securing higher on-grid tariff and the grant of stable financial subsidies in the future.

Management Discussion and Analysis

3. Power plant operation — BOO projects

In 2018, the Group steadily expanded its scale of BOO business, taking power plant operation as the focus of the Group's future development by making efforts in improving its operation and maintenance capabilities in power plants, so as to further improve profitability.

During the Reporting Period, the Group expedited the constructions of the 975MW wind power project of the ultra-high voltage transmission lines base in Ximeng, Inner Mongolia and is expected to be completed gradually before 2020 for production.

As of 31 December 2018, the Group had a total of 700MW BOO projects completed and 1,125MW BOO projects under construction. In 2018, BOO projects of the Group achieved a total power generation of 1,122 million kWh with grid-connected power of 1,107 million kWh, realizing a power generation revenue of RMB584.40 million and a gross profit of RMB373.20 million, representing a growth of 89.54% and 85.31% respectively.

4. International market

Taking advantage of the initial layout of the global market and focusing on the countries along the "Belt and Road" routes, the Group has continuously promoted the development of the overseas new energy market and consolidated its advantage in resources, actively promoted the new development work for the wind power and PV projects in Pakistan, the PV + power storage projects in Sierra Leone and the PV projects in Argentina, so as to increase its market share and continuously improve its competitiveness in the international market. In 2018, the Group has completed the construction of the 186MW PV project in Egypt. The 50MW PV project in Pakistan was at the final stage of completion, and exporting agreements for products such as SVG and inverters have been entered into in countries including India, Pakistan and Thailand.

5. Driving industry development with technological innovation

With the accelerating pace of grid parity for new energy, the market demands for higher requirements in technological innovation. The Group has been keeping track of the market situation, and by focusing on economic benefits and customer needs, it was successful in turning research projects into industrialised operation.

In terms of polysilicon production, the Group, adhering to its strategic principle of "refining its main business and extending towards high-end industry", conducted researches on more than 81 innovative topics including quality improvement of electronic grade level 1 polysilicon and recycling of wastes and followed through with their implementations. Taking advantage of its R&D center and focusing on the extended industry of silicon and the bottleneck technical problems in crystalline silicon production, the Group was intensely involved in the strategic cooperation of "production, study and research" by introducing high-end talents, with an aim to improve R&D efficiency of projects as well as the application of industrial know-how.

In terms of the development, operation and maintenance of wind and PV resources, the Group focused on PV grid parity, optimization of wind power engineering design, intelligent micro-grid, and optimization of E-Cloud Platform intelligence. Efforts on technological innovations were directed at achieving the lowest cost per unit of electricity, highest revenue as well as intelligent operation and maintenance, with an aim to improve the competitiveness of the Group continuously.

- In response to the market demand of PV poverty alleviation, SME rooftop and double sided power stations, the Group specifically launched the SolarPoint series of cascaded multilevel inverters and SolarHome series of intelligent household inverters. With MPPT penetrations of all the products reaching 100%, the problem of misalignment and loss of component paralleling is completely solved, resulting in safer and more reliable products.

- Leveraging the technological advantage of the Group in the field of PV integration and core equipment manufacturing, we have developed the E-Cloud Platform intelligence, which is capable to carry out real time, comprehensive analysis on the massive data generated by the power stations, thus achieving precise, collectivised and complete life-cycle operation and maintenance management efficiently, intelligently and conveniently. Currently, the platform has been connected to more than 1.5GW of new energy power stations, improving power generation by more than 3%.

In 2018, the Group achieved fruitful results in technological innovations. A total of 118 applications for patents and technical secrets were submitted with 75 applications granted. As of the end of 2018, the Group had a total of 430 domestic patents and 4 PCT international patents. It has actively participated in the formulation of 51 standards, including 26 national standards, 14 industry standards and 11 local standards.

6. Safety comes first with endeavors in environment protection

In 2018, the Group deepened its launch of the HSSE (Health, Safety, Security and Environmental Protection) management philosophy, which is "based on behavioral safety and focused on the safety of production equipment, with controlled production management as its core". The Group constantly refined the establishment of its HSSE system and promoted the implementation of safety standardization, strengthened the HSSE system management and control, and organised the launch of cross-auditing of internal systems, identification of hazards and environmental factors as well as evaluation work, with an aim to promote the safety, health and environmental protection system in a more standardised and systematic manner. During the year, the Group launched projects related to various polysilicon production processes and major constructions in progress, as well as evaluations of safety hazards in power plants operation and maintenance, in order to ensure that all types of risks and potential hazards are controllable and manageable. Focusing on information security of new network, the Group also strengthened the management of internal control procedures, adopted office software and information encryption, in order to prevent data fraud and theft of confidential information.

III. OPERATING RESULTS AND ANALYSIS

Financial Review:

Business Performance Table

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**12,053,742**	11,420,951
Cost of sales	**(9,642,150)**	(8,927,654)
Gross profit	**2,411,592**	2,493,297
Other income	**96,601**	89,211
Other gains/(losses) — net	**38,756**	(33,011)
Selling and marketing expenses	**(420,463)**	(403,039)
General and administrative expenses	**(593,816)**	(654,442)
Finance expenses — net	**(354,853)**	(269,891)
Share of profit/(loss) of investments accounted for using the equity method	**17,032**	(4,138)
Profit before income tax	**1,208,495**	1,217,987
Income tax expense	**(97,853)**	(144,290)
Profit attributable to the owners of the Company	**1,107,797**	1,070,671
Profit attributable to the non-controlling interests	**2,845**	3,026

Revenue

The Group generates revenue mainly from three business segments, including polysilicon production, ECC and BOO. For the year ended 31 December 2018, the revenue of the Group was RMB12,053.74 million, representing an increase of RMB632.79 million or 5.54% over RMB11,420.95 million in the corresponding period of last year, mainly attributable to the increase in revenue from BOO and ECC businesses of the Group.

	Year ended 31 December	
	2018	2017
Business Segments	**RMB'000**	RMB'000
Polysilicon production	**3,351,953**	3,462,335
ECC	**7,486,564**	6,863,617
BOO	**584,404**	308,328
Others	**630,821**	786,671
Total Revenue	**12,053,742**	11,420,951

For the year ended 31 December 2018, the revenue of polysilicon production segment was RMB3,351.95 million, representing a decrease of RMB110.39 million or 3.19% lower than RMB3,462.34 million in the corresponding period of last year, mainly attributable to the decrease in the selling price of polysilicon which resulted in decreased sales revenue during the Reporting Period.

For the year ended 31 December 2018, the revenue of ECC segment was RMB7,486.56 million, representing an increase of RMB622.95 million or 9.08% higher than the revenue of RMB6,863.62 million in the corresponding period of last year. The increase was mainly attributable to the increase in revenue from the sales of BT power stations of the Group during the Reporting Period.

For the year ended 31 December 2018, the revenue of BOO segment was RMB584.40 million, representing an increase of RMB276.08 million or 89.54% increase over the revenue of RMB308.33 million in the corresponding period last year, mainly attributable to the increase of power generation capacity of the Group's BOO projects during the Reporting Period.

Cost of sales

For the year ended 31 December 2018, the cost of sales incurred by the Group was RMB9,642.15 million, representing an increase of RMB714.50 million or 8.00% over RMB8,927.65 million in the corresponding period of last year, mainly attributable to the increase in polysilicon production output of the Group, increased operation cost from ECC business and expansion of the scale of BOO business during the Reporting Period, which resulted in the corresponding increase of the costs.

	Year ended 31 December	
	2018	2017
Business Segments	**RMB'000**	RMB'000
Polysilicon production	**2,312,960**	2,052,414
ECC	**6,571,869**	6,093,560
BOO	**211,203**	106,939
Others	**546,118**	674,741
Total cost of sales	**9,642,150**	8,927,654

For the year ended 31 December 2018, the cost of sales incurred by polysilicon production segment was RMB2,312.96 million, representing an increase of RMB260.55 million or 12.69% over RMB2,052.41 million in the corresponding period of last year, mainly attributable to the increase in sales amount of polysilicon during the Reporting Period resulting in an increase in costs.

Management Discussion and Analysis

For the year ended 31 December 2018, the cost of sales incurred by ECC segment was RMB6,571.87 million, representing an increase of RMB478.31 million or 7.85% over RMB6,093.56 million in the corresponding period of last year, mainly due to the corresponding cost increases as a result of the increase of revenue from the sale of BT power stations by the Group during the Reporting Period.

For the year ended 31 December 2018, the cost of sales incurred by BOO segment was RMB211.20 million, representing an increase of RMB104.26 million or 97.50% over RMB106.94 million in the corresponding period of last year, which was mainly due to the expansion of the scale of the Group's finished BOO projects during the Reporting Period, resulting in higher corresponding costs.

Gross profit and gross profit margin

For the year ended 31 December 2018, the gross profit of the Group was RMB2,411.59 million, representing a decrease of RMB81.71 million or 3.28% less than RMB2,493.30 million in the corresponding period of last year. The comprehensive gross profit margin was 20.01%, representing a decrease of 1.82 percentage points over the corresponding period of last year. During the Reporting Period, the main reason for the decrease in the Group's gross profits and gross profit margin was the decrease of the selling price of polysilicon.

Other income

For the year ended 31 December 2018, other income of the Group was RMB96.60 million, representing an increase of RMB7.39 million or 8.28% over RMB89.21 million in the corresponding period of last year, which was mainly due to the increase of the government grants received by the Group during the Reporting Period.

Other gains/(losses) — net

For the year ended 31 December 2018, the net other gains of the Group were RMB38.76 million, representing an increase of RMB71.77 million from the net other losses of RMB33.01 million in the corresponding period of last year. The increase was mainly due to the income from the disposal of subsidiaries and associates of the Group during the Reporting Period.

Selling and marketing expenses

For the year ended 31 December 2018, the selling and marketing expenses of the Group were RMB420.46 million, representing an increase of RMB17.42 million or 4.32% over RMB403.04 million in the corresponding period of last year. The increase was mainly due to the enhancement of market development efforts and the increased marketing expenses of the Group during the Reporting Period.

General and administrative expenses

For the year ended 31 December 2018, the general and administrative expenses of the Group were RMB593.82 million, representing a decrease of RMB60.63 million or 9.26% less than RMB654.44 million in the corresponding period of last year, which was mainly due to decreased management expenses resulted from the enhanced control on the general and administrative expenses of the Group during the Reporting Period.

Finance expenses — net

For the year ended 31 December 2018, the net finance expenses of the Group was RMB354.85 million, representing an increase of RMB84.96 million or 31.48% from RMB269.89 million in the corresponding period of last year, which was mainly due to the expansion of borrowings size of the Group, resulting in an increase in interest expense during the Reporting Period.

Share of profit/(loss) of investments accounted for using the equity method

For the year ended 31 December 2018, the share of profit of investments accounted for using the equity method of the Group was RMB17.03 million, representing an increase of RMB21.17 million from the loss of investments accounted for using the equity method of RMB4.14 million in the corresponding period of last year. The increase was mainly because of the profit of associates during the Reporting Period.

Income tax expense

For the year ended 31 December 2018, the income tax expense of the Group was RMB97.85 million, representing a decrease of RMB46.44 million or 32.18% lower than RMB144.29 million in the corresponding period of last year, which was mainly due to the additional tax deduction and tax exemption of income tax received by the Group under the PRC policy during the Reporting Period over the corresponding period of last year.

Profit attributable to the owners of the Company

For the year ended 31 December 2018, profit attributable to the owners of the Company was RMB1,107.80 million, representing an increase of RMB37.13 million or 3.47% over RMB1,070.67 million in the corresponding period of last year.

Profit attributable to the non-controlling interests

For the year ended 31 December 2018, the profit attributable to the non-controlling interests of the Group was RMB2.85 million, representing a decrease of RMB0.18 million or 5.98% from RMB3.03 million in the corresponding period of last year. The decrease was mainly due to the decrease in profit of Xi'an TBEA Electric Power Design Co., Ltd., a subsidiary of the Group, during the Reporting Period.

Management Discussion and Analysis

Cash Flows

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net cash generated from operating activities	**1,851,134**	1,764,472
Net cash used in investing activities	**(3,291,826)**	(2,300,591)
Net cash generated from financing activities	**2,964,189**	966,420
Net increase in cash and cash equivalents	**1,523,497**	430,301

Net cash generated from operating activities

For the year ended 31 December 2018, the net cash generated from operating activities of the Group was RMB1,851.13 million, representing an increase of RMB86.66 million or 4.91% over RMB1,764.47 million in the corresponding period of last year. The increase was mainly due to more receivables collected as the Group improved the management of trade receivables during the Reporting Period.

Net cash used in investing activities

For the year ended 31 December 2018, the net cash used in investing activities of the Group was RMB3,291.83 million, representing an increase of RMB991.24 million or 43.09% over RMB2,300.59 million in the corresponding period of last year. The increase was mainly due to the increase in investing activities of the 36,000-ton Polysilicon Project of the Group during the Reporting Period.

Net cash generated from financing activities

For the year ended 31 December 2018, the net cash generated from financing activities of the Group was RMB2,964.19 million, representing an increase of RMB1,997.77 million or 206.72% over RMB966.42 million in the corresponding period of last year. The increase was mainly due to the introduction of capital investments from the non-controlling shareholders and the increased financing scale of BT projects and 36,000-ton Polysilicon Project of the Group during the Reporting Period.

Operating Fund

	Year ended 31 December	
	2018	2017
Cash and cash equivalents at the end of the year (RMB'000)	**3,856,408**	2,316,610
Gearing ratio	**60.07%**	80.62%
Inventory turnover rate (times)	**2.84**	2.16
Inventory turnover days (days)	**126.75**	166.86

On 31 December 2018, the cash and cash equivalents of the Group were RMB3,856.41 million (31 December 2017: RMB2,316.61 million).

The capital requirement of the BT and BOO businesses which the Group is engaged in generally accounts for 20%–30% of the total investment of the project, the rest of which is bank loans, which has a greater impact to the gearing ratio of the Group. As at 31 December 2018, the gearing ratio of the Group was 60.07% while that as of 31 December 2017 was 80.62%. The gearing ratio was calculated by dividing its net debts by total equity, whereas net debts were calculated by deducting restricted bank balances and cash balances at bank from total interest-bearing liabilities.

The Group's BT projects under construction and pending transfer were included in the inventory item, and whether BT projects can be transferred in time is relatively important for the Group's inventory turnover rate and turnover days. The inventory turnover rate and turnover days of the Group were 2.84 times and 126.75 days as of 31 December 2018, respectively, and the inventory turnover rate and turnover days of Group were 2.16 times and 166.86 days as of 31 December 2017, respectively.

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

Capital expenditure

For the year ended 31 December 2018, the major capital expenditure of the Group included: RMB2,489.23 million for the purchase of property, plant and equipment, RMB75.97 million for the purchase of intangible assets and RMB17.64 million for the purchase of land use rights.

Contingent liabilities

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司) ("**Jiangsu Zhongneng**") filed a claim with Jiangsu Province People's Court against the Company for the infringement of certain patents and commercial secrets, for a total compensation amounting to RMB62 million.

Management Discussion and Analysis

In December 2014, after an appeal filed by the Company, the Supreme People's Court of the PRC ruled that the case should be under the jurisdiction of Xinjiang Province People's Court. As of the Latest Practicable Date, the aforementioned litigation is in the process of transfer, therefore the trial has not commenced in the Xinjiang Province People's Court yet. After considering the opinion of an independent legal counsel, the Directors are of the opinion that this litigation is still at an early stage, and there are no sufficient grounds to foresee and assess the outcome and the corresponding contingent liabilities. As such, no provision is made with respect to the aforementioned claim as of 31 December 2018.

Apart from the above, the Group and the Company have contingent liabilities in respect of claims or other legal proceedings arising in its ordinary course of business from time to time. For the year ended 31 December 2018, the directors of the Company did not foresee that any material liabilities would arise from the contingent liabilities other than those provided in the consolidated financial statements.

Employees, remuneration, retirement and employees benefit scheme

As of 31 December 2018, the Group has 4,278 employees in total, including 924 management personnel, 471 technicians and 1,829 production personnel. The total remuneration of the Group's employees was RMB679.06 million for 2018.

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

Assets mortgage

As of 31 December 2018, secured short-term bank borrowings in an amount of RMB62,910,000 were pledged with certain of the Group's land use rights and property, plant and equipment. As of 31 December 2018, secured long-term bank borrowings with an amount of RMB7,372,870,000 were pledged with certain of the Group's inventory, land use rights, property, plant and equipment and receivable collection right. As of 31 December 2018, secured short-term other borrowings with an amount of RMB308,082,355 were pledged with the Group's certain property plant and equipment and guarantee deposit of cash amounting RMB15,000,000 of the Group. As of 31 December 2018, secured long-term other borrowings with an amount of RMB488,500,000 were pledged with bank facilities. As of 31 December 2018, secured long-term other borrowings with an amount of RMB32,400,000 were guaranteed by TBEA Xinjiang New Energy Co., Ltd.. As of 31 December 2018, secured long-term other borrowings with the amount of RMB400,000,000 were pledged with certain of the Group's inventory.

Major acquisition and disposal of assets

During the Reporting Period, the Group had no major acquisition and disposal of subsidiaries or associates.

Major investments

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

Foreign exchange risks

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

Cash flow interest rate risk

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

Capital liquidity

As of 31 December 2018, current assets of the Group amounted to RMB16,441.30 million, among which, RMB3,856.41 million was cash and cash equivalents; RMB3,640.93 million was trade and notes receivable, primarily consisting of receivables from ECC and sales of inverter; RMB1,048.00 million was other current assets, primarily consisting of deductible VAT and prepayments to customers.

As of 31 December 2018, current liabilities of the Group amounted to RMB15,789.71 million, including RMB7,788.49 million of trade and notes payable, primarily consisting of payables for purchase of PV and wind power projects equipment, laboring, materials procurement, coal fuels and spare parts of polysilicon; RMB2,077.07 million of provisions and other payables, primarily consisting of payables relating to purchase of property, plant and equipment and RMB4,849.46 million of short-term borrowings.

Management Discussion and Analysis

As of 31 December 2018, net current assets amounted to RMB651.59 million, representing an increase of RMB159.07 million as compared with net current assets amounted to RMB492.51 million as of 31 December 2017. The current ratio was 104.13% as of 31 December 2018, representing an increase of 0.94 percentage point as compared with the current ratio of 103.19% as of 31 December 2017. Restricted deposits amounted to RMB2,310.19 million, mainly including deposits for bills and issuance of the letter of credit.

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

Borrowings and notes payable

As of 31 December 2018, the Group's balance of the borrowings and notes payable amounted to RMB17,086.17 million, representing an increase of RMB1,906.68 million as compared with the balance of the borrowings and notes payable of RMB15,179.49 million as of 31 December 2017. As of 31 December 2018, the Group's outstanding borrowings and notes included short-term borrowings and notes payable of RMB8,987.17 million (including long-term borrowings due within one year of RMB963.27 million and notes payable of RMB4,137.71 million) and long-term borrowings amounting to RMB8,099.00 million.

Credit risk

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

Events after the balance sheet date

On the Board meeting held on 27 March 2019, the Board proposed a final dividend of RMB0.15 (tax inclusive) per share for the year ended 31 December 2018.

The Company was approved by the Shareholders to issue 154,994,838 Domestic Shares to TBEA at the subscription price of RMB7.78 per Share, amounting to a total of RMB1,205,859,839.64 at the extraordinary general meeting and class meetings of H Shares Shareholders and Domestic Shares Shareholders held on 11 January 2019. As at the Latest Practicable Date, the total issued share capital of the Company is 1,200,000,000 Shares, which is divided into 313,475,630 H Shares and 886,524,370 Domestic Shares.

IV. PROSPECTS

- **Market Prospects**

Throughout 2018, the policy environment of new energy industry was subject to accelerated reshuffling of the industry and optimization of the industry's structure, stimulated industry development as well as shorter time to realise grid parity and low on-grid tariff, which was attributable to a series of events, from the "531 PV New Policy", the promulgation of the policy on competitive bidding for on-grid wind power to the implementation of the quota system. China's new energy industry is on its way toward a developmental stage which is stable, efficient and scientific, and will create a new challenge for new energy enterprises requiring them to focus on quality instead of quantity. Lagged behind production capacities will be further eliminated, consolidation of the industry will accelerate, and only the most advanced technology and the best products will become the mainstream in the new energy market.

According to the forecasts of Bloomberg NEF, the global newly installed PV capacity may reach 125GW to 141GW; wind power market may have a leap in capacity, and the newly installed capacity is expected to be over 70GW in 2019. The huge market potential and the optimistic market prospect will provide the new energy industry with excellent development opportunities.

Looking to the future, the new energy sector will still have to face transformations and uncertainties, and new opportunities and challenges will accelerate the reshuffling of the industry. With this imminently approaching transformation, the Group must stay calm in order to seize the new opportunities of the time, and only by recognizing the trend can it meet the challenges in the future.

- **Business Plan in 2019**

In 2019, the Group will comprehensively assess the national and industrial policies and strengthen its analysis of the market environment. In face of the megatrend of grid parity, it will quickly adjust its industrial deployment by deepening innovation, reducing costs and strengthening refined management, to become a green, safe and strong enterprise with good quality and efficiency. In the meantime, the Group will maintain its initial objective of providing customers with full life cycle services tailored to their needs, by adhering to the management philosophy of becoming the leader in technology as well as in quality. With incessant effort in improving its overall competitiveness, the Group will focus on the strategic planning of the "13th Five-Year Plan" and coordinate its business deployment accordingly, in order to achieve better development in every aspect of its business in 2019.

1. Bring into play the scale effect of polysilicon products, improve quality and efficiency, and engage in diversified development

In the area of polysilicon, the Group will strengthen technological innovation, focus on quality upgrade of its polysilicon products, improve production processes, and introduce refined management to reduce costs continuously; make efforts in enhancing differentiated service levels of polysilicon products to serve the needs of different customers; and improve its competitiveness in the market of polysilicon products. At the same time, the Group will accelerate the construction and commission tests of the 36,000-ton Polysilicon Project with an aim to achieve formal production ahead of time, so as to further reduce the production cost of polysilicon, improve the quality of products and bring into play the scale effect of polysilicon products and technological advantage.

In terms of industrial chain extension, the Group takes advantage of its existing production process of polysilicon, explore and vigorously develop the extension of industrial chain through continuous, overall and extensive deployment into the development of zirconium-based new materials, new powder materials, organic silicon, advanced ceramics, etc. Through continuous adjustments of production processes, technological development and application, efforts will be made to improve the qualities of the extended products in the industrial chain, with subsequent production scales to further enhance the profit level of the Group.

2. Strengthen the management of safety and environmental protection responsibilities to ensure smooth business operation

In 2019, the Group will continuously promote the building of a safety culture, highlighting the philosophy of safety culture which is "based on behavioral safety and focused on the safety of production equipment, with controlled production management as its core", formulate the developmental planning of the safety culture by clearly defining the safety and environmental protection responsibilities and implementing responsibility targets. Further guidance will be made in carrying out safety management work. The concepts of safety and environmental protection, legal and compliance operation will be firmly established. A safety management information platform will be set up to accomplish the end-to-end process control of operation. The Group will actively launch the differentiation of risk levels to facilitate risk prevention and control as well as potential hazard inspection and management. Potential hazard assessments are organised every quarter to identify and mitigate potential risks and risk prevention mechanisms are implemented. Meanwhile, the Group will continue to ensure that environmental protection facilities are functioning properly, promote energy conservation and emission reduction, and on the basis of the current environmental protection facility management, improve the level of assurance with respect to long-term steady operation of environmental protection facilities. With focus on the reduced use of gas and water as well as reduced emission, process supervision will be thoroughly executed, environmental protection management will be implemented, emission reduction and efficiency enhancement programs will be carried out.

3. Closely follow the development trend of wind power and PV resources, adjust resource structure and business deployment accordingly

In 2019, the Group will comprehensively assess the development policies. In face of the trend of grid parity and removal of subsidies, the Group will decrease its reliance on the original large scale centralised high-tariff power plants and completely adjust its development strategies and marketing strategies by setting its foot on the mode of full life cycle development and actively participating in allocation by competitive bidding. With wind resources as the main driver of its business, the Group will continue to work on wind power generation, distributed PV, micro-grid, supplementary energy sources and distributed wind power. Focus will also be placed on the development of cascaded multilevel inverters and power routers.

In 2019, the Group will accelerate the launch of BOO construction work by focusing on the construction of the Ximeng 975MW wind power project with an aim to commence operation ahead of time for early grid connection. This will expedite the strategic transformation of the Group from a wind power, PV power station construction vendor toward an operator, in order to increase its level of profitability and boost the healthy, long-term and sustainable development of the Group.

4. Accelerating the implementation of internationalization strategy and compete for quality international wind power and PV resources

In recent years, the overseas new energy market has developed rapidly. The Group will actively take advantage of the market opportunities and financing conditions brought by China's "Belt and Road" strategies, increasing its efforts in exploring the international market, utilizing markets which it has a competitive advantage with focus on superior resources and key projects. Continued efforts will be made to connect with key customers, in establishing a solid strategic cooperation relationship which will contribute to mutual benefits and common growth. At the same time, with the current development trend of the international new energy market, the Group will be actively involved in the emerging markets, develop new customers and seek for different types of cooperation modes, with an aim to continuously increase its international market share and improve its competitiveness in the international market.

5. Continuously improve competitiveness through strengthened technological innovations

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

In terms of polysilicon production, the Group will focus on the process optimization for electronic grade level 1 polysilicon and polysilicon production, the expedited launch of technological innovation projects such as the extended industrial chain of silicon products, strengthen the strategic cooperation of "production, study and research" by taking full advantage of the resources and research conditions of universities and research institutes in the PRC as well as overseas, accelerate the research and development of new technology and new products, actively take responsibilities to participate in China's key research programs as well as construction projects of key laboratories under the "Belt and Road" initiative. The objective is to occupy the technology high ground through deepening the technology innovation platform and accumulation of scientific credentials and honors.

In the area of wind power and PV resources development, operation and maintenance, the Group will focus on PV grid parity and improvement of wind power engineering designs etc., with an objective to launch technological innovations with the lowest cost of electricity, highest return and intelligent O&M as its core. The Group will rigorously promote flexible DC power transmission as well as demonstration and application of power routers, continuously follow the micro-grid projects, strengthen the E-Cloud intelligent O&M platform and the integration of equipment including inverters, SVG, power routers, etc., consolidate various innovative products, optimise the mode of operation and management, vigorously develop the power storage business, in order to enhance the Group's competitiveness.

V. RISK FACTORS AND RISK MANAGEMENT

1. Risks associated with falling price of polysilicon

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

In 2019, the newly added production capacities of a number of polysilicon manufacturers will be released gradually, further increasing the market supply. In the meantime, the promulgation of a number of policies will facilitate the early entrance of the Chinese PV industry to the era of grid parity. While the release abolition of restriction on the installation scales of unsubsidised projects will provide the PV market with a brighter prospect, there will also be more stringent requirements for the quality and price of polysilicon. In the face of fierce market competition, only the polysilicon products with the highest qualities and the most competitive prices will be able to remain in the market, and the profit margin of polysilicon enterprises will be substantially compressed.

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

2. Risks associated with intensified market competition

In 2018, the Chinese PV and wind power industries were affected by the adjustments in government policies. The new energy industry has entered a development mode of efficiency upgrading through quality improvement and cost reduction. Production capacities with outdated technologies and higher costs will gradually be eliminated by the market. The number of polysilicon manufacturers and PV and wind power project contractors also reduced gradually and market competition was intense. The above factors may pose a certain impact on the market share of the Group.

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

3. Risks associated with tariff cuts

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

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

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

In 2018, 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, problem of grid stability and problem of control and management had not been resolved completely.

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

Profile of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Jianxin, aged 46, currently serves as chairman and executive Director. Mr. Zhang has attained his PhD and he is also an economist of economic management. Mr. Zhang worked as the director of Investment and Development Department, the deputy chief economist of TBEA, the chairman of Xinjiang New Energy, etc. Mr. Zhang has joined the Company since February 2008, served as executive Director of the Company since February 2008, and also served as chairman since July 2012.

Mr. Yin Bo, aged 40, currently serves as executive Director and general manager. Mr. Yin is a doctoral candidate he is a senior engineer of chemical engineering and process. Mr. Yin served as a clerk of polysilicon preparatory team of TBEA, the head of technology department, deputy chief engineer, the general manager of polysilicon workshop, and the deputy general manager of the Company, etc. Mr. Yin has joined the Company since February 2008, served as executive Director and deputy general manager of the Company since June 2015, and also served as general manager of the Company since March 2016.

Mr. Ma Xuping, aged 45, has served as executive Director during the Reporting Period. Mr. Ma holds a master's degree and he is a senior engineer of transformer. Mr. Ma worked as general engineer, deputy general manager of TBEA Xinjiang Transformer Factory, deputy general manager of Xinjiang Joinworld Co., Ltd., deputy general manager, executive Director and general manager of the Company. Mr. Ma joined the Company in March 2008. He served as executive director and general manager of the Company from July 2012 to March 2016 and served as executive Director from July 2012 to June 2018.

Mr. Xia Jinjing, aged 38, currently serves as an executive Director of the Company and deputy general manager. Mr. Xia holds a master degree. He served as a technician at Sichuan Yibin Tianyuan Co., Ltd., a process engineer at Chengdu Wuhuan Xinrui Chemical Co., Ltd., and a deputy general manager at Chongqing Daquan New Energy Co., Ltd. Since December 2010, he has successively served as the process engineer, the general manager of the second branch and the general manager of polysilicon business in the Company, and he has been serving as the Company's executive director since 15 June 2018.

Non-executive Directors

Mr. Zhang Xin, aged 57, currently serves as non-executive Director. Mr. Zhang obtained associate degree, and he is an electrical engineer as well as a senior engineer of machinery and electronics. Mr. Zhang currently serves as the chairman of TBEA (Stock code: 600089.SH), which is the Controlling Shareholder of our Company, and director of Xinjiang Joinworld Co., Ltd. (Stock code: 600888.SH). Mr. Zhang worked as factory manager of Changji City Special Transformers Factory, the chairman of TBEA Silicon Industry Co., Ltd. (特變電工硅業有限公司) (the predecessor of our Company), the chairman of Xinjiang New Energy. Mr. Zhang has served as non-executive Director since February 2008.

Ms. Guo Junxiang, aged 48, currently serves as non-executive Director. Ms. Guo obtained bachelor degree and is a senior economist in industrial economics. Ms. Guo currently serves as the director of TBEA and a supervisor of Xinjiang Joinworld Co., Ltd. She worked as deputy director of general manager office, director of bond department and the board secretary. Ms. Guo has served as non-executive Director since February 2008.

Mr. Tao Tao, aged 36, he has served as a non-executive Director during the Reporting Period. Mr. Tao holds a master's degree and has successively served as a researcher of First Futures Co., Ltd. (一德期貨有限公司), a researcher of PICC Asset Management Company Limited (中國人保資產管理股份有限公司) and director of design division No. 1 (new energy division) of China Minsheng Investment Corporation (中國民生投資有限公司). Mr. Tao has served as non-executive Director from June 2017 to June 2018.

Mr. Lin Chengfei, aged 36, has served as a non-executive Director during the Reporting Period. Mr. Lin holds a master's degree. He is a certified accountant of Institute of Chartered Accountants in England and Wales and a certified public accountant in Hong Kong. He is currently the head of equity investment division of Minsheng CMH Investment Company Limited. He has served as a senior analyst in the investment consulting department of PricewaterhouseCoopers (London), a project manager in the mergers and acquisitions financing headquarters under the investment banking division of Southwest Securities International Securities Limited, a vice-president of mergers and acquisitions division of CITIC Securities Credit Prosperity Equity Investment Co., Ltd., a general manager of Handi Investment Management Co. Ltd. Mr. Lin has served as non-executive Director from December 2018 to March 2019.

Independent Non-executive Directors

Mr. Qin Haiyan, aged 49, currently serves as independent non-executive Director. Mr. Qin holds a master's degree, and he currently serves as director of China General Certification Center Co., Ltd. (北京鑒衡認證中心有限公司主任), the secretary general of the Professional Wind Energy Committee under China Renewable Energy Society (中國可再生能源學會風能專業委員會), executive director of China Renewable Energy Society (中國可再生能源學會), the deputy director of Weather Resources Applications Research Committee in the Chinese Meteorological Society (中國氣象學會氣候資源應用研究委員會), a member and a deputy secretary general of the Technical Committee under National Wind Power Equipment Standardisation (SAC/TC50) (全國風力機械標準化技術委員會), the vice-chairman of the IEC System For Certification to Standards Relating to Equipment for Use in Renewable Energy Applications (IECRE) (國際電工委員會可再生能源設備認證互認體系), the deputy chairman of World Wind Energy Association and a deputy director member of the Renewable Energy Committee under China Energy Research Society. Mr. Chin has served as an independent non-executive Director since June 2015.

Mr. Qin currently serves as independent non-executive director of China Suntien Green Energy Co., Ltd. (新天綠色能源股份有限公司) (Stock code: 956.HK), independent non-executive director of Huaneng Renewables Corporation Limited. (華能新能源股份有限公司) (Stock code: 958.HK), independent non-executive director of Ningxia Jiaze New Energy Co., Ltd. (寧夏嘉澤新能源股份有限公司) (Stock code: 601619.SH), and independent non-executive director of CECEP Wind-power Corporation (中節能風力發電股份有限公司) (Stock code : 601016.SH).

Profile of Directors, Supervisors and Senior Management

Mr. Yang Deren, aged 55, currently serves as independent non-executive Director. Mr. Yang obtained PhD and the title of professor. He is an academician of the Chinese Academy of Sciences (中國科學院院士), a Distinguished Professor under the Yangtze River Scholar Award Scheme (長江學者獎勵計劃特聘教授) and a Senior Specialist of Zhejiang Province (浙江省特級專家). Currently he serves as director of State Key Laboratory of Silicon Materials (硅材料國家重點實驗室主任) and the director of the Institute of Semiconductor Materials (半導體材料研究所所長) in Zhejiang University. He was awarded by the National Science Fund for Distinguished Young Scholars (國家傑出青年基金) , granted the honour of the China Youth Science and Technology Award (國家傑出青年基金) and the 9th Chinese Youth Science and Technology Prize (第九屆中國青年科技獎). Mr. Yang was awarded the National Natural Science Award (Second Class Award) by his research project on "silicon doped nitrogen with single crystal helium and relevant defect (摻氮直接硅單晶氦及相關缺陷的研究項目)" as well as the "controllable plant and its mechanism of one-dimensional nanometer semiconductor materials (一維納米半導體材料的可控生產長及其機理)". Mr. Yang has served as independent non-executive Director since June 2015.

Mr. Yang now also serves as independent non-executive director of Hangzhou First PV Material Co., Ltd. (杭州福斯特光伏材料股份有限公司) (Stock code: 603806.SH) and independent non-executive director of Zhejiang Jingsheng Mechanical & Electrical Co., Ltd. (浙江盛晶機電有限公司) (Stock code: 300316.SZ).

Mr. Wong, Yui Keung Marcellus, aged 65, currently serves as independent non-executive Director. Mr. Wong obtained bachelor degree, and he is a Certified Tax Adviser in Hong Kong and a Fellow of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) as well as CPA Australia. Mr. Wong currently serves as vice chairman of the global advisory board of L.R. Capital Management Company (Cayman) Limited, vice chairman of the board of directors of AMTD Group, honorary adviser of CPA Australia, chairman of Tax Policy Committee of Hong Kong, a member of the joint contacting group in Inland Revenue Department of Hong Kong. He served as a partner of PricewaterhouseCoopers, a member of the Working Group on Long-Term Fiscal Planning of the Government of the Hong Kong Special Administration Region, the president of the Taxation Institute of Hong Kong and the president of CPA Australia (Greater China Division). Mr. Wong has served as independent non-executive Director since June 2015.

Supervisors

Mr. Chen Qijun, aged 48, currently serves as chairman of Supervisory Board. He obtained an associate degree and is a senior economist of economic management. Mr. Chen is now serving as the chief risk controller and chairman of Supervisory Board. He worked as the deputy factory manager and executive deputy factory manager of Xinjiang Transformers Factory of TBEA, the general manager of TBEA Shandong Luneng Taishan Cable Co., Ltd. (特變電工山東魯能泰山電纜有限公司), and the deputy general manager of TBEA. Mr. Chen has served as Supervisor since June 2015.

Ms. Wu Wei, aged 50, has served as a Supervisor during the Reporting Period. She holds a master's degree and is a senior economist of enterprise management, senior political engineer, electrical insulation and cable engineer. Ms. Wu now serves as deputy general manager of TBEA Shenyang Transformer Group Co., Ltd. (特變電工瀋陽變壓器集團有限公司), and she worked as the director of sales company, the assistant to the general manager and the vice president of marketing of TBEA Xinjiang Transformers Factory, and has served as the director of Beijing office and deputy general manager of TBEA. Ms. Wu has served as Supervisor from July 2012 to June 2018.

Mr. Han Shu, aged 41, currently serves as a Supervisor. He holds a bachelor's degree and is a practicing lawyer. He currently serves as the director of legal affairs department of TBEA. He previously served as the head of factory and the head of risk management department of TBEA Transformers Factory in Xinjiang, the director of risk management department, the deputy director and the director of legal affairs department of TBEA, as well as the deputy director of the audit department of TBEA. Mr. Han has served as Supervisor since June 2018.

Mr. Hu Shujun, aged 46, currently serves as Supervisor, obtained an associate degree and is a senior electrical engineer. Mr. Hu now serves as chairman and general manager of Xinjiang Tebian. He worked as iron core workshop director, head of production department, assistant to the factory manager and deputy factory manager of TBEA Xinjiang Transformers Factory, and the assistant to the general manager and deputy general manager of TBEA. Mr. Hu has served as Supervisor since June 2015.

Mr. Ma Junhua, aged 42, currently serves as employee-representative Supervisor. He holds a bachelor degree. He is a certified public accountant and a certified tax accountant. Mr. Ma currently serves as the general manager of the system integration division of Xinjiang New Energy. He previously served as the head of the finance department, the head of the corporate management department, the executive deputy general manager and assistant to the general manager of the integration business division of Xinjiang New Energy. Mr. Ma has served as Supervisor since June 2018.

Mr. Zhang Yueqiang, aged 41, has served as an employee representative Supervisor during the Reporting Period. He obtained bachelor degree and has acquired the first-class qualification of Corporate Culture Expert. He currently serves as the deputy general manager of the Company. He has served as the assistant to the director and deputy director of corporate governance department of TBEA, the director of corporate affairs department and the vice-chairman of labor union of the Company. Mr. Zhang joined the Company in February 2008 and has been an employee representative Supervisor from April 2016 to June 2018.

Mr. Cao Huan, aged 35, currently serves as an employee representative Supervisor. He obtained bachelor degree. Mr. Cao now serves as director of audit department. He worked as the purchasing supervisor of purchase department, assistant to the director of audit department and deputy director of audit department. Mr. Cao joined the Company in June 2008 and has served as Supervisor since June 2015.

Profile of Directors, Supervisors and Senior Management

Other Senior Management Members

Mr. Yin Bo, aged 40, currently serves as executive Director and general manager. Biographical details of Mr. Yin Bo as at the Latest Practicable Date are set out on page 36 of this annual report.

Mr. Xia Jinjing, aged 38, currently serves as executive Director and deputy general manager. Biographical details of Mr. Xia Jinjing as at the Latest Practicable Date are set out on page 36 of this annual report.

Mr. Gan Xinye, aged 43, currently serves as deputy general manager. He holds a master's degree and is an electrical engineer. Mr. Gan worked as the director of Inner Mongolia Office of TBEA Hengyang Transformer Co., Ltd. (特變電工衡陽變壓器有限公司), head of strategic development department, deputy general manager of marketing department, assistant to the general manager and general manager of international complete engineering branch of the Company. Mr. Gan joined the Company in February 2008 and has served as deputy general manager since December 2012.

Mr. Yang Long, aged 43, currently serves as deputy general manager. He holds a bachelor's degree and is a senior economist. Mr. Yang has served as cashier of Huilai City Credit Cooperative in Urumqi, accountant of Longda Group's Xinjiang Branch, director of finance department, business administration depart of Xinjiang New Energy, director of the Company's finance department, and assistant to general manager. Mr. Yang has served as deputy general manager since June 2018.

Mr. Li Xiliang, aged 39, currently serves as deputy general manager. He holds a PhD degree and is a senior engineer. He has served as designer in the design office of TBEA Xinjiang Transformers Factory, assistant to the director and deputy director of TBEA's technology management department, director and deputy chief engineer of the Company's technology management department. Mr. Li has served as deputy general manager since June 2018.

Mr. Zhang Yueqiang, aged 41, currently serves as deputy general manager. Biographical details of Mr. Zhang Yueqiang as at the Latest Practicable Date are set out on page 39 of this annual report.

Mr. Liu Weizeng, aged 41, served as deputy general manager during the Reporting Period. He holds a PhD degree and is a senior engineer of power electronic technology. He currently serves as deputy general manager and the general manager of TBEA Xi'an Flexible Power Transmission & Distribution Co., Ltd. (特變電工西安柔性輸配電有限公司). Mr. Liu worked as executive deputy general manager and chief engineer of TBEA Xi'an Electrical Technology Co., Ltd. (特變電工西安電氣科技有限公司), and the chief engineer of Xinjiang New Energy. Mr. Liu has served as deputy general manager from June 2015 to February 2019.

Mr. Peng Jianghua, aged 42, served as deputy general manager during the Reporting Period. He holds a master's degree and is a senior engineer of industrial automation. Mr. Peng worked as a member of the polysilicon preparatory group of TBEA, head of electric department and deputy head of engineering department and assistant to the general manager of the Company. Mr. Peng joined the Company in February 2008 and has served as deputy general manager from August 2012 to June 2018.

Mr. Mian Yulong, aged 50, currently serves as the safety director. He holds a master degree and is currently a registered safety engineer. Mr. Mian worked as the deputy director of safety management division of safety and environmental protection department, deputy director of safety and technical supervision division of safety and environmental protection department, deputy director of quality, safety and environmental protection department, and the director and deputy chief engineer of safety management division of quality, safety and environmental protection department of Urumqi Petrochemical Company (烏魯木齊石化公司). Mr. Mian has joined the Company since August 2014 and has served as safety director since June 2015.

Mr. He Yongjian, aged 52, currently serves as the chief mechanical engineer. He holds a bachelor's degree and is a senior mechanical engineer. Mr. He worked as deputy equipment director of and team leader of the mechanical team of the synthesis of rubber factory, deputy manager of project department under the large-scale ethylene project commanding department (大乙烯指揮部聚丙烯項目), director of mechanics division and deputy chief equipment engineer of the project department of the polyolefin business unit (聚烯烴事業部) as well as deputy chief equipment engineer of the ethylene plant of Lanzhou Petrochemical Company. Mr. He joined the Company in January 2013 and has served as the chief mechanical engineer since June 2015.

Mr. Zheng Weijie, aged 41, currently serves as the chief accountant. He holds a bachelor's degree and is an intermediate economist. Mr. Zheng worked as a bank and tax accountant and the head of financing in the finance department, and director of the fund management center of TBEA; deputy chief accountant and chief accountant of Xinjiang New Energy. Mr. Zheng has served as the chief accountant since June 2015.

Ms. Zhang Juan, aged 30, currently serves as the secretary to the Board. She holds a bachelor's degree and is a Certified General Accountant of Canada (加拿大註冊會計師). Ms. Zhang served as a staff member in the securities department of TBEA and assistant to head of securities department of the Company. Ms. Zhang joined the Company in October 2014 and has served as the secretary to the Board since June 2015.

Report of the Board of Directors

MAJOR BUSINESS

The Company is principally engaged in producing and sales of polysilicon, as well as developing and operating of PV and wind power stations.

MANAGEMENT DISCUSSION AND ANALYSIS

The details of discussion and analysis of the management of the Company during this year are set out in pages 15 to 35 of this annual report.

DEBENTURES ISSUANCE

For the year ended 31 December 2018, the Group has issued the green debt financing scheme of RMB100,000,000, for use in the green energy-saving technology transformation project. The Group has already redeemed such debentures on 13 March 2019.

RESULTS

The audited result of the Group for the year ended 31 December 2018 are set out in the Consolidated Statement of Comprehensive Income on page 106. The financial position of the Group as at 31 December 2018 are set out in the Consolidated Balance Sheet from page 104 to page 105. The consolidated cash flow of the Group for the year ended 31 December 2018 is set out in the Consolidated Statement of Cash Flows on page 108. The discussion and analysis on result performances, the important factors effecting the results and financial position relevant to the Group during the year are set out in the Management Discussions and Analysis from page 15 to page 35 in the annual report.

SHARE CAPITAL

As of 31 December 2018, the structure of the share capital issued of the Company is as follow:

Classification of Shares	Number of issued Shares as at 31 December 2018	Percentage of the number of issued shares as at 31 December 2018 (%)
Domestic Shares	731,529,532	70%
H Shares	313,475,630	30%
Total	1,045,005,162	100%

On 31 December 2018, the total share capital of the Company was 1,045,005,162 Shares, divided into 731,529,532 Domestic Shares with nominal value of RMB1 each and 313,475,630 H Shares with nominal value of RMB1 each.

The Company was approved by the Shareholders to issue 154,994,838 Domestic Shares to TBEA at the subscription price of RMB7.78 per Share, amounting to a total of RMB1,205,859,839.64 at the extraordinary general meeting and class meetings of H Shares Shareholders and Domestic Shares Shareholders held on 11 January 2019. The issue was completed on 15 February 2019. As at the Latest Practicable Date, the total issued share capital of the Company is 1,200,000,000 Shares, which is divided into 313,475,630 H Shares and 886,524,370 Domestic Shares.

DISTRIBUTABLE RETAINED EARNINGS

As of 31 December 2018, the Company had distributable retained earnings of RMB2,249,610,000.00.

RESERVES

Movements in the reserves of the Company for the year are set out in Note 38 to the consolidated financial statements.

DIVIDEND POLICY

The Company may distribute dividends by way of cash or by other means that the Company consider appropriate. Any proposed distribution of dividends shall be determined by the Board and will be subject to Shareholders' approval. A decision to declare or to pay dividends, and the amount of dividends, will depend on a number of factors, including the Company's operating results, cash flow, financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that the Directors may consider important. According to PRC law and the Articles, the Company will pay dividends out of our profit after tax only after the Company has made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory common reserve fund equivalent to 10% of our after-tax profit, as determined under PRC GAAP; and
- allocations that are approved by the Shareholders in a general meeting, if any, to any common reserve fund.

PROFIT DISTRIBUTION AND PROPOSED DIVIDEND

On 27 March 2019, the Board proposed the distribution of a final dividend of RMB0.15 per share (including tax) for the year ended 31 December 2018, after the appropriations to the statutory surplus reserve according to the relevant regulations. The proposal of distributing final dividend is subject to the approval by Shareholders at the 2018 annual general meeting, and (if approved) is expected to be paid before Wednesday, 28 August 2019. Details of the dividend payment will be announced after the holding of annual general meeting.

The distribution of dividend will be completed within two months after the annual general meeting (if approved). The final dividend will be paid by RMB to the holders of Domestic Shares and H Shares will be paid by Hong Kong dollars. The actual amount of dividend for H shares to be paid in Hong Kong dollars is calculated based on the average of the middle rate of RMB against Hong Kong dollars for five business days preceding the date of approval of the dividend declaration at the annual general meeting published by the People's Bank of China.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of Shareholders who are entitled to receive the final dividend, the register of members of the Company will be closed from Friday, 5 July 2019 to Wednesday, 10 July 2019, both days inclusive, during which no transfer of shares will be registered. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company on Wednesday, 10 July 2019 are entitled to receive the final dividend. In order to determine the holders of H Shares who are qualified for the final dividend payment, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 4 July 2019 for registration.

In order to determine the list of Shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on Friday, 28 June 2019, the register of members of the Company will be closed from Wednesday, 29 May 2019 to Friday, 28 June 2019, both days inclusive, during which no transfer of shares will be registered. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company on Wednesday, 29 May 2019 are entitled to attend and vote at the annual general meeting. Holders of H Shares of the Company who intend to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H share registrar mentioned above no later than 4:30 p.m. on Tuesday, 28 May 2019 for registration. Holders of Domestic Shares who intend to attend and vote at the annual general meeting shall submit all transfer documents accompanied by the relevant domestic share certificates to the office of the Secretary of the Board of the Company no later than 4:30 p.m. on Tuesday, 28 May 2019 for registration.

WITHHOLDING AND PAYMENT OF FINAL DIVIDEND INCOME TAX

Withholding and Payment of Enterprise Income Tax on Behalf of Overseas Non-Resident Enterprises

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementing rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes final dividend to non-resident enterprise holders of H Shares (including any H Shares registered in the name of HKSCC Nominees Limited).

Withholding and Payment of Individual Income Tax on Behalf of Overseas Individual Shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementing rules as well as the Tax Notice (《稅收通知》), the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of individual holders of H Shares:

- For individual holders of H Shares who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these individual holders of H Shares in the distribution of the final dividend;

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these individual holders of H Shares in the distribution of the final dividend. If relevant individual holders of H Shares would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice (《稅收通知》). Qualified shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Notice to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited. The Company will then submit the above documents to competent tax authorities and, after their examination and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these individual holders of H Shares in the distribution of the final dividend; and

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these individual holders of H Shares in the distribution of the final dividend.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Group has not purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2018.

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 proceeds from the H Shares offering was equivalent to approximately RMB1,191.67 million in HKD. According to the plan of the use of the proceeds of the Company, as of 31 December 2018, accumulated used proceeds was equivalent to RMB1,146.40 million, and the unused proceeds was equivalent to approximately RMB45.27 million.

As of 31 December 2018, the uses of proceeds from the H Shares offering are as follows:

No.	Usage	Allocation Amount (RMB million)	Used Proceeds (RMB million)	Unused Proceeds (RMB million)
1	Construction and operation of the BOO projects of the Group	762.00	762.00	0.00
2	Replenishment of operating capital	135.27	135.27	0.00
3	Repayment of part of long-term bank loans	235.74	235.74	0.00
4	Investment in R&D activities and purchasing or upgrading of IT systems	58.66	13.39	45.27
	Total	1,191.67	1,146.40	45.27

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the Group's revenue from operations attributed to its five major customers and the largest customer were 38.19% and 9.71%, respectively.

During the same period, the Group's total procurement amount attributed to its five major suppliers and the largest supplier were 21.37% and 6.95%, respectively.

The customers of the Group were basically the operation enterprises of PV and wind power plant in the downstream of new energy industry, mainly including state-owned enterprises, central enterprises and private enterprises, which have established cooperation with the Group in the recent 5 years. Major customers were similar to other customers in these aspects, such as delivery method, payment method, settlement conditions, without special terms. The settlement of major customers's accounts receivable was strictly complied with the requirements of the contract, and provision was made for accounts receivable in accordance with the Group's accounting policy.

TBEA is one of the five major suppliers of the Group for the year ended 31 December 2018, and has 65.43% equity interest in the Company as of the Latest Practicable Date.

Save as those disclosed in this annual report, to the best knowledge of the Directors, none of the Directors, their associates or substantial shareholders who own more than 5% of the issued share capital of the Company has any equity interest in the five major customers and the five major suppliers.

The Group has been keeping a sustained and stable relationship with customers and suppliers. The Group has not relied on any individual customer and supplier as regard to the business which has a significant impact on the Group.

RELATIONSHIP WITH EMPLOYEES

The Group always adhered to the corporate culture with "employee-based development for the sake of staff and sharing of development achievements with employees", actively practiced the concept of "innovation and participation", and deepen the projects in public interest, to promote a harmonious corporate continuously. In 2018, the labor union of the Group at different levels continued to conduct "livelihood projects", which covered various aspects, such as staff's children education, support of the employees who have difficulties, medicine, training and marriage matters of employees, based on the most direct livelihood problems that were urgently necessary to deal with for employees. The Group delivered a satisfactory "result on livelihood" to extensive employees by practical actions, promoting a higher level of producing, living, working, learning environment and welfare and security of employees.

Meanwhile, the Group's employees have one or two meetings with their seniors on a regular basis each year based on their positions and responsibilities, discuss their work performance and challenges they are facing, and set their goals and achieve them. The Group will evaluate their working quality, attitude and room for improvement and performance, which are primarily considered as the evaluation bases of significant decision-making, such as wage/salary adjustment, promotion/demotion and job relocation. Employees can receive guidance and consultation, training or career development plan as appropriate. For details of staff development and training, please refer to environmental, social and governance report in 2018 to be issued by the Company in due course.

BANK LOAN AND OTHER BORROWING

Details of the bank loan and other borrowing for the Group on 31 December 2018 are set out in Note 21 to the consolidated financial statements.

CHARITABLE DONATION

For the year ended 31 December 2018, the Group has made charitable donations of approximately RMB30,000, which were mainly donated to Red Cross and other charitable organisations at locations of our operations.

PROPERTY, PLANT AND EQUIPMENT

Details of change on the property, plant and equipment of the Group during the year are set out in Note 6 to the consolidated financial statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of Directors of the Company for the year ended 31 December 2018 and up to the date of this annual report are as follows:

Executive Directors
Zhang Jianxin *(Chairman of the Board of Directors)*
Yin Bo
Ma Xuping(1)
Xia Jinjing(2)

Non-executive Directors
Zhang Xin
Guo Junxiang
Tao Tao(3)
Lin Chengfei(4)

Independent non-executive Directors
Qin Haiyan
Yang Deren
Wong, Yui Keung Marcellus

(1) As the third session of the Board of Directors formally took their offices on 15 June 2018, the retirement of Mr. Ma Xuping as the Company's executive director as well as member of Strategy Committee and Remuneration and Assessment Committee took effect on 15 June 2018.
(2) Mr. Xia Jinjing was appointed as the Company's executive director and member of Remuneration and Assessment Committee on 15 June 2018.
(3) Mr. Tao Tao resigned as the Company's non-executive director and member of Audit Committee on 28 June 2018.
(4) Mr. Lin Chengfei was appointed as the Company's non-executive director and member of Audit Committee on 12 December 2018 and resigned the above positions with effect from 13 March 2019.

For the year ended 31 December 2018, biographies of Directors, Supervisors and senior management of the Company are set out in page 36 to page 41 to this report.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that all independent non-executive Directors are independent from the Company.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with each of the Directors. The principal particulars of such service contracts are (1) from the date of appointment to the date of expiry of the term of the current session of the Board/Supervisory Board; and (2) are subject to termination in accordance with their respective terms.

Each of the Directors and Supervisors has entered into a contract in respect of, among others, compliance of relevant laws and regulations, observations of the Articles and arbitration and other provisions with the Company.

Save as disclosed above, none of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Directors and Supervisors for the year ended 31 December 2018 are as follows:

	Total RMB'000
Executive Directors	
Zhang Jianxin	1,173
Yin Bo	4,037
Ma Xuping(4)	—
Xia Jinjing	1,834
Non-executive Directors(1)	
Zhang Xin	—
Guo Junxiang	—
Tao Tao	—
Lin Chengfei	—
Independent non-executive Directors	
Yang Deren	120
Qin Haiyan	120
Wong, Yui Keung Marcellus	120
Supervisors	
Chen Qijun(2)	—
Wu Wei(2)	
Han Shu(2)	—
Hu Shujun(2)	—
Zhang Yueqiang(3)	1,034
Ma Junhuan	988
Cao Huan	394

Notes:

(1) Non-executive Directors would not receive any remuneration from the Company.

(2) Mr. Chen Qijun, Ms. Wu Wei, Mr. Han Shu and Mr. Hu Shujun are Supervisors appointed by the Shareholders and shall not receive any remuneration from the Company.

(3) As the third session of the Supervisory Board formally took their offices on 15 June 2018, the retirement of Mr. Zhang Yueqiang as the Company's employee representative Supervisor took effect from 15 June 2018.

(4) As the third session of the Board of Directors formally took their offices on 15 June 2018, the retirement of Mr. Ma Xuping as the Company's executive Director took effect from 15 June 2018.

The emoluments of the senior management of the Company for the year ended 31 December 2018 are within the following bands:

Remuneration bands	No. of persons
RMB0 to RMB1,000,000	2
RMB1,000,001 to RMB2,000,000	9
RMB2,000,001 to RMB4,500,000	1

The Company's internal policies on the Directors, and Supervisors, remuneration are as follows:

1. Independent non-executive Directors will receive their remuneration from the Company. The Company will pay each independent non-executive Director RMB120,000 annually (before tax, paid on a quarterly basis, the Company being responsible for withholding and paying personal income tax). Travel expenses incurred by independent non-executive Directors in attending Board meetings, general meetings and relevant activities organised by the Board will be borne by the Company;

2. Non-executive Directors not holding offices in the Company will not receive any remuneration from the Company;

3. Executive Directors holding offices in the Company will receive their remuneration from the Company. The remuneration of an executive Director will be determined based on the senior management position held by such executive Director, in accordance with rules relating to the management of remuneration of the Company; and

4. Supervisors not holding offices in the Company will not receive any remuneration from the Company; employee supervisors of the Company will receive their remuneration from the Company where they currently hold a position. The remuneration of an employee Supervisor of the Company will be determined with reference to the duties of the management position where he holds, in accordance with rules relating to the management of remuneration of the Company.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

At the end of the year or at any time during the year, there was no transaction, arrangement or contract of significance to the Group's business in which the Company was a party, and in which a Director or Supervisor or an entity connected with the Director or Supervisor had a material interest, either directly or indirectly, and subsisted during the year or at the end of the year.

INTEREST OF DIRECTORS IN COMPETING BUSINESS

During the year of 2018, no Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

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

As of 31 December 2018, so far as known to the Company, the interest and short positions of the Directors, Supervisors or chief executive of the Company in the Shares, underlying Shares or debentures of our 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 being taken or deemed to have by them under such 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") are as follows:

Name	Nature of Interest	The Company/ relevant corporation (including associated corporation)	Number/type of shares of the Company/ relevant corporation (including associated corporation) held	Approximate percentage of shareholdings in the total share capital of the Company/ relevant corporation (including associated corporation)[1]	Approximate percentage of shareholdings 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	5.57%	7.96%	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]	110,800 shares	0.00%	N/A	Long position

(1) The calculation is based on the total number of 3,718,647,789 shares of TBEA and 1,045,005,162 Shares of the Company in issue as of 31 December 2018.

(2) The calculation is based on the total number of 731,529,532 Domestic Shares of the Company in issue as of 31 December 2018.

(3) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, and as of 31 December 2018, Xinjiang Tebian directly holds 5.57% equity interest of the Company.

(4) TBEA is the Company's Controlling Shareholder and therefore an "associated corporation" of our Company within the meaning of Part XV of the SFO. As of 31 December 2018, TBEA held 628,926,449 Domestic Shares of our Company, TBEA (HONGKONG) CO., LIMITED, a wholly owned subsidiary of the TBEA, held 1,223,200 H shares of our Company, which in total accounted for approximately 60.30% 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 at 31 December 2018, none of the Directors, Supervisors and chief executive of the Company have any interest or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including those being taken or deemed to have by them under such provisions of the SFO); or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR INSURANCE

As of the date of this annual report, the Company has bought effective Director insurance for the Directors (current and resigned).

PERMITTED INDEMNITY PROVISIONS

During the Reporting Period and up to the Latest Practicable Date, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company or its associated companies. The permitted indemnity provisions are provided for in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, no right to subscribe the Shares in or debentures of the Company or any of its associated corporations was granted by the Company to any Director, Supervisor or chief executive of the Company or their respective spouses or children aged under 18, and no such rights to subscribe the above Shares or debentures were exercised by them.

During the Reporting Period, TBEA, the Controlling Shareholder of the Company, granted restricted shares to some Directors, Supervisors and senior management of the Company as equity incentive.

FINANCIAL, BUSINESS OR RELATIVE RELATIONSHIPS BETWEEN THE MEMBERS OF THE BOARD OF DIRECTORS

As at the date of the report, there is no financial, business or relative relationships between the members of the Board of Directors.

EQUITY INCENTIVE TO THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company did not make equity incentive to the Directors, Supervisors and senior management.

EVENTS AFTER THE BALANCE SHEET DATE

Directional Issue of Domestic Shares

1. The Company held the extraordinary general meeting, class meetings of H Shares Shareholders and Domestic Shares Shareholders on 11 January 2019 approved the directional issue of 154,994,838 Domestic Shares to TBEA at RMB7.78 per Share, amounting to a total of RMB1,205,859,839.64 (the "Directional Issue"), which was completed on 15 February 2019. Upon completion of the Directional Issue, the total number of issued Shares was 1,200,000,000 Shares, with 313,475,630 H Shares and 886,524,370 Domestic Shares. The nominal value of the Shares issued under the Directional Issue is RMB1.0 per Share, and the net price per newly issued Domestic Share, after deducting all such related fees and expenses, was approximately RMB7.78. The closing price of the H Shares on the Stock Exchange on 13 November 2018, being the date on which the terms of the Directional Issue was fixed, was HK$7.54.

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

As at the date of the annual report, the Company has utilized approximately RMB457.20 million of the net proceeds from the Directional Issue and the details are set out below:

Uses	Original Allocation RMB (million)	Utilisation as at the date of this Annual Report RMB (million)	Remaining Balance RMB (million)
Ximeng BOO Wind Power Project	800	57.20	742.80
36,000-ton Polysilicon Project	405	400	5
Total:	1,205	457.20	747.80

The remaining balance of RMB747.80 million shall be utilised as intended and scheduled as disclosed in the circular of the Company dated 23 November 2018.

Dividend

2. At the board meeting held on 27 March 2019, the Board proposed a final dividend of RMB0.15 per share for the year ended 31 December 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As of 31 December 2018, so far as known to the directors of the Company after reasonable enquiry, the following persons (other than the Directors, supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and has been entered in the register required to be kept by the Company according to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares of the Company[1]	Approximate percentage of shareholdings in the total share capital of the Company[1]	Long position/ short position
TBEA	Beneficial Owner	Domestic Shares	628,926,449	85.97%	60.18%	Long position
Xinjiang Tebian	Beneficial Owner	Domestic Shares	58,246,308	7.96%	5.57%	Long position
Mr. Chen Weilin[2]	Interest in a controlled corporation	Domestic Shares	58,246,308	7.96%	5.57%	Long position
L.R. Capital Asia Markets Limited[3]	Beneficial Owner	H Shares	47,894,956	15.28%	4.58%	Long position
CM International Capital Limited	Beneficial Owner	H Shares	43,859,649	13.99%	4.20%	Long position
Keystone Group Ltd.[4]	Beneficial Owner	H Shares	26,420,400	8.43%	2.53%	Long position
Ms. Ouyang Xinxiang[4]	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.53%	Long position
LRC. Belt and Road Investment Limited[5]	Beneficial Owner	H Shares	26,420,400	8.43%	2.53%	Long position
Strategic Global Investment Corporation Limited[5]	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.53%	Long position
Explorer Sparkle Limited[6]	Beneficial Owner	H Shares	17,618,800	5.62%	1.69%	Long position
Abhaya Limited[6]	Interest in a controlled corporation	H Shares	17,618,800	5.62%	1.69%	Long position
Wickhams Cay Trust Company Limited[6]	Trustee	H Shares	17,618,800	5.62%	1.69%	Long position
Ms. Shi Jing[6]	Settlor	H Shares	17,618,800	5.62%	1.69%	Long position
GF Securities Co., Ltd.[7]	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Holdings (Hong Kong) Corporation Limited[7]	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Investment (Hong Kong) Company Limited[7]	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Energy Investment Limited[7]	Beneficial Owner	H Shares	29,239,766	9.33%	2.80%	Long position
Fubon Financial Holding Co., Ltd.[8]	Interest in a controlled corporation	H Shares	17,613,600	5.62%	1.69%	Long position
Fubon Life Insurance Co., Ltd.[8]	Beneficial Owner	H Shares	17,613,600	5.62%	1.69%	Long position
Perfect Splendour Limited	Beneficial Owner	H Shares	15,943,702	5.09%	1.53%	Long position

Notes:

(1) The calculation is based on the total number of 1,045,005,162 shares of the Company in issue on 31 December 2018, in which 313,475,630 are H Shares and 731,529,532 are Domestic Shares.

(2) Mr. Chen Weilin holds 33.61% equity interest in Xinjiang Tebian, while Xinjiang Tebian holds 5.57% equity interest of the Company directly. As a result, Mr. Chen Weilin was deemed to have an interest in 58,246,308 Domestic Shares held by Xinjiang Tebian under the SFO.

(3) According to the Company's current information, as of 31 December 2018, L.R. Capital Asia Markets Limited holds 47,894,956 H Shares.

(4) Keystone Group Ltd. is 100% owned by Ms. Ouyang Xinxiang. Therefore, Ms. Ouyang Xinxiang is deemed or taken to be interested in all the Company's 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 the Company's 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 settlor 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 the Company's 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, GF Holdings (Hong Kong) Corporation Limited holds 100% of the equity interest of GF Investment (Hong Kong) Company Limited and GF Holdings (Hong Kong) Corporation Limited is 100% owned by GF Securities Co., Ltd.. Accordingly, under SFO, 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.

(8) Fubon Financial Holding Co. Ltd. holds 100% equity interests in Fubon Life Insurance Co. Ltd.. Accordingly, under SFO, Fubon Financial Holding Co.,Ltd. is deemed to be interested in the Company's shares held by Fubon Life Insurance Co., Ltd..

Save as disclosed above, as at 31 December 2018, the Directors of the Company are not aware that any other person (other than the Directors, supervisors and chief executive Members of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or has to be entered in the register kept by the Company according to Section 336 of the SFO.

COMPLIANCE WITH OFAC UNDERTAKINGS

During the Listing of the Company, an undertaking ("OFAC Undertakings") was made to the Hong Kong Stock Exchange by the Company that the Company would not use any proceeds from the Global Offering to directly or indirectly provide to or prompt in any activities or businesses (no matter what purpose) conducted by any sanctioned objects. Hence, the Directors confirmed that the Company complied with the OFAC Undertakings during the Reporting Period and will continue to comply with the OFAC Undertakings in the normal course of business in future.

MANAGEMENT CONTRACT

The Company did not enter into or establish any management and administrative contracts relating to all or any material part of business during the Reporting Period.

SIGNIFICANT CONTRACTS

Apart from as disclosed under the heading of the "Connected Transaction" in this report, neither the Company nor any one of its subsidiaries has signed significant contracts with the Controlling Shareholder or any one of its subsidiaries other than the Group, and no significant contract for delivery of service has been signed between the Group and the Controlling Shareholder or any one of its subsidiaries other than the Group.

CONNECTED TRANSACTIONS

The following disclosed connected transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules, and conform to the relevant disclosure requirements. In relation to the connected transactions mentioned below, the Directors are of the opinions that the Company has complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules. Please refer to the announcements disclosed on the website of the Stock Exchange and the website of the Company.

The following disclosed amounts in respect of the continuing connected transactions in this section are not equivalent to transactions with related parties in Note 36 to the consolidated financial statements. The differences are attributable to: (i) the amount of transactions which were one-off transactions between the Company and the respective associates of TBEA; (ii) the amount of the fully exempt continuing connected transactions.

Apart from the connected transactions and continuing connected transactions stated below in this annual report, none of the related party transactions constituted connected transactions or continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules, which are subject to announcement or independent shareholders' approval requirements.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group conducted certain exempt continuing connected transactions.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has the following non-exempt continuing connected transactions during the year ended 31 December 2018:

Product Procurement Framework Agreement (Type 1) ("Type 1 Transaction")

Our Company entered into a product procurement framework agreement (Type 1) with TBEA, being the Controlling Shareholder of our Company on 15 December 2017, pursuant to which, TBEA and/or its associates shall provide the Company with transformers (including ancillary equipment), wires, cables and other equipment. The Product Procurement Framework Agreement (Type 1) is for a term of 3 years commencing on 1 January 2018 and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreement which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the Product Procurement Framework Agreement (Type 1).

Coal Procurement Framework Agreement (Type 2) ("Type 2 Transaction")

Our Company entered into a coal procurement framework agreement (Type 2) with TBEA on 15 December 2017, pursuant to which, TBEA and/or its associates shall provide coal to us. Pursuant to the Coal Procurement Framework Agreement, Xinjiang Tianchi Energy Co., Ltd., a subsidiary of TBEA, provided coal to the Company for power generation and heating. The Coal Procurement Framework Agreement (Type 2) is for a term of 3 years commencing on 1 January 2018 and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreement which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the Coal Procurement Framework Agreement (Type 2).

Product Procurement Framework Agreement (Type 3) ("Type 3 Transaction")

Our Company entered into a product procurement framework agreement (Type 3) with Xinjiang Tebian on 15 December 2017, pursuant to which we will procure equipment and cabinets such as high-low voltage switch cabinet, control cabinet, electricity control cabinet, power distribution cabinet from Xinjiang Tebian and its associates. The Product Procurement Framework Agreement (Type 3) is for a term of 3 years commencing on 1 January 2018 and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreements which will set out the specific terms and conditions (including the pricing, quality and service standards) according to the normal commercial terms provided in the Product Procurement Framework Agreement (Type 3).

Miscellaneous Services Framework Agreement (Type 4) ("Type 4 Transaction")

The Company entered into a miscellaneous services framework agreement (Type 4) with TBEA on 15 December 2017, pursuant to which TBEA and/or its associates shall provide the Company with miscellaneous construction service (such as engineering construction, greening service, installation of water, electricity, gas and heat) (the "TBEA Miscellaneous Construction Services"). The miscellaneous construction services is mainly in supporting nature which is different from the main construction service for our EPC and BT business. The Miscellaneous Services Framework Agreement (Type 4) is for a term of 3 years commencing on 1 January 2018 and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreement which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the Miscellaneous Services Framework Agreement (Type 4).

Miscellaneous Services Framework Agreement (Type 5) ("Type 5 Transaction")

The Company entered into a miscellaneous services framework agreement (Type 5) with Xinjiang Tebian on 15 December 2017, pursuant to which the Company shall purchase miscellaneous service (such as engineering labor, installation of electricity and gas) from Xinjiang Tebian and/or its associates. The Miscellaneous Services Framework Agreement (Type 5) is for a term of 3 years commencing on 1 January 2018 and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreements which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the Miscellaneous Services Framework Agreement (Type 5).

Transportation Services Framework Agreement (Type 6) ("Type 6 Transaction")

The Company entered into a transportation services framework agreement (Type 6) with Xinjiang Tebian on 15 December 2017, pursuant to which Xinjiang Tebian and/or its associates provides the Company with transportation services for coal, equipment and raw materials. The Transportation Services Framework Agreement is for a term of 3 years commencing on 1 January 2018 and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreements which will set out the specific terms and conditions (including the pricing and quality standards) according to normal commercial terms provided in the Transportation Services Framework Agreement (Type 6).

For details of the terms of abovementioned non-exempt continuing connected transactions, please refer to the circular of the Company dated 27 March 2018.

The following table states the annual cap and actual transaction amount of such transactions in 2018:

Connected Matters of the transactions	Connected Person	Annual cap for each of the three years ending 31 December 2020 (RMB'000,000)	2018 Actual annual transaction amounts (RMB'000,000)
1. Product Procurement Framework Agreement (Type 1)(3)	TBEA	350(2)	512(1)
2. Coal Procurement Framework Agreement (Type 2)(3)	TBEA	300	148
3. Product Procurement Framework Agreement (Type 3)(4)	Xinjiang Tebian	50	18
4. Miscellaneous Construction Services Framework Agreement (Type 4)(3)	TBEA	250	230
5. Miscellaneous Services Framework Agreement (Type 5)(4)	Xinjiang Tebian	250	187
6. Transportation Services Framework Agreement (Type 6)(4)	Xinjiang Tebian	150	46

Notes:

(1) The actual transaction amount under the Product Procurement Framework Agreement (Type 1) for the year ended 31 December 2018 ("**Type 1 Actual Transaction Amount**").

(2) The estimated transaction amount under the Product Procurement Framework Agreement (Type 1) for the year ended 31 December 2018 ("**Type 1 Estimated Transaction Amount**").

(3) Product Procurement Framework Agreement (Type 1), Coal Procurement Framework Agreement (Type 2), and Miscellaneous Services Framework Agreement (Type 4) together referred to as "**TBEA Framework Agreements**".

(4) Product Procurement Framework Agreement (Type 3), Miscellaneous Services Framework Agreement (Type 5), and Transportation Services Framework Agreement (Type 6) together referred to as "**Xinjiang Tebian Framework Agreements**".

For Type 1 Transaction, Type 2 Transaction and Type 4 Transaction (together referred to as "**TBEA Procurement Transactions**"), the Stock Exchange has aggregated and treated the TBEA Procurement Transactions as if one transaction pursuant to Rules 14A.81, 14A.82 and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the TBEA Procurement Transactions with TBEA are aggregated and used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. Since at least one of the relevant percentage ratios under the Listing Rules in respect of the TBEA Procurement Transactions, as contemplated under the TBEA Framework Agreements as aggregated is expected to be more than 5% on an annual basis, the transactions as contemplated under the TBEA Framework Agreements are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The total annual cap as aggregated under the TBEA Framework Agreements ("**Approved Total Annual Cap**") has been approved by Shareholders at the extraordinary general meeting of the Company on 16 April 2018 and the Company has been approved to conduct the TBEA Procurement Transactions in accordance with the Approved Total Annual Cap. During the preparation of the consolidated financial statements of the Company, it came to the Company's attention that the Type 1 Actual Transaction Amount exceeded the Type 1 Estimated Transaction Amount stated in the announcement and circular dated 15 December 2017 and the 27 March 2018 respectively. The actual transaction amount under the TBEA Framework Agreements as at 31 December 2018 was nonetheless lower and well within the Approved Total Annual Cap. In such respect, the Board will submit a proposal at the AGM for the independent shareholders to review and confirm the Type 1 Actual Transaction Amount. Details of the said matter are set out in the further announcement issued by the Company regarding the continuing connected transactions contemplated under the TBEA Framework Agreements dated 27 March 2019.

For Type 3 Transaction, Type 5 Transaction and Type 6 Transaction (together referred to as "**Xinjiang Tebian Procurement Transactions**"), the Stock Exchange has aggregated and treated the Xinjiang Tebian Procurement Transactions as if one transaction pursuant to Rules 14A.81, 14A.82 and 14A.83 of the Listing Rules. Accordingly, the proposed annual caps in respect of the Xinjiang Tebian Procurement Transactions with Xinjiang Tebian are aggregated and used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. Since at least one of the relevant percentage ratios under the Listing Rules in respect of Xinjiang Tebian Procurement Transactions as contemplated under the Xinjiang Tebian Framework Agreements as aggregated, is expected to be more than 5% on an annual basis, the transactions as contemplated under the Xinjiang Tebian Framework Agreements are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Information relating to TBEA

TBEA is a joint stock company incorporated in the PRC on 26 February 1993. As of the Latest Practicable Date, its registered capital amounted to RMB3,718,647,789. TBEA and its close associates (excluding the Group) are principally engaged in: (i) the manufacturing and sale of power transformers, reactors, wires, cables and other electrical and mechanical equipment and (ii) domestic and overseas engineering and construction contracting for power transmission projects, water power and thermal power station projects. As of the Latest Practicable Date, TBEA is interested in approximately 65.43% of the total issued share capital of the Company, and thus is a Controlling Shareholder of the Company. Accordingly, TBEA is a connected person of the Company.

Information relating to Xinjiang Tebian

Xinjiang Tebian is a company with limited liability incorporated in the PRC on 27 January 2003, with a registered capital of RMB75,000,000 as of the Latest Practicable Date. Xinjiang Tebian is principally engaged in the production and sales of electromechanical products and transformer accessories, and industrial investment. Mr. Zhang Xin is a connected person of our Company by virtue of his position as a Director as defined under Chapter 14A of the Listing Rules. Xinjiang Tebian, being a company in which Mr. Zhang Xin holds 30% or more interest, is a connected person of the Company by virtue of it being an associate of Mr. Zhang Xin as defined under Chapter 14A of the Listing Rules.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In preparation for the Company's listing on the Main Board of Stock Exchange, the Board proposed and the Shareholders approved the Management Rules on Connected Transaction of Xinte Energy Co., Ltd. (the "Management Rules on Connected Transaction") on the Company's third extraordinary general meeting on 2 June 2015 to identify, record and monitor the Company's connected transactions (including continuing connected transactions) to confirm with the requirements of the Listing Rules. The Management Rules on Connected Transaction sets out the detailed authorisation criteria for the connected transactions (including continuing connected transactions), provides that such review and approval by the Company shall comply with the applicable rules and regulations, including the Listing Rules, and the Articles of associations.

The Audit Committee of the Board is responsible for the information gathering on and monitoring of connected transactions, and conducting evaluation on the fairness of the transaction terms and the pricing terms; it would discuss with our subsidiaries and business departments to determine the annual caps and execution of the Company's connected transactions; it shall also report to the Board of Directors and the Supervisory Board on the Group's connected transactions on a quarterly basis. If based on the monitoring report it is anticipated that there is a need to revise the annual caps, the Company will comply with the relevant requirements under Listing Rules to issue an announcement, report to the Independent Board Committee and/or seek for independent Shareholders' approval after the Board's review and approval (as the case may be).

The directors of the Company (including the independent non-executive directors) has monitored and supervised the compliance of the connected transactions with the Chapter 14A of the Hong Kong Listing Rules in accordance with the Management Rules on Connected Transaction, and the Company's internal auditors have also provided the continuing connected transactions-related information to the Directors (including the independent non-executive Directors) mentioned above and the finalisation of the internal control procedures. Under the supervision of the management, the Company has strictly implemented the risk management and internal control procedures in relation to the continuing connected transactions in accordance with the Management Rules on Connected Transaction, and the Company's internal auditors have audited the continuing connected transactions above on the same basis. The designing of the existing related-party transaction policy is effective. The Directors (including the independent non-executive Directors) have also reviewed the relevant information in accordance with the Management Rules on Connected Transaction to ensure that each of the continuing connected transactions above is conducted within the price policy or system under their respective Framework Agreement.

The independent non-executive Directors have reviewed the continuing connected transactions above, taking into consideration of the report from executives of the risk management and internal control as well as information about continuing connected transactions, and confirmed that such transactions were:

(1) conducted in the ordinary and usual course of business of the Group;

(2) conducted pursuant to normal commercial terms; if the comparable transactions could not be relied on to judge whether the terms of the transactions were normal commercial terms, those terms should not be less favorable than the terms accepted or provided by independent parties; and

(3) conducted in accordance with the terms of agreement related to the transactions and the terms were fair and reasonable and in the interests of shareholders of the Company as a whole.

CONFIRMATION OF AUDITORS

The Group's external Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The external Auditor has issued their letter containing their findings and conclusions in respect of the above mentioned continuing connected transactions in accordance with Rule 14A.56 of Listing Rules.

Based on its work, the Company's external Auditor provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

a. nothing has come to the Auditor's attention that causes the Auditors to believe that the disclosed continuing connected transactions have not been approved by the Board.

b. for transactions involving the provision of goods or services by the Group, nothing has come to the Auditor's attention that causes the Auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c. nothing has come to the Auditor's attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. With respect to the aggregated amount of each of the continuing connected transactions set out in the annual report, except for the Products Procurement from TBEA Co., Ltd. which has exceeded the corresponding annual cap, nothing has come to the Auditor's attention that causes the Auditor to believe that the disclosed continuing connected transactions have exceeded the aggregated annual cap as set by the Company and approved by the Shareholders.

The Company has provided a copy of the said letter to Hong Kong Stock Exchange.

In respect of the abovementioned continuing connected transactions, the Directors had also confirmed the Group's compliance, save for the information disclosed above, with the disclosure requirements of Chapter 14A of Listing Rules.

BUSINESS REVIEW

In 2018, the Group conscientiously implemented the Electric Power Law of the People's Republic of China (《中華人民共和國電力法》) and the Renewable Energy Law of the People's Republic of China (《中華人民共和國可再生能源法》), Notice Regarding the Adjustment to Benchmark On-Grid Tariffs of PV and Onshore WindPower Generation (《關於調整光伏發電陸上風電標桿上網電價的通知》) issued by the NDRC and the Guidance Views on Renewable Energy Development in the Implementation of the "13th Five-year Plan" (《關於可再生能源發展

「十三五」規劃實施的指導意見》) issued by NEA. The Group has strictly complied with the relevant laws and regulations and has not been punished by the relevant regulatory authorities in 2018.

For the use of financial key performance indicators for business analysis, the major risks faced by the Company, major events affecting the Company and the future development of the Company's business, please refer to the Management Discussion and Analysis section. For the discussion of the Company's environmental policy and performance, please refer to the Environmental Policy and Performance section. For the discussion of the Company's relationship with employees, customers and suppliers, please refer to the Corporate Governance Report section.

ENVIRONMENTAL POLICY AND PERFORMANCE

In compliance with the laws and regulations of environmental protection under the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and Law of the People's Republic of China on Appraising of Environment Impacts (《中華人民共和國環境影響評價法》), the Group formulated relevant internal system focusing on areas such as management on emission of waste gas, waste water and solid residue, site management on the environment, environmental monitoring, clean manufacturing, evaluation and performance, for the purpose of a standardised production environment to ensure the environmental quality, and improved the environmental governance level of the Group with the correct policies and guidelines on an ongoing basis.

The Group has established environmental management systems (ISO14001) and obtained the relevant certifications. The Group has also implemented a comprehensive pollution and environmental protection control system, adopting stringent measures to control the discharge of pollutants during our business operations. In particular, our advanced closed-loop polysilicon production process not only promotes production efficiency but also significantly reduced pollution. The Group has taken various measures to reduce the impact of our polysilicon production on the environment. These measures include monitoring and controlling solid waste, waste water, exhaust fumes, and noise. The Company implements regulations in relation to environmental protection with high standards, actively implements the national energy conservation and emission reduction policies, improves the environmental management system, improves the environmental protection system, implements emission reduction measures based on the actual business of the Company, develops environmental protection industry, reduces emissions during operation, minimises the use of resources and promotes environmental protection in the places where it operates. The Company complies with environmental laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》). It always fulfils its environmental responsibilities in accordance with the standards of the local environmental laws and regulations and it committed to achieving higher performance in environmental protection.

In our ECC and BOO business, the Group placed an emphasis on environmental protection and strive to conduct our research and development activities on an environmentally friendly basis and use environmentally-friendly technologies and products.

In 2018, the Group did not suffer any material environmental accidents or instances of pollution and we were not subject to any material administrative penalties due to environmental accidents or pollution. As of the Latest Practicable Date, the Group had not been subject to any material fines or legal action involving non-compliance with any PRC environmental law or regulation, or received any warning or pending action from any environmental regulatory authority in China or overseas.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Our Controlling Shareholder TBEA has undertaken on 16 June 2015 (the "Non-competition Undertaking"), that TBEA, its subsidiaries and its associates (except for any members of our Group) will not carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved or interested (economically or otherwise) in any business investment activities (excluding the CNNC EPC Project, the EGing Project and the Roof EPC Project) which compete or are likely to compete, alone or with other persons, directly or indirectly, with our business (the "Restrained Businesses").

The Non-competition Undertaking does not apply to (i) the holding of any equity interests in any members of our Group; and (ii) the holding of securities in a company that is engaged in the Restrained Business and whose securities are listed on any stock exchange; provided that TBEA or its associates do not individually or in aggregate hold or control the voting rights in respect of 10% or more of the issued share capital of such company; provided that such holding of voting rights does not grant TBEA or its close associates any right to control the composition of the board of directors of such company, none of the members of TBEA group controls the board of directors of such company and such holding of voting rights does not grant TBEA or its close associates any right to participate, directly or indirectly, in such company.

As of the Latest Practicable Date, no decisions are required to be made by our independent non-executive Directors as stipulated by the Non-competition Undertaking relating to exercise or non-exercise of options for new business opportunities, pre-emptive rights and option for purchase which would need to be disclosed in the annual report.

The independent non-executive Directors have reviewed TBEA's compliance with the "Non-competition Undertaking". As of the Latest Practicable Date, there is no breach of Non-competition Undertaking by TBEA.

PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

Pursuant to the PRC laws and requirements of the Articles of Associations, the Company has no pre-emptive rights or share option.

RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Group's retirement and employees benefit scheme are set out in Note 28 to the consolidated financial statements.

In accordance with regulations applicable to enterprises and the relevant requirements of all levels of local governments in areas in which we operate, the Group established the pension plan, employees' medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance. In addition, the Group also set up a corporate annuity system for providing retired employees with further protection. In accordance with applicable PRC laws and regulations, the amount of contributions to the aforesaid social insurance is strictly based on state, provincial, autonomous region and municipal requirements of the PRC. The Group also established an employee housing fund in accordance with applicable PRC regulations.

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2018, the Group has not entered into any equity-linked agreement.

PUBLIC FLOAT

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Group has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of Listing Rules as its own code of corporate governance. The Group will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. For the year ended 31 December 2018, the Group has complied with applicable code provisions as set out in the CG Code.

ACCOUNTING STANDARDS

Save for the adoption of the new accounting standards which came into effect on 1 January 2018, the principal accounting policies adopted by the Company in the preparation of the audited consolidated financial statements for the year 2018 are consistent with that adopted in the preparation of the audited consolidated financial statements for the year 2017. Details are set out in Notes 2 of the Notes to the Consolidated Financial Statements section.

ARTICLES OF ASSOCIATION

In accordance with the changes in the share capital of the Company after the completion of the Directional Issue, the Company proposed to amend the Articles of Association. The proposed amendments have been approved by the Shareholders at the extraordinary general meeting and the class meetings of the Company held on 11 January 2019, and have become effective upon receiving the approval, registration or filing with the relevant PRC government authorities. Details of the amendments are set out in the Company's announcement dated 13 November 2018 and the circular dated 13 December 2018.

MAJOR LEGAL PROCEEDING

As of 31 December 2018, the Group was involved in one major legal proceedings, which have been disclosed in the prospectus of the Company dated 17 December 2015:

Jiangsu Zhongneng Case:

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

Given that (i) we have never applied the silane-based FBR technology in our Polysilicon Production business, and (ii) the STC hydrochlorination technology and high-efficiency and energy saving CVD reactor which we used in our production were both purchased from legitimate third-party suppliers under valid purchase agreements, the Company believe that we did not infringe upon the intellectual property rights and trade secrets of Jiangsu Zhongneng. As of the Latest Practicable Date, this legal proceeding is being transferred to a court based in Xinjiang and therefore has not been commenced, and Jiangsu Zhongneng has not submitted any substantive evidence for the court to review and judge the case on the merits.

Save as the relevant information disclosed in the prospectus of the Company dated 17 December 2015, there is no other update for the case.

Except for the above-mentioned proceeding, as of 31 December 2018, the Group was not involved in any major legal proceedings or arbitrations. So far as the Directors are aware of, no such litigation or claims are pending or threatened against the Group.

AUDIT COMMITTEE

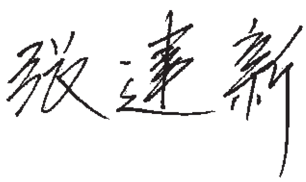
The Audit Committee has reviewed the Group's 2018 annual results and the consolidated financial statements for the year ended 31 December 2018 prepared in accordance with the IFRS.

AUDITOR

PricewaterhouseCoopers has been appointed as the auditor of the Company's consolidated financial statements prepared in accordance with the IFRS for the year ended 31 December 2018. PricewaterhouseCoopers has audited the accompanying consolidated financial statements, which were prepared in accordance with the IFRS. The Company has retained PricewaterhouseCoopers as its auditor in the preceding three years. PricewaterhouseCoopers will retire from its office as auditor of the Company, and a resolution for its re-appointment as auditor of the Company for the year 2019 will be proposed by the Board at the forthcoming annual general meeting of the Company.

FINANCIAL SUMMARY

The summary of operating results, assets and liabilities of the Group for the year ended 31 December 2018 is set out on pages 11 to 12 of this annual report.



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

Xinjiang, the PRC
27 March 2019

Report of Supervisory Board

The current session of the Supervisory Board was re-elected upon approval by the 2017 annual general meeting of the Company and the first meeting of the third session of the Supervisory Board of the Company convened on 15 June 2018, and consists of five Supervisors, two of which are employee representative supervisors. In 2018, the Supervisory Board of the Company, for the long-term interests of the Company and rights and interests of Shareholders, dutifully supervised the performance of duties by Directors and senior management personnel of the Company in strict accordance with laws such as PRC Company Law, regulations, rules and normative documents, the Articles and Rules of Procedure for Meetings of the Supervisory Board of the Company, as well as the Listing Rules of Hong Kong Stock Exchange. Following is a report of the principal work of the Supervisory Board during the Reporting Period:

1. SUPERVISORY BOARD MEETINGS

During the year, a total of 6 Supervisory Board meetings took place. The Supervisory Board has considered and approved, among others, the annual report and results announcement, the report of the supervisory board for the year ended 31 December 2017, the proposal of non-exempt continuing connected transactions for the year of 2017, the announcement of the key financial information for the first quarter of 2018, the election of the chairman for the third session of the supervisory board, the results announcements for the first half and the third quarter of 2018, and the directional issue of domestic shares to TBEA Co., Ltd.

All the Supervisors attended the above meetings.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY BOARD

The Supervisory Board made the following observations regarding relevant aspects of the Company during the year:

1. Compliance with Laws and Regulations in the Course of Company Operations

During the Reporting Period, the Supervisory Board attended all Board meetings and general meetings. The Supervisory Board also supervised the Board and general meeting procedures and proposal discussions, the Board's implementation of decisions made during general meetings, the performance of the Company's senior management of the implementation of various management policies of the Group, and the Group's production and operation condition. The Supervisory Board believes that the Company operated in compliance with required standards, made lawful and rational decisions, acted in compliance with its corporate governance structure, and established adequate internal controls. Directors and senior management of the Company performed their duties with responsibility, integrity and diligence, and strictly implemented the various resolutions and authorization of the general meetings. The Supervisory Board did not find any activities that were unlawful, not in compliance with government or Company regulations, or detrimental to the Company or shareholders' interest.

2. **Financial Position of the Group**

The Supervisory Board carefully inspected the Group's periodic financial report and financial policies during the Reporting Period. The Supervisory Board believes that the Group's financial department's internal control system is complete, and is continuously being improved. The Supervisory Board believes all policies and systems were strictly implemented, and therefore effectively guaranteed the successful functioning of the Group's production and operation. During 2018, the Group's financial position was sound, financial management was effective, the consolidated financial statements were complete and objective, and truthfully reflected the Group's financial position and operational performance. The Supervisory Board believes that the 2018 annual audit report with unqualified opinion issued by PricewaterhouseCoopers was true and fair.

3. **Connected Transactions of the Group**

During the Reporting Period, the pricing principal of the connected transactions were in accordance with accepted business practices and the relevant rules and regulations, demonstrating the principles of fairness and equality. The Supervisory Board believes that, during the year 2018 there was no abuse of power that would be detrimental the Group or Shareholders, especially the interests of medium and small shareholders.

Chen Qijun
Chairman of the Supervisory Board
Xinjiang, the PRC
27 March 2019

Corporate Governance Report

The Board of the Company hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2018.

1. THE BOARD

1.1 Composition of the Board

As of 31 December 2018, the Board consisted of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

The biographical details of the Directors as at the date of this report are set out on pages 36 to 41 of this annual report. Save as disclosed therein, there is no relationship (including financial, business, family or other material or relevant relationship) among members of the Board. The structure of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operation and development of the Group. All Directors are aware of their joint and several responsibilities to the Shareholders.

Since the Listing of the Company, the Board has been in compliance with the requirement of the Listing Rules in relation to the appointment of at least three independent non-executive Directors. It has also complied with the requirement which requires that independent non-executive Directors shall represent at least one third of the Board. The three independent non-executive Directors of the Company fully meet the requirements under Rule 3.10(1) and (2) of the Listing Rules. In addition, the Company has received annual confirmations from each of independent non-executive Directors as to their respective independence in accordance with Rule 3.13 of the Listing Rules. The Company therefore considers all independent non-executive Directors to be independent pursuant to the requirements as set out in the Listing Rules.

Corporate Governance Report

The composition of the Board is set out as follows:

Name	Position	Term of office
Mr. Zhang Jianxin	Chairman and Executive Director	2015.6-2018.6
		2018.6-2021.6
Mr. Yin Bo	Executive Director and General Manager	2015.6-2018.6
		2018.6-2021.6
Mr. Ma Xuping	Executive Director	2015.6-2018.6
Mr. Xia Jinjing	Executive Director and Deputy General Manager	2018.6-2021.6
Mr. Zhang Xin	Non-executive Director	2015.6-2018.6
		2018.6-2021.6
Ms. Guo Junxiang	Non-executive Director	2015.6-2018.6
		2018.6-2021.6
Mr. Tao Tao	Non-executive Director	2017.6-2018.6
Mr. Lin Chengfei	Non-executive Director	2018.12-2019.3
Mr. Qin Haiyan	Independent Non-executive Director	2015.6-2018.6
		2018.6-2021.6
Mr. Yang Deren	Independent Non-executive Director	2015.6-2018.6
		2018.6-2021.6
Mr. Wong, Yui Keung Marcellus	Independent Non-executive Director	2015.6-2018.6
		2018.6-2021.6

Pursuant to the Corporate Governance Code and Corporate Governance Report of Appendix 14 to the Listing Rules, the Company has adopted the Board Diversity Policy of Xinte Energy Co., Ltd.(《新特能源股份有限公司董事會成員多元化政策》).

1.2 Board Meetings

Pursuant to the Articles, the Board is required to hold at least four meetings each year and such meetings shall be convened by the Chairman. A notice of the Board meeting shall be sent to all Directors at least 14 days prior to the convening of the meeting, to enable them to attend the meeting and incorporate the related matters in the agenda.

In 2018, the Board convened 14 meetings and submitted 52 resolutions to the general meeting. The attendance of the Directors at Board meetings is as follows:

Name	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Zhang Jianxin	14	14	0
Mr. Yin Bo	14	14	0
Mr. Ma Xuping(1)	7	7	0
Mr. Xia Jinjing(2)	7	7	0
Mr. Zhang Xin	14	14	0
Ms. Guo Junxiang	14	14	0
Mr. Tao Tao(3)	7	7	0
Mr. Lin Chengfei(4)	1	1	0
Mr. Qin Haiyan	14	14	0
Mr. Yang Deren	14	14	0
Mr. Wong, Yui Keung Marcellus	14	14	0

(1) As the third session of the Board of Directors formally took office on 15 June 2018, the retirement of Mr. Ma Xuping as the Company's executive director as well as member of Strategy Committee and Remuneration and Assessment Committee took effect from 15 June 2018.

(2) Mr. Xia Jinjing was appointed as the Company's executive director and member of Remuneration and Assessment Committee on 15 June 2018.

(3) Mr. Tao Tao resigned as the Company's non-executive director and member of Audit Committee on 28 June 2018.

(4) Mr. Lin Chengfei was appointed as the Company's non-executive director and member of Audit Committee on 12 December 2018.

1.3 Duties and Powers Exercised by the Board of Directors and Management

The Board of Directors has the following, among others, duties and powers according to the Articles of Association:

- convening general meetings and presenting reports thereto;
- implementing the resolutions made at the general meetings;
- determining the Company's business and investment plans;
- working out the Company's annual financial budget plans and final account plans;
- working out the Company's profit distribution plans and loss recovery plans;

- working out the Company's plans on the increase or reduction of registered capital, as well as on the issuance of shares, bonds or other securities and listing plans;
- formulating proposals for material acquisitions, purchase of shares of the Company, merger, split-up, dissolution and change of the nature of the Company;
- deciding on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions, etc. of the Company within the scope authorised by the general meeting;
- deciding on the establishment of the Company's internal management departments;
- the appointment or dismissal of general manager and the Board secretary of the Company; the appointment or dismissal of the Board secretary and deputy general manager, chief accountant and other senior management personnel according to the nomination of Chairman of the Board and the general manager, respectively as well as deciding on their remuneration and incentives;
- formulating the Company's basic management system;
- formulating the plan for modification of the Articles of Association;
- proposing the employment or replacement of the accounting firm which audits the Company's accounts to the general meeting;
- hearing the manager's work report and check the general manager's work;
- reviewing any major transaction, very material disposal, very material acquisition and anti-acquisition action of the Company under the Listing Rules, and presenting the same to the general meeting for approval;
- approving any notifiable transaction under the Listing Rules except for those major transactions, very material disposal, very material acquisitions and anti-acquisition actions;
- approving the connected transactions not subject to the approval at the general meeting or announcement under the Listing Rules;
- reviewing the connected transactions requiring the approval at the general meeting under the Listing Rules;
- other duties and powers stipulated by laws, regulations and the listing rules of the stock exchange where the Company's Shares are listed and conferred by the general meeting and the Articles of Association.

The Board of Directors shall also be responsible for the followings: implementing, reviewing and improving the corporate governance system and condition of the Company; reviewing and supervising the training and continuing professional development of Directors and senior management; reviewing and supervising the Company's policies pursuant to and the compliance with laws and relevant regulations of the securities regulatory authority where the Shares are listed and making relevant disclosure; formulating, reviewing and supervising the code of conduct and relevant compliance manual of the Company's employees and directors.

The Company's management comprises general manager, deputy general manager, chief accountant, the secretary of the Board, chief mechanical engineer and safety director. The general manager is accountable to the Board and exercises the duties and powers below:

- to take charge of the production operations and management tasks and organise the implementation of the Board's resolution, and to report his/her work to the Board;
- to organise the implementation of the Company's annual operating plan and investment plan;
- to devise the set-up of the Company's internal management structure;
- to formulate the basic management policy of the Company;
- to formulate the specific rules of the Company;
- to propose the appointment or dismissal of the deputy general manager, chief accountant, chief mechanical engineer, chief safety director and other senior management;
- to appoint or dismiss management personnel, apart from those requiring the approval from the Board for their appointment or dismissal;
- other duties and powers conferred by the Articles of Association or the Board.

1.4 Chairman and General Manager

The positions of the Chairman and the General Manager (i.e., the chief executive officer under the Listing Rules) of the Company are held by different persons in order to ensure independence and accountability of their respective functions and balanced distribution of power and authority between them. Mr. Zhang Jianxin and Mr. Yin Bo served as the Chairman and the General Manager respectively, whose powers and responsibilities were clearly divided according to the Articles.

1.5 Appointment and Re-election of Directors

Pursuant to the Articles of Association, Directors shall be elected at general meetings with a term of three years, subject to re-election. The Company has implemented a set of effective procedures for appointment of new Directors. Nomination of new Directors shall be first considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated Directors are subject to election and approval at general meetings.

The Company has entered into service contracts with each of the Directors (including non-executive Directors). Such service contracts have a term of three years.

1.6 Directors' Remuneration

During the Reporting period, the Company paid RMB120,000 to each independent non-executive Director (before tax, individual income tax shall be withheld by the Company). Non-executive Directors who do not have a position in the Company will not receive remuneration from the Company. While executive Directors will receive their remuneration corresponding to their senior management position according to the management methods for remuneration of the Company.

1.7 Training of Directors

All Directors participated in continuous professional development in 2018 to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains informed and relevant. Details of the Directors' training during the year 2018 are set out as belows:

Name	Position	Training hours	Areas covered in the training
Mr. Zhang Jianxin	Chairman and Executive Director	No less than 70 hours	Corporate governance and relevant regulations, macro economy, corporate management, industry research, strategy planning, human resources, capital operation, etc.
Mr. Yin Bo	Executive Director and general manager	No less than 70 hours	Corporate governance and relevant regulations, corporate management, industry research, human resources, market analysis, etc.
Mr. Xia Jinjing	Executive Director	No less than 60 hours	Corporate governance and relevant regulations, corporate management, industry research, strategy planning, etc.
Mr. Zhang Xin	Non-executive Director	No less than 70 hours	Corporate governance and relevant regulations, macro economy, corporate management, industry research, strategy planning, human resources, capital operation, etc.
Ms. Guo Junxiang	Non-executive Director	No less than 70 hours	Corporate governance and relevant regulations, information disclosure, corporate governance, finance, corporate management, capital operation, etc
Mr. Lin Chengfei	Non-executive Director	No less than 65 hours	Corporate governance and relevant regulations, corporate management, industry research, strategy planning, etc.
Mr. Qin Haiyan	Independent non-executive Director	No less than 72 hours	Corporate governance and relevant regulations, corporate management, strategy planning, industry research, etc.
Mr. Yang Deren	Independent non-executive Director	No less than 40 hours	Corporate governance and relevant regulations, corporate management, research of new energy materials, etc.
Mr. Wong, Yui Keung Marcellus	Independent non-executive Director	No less than 20 hours	Corporate governance and relevant regulations, corporate governance, audit, accounting, tax and financial management, etc.

1.8 Corporate Governance Functions

The corporate governance functions were performed by the Board. The corporate governance functions are to develop and review the Company's policies and practices on corporate governance to comply with the Corporate Governance Code and other legal or regulatory requirements and make recommendations to the Board, to oversee the Company's orientation program for new Directors, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct applicable to employees and Directors and compliance manual, and to review the Company's disclosure in the Corporate Governance Report.

The Board has developed the corporate governance policy of the Company and has fulfilled its duties. Meanwhile, it has developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board. In addition, it has reviewed and confirmed the following matters:

- compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report;
- the Company has complied with the policies and practices on legal and regulatory requirements;
- the code of conduct applicable to employees and Directors of the Company has been implemented;
- the Directors, Supervisors and senior management of the Company have participated in training and continuous professional development.

2. BOARD COMMITTEES

There are four Board committees, namely the Audit Committee, Remuneration and Assessment Committee, Nomination Committee and Strategy Committee.

2.1 Audit Committee

As of the Latest Practical Date, the Audit Committee consists of four Directors, including three independent non-executive Directors, namely Mr. Wong, Yui Keung Marcellus, Mr. Yang Deren, Mr. Qin Haiyan and one non-executive Director, namely Ms. Guo Junxiang, with Mr. Wong, Yui Keung Marcellus as the chairman of the Committee.

The Audit Committee is mainly responsible for the communication, supervision and review of internal and external audits of the Company, including:

1. to make suggestions to the Board for the appointment, re-appointment and change of external auditors, handle issues relating to the resignation or removal of such external auditors and make suggestions for the appointment contracts and audit fees of the relevant external auditors; to evaluate the work of external auditors, and supervise the independence and objectivity of the external auditors, as well as their effectiveness, quality and results of work procedures;

2. to supervise the internal audit system of the Company and its implementation;

3. to guide and evaluate the work of the internal auditing department, and to make suggestions as to the appointment and removal of the head of the internal auditing department;

4. to review the financial statements of the Company and its disclosure;

5. to review and supervise the effective implementation of the financial reporting system, internal control system and risk management system of the Company;

6. to review and discuss the following arrangements made by the Company: the whistleblower system for employees of the Company to report on any potential misconducts in relation to financial reporting, internal control or other aspects; to ensure that the Company has put in place appropriate measures to carry out fair and independent investigations and follow-up actions in regard to such matters; to serve as the major channel between the Company and the external auditors and to supervise their relationship;

7. to audit and supervise connected transactions and evaluate their appropriateness;

8. other duties as assigned by the Board;

9. to review routine matters in relation to risks as presented by the management and internal review team, including but not limited to the Company's corporate risk management structure, evaluation of internal monitoring system, appendix to the global risk appetite framework, risk tolerance and latest information on risks in the market; and

10. to review the adequacy of resources, staff qualifications and experience, training programme and budget of the Company's risk and compliance department.

The Audit Committee held six meetings during the Reporting Period. The Audit Committee considered and approved matters in relation to, among others, the Company's final financial report of 2017, annual report of 2017, the resolution for non-exempt continuing connected transactions in 2017, results announcements for the interim and the third quarter of 2018, and the proposed directional issue of domestic shares by the Company to TBEA. The Audit Committee has held regular meetings with the risk monitoring team on an annual basis in accordance with its terms of reference without the presence of the management.

2.2 Remuneration and Assessment Committee

The Remuneration and Assessment Committee of the Company consists of five Directors, including three independent non-executive Directors, namely Mr. Yang Deren, Mr. Qin Haiyan and Mr. Wong, Yui Keung Marcellus, and two executive Directors, namely Mr. Zhang Jianxin and Mr. Xia Jinjing, with Mr. Yang Deren as the chairman.

The Company has adopted the model as proposed to the Board by the Remuneration and Assessment Committee in determining the remuneration packages of executive directors and senior management.

The main duties of the Remuneration and Assessment Committee are to formulate the appraisal standards of Directors and managers of the Company, and to conduct appraisals, develop and review the remuneration policies and schemes of the Directors and managers of the Company. Details are as follows:

1. to make suggestions to the Board in relation to the standards, general remuneration policies and structure for the appraisal of the Company's Directors and senior management, and to formulate such remuneration policies for the purpose of establishing a formal and transparent mechanism, to make recommendations to the Board, to review the performance appraisal standards of Directors and senior management, to conduct appraisals and give suggestions;

2. to review and approve the proposed remuneration of the management according to corporate operating objectives, and to make recommendations to the Board in relation to specific remuneration packages for Directors and senior management, including performance-based remuneration schemes. The Remuneration and Assessment Committee shall consider factors including the remuneration paid by comparable companies, time commitments and duties of the Directors, employment conditions of other positions of the Company, and whether the remuneration shall be determined based on the results of the Company; to make recommendations or determine, as authorised, the remuneration packages of individual executive Directors and senior management, which include non-monetary benefits, pensions and compensation payments (including any compensation for the loss or termination of their offices or appointments);

3. to conduct appraisals on the performance of Directors and senior management based on the appraisal scheme, and to decide on their remuneration, rewards and punishments;

4. to recommend to the Board on the remuneration package of individual executive Directors and senior management, including non-monetary benefits, pensions and compensation payments (including any compensation for the loss or termination of their office or appointment);

5. to recommend to the Board on the remuneration of non-executive Directors;

6. to recommend to the Board on relevant compensation paid to executive Directors and senior management for their loss or termination of office or appointment, and the compensation arrangements regarding the removal or dismissal of Directors due to their misconduct (and to ensure that the arrangements conform to the terms of service contracts between such Directors and the Company, or otherwise the compensation shall be reasonable and appropriate);

7. to ensure that none of the Directors participates in determining his/her own remuneration;

8. to be responsible for monitoring and supervising the implementation of the Company's remuneration system; and

9. other duties as conferred by the Board.

During the Reporting Period, the Remuneration and Assessment Committee held one meeting. On 23 March 2018, the Remuneration and Assessment Committee convened a meeting to consider and approve the remuneration plan for Directors and supervisors of the Company for 2018 as well as the review report on the remuneration of the senior management of the Company for 2018.

2.3 Nomination Committee

The Nomination Committee consists of five Directors, including three independent non-executive Directors, namely Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus, an executive Director Mr. Yin Bo, and a non-executive Director Mr. Zhang Xin, with Mr. Qin Haiyan as the chairman.

The main duties of the Nomination Committee are to identify and make recommendations of candidates, selection criteria and selection process in the selection of Directors and management officers of the Company. Details are as follows:

1. to review at least once a year the number, composition and organizational structure of the Board (including the age, cultural, professional knowledge, talents, skills, regional and industry experience, education background, gender, length of service and diversification of the Board members), and to advise on personnel changes of the Board so as to strengthen the Company's development strategy;

2. to consider the criteria and procedures for selecting Directors and senior management staff and make recommendations thereon to the Board; to develop or revise the Board Diversity Policy and focus on developing board diversity in the member selection process. Factors to consider include but are not limited to gender, age, culture, perspectives, education background, and work experience;

3. to identify qualified candidates as Directors and provide advice to the Board on the nomination of candidates after due consideration on the Company's Board Diversity Policy, requirements for serving as a Director of the Company under the Articles of Association, Listing Rules and applicable laws and regulations, and the potential contributions that the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

4. to assess the independence of independent non-executive Directors with reference to the factors set out in Rule 3.13 and Appendix 14 of the Listing Rules and any other factors deemed appropriate by the Nomination Committee or the Board. If a proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, to assess his/her ability to devote sufficient time to Board matters;

5. to review the particulars of the candidates for senior management staff of the Company and make recommendations thereon;

6. to provide advice on the appointment, re-appointment and succession plan of Directors to the Board, especially on the positions of chairman of the Board and senior management staff;

7. to evaluate on the structures of committees under the Board, recommend the Board members to serve as members of relevant committees, and submit to the Board for approval;

8. to establish the plan for reserving potential Directors and make updates from time to time;

9. to evaluate the work of Directors and provide advice or recommendations on the replacement of Directors based on the evaluation results;

10. to review the Nomination Policy (as defined below), procedures and criteria for the nomination and the Board Diversity Policy regularly;

11. to consider the succession plan of the Board members, and conduct regular reviews thereon; and

12. to deal with other matters as authorized by the Board.

The relevant departments of the Company are responsible to cooperate with the Nomination Committee to carry out its work and provide relevant materials. The Nomination Committee shall be provided with sufficient resources to discharge its duties.

The Nomination Committee shall be accountable to the Board. The recommendations provided by the Nomination Committee shall be submitted to the Board for consideration and approval. The Board shall be ultimately responsible for all matters in relation to the selection and appointment of the Directors.

Nomination Policy

The provisions set out in clauses 1 to 4 above are regarded as the key nomination criteria and principles of the Company for the nomination of Directors, and these provisions constitute the nomination policy of the Company (the "Nomination Policy"). The objective of the Nomination Policy is to ensure the members of the Board possess the skills, experiences, and multiple perspectives required for the business of the Company.

The Nomination Committee considered that the composition of the Board of the Company was in compliance with the requirement of the "Board Diversity Policy" during the Reporting Period.

During the Reporting Period, the Nomination Committee held three meetings, in which the Nomination Committee considered and approved the review on the qualifications of proposed candidates for the Directors of third session of the Board, the structure, size and composition of the Board of the Company, the independence of the independent non-executive Directors, as well as the proposal to recommend Mr. Lin Chengfei as the candidate for a non-executive Director of the second session of the Board according to the Nomination Policy and Board Diversity Policy.

2.4 Strategy Committee

The Strategy Committee consists of five Directors, including two independent non-executive Directors, namely Mr. Yang Deren and Mr. Qin Haiyan, two executive Directors Mr. Zhang Jianxin, Mr. Yin Bo and a non-executive Director Mr. Zhang Xin, with Mr. Zhang Jianxin as the chairman.

The main duties of the Strategy Committee are to review the Company's long-term development strategy and major investment decisions and to make recommendations on such matters. Details are as follows:

1. to review the Company's long-term development strategic plans and make recommendations;

2. to review major investment financing programs which require the approval of the Board as stated in the Articles of Association and make recommendations;

3. to review major capital operations and assets management projects which require the approval of the Board as stated in the Articles of Association and make recommendations;

4. to review other significant matters which may affect the Company's development and make recommendations;

5. to review the implementation of the above matters; and

6. other duties as conferred by the Board.

During the Reporting Period, the Strategy Committee did not hold any meeting.

2.5 The attendance of the Directors at the Board committee meetings is as follows:

	Meetings Attended/Held		
Name	Audit Committee	Remuneration and Assessment Committee	Nomination Committee
Zhang Jianxin	N/A	1/1	N/A
Ma Xuping(1)	N/A	1/1	N/A
Yin Bo	N/A	N/A	3/3
Xia Jinjing(2)	N/A	0/0	N/A
Zhang Xin	N/A	N/A	3/3
Guo Junxiang	6/6	N/A	N/A
Tao Tao(3)	3/3	N/A	N/A
Lin Chengfei(4)	0/0	N/A	N/A
Qin Haiyan	6/6	1/1	3/3
Yang Deren	6/6	1/1	3/3
Wong, Yui Keung Marcellus	6/6	1/1	3/3

(1) As the third session of the Board of Directors formally took office on 15 June 2018, the retirement of Mr. Ma Xuping as the Company's executive director as well as member of Strategy Committee and Remuneration and Assessment Committee took effect from 15 June 2018.

(2) Mr. Xia Jinjing was appointed as the Company's executive director and member of Remuneration and Assessment Committee on 15 June 2018.

(3) Mr. Tao Tao resigned as the Company's non-executive director and member of Audit Committee on 28 June 2018.

(4) Mr. Lin Chengfei was appointed as the Company's non-executive director and member of Audit Committee on 12 December 2018.

3. INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors meets the independence guidelines set out in Rule 3.13 of the Listing Rules and has provided to the Company the requisite annual confirmation as to his independence. None of the independent non-executive Directors has any business with or significant financial interests in the Company or its subsidiaries and therefore all the independent non-executive Directors continue to be considered by the Company to be independent.

4. DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2018.

The Board is responsible for presenting a clear and specific assessment of annual and interim reports, price sensitive information and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment and give approval of the financial information and position of the Group.

There are no material uncertainties relating to events or conditions that may cast material doubts on the Company's ability to continue as a going concern.

In addition, the Company has arranged appropriate insurance coverage in respect of possible legal actions and liabilities against the Directors.

5. COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct governing dealings by its Directors and Supervisors in the securities of the Company. Having made specific enquiry of the Directors and Supervisors, all Directors and Supervisors have confirmed that they have strictly complied with the required standards set out in the Model Code during the Reporting Period. 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. The Company is not aware of any breach of the guidelines by relevant employees.

The Board will examine the corporate governance practices and operation of the Company from time to time in order to ensure compliance with relevant requirements under the Listing Rules and to protect Shareholders' interests.

6. INTERNAL CONTROL SYSTEM

During the Reporting Period, in order to fulfill the relevant regulatory requirements to list in Hong Kong and to strengthen the internal control management of the Company, the Group has strictly complied with a range of internal control management systems, including documents such as Management System for Information Disclosure, Management System for Connected Transactions, Capital Management System, Management System for Procurement, Management System for Budget, Internal Audit System, and Risks Management System, thus further completed the internal control system.

The Directors have reviewed the effectiveness of the internal control systems of Group according to code provision C.2.1 of the CG Code. The review covered financial control, operation control and compliance control and risk management function control.

The Board of Directors conducted a review of the financial control, operation control, compliance control, risk management and other internal control systems of the Group during the Reporting Period. The total assets of the main entities under such review accounted for 99.85% of the aggregate assets in the consolidated financial statements, and the total operating revenue accounted for 99.55% of the aggregate revenue in the consolidated financial statements. In addition, the Company focused on the assessment of the recognition of operating revenue, contracting of project construction, logistics business, investment in fixed assets, factoring business, non-operating income, capitalisation of research & development expenditure and connected transactions in high-risk fields. The Group carried out a review every half year and an assessment every year, continuously optimizing the internal control system.

The internal control system of the Group includes the improvement of organisational structure under the supervision of the Audit Committee, and full implementation of policies and standards. The terms of reference of each functional department should be clearly set out in writing, so as to ensure clear division of labour and effective checks and balances among departments. The Group has also adopted a number of systems and procedures as proposed by internal control adviser to identify, monitor and report major risks confronted by the Group.

(1) **Supervision and evaluation of risk control and internal control system**

With the continued development of the Group's risk control system, the risk management system has been constantly strengthened. The focus of risk control was placed on the completion of the risk control organisation establishment, by extending the risk control system to cover all branches and subsidiaries, entering into goal statements of risk control responsibilities, conducting monthly risk hazards screening, sorting out the risk control talent map, conducting risk control and compliance training, as well as compiling and completing the database for risk and hazards cases. Over 20 sessions of risk control and compliance training were organised with a total participation of 7,154 people. Risk control and compliance examinations were organised and fully rolled out. Self-assessments and variance identification on risk controls were conducted for effective rectification. For other rectification items, the risk control office scheduled weekly follow-up meetings and morning reporting sessions, to facilitate exhaustive up-to-standard risk control and rectification.

The development of the Group's internal control system continued. To ensure effective implementation of the internal control system, the development and improvements of the internal control systems in various branches and subsidiaries of different business segments were completed according to the overall internal control improvement plan.

To ensure both the targets for risk control and internal control for the year were met, the Group continued to reinforce the implementation of risk and internal control as follows:

- On the basis of the existing internal control team, the Group updated the staff employment requirements, and re-adjusted members of internal control team in accordance with the latest employment requirements and organisational structure;

- Through cooperation with external consulting agency (Ernst & Young), the Group streamlined the internal control processes and matrices, and updated documents of the internal control system;

- The internal control reviews were carried out simultaneously with risk control rectifications. During the rectification work, attention was paid to the lack of or ineffectively established processes or unreasonable processes. Three lines of defense against risks in risk management have been set up, with all members of the staff firmly establishing the idea of integrating business development with risk and internal control, the Group's insistence on managing in accordance with laws and regulations, and the establishment of the internal control system as the core.

- In accordance with the annual work arrangement for internal control of the Group, internal control assessments were performed for key business units. The plan was to cover all key businesses areas, helping business units streamline their processes for improved efficiency and standardised operation in business management.

(2) Prevention and control of operating risks

Focusing on the risk exposures of key operating areas, the audit system of the Group conducted 69 special audits in tender management, financial management, assets management, bill management, inventory management, accounts receivable management, cost management, quality management, supplier management, engineering project management, safety management, etc., covering comprehensively all risks in businesses. Moreover, special arrangements were made and implementation followed through in respect of annual operation audit, monthly special audit, audit on economic benefits of project companies, tracking audit on internal and external engineering projects, issues raised at risk control communication meetings, and problems identified by discipline inspection personnel during on-site inspections, etc. Continued tracking and rectification were carried out to form a closed-loop management system for the prevention of reoccurrence of similar risks.

The Board believes the risk management and control systems of the Group are sufficient and effective. These internal control systems are designed to manage rather than eliminate the risks of failing to achieve business objectives, and the Board can only provide reasonable but not absolute assurance against material misrepresentation or loss.

7. AUDITOR AND ITS REMUNERATION

PricewaterhouseCoopers was appointed as the auditor of the Company to perform the auditing of the consolidated financial statements of the Company for the year ended 31 December 2018 prepared in accordance with the IFRS.

The fees charged by the auditor of the Company, PricewaterhouseCoopers for rendering audit and related services to the Company for the year of 2018 was RMB4.2 million. In addition, PricewaterhouseCoopers charged RMB0.47 million for rendering of non-audit services (mainly for tax advisory services) to the Company for the year of 2018. Save as disclosed above, PricewaterhouseCoopers did not provide any other non-audit services to the Company at a fee.

The Audit Committee and the Board of Directors agreed to re-appoint PricewaterhouseCoopers as the auditor of the Company for 2019 and authorised the Audit Committee to determine their remuneration, which will be submitted to the annual general meeting of the Company for 2018 for consideration and approval.

8. GENERAL MEETINGS

During the Reporting Period, the Company held three general meetings in total, with some of the Directors, Supervisors and senior management attending the general meetings. The records of attendance of the Directors are as follows:

Name	Number of meetings required to be attended	Number of meetings attended
Mr. Zhang Jianxin	3	3
Mr. Yin Bo	3	3
Mr. Ma Xuping(1)	2	2
Mr. Xia Jinjing(2)	1	1
Mr. Zhang Xin	3	3
Ms. Guo Junxiang	3	3
Mr. Tao Tao(3)	2	2
Mr. Lin Chengfei(4)	0	0
Mr. Qin Haiyan	3	3
Mr. Yang Deren	3	3
Mr. Wong, Yui Keung Marcellus	3	3

(1) As the third session of the Board of Directors formally took office on 15 June 2018, the retirement of Mr. Ma Xuping as the Company's executive director as well as member of Strategy Committee and Remuneration and Assessment Committee took effect from 15 June 2018.

(2) Mr. Xia Jinjing was appointed as the Company's executive director and member of Remuneration and Assessment Committee on 15 June 2018.

(3) Mr. Tao Tao resigned as the Company's non-executive director and member of Audit Committee on 28 June 2018.

(4) Mr. Lin Chengfei was appointed as the Company's non-executive director and member of Audit Committee on 12 December 2018.

9. COMMUNICATION POLICY WITH SHAREHOLDERS

9.1 Shareholders' Rights

The Board is committed to maintaining an on-going dialogue with Shareholders and makes timely disclosure to Shareholders and investors as to the significant development of the Company. The general meetings of the Company provide a forum for communication between Shareholders and the Board. Forty-five (45) days prior written notice for convening a general meeting shall be served to notify shareholders, whose names appear in the register of shareholders, of the matters proposed to be considered and the date and venue of the meeting. Shareholders who intend to attend the general meeting shall serve their written replies on the Company twenty (20) days prior to the date of the meeting.

Two or more Shareholders who jointly hold more than 10% (including 10%) of voting Shares of the Company may request the Board in writing in one or more duplicates, to convene an extraordinary general meeting or a Shareholders' class meeting, with the matters to be considered at the meeting stated in the request. The Board shall as soon as possible after receipt of the written request proceed to convene an extraordinary general meeting or a Shareholders' class meeting. The calculation of the above mentioned shareholdings shall be based on the information as at the date of deposit of the request.

If no notice of convening a general meeting was issued within thirty (30) days after the Board of Directors receiving the above mentioned written request(s), the Shareholders making the request(s) can convene a meeting by themselves within four (4) months after the Board of Directors receiving the above mentioned written request(s), and the procedures for convening such meeting shall follow the procedures of the general meeting convened by the Board of Directors as much as possible.

All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the Board of Directors to convene a meeting as required by the above request(s) shall be borne by the Company and be set off against sums owed by the Company to the defaulting Directors.

The Company holds the general meetings. Shareholder(s) individually or in aggregate holding over 3% of the Shares in the Company may propose extraordinary proposals and submit the same in writing to the convener 10 days prior to the holding of the general meeting. The convener shall issue a supplemental notice of the general meeting within 2 days of the receipt of the proposals and announce the contents of the extraordinary proposals.

9.2 Shareholders' Enquiries and Communication

The Company publishes its announcements, financial information and other relevant data on its website at www.xtnysolar.com, as a channel to enhance effective communication. Shareholders are welcomed to make enquiries to the Company by sending the enquiries to the principal place of business of the Company in Hong Kong, or via phone, fax or email. The Company will respond to all enquiries in a timely and appropriate manner.

Information about the principal place of business in Hong Kong of the Company and investors' means of enquiries and communication is set out on page 3 of this annual report.

The Board welcomes Shareholders' views and encourages them to attend general meetings to communicate and raise any concerns they might have with the Board or the management. The Chairman of the Board and the chairmen of the respective Board committees usually attend the annual general meeting and other general meetings to address shareholders' queries.

10. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company consistently commits to maintain high level of corporate governance. During the year ended 31 December 2018, the Company has complied with all code provisions of the CG Code, and adopted the recommended best practices set out therein, if applicable.

11. INVESTOR RELATIONS

11.1 Investor Relations Activities

The Company focuses on the maintenance of sound investors relations and maintains effective communication with investors through various means. In 2018, the Company communicated with nearly 300 investors and analysts in relation to the operating results and business development trends of the Group by way of telephone conferences, roadshows, reverse roadshows and other means to strengthen communication with investors and facilitate the understanding of the Company by investors. The Company also maintains sound communication with investors through acceptance of investors' visits, attending major investment forums, receiving telephone calls and emails, etc. and proactively provides investor relations information on the Company's website, with a view to establishing and maintaining a good relationship with investors.

11.2 Information Disclosure

The Company is committed to timely and fairly disclosures of comprehensive and accurate information to investors. In 2018, the Company published 128 pieces of announcements on the Stock Exchange, including announcements on the resignations of Directors, the investment in the industrial upgrade project for 36,000-ton polysilicon project, the entering into and renewal of continuing connected transactions, and the entering into the polysilicon sales framework agreement, etc.

12. JOINT COMPANY SECRETARIES

Ms. Zhang Juan ("Ms. Zhang"), the joint company secretary of our Company, is responsible for advising the Board regarding corporate governance issues, and ensures to comply with the policies and procedures of the Board, applicable laws, rules and regulations. In order to maintain good corporate governance and make sure to comply with the Listing Rules and applicable laws of Hong Kong, the Company also appointed Ms. Ng Wing Shan ("Ms. Ng"), an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (the provider of company secretarial services), as the joint company secretary of our Company, who will assist Ms. Zhang in performing her duties as the company secretary of our Company. Ms. Zhang is the primary corporate contact person between the Company and Ms. Ng.

During the Reporting Period, in order to more effectively perform their duties and according to the requirements of the Listing Rules, each of Ms. Zhang and Ms. Ng, the joint company secretaries of the Company accepted professional training not less than 15 hours in total.

13. HUMAN RESOURCES

13.1 Description of Human Resources

As of 31 December 2018, there are 4,278 employees in total in the Group, and their professional and educational background are as follow:

Items	Categories	Number of people	Percentage to the total number of people
Profession	Operating management	924	21.60%
	Technology	471	11.01%
	Production	1,829	42.75%
	Engineering management	381	8.91%
	Marketing	483	11.29%
	Office Support	190	4.44%
	Total	4,278	100.00%
Education	Postgraduate and above	353	8.25%
	Undergraduate	1,639	38.31%
	Associate degree & others	2,286	53.44%
	Total	4,278	100.00%

13.2 Incentives for Employees

The Group, according to the requirement of development, further established and improved the overall responsibility management and staff performance assessment system on the basis of clear objectives of each post. The employees' performance is objectively and accurately assessed by breaking down the key tasks specified in the development plan of the Group into different levels and then assigning to various posts, clarifying performance objectives of different roles and setting performance standards. The assessment results are quantified to form the scores that are linked to the employees' performance based salaries to encourage potentials and work passion of the employees, demonstrating a combined strategy of incentives and restraints and laying a solid foundation for the progressive career development of the employees.

The Group currently implemented three categories of incentives, including: compensation incentive (market-based compensation standards, commission incentive and long-term incentive), work incentive (involved in operating decisions, work authorisations, etc.) and promotion incentive (improvement of educational background and job promotion, etc.), and clearly defining the general principle of incentive realisation.

13.3 Employees' Training

The Group always believes that training is the best welfare for staff. Our training system was further improved and our capability of professional training was further enhanced in 2018. The Group adopted several forms of training including mentor coaching, expert's instruction, industry benchmarking, monthly brainstorming and work shifts, converting theoretical knowledge into production results.

In 2018, our Group's training covered a total of 12 categories, including mainly: operation and management, professional skills and production skills. The number of participations in these trainings reached 12,000 during the year and the staff training rate reached 100%.

13.4 Employees' Remuneration Policy

The remuneration of the Group's employees comprises basic salary and performance-based salary. The performance-based salary is determined in accordance with the performance assessment results of the employees.

To further enhance the incentive relationship between salaries and performance, the Group revamped and adjusted the remuneration structure and performance assessment indicators as well as their respective weights, enhanced the application of performance results in the aspects of staff salary adjustments, training, promotions and role optimisation. The remuneration system is designed to favour the employees with outstanding performance by linking remuneration income to personal capability enhancement and removing equalitarianism. By opening a way for professional growth and career advancement, and matching the growth of employees' remuneration with corporate performance, we expect to achieve the objective of sharing the Company's growth with our employees, and establishing a competitive compensation system.

14. INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information:

- the Company has established the Disclosure of Inside Information Policy and Measures ("Measures") System Documents. The Measures ensure that potential share price-sensitive information or inside information be timely confirmed, assessed and reported level by level to the Board which determines whether the information should be disclosed to ensure compliance with the SFO;

- the Company is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the Safe Harbour rules set out in the SFO;

- the Company conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Securities and Futures Commission in June 2012 and the Stock Exchange in 2008 respectively; and

- the Company has established and implemented procedures for responding to external enquiries about the Group's affairs. Senior officers of the Group are designated and authorised to act as the Company's spokesperson and respond to such enquiries in specific areas of issues.

15. BOARD DIVERSITY POLICY

The Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the age, cultural, professional knowledge, talents, skills, regional and industry experience, education background, gender, length of service and other qualities of the members of the Board (the "Board Diversity Policy"). These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective. In reviewing and assessing the composition of the Board, the Nomination

Committee will consider the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board. During the Reporting Period, the Nomination Committee has adopted the Board Diversity Policy and make recommendations to the Board of Directors based on the Board Diversity Policy. For further details, please refer to the Nomination Policy as disclosed above.

The Nomination Committee discloses the composition of the Board in the Corporate Governance Report on an annual basis and oversees the enforcement of the Policy. The Nomination Committee reviews the Policy as appropriate to ensure its effectiveness. Any necessary revisions are discussed by the Nomination Committee and proposed to the Board for approval.

Independent Auditor's Report

羅兵咸永道

Independent Auditor's Report
To the Shareholders of Xinte Energy Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Xinte Energy Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 192, which comprise:

- the consolidated balance sheet as of 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matters identified in our audit are summarised as follows:

- Net realisable value of power plants under development and held for sale

Key Audit Matter	How our audit addressed the Key Audit Matter
Refer to Note 4 (Critical accounting estimates and judgements) and 13 to the consolidated financial statements. At 31 December 2018, the Group held power plants under development and held for sale inventories of RMB2,263 million, which are carried at the lower of cost and net realisable value ("NRV") in the consolidated financial statements. Management calculates NRV at each period end based on the estimated selling price less cost to sell. The determination of the selling price requires the management to make judgements and estimations on the discounted future cash flows forecast of the projects because sales price negotiations with the customers normally make reference to the discounted cash flow model, based on current market conditions and available information. In addition, the selling price also takes reference of historical experience of selling projects of similar nature. The forecast of the discounted future cash flows adopts the following key assumptions: — Forecast power generation; — Electricity tariff; and — Discount rates We focused on this area because of the significant balance of the power plants held for sale for the year ended 31 December 2018 thereon and the management's NRV assessment involves judgement and assumptions.	We understood the method by which management determined the estimated selling price for such projects being consistent as in prior years where historically there were no material adjustments required as a result of the estimation process. We checked the mathematical accuracy of management's cash flow model. We challenged management's key assumptions in the forecasts for: 1) Forecast power generation, by verifying the installed capacity and comparing with the feasibility study of each project and current electricity market condition; 2) Electricity tariff, by matching with the current market price set and published by local government authorities; 3) Discount rates, by assessing the cost of capital for comparable companies, as well as considering territory specific factors. We also evaluated management's estimation of selling price by comparing with the historical sales of power plant projects with similar size and similar locations, and comparing with the actual prices of recently sold projects subsequent to the year end of 2018. Based on our work, we found the key assumptions and input data adopted in the cash flow model to be in line with our expectations and the results of management's NRV assessment is supported by the evidence we gathered.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee of the Company is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is NG Tsun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2019

Consolidated Balance Sheet

As of 31 December 2018

	Note	As of 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**16,504,406**	13,058,520
Land use rights	7	**558,755**	557,839
Intangible assets	8	**106,863**	46,510
Investments accounted for using the equity method	11	**140,969**	113,593
Financial assets at fair value through other comprehensive income		**1,000**	—
Available-for-sale financial assets		**—**	1,000
Deferred income tax assets	12	**177,977**	179,663
Other non-current assets	16	**1,768,438**	1,755,748
Total non-current assets		**19,258,408**	15,712,873
Current assets			
Inventories	13	**2,915,121**	3,874,701
Contract assets	5	**2,254,679**	—
Amounts due from customers for contract work	14	**—**	2,378,952
Other current assets	16	**1,047,998**	260,716
Trade and notes receivable	15	**3,640,933**	4,244,084
Other receivables	17	**415,969**	—
Prepayments and other receivables	17	**—**	1,376,627
Restricted cash	18	**2,310,187**	1,500,300
Cash and cash equivalents	18	**3,856,408**	2,316,610
Total current assets		**16,441,295**	15,951,990
Total assets		**35,699,703**	31,664,863

Consolidated Balance Sheet

As of 31 December 2018

	Note	As of 31 December 2018 RMB'000	2017 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	**1,045,005**	1,045,005
Share premium	19	**4,945,506**	5,030,375
Other reserves	20	**524,965**	457,310
Retained earnings		**3,505,764**	2,674,707
		10,021,240	9,207,397
Non-controlling interests	10	**1,268,816**	53,015
Total equity		**11,290,056**	9,260,412
LIABILITIES			
Non-current liabilities			
Borrowings	21	**8,099,000**	6,487,970
Deferred income tax liabilities	12	**123,497**	78,742
Deferred government grants	22	**397,442**	378,263
Total non-current liabilities		**8,619,939**	6,944,975
Current liabilities			
Trade and notes payable	23	**7,788,493**	7,276,778
Provisions and other payables	24	**2,077,073**	2,894,570
Contract liabilities	5	**1,067,850**	—
Amounts due to customers for contract work	14	**—**	489,684
Current income tax liabilities		**6,832**	3,972
Borrowings	21	**4,849,460**	4,794,472
Total current liabilities		**15,789,708**	15,459,476
Total liabilities		**24,409,647**	22,404,451
Total equity and liabilities		**35,699,703**	31,664,863

The above consolidated balance sheet should be read in conjunction with the accompanying notes on pages 109 to 192.

These consolidated statements on pages 104 to 192 were approved by the Board of Directors on 27 March 2019 and were signed on its behalf.

Zhang Jianxin
Chairman

Yin Bo
Executive Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	5	**12,053,742**	11,420,951
Cost of sales	25	**(9,642,150)**	(8,927,654)
Gross profit		**2,411,592**	2,493,297
Selling and marketing expenses	25	**(420,463)**	(403,039)
General and administrative expenses	25	**(593,816)**	(654,442)
Net impairment losses on financial assets and contract assets		**13,646**	—
Other income	26	**96,601**	89,211
Other gains/(losses) — net	27	**38,756**	(33,011)
Operating profit		**1,546,316**	1,492,016
Interest income	29	**27,220**	25,789
Finance expenses	29	**(382,073)**	(295,680)
Financial expenses — net		**(354,853)**	(269,891)
Share of profit/(loss) of investments accounted for using the equity method		**17,032**	(4,138)
Profit before income tax		**1,208,495**	1,217,987
Income tax expense	30	**(97,853)**	(144,290)
Profit for the year		**1,110,642**	1,073,697
Profit for the year attributable to:			
Owners of the Company		**1,107,797**	1,070,671
Non-controlling interests		**2,845**	3,026
		1,110,642	1,073,697
Other comprehensive loss:			
Items that may be reclassified to profit and loss			
Currency translation differences		**(84)**	(31)
Total comprehensive income for the year		**1,110,558**	1,073,666
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,107,713**	1,070,640
Non-controlling interests		**2,845**	3,026
		1,110,558	1,073,666
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (RMB)	31	**1.06**	1.02
Diluted earnings per share (RMB)	31	**1.06**	1.02

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 109 to 192.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	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
Balance at 1 January 2017	1,045,005	5,030,375	353,024	1,831,898	8,260,302	51,442	8,311,744
Comprehensive income							
Profit for the year	–	–	–	1,070,671	1,070,671	3,026	1,073,697
Currency translation differences	–	–	(31)	–	(31)	–	(31)
Total comprehensive income	–	–	(31)	1,070,671	1,070,640	3,026	1,073,666
Transactions with owners							
Appropriation of surplus reserve (Note 20(a))	–	–	102,461	(102,461)	–	–	–
Dividends (Note 32)	–	–	–	(125,401)	(125,401)	(1,453)	(126,854)
Share-based payments:							
– fair value of employee services (Note 20(b))	–	–	1,856	–	1,856	–	1,856
Total transactions with owners, recognised directly in equity	–	–	104,317	(227,862)	(123,545)	(1,453)	(124,998)
Balance at 31 December 2017	1,045,005	5,030,375	457,310	2,674,707	9,207,397	53,015	9,260,412
Comprehensive income							
Profit for the year	–	–	–	1,107,797	1,107,797	2,845	1,110,642
Transactions with non-controlling interests (Note 19)	–	(84,869)	–	–	(84,869)	1,213,169	1,128,300
Currency translation differences	–	–	(84)	–	(84)	–	(84)
Total comprehensive income	–	(84,869)	(84)	1,107,797	1,022,844	1,216,014	2,238,858
Transactions with owners							
Appropriation of surplus reserve (Note 20(a))	–	–	67,739	(67,739)	–	–	–
Dividends (Note 32)	–	–	–	(209,001)	(209,001)	(213)	(209,214)
Total transactions with owners, recognised directly in equity	–	–	67,739	(276,740)	(209,001)	(213)	(209,214)
Balance at 31 December 2018	1,045,005	4,945,506	524,965	3,505,764	10,021,240	1,268,816	11,290,056

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 109 to 192.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	33(a)	1,919,147	1,950,186
Income tax paid		(68,013)	(185,714)
Net cash generated from operating activities		1,851,134	1,764,472
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,489,228)	(1,807,726)
Purchase of intangible assets		(75,970)	(12,163)
Purchase of land use rights		(17,643)	(8,212)
Proceeds from disposal of property, plant and equipment and intangible assets	33(b)	161,947	21,986
Net proceeds from disposal of subsidiaries		(123,764)	—
Net proceeds from disposal of associates	11(d)	42,500	30,000
Increase in investments accounted for using the equity method	11	(17,701)	(7,220)
Government grants received		10,700	6,730
Interest received		27,220	25,789
Changes in restricted cash	18	(809,887)	(549,775)
Net cash used in investing activities		(3,291,826)	(2,300,591)
Cash flows from financing activities			
Capital injection from non-controlling interests		1,128,300	—
Repayments of borrowings		(7,741,560)	(6,058,795)
Proceeds from borrowings		10,296,973	7,572,839
Interest paid		(636,086)	(496,463)
Dividends paid	32	(83,216)	(49,930)
Dividends paid to non-controlling interests		(222)	(1,231)
Net cash generated from financing activities		2,964,189	966,420
Net increase in cash and cash equivalents		1,523,497	430,301
Cash and cash equivalents at beginning of the year	18	2,316,610	1,897,947
Exchange gains/(losses) on cash and cash equivalents		16,301	(11,638)
Cash and cash equivalents at end of the year	18	3,856,408	2,316,610

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 109 to 192.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1 General information

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

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

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended accounting policy

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their reporting period commencing 1 January 2018:

- IFRS 9 Financial instruments (1)
- IFRS 15 Revenue from Contracts with Customers (1)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (2)
- Annual improvements 2014–2016 cycle (2)
- Amendments to IAS 40 Transfer of Investment Property (2)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (2)

(1) The impact of the adoption of these new standards are disclosed in Note 2.1.2.

(2) Adoption of these new and amended standards did not have any material impact on the Group's accounting policies.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

	Effective for the financial year beginning on or after
• IFRS 16 Lease (i)	1 January 2019
• IFRS 17 Insurance contracts	1 January 2019
• IFRIC 23 Uncertainty over income tax treatments	1 January 2019
• IFRS 9 (Amendments) Prepayment features with negative compensation	1 January 2019
• IAS 28 (Amendments) Long-term interests in associates and joint venture	1 January 2019
• IAS 19 (Amendments) Plan amendment, curtailment or settlement	1 January 2019
• Annual Improvements to HKFRS Standards 2015-2017 Cycle	1 January 2019
• IFRS 10 and IAS 28 (Amendments) Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended accounting policy (continued)

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

(i) IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance lease is removed. Under the new standards, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB2,061,000 (Note 35(b)). Of these commitments, approximately RMB1,752,000 relate to short-term leases and RMB39,000 to low value leases which will be both recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Apart from IFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.1.2 Change in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) Impact on the financial statements

IFRS 9 was generally adopted without restating comparative information. IFRS 15 was adopted using the modified retrospective approach that comparatives information was not restated. The reclassifications are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Change in accounting policies (continued)

(a) *Impact on the financial statements* (continued)

Consolidated balance sheet (extract)	As at 31 December 2017 RMB'000	Impact of first-time adoption of IFRS 9 RMB'000	Impact of first-time adoption of IFRS 15 RMB'000	As at 1 January 2018 RMB'000
Trade and notes receivable	4,244,084	—	(119,769)	**4,124,315**
Other current assets	260,716	972,526	—	**1,233,242**
Other receivables	—	404,101	—	**404,101**
Prepayments and other receivables	1,376,627	(1,376,627)	—	**—**
Amounts due from customers for contract work	2,378,952	—	(2,378,952)	**—**
Contract assets	—	—	2,498,721	**2,498,721**
AFS	1,000	(1,000)	—	**—**
FVOCI	—	1,000	—	**1,000**
	8,261,379	—	—	**8,261,379**
Provisions and other payables	2,894,570	—	(1,458,669)	**1,435,901**
Amounts due to customers for contract work	489,684	—	(489,684)	**—**
Contract liabilities	—	—	1,948,353	**1,948,353**
	3,384,254	—	—	**3,384,254**

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Change in accounting policies (continued)

(b) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of International Accounting Standard 39 ("IAS 39") that relates to the recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in notes 2.11 below. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and measurement

On 1 January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial assets into the appropriate IFRS 9 categories. The main effect resulting from this reclassification are as follows:

	AFS RMB'000	FVOCI RMB'000
Closing balance 31 December 2017	1,000	—
Reclassify investments from AFS to FVOCI	(1,000)	1,000
Opening balance 1 January 2018	—	1,000

The Group elected to present in other comprehensive income ("OCI") changes in the fair value of certain unlisted equity investments previously classified as AFS, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. The related fair value changes was immaterial.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Change in accounting policies (continued)

(b) *IFRS 9 Financial Instruments* (continued)

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade and notes receivable;
- contract assets; and
- other receivables

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for above three types of financial assets. The impact on the opening balance was immaterial.

(c) *IFRS 15 Revenue from Contracts with Customers*

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the modified retrospective approach and the comparatives were not restated. The impact of the adoption of IFRS 15 was immaterial and there was no adjustments in retained earnings as at 1 January 2018.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Change in accounting policies (continued)

(c) *IFRS 15 Revenue from Contracts with Customers* (continued)

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that has been affected:

The Group has changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15 and IFRS 9:

- Contract assets in relation to construction contracts were previously included in amounts due from customers for contract work;
- Contract liabilities in relation to construction contracts were previously included in amounts due to customers for contract work;
- Contract liabilities in relation to advances from customers were previously included in provisions and other payables;
- Prepayments were previously presented together with other receivables but are now presented as other receivables (receivables) and other current assets (prepayments) in the balance sheet, to reflect their different nature; and
- Retention money within the due date were previously included in trade and notes receivable but are now presented as contract assets.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.3 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

2.2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2 Summary of significant accounting policies (continued)

2.3 Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer, deputy general managers and directors of the Company who makes strategic decisions.

2 Summary of significant accounting policies (continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Chinese Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within "Finance expenses — net". All other foreign exchange gains and losses are presented in the profit or loss within "Other gains/(losses) — net".

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the profit or loss during the financial period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Buildings	20–40 years
Machinery and equipment	5–25 years
Vehicles	5–10 years
Furniture and fixtures	5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses) - net" in the consolidated statement of comprehensive income.

2.7 Land use rights

Land use rights represent upfront prepayments made for the land use rights and are expensed in the profit or loss on a straight-line basis over the periods of the leases.

2.8 Intangible assets

(a) Patent and proprietary technologies

Patent and proprietary technologies are initially recorded at cost and are amortised on a straight-line basis over the shorter of their useful lives or licence terms.

(b) Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 10 years.

2 Summary of significant accounting policies (continued)

2.9 Research and development

Research expenditures is recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are fulfilled:

(i) It is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) Management intends to complete the intangible asset and use or sell it;

(iii) There is an ability to use or sell the intangible asset;

(iv) It can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as expenses when incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period.

2.10 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment is reviewed for possible reversal of the impairment at each reporting date.

Provision for impairment of inventory is usually determined by the excess of cost over net realisable value on single item basis and recorded in the statement of comprehensive income. Net realisable value are determined based on the estimated selling price less estimated conversion costs, selling expenses and related taxes in the ordinary course of business. Provision for or reversal of impairment of inventory is recognised in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.11 Financial assets

2.11.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

2.11.3 Measurement (continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

2.11.4 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and notes receivable and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.11.5 Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017, the Group classifies its financial assets in the following categories: loans and receivables and AFS. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and notes receivable", "other receivables", "restricted cash" and "cash and cash equivalents" in the balance sheet.

- AFS

AFS are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

2.11.5 Accounting policies applied until 31 December 2017 (continued)

(a) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method. AFS are subsequently carried at fair value.

Changes in the fair value of monetary and non-monetary securities classified as AFS are recognised in other comprehensive income.

When securities classified as AFS are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income.

Dividend on AFS equity instruments are recognised in the consolidated statements of comprehensive income as part of other income when the Group's right to receive payments is established.

(b) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

2.11.5 Accounting policies applied until 31 December 2017 (continued)

(b) Impairment (continued)

- Assets carried at amortised cost

  For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

  If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

- Assets classified as AFS

  For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If objective evidence of impairment exists, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income in a subsequent period.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 Summary of significant accounting policies (continued)

2.13 Inventories

Inventories comprise raw materials, work in progress including power plants under development and held for sale (Note 2.23(c)), finished goods and spared parts. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method except for construction of power plant which is stated at accumulated construction cost. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 3.1(b) for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 Summary of significant accounting policies (continued)

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has a contractual or an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences **(continued)**

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(a) Pension and social obligations

The Group companies operate various defined contribution plan in accordance with the local conditions and practices in which they operate. Defined contribution plans are pensions and other social benefit plans under which the Group pay fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as labour costs when they are due.

(b) Housing benefits

The Group contributes to the state-prescribed housing fund. Such costs are charged to consolidated statement of comprehensive income as incurred. Apart from this, the Group do not have other legal or constructive obligations over such benefits.

2 Summary of significant accounting policies (continued)

2.21 Employee benefits (continued)

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Share-based compensation

The Group operates a restricted share incentive plan, under which the entity receives services from employees as consideration for equity instruments of the parent of the Company. The fair value of the employee services received in exchange for the grant of the restricted shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the restricted shares granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of restricted shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income with a corresponding adjustment to equity.

The grant by the parent of the Company of restricted shares over its equity instruments to the employees of entities in the Group is treated as a capital contribution by the parent. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as employee benefit expenses, with a corresponding credit to equity.

2 Summary of significant accounting policies (continued)

2.22 Provisions

Provisions for product and service warranty are recognised when: the Group has a present contractual or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.23 Revenue recognition

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good to a customer, which is when the customer obtains control of that good, dominates the use of the good and gain almost all of the economic benefits. If the control of the goods and services is transferred over a period of time, the Group shall recognise revenue by reference to the stage of completion in fulfill its obligations during the entire contract period.

Among the revenue recognised for goods transferred and services provided, the Group shall present any unconditional rights to consideration separately as a receivable and the rest as a contract asset, and assess provisions for impairment losses of the receivable and the contract asset based on ECL; if the received or receivable consideration of the contract exceeds the services provided by the Group, a contract liability shall be recognised. The Group presents a net contract asset or a net contract liability under each contract.

(a) Rendering of ECC services to customers

Revenues from ECC services of the Group is recognised over the period of the contract by reference of the stage of completion. Stage of completion is estimated based on actual costs incurred to the end of the reporting period as a proportion to the total forecasted costs of the contract. As at the reporting date, the Group reassesses the stage of completion to reflect the changes in performance.

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(b) Rendering of other services

The Group also provides design, consultation and supervision services to power plant owners/ operators and other manufacturers. The services revenue is recognised in the accounting period in which the services are rendered, by reference to state of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

(c) Sales of power plant projects

Under the Group's normal operation of ECC, it establishes various subsidiaries as the owner of power plant projects to be disposed during or upon completion of the relevant construction ("project companies"). Before a buyer is identified, all construction costs in progress pertaining to these projects are recognised as inventories in the consolidated balance sheet. These projects will be sold to third-party customers at different stages by way of transferring the equity interests in these subsidiaries. These subsidiaries have no other operation except for holding of the relevant projects. In the opinion of the directors of the Company, the disposal of equity interests in these project companies is in substance the sales of inventories held by the Group.

Sales of power plant projects are recognised when control of the power plant projects are transferred to the customers and the customer has accepted the projects.

(d) Sales of other goods

The Group manufactures and sells polysilicon, as well as produces and sells electricity. Sales of goods are recognised when control of the goods are transferred, being when the goods are delivered to the customers.

2.24 Leases — operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies (continued)

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.27 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not have significant derivative financial instruments to hedge these risk exposures.

Risk management is carried out by the Company's finance department under the policies and directions approved by its Board of Directors. The Company's finance department identifies, evaluates and manages financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The Group's operations are substantially located in the PRC and transacted at RMB. At 31 December 2018, if RMB had weakened/strengthened by 1% against the USD with all other variables held constant, profit before tax for the year ended 31 December 2018 would have been RMB2,861,000 higher/lower (2017: RMB2,403,000 higher/lower).

(ii) 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. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

At 31 December 2018, if interest rates on the Group's floating rate borrowings amounting to RMB11,452,876,000 at that dates had been 50 basis points higher/lower with all other variables held constant, profit before tax for the year ended 31 December 2018 would have been RMB34,001,000 lower/higher (2017: RMB25,181,000 lower/higher). The estimated fair value changes of the Group's fixed rate borrowings were immaterial.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted bank deposits, trade and notes receivable, contract assets and other receivables.

Credit risk is managed on group basis, except for credit risk relating to trade and notes receivable and contract assets. Each local entity is responsible for managing and analysing the credit risk for each of their 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.

As at 31 December 2018 and 2017, all cash and cash equivalents were deposited in state-owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses from non-performance by these counterparties.

Trade and notes receivable, contract assets and other receivables are subject to the expected credit loss model. The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance from initial recognition. To measure the expected credit losses, trade and notes receivable and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade and notes receivable for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and notes receivable are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 3 years before 31 December 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade and notes receivable and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery mainly include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade and notes receivable, contract assets and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The liquidity risk of the Group is mainly controlled by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of 31 December 2018					
Borrowings	**5,397,404**	**1,779,281**	**3,611,680**	**5,628,802**	**16,417,167**
Trade payables (Note 23)	**3,650,785**	**–**	**–**	**–**	**3,650,785**
Notes payable (Note 23)	**4,137,708**	**–**	**–**	**–**	**4,137,708**
Other payables	**1,877,664**	**–**	**–**	**–**	**1,877,664**
	15,063,561	**1,779,281**	**3,611,680**	**5,628,802**	**26,083,324**
As of 31 December 2017					
Borrowings	5,218,424	1,411,787	2,182,439	6,115,841	14,928,491
Trade payables (Note 23)	3,379,730	–	–	–	3,379,730
Notes payable (Note 23)	3,897,048	–	–	–	3,897,048
Other payables	1,273,282	–	–	–	1,273,282
	13,768,484	1,411,787	2,182,439	6,115,841	23,478,551

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to provide returns for the investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the debt ratio. The debt ratio is calculated as total liabilities divided by total assets as shown in the consolidated balance sheet. The Group aims to maintain the debt ratio at a reasonable level.

The debt ratio of the Group as of 31 December 2018 was 68% (31 December 2017: 71%).

4 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of power plants under development and held for sale

Power plants under development and held for sale are recorded in inventories and stated at the lower of cost or net realisable value, with net realisable value being the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Group estimates the selling price for such power plants held for sale based primarily upon the discounted future cash flows. If the net realisable value of a power plant held for sale item is determined to be below its carrying value, the Group records a write-down to cost of sales for the difference between the carrying cost and net realisable value.

4 Critical accounting estimates and judgements (continued)

(b) Revenue from construction contracts

Revenue from individual contract is recognised under the percentage of completion method, which requires estimations, by management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in construction and engineering businesses, the date at which the contract is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

5 Segment information

The CODM have been identified as the general manager, deputy general manager and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments on the basis of these reports. As the Group's operations are primarily located in the PRC, the CODM considers the business from a product and service perspective. Management separately considers polysilicon production, ECC and BOO as reportable operating segments. Others segment mainly comprises of businesses including inverter manufacturing, design services, PV wafer and module manufacturing and logistics services.

5 Segment information (continued)

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

	Polysilicon production RMB'000	ECC RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2018:						
Segment revenue and results						
Segment revenue	3,363,137	7,715,560	584,404	977,752	(587,111)	12,053,742
Inter-segment revenue	(11,184)	(228,996)	–	(346,931)	587,111	–
Revenue from external customers	3,351,953	7,486,564	584,404	630,821	–	12,053,742
Timing of revenue recognition						
At a point in time	3,351,953	1,433,800	584,404	630,821	–	6,000,978
Over time	–	6,052,764	–	–	–	6,052,764
	3,351,953	7,486,564	584,404	630,821	–	12,053,742
Segment results	1,038,993	914,695	373,201	84,703	–	2,411,592
Amortisation	15,513	2,275	8,255	5,807	–	31,850
Depreciation	527,131	9,899	178,158	50,817	–	766,005
Provisions/(reversal) of impairment:						
– trade and other receivables	5,183	(64,763)	–	2,038	–	(57,542)
– inventory	–	47,476	–	30,914	–	78,390
– contract assets	–	43,896	–	–	–	43,896
Share of profit of investments accounted for using the equity method	–	17,032	–	–	–	17,032

5 Segment information (continued)

	Polysilicon production RMB'000	ECC RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2017:						
Segment revenue and results						
Segment revenue	3,472,901	7,261,921	308,328	1,031,392	(653,591)	11,420,951
Inter-segment revenue	(10,566)	(398,304)	–	(244,721)	653,591	–
Revenue from external customers	3,462,335	6,863,617	308,328	786,671	–	11,420,951
Timing of revenue recognition						
At a point in time	3,462,335	980,257	308,328	786,671	–	5,537,591
Over time	–	5,883,360	–	–	–	5,883,360
	3,462,335	6,863,617	308,328	786,671	–	11,420,951
Segment results	1,409,921	770,057	201,389	111,930	–	2,493,297
Amortisation	15,502	5,677	8,146	335	–	29,660
Depreciation	495,992	5,554	83,124	41,730	–	626,400
Provisions of impairment:						
– trade and other receivables	2,466	42,944	–	5,734	–	51,144
– property, plant and equipment	–	–	–	55,777	–	55,777
– inventory	–	6,827	–	4,957	–	11,784
– construction contracts	–	9,946	–	–	–	9,946
Share of loss of investments accounted for using the equity method	–	4,138	–	–	–	4,138

5 Segment information (continued)

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Polysilicon production	**1,038,993**	1,409,921
ECC	**914,695**	770,057
BOO	**373,201**	201,389
Others	**84,703**	111,930
Total gross profit for reportable segments	**2,411,592**	2,493,297
Selling and marketing expenses	**(420,463)**	(403,039)
General and administrative expenses	**(593,816)**	(654,442)
Net impairment losses on financial assets and contract assets	**13,646**	—
Other income	**96,601**	89,211
Other gains/(losses) — net	**38,756**	(33,011)
Finance expenses — net	**(354,853)**	(269,891)
Share of profit/(loss) of investments accounted for using the equity method	**17,032**	(4,138)
Profit before income tax	**1,208,495**	1,217,987
Income tax expense	**(97,853)**	(144,290)
Profit for the year	**1,110,642**	1,073,697

5 Segment information (continued)

The segment assets as of 31 December 2018 are as follows:

	Polysilicon production RMB'000	ECC RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
As of 31 December 2018						
Segment assets	18,540,886	13,836,486	7,187,943	2,948,671	(7,133,229)	35,380,757
Investments accounted for using the equity method	–	136,769	–	4,200	–	140,969
	18,540,886	13,973,255	7,187,943	2,952,871	(7,133,229)	35,521,726
Unallocated assets						177,977
Total assets						35,699,703
Additions to non-current assets	3,989,649	17,974	959,326	234,984	–	5,201,933
As of 31 December 2017						
Segment assets	13,029,475	15,057,944	6,696,896	3,191,467	(6,604,175)	31,371,607
Investments accounted for using the equity method	–	109,393	–	4,200	–	113,593
	13,029,475	15,167,337	6,696,896	3,195,667	(6,604,175)	31,485,200
Unallocated assets						179,663
Total assets						31,664,863
Additions to non-current assets	688,389	95,081	1,069,046	184,974	–	2,037,490

5 Segment information (continued)

Entity-wide information

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Provision of ECC services	**7,486,564**	6,863,617
Sales of goods	**4,357,001**	4,409,284
Provision of services other than ECC	**210,177**	148,050
	12,053,742	11,420,951

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
The PRC	**11,082,311**	11,192,620
Other countries	**971,431**	228,331
	12,053,742	11,420,951

For the year ended 31 December 2018, there was no external customer (2017: none) contributed more than 10% of the total revenue.

At 31 December 2018 and 2017, all the Group's non-current assets, other than deferred income tax assets are primarily located in the PRC.

5 Segment information (continued)

Assets and liabilities related to contracts with customers

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current contract assets relating to construction contract	**2,303,139**	—
Loss allowance	**(48,460)**	—
Total contract assets	**2,254,679**	—
Total contract liabilities	**1,067,850**	—

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**1,829,816**	—

6 Property, plant and equipment

	Buildings RMB'000	Machinery and equipment RMB'000	Vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
As of 1 January 2017						
Cost	3,084,819	9,061,138	46,759	78,329	2,154,522	14,425,567
Accumulated depreciation	(363,416)	(1,789,616)	(16,928)	(35,086)	—	(2,205,046)
Accumulated impairment provisions	—	(235,195)	(102)	(966)	—	(236,263)
Net book value	2,721,403	7,036,327	29,729	42,277	2,154,522	11,984,258
Year ended 31 December 2017						
Opening net book value	2,721,403	7,036,327	29,729	42,277	2,154,522	11,984,258
Additions	148,700	96,167	11,122	934	1,740,159	1,997,082
Transfers	276,442	601,873	—	3,753	(882,068)	—
Disposals	(4,122)	(13,079)	(3,168)	(440)	—	(20,809)
Disposals of subsidiaries	—	(190,345)	—	—	—	(190,345)
Depreciation charge	(106,250)	(543,587)	(5,270)	(782)	—	(655,889)
Impairment provisions	—	(55,120)	—	(657)	—	(55,777)
Closing net book value	3,036,173	6,932,236	32,413	45,085	3,012,613	13,058,520
As of 31 December 2017						
Cost	3,504,885	9,472,657	49,003	81,767	3,012,613	16,120,925
Accumulated depreciation	(468,712)	(2,266,772)	(16,570)	(35,104)	—	(2,787,158)
Accumulated impairment provisions	—	(273,649)	(20)	(1,578)	—	(275,247)
Net book value	3,036,173	6,932,236	32,413	45,085	3,012,613	13,058,520
Year ended 31 December 2018						
Opening net book value	**3,036,173**	**6,932,236**	**32,413**	**45,085**	**3,012,613**	**13,058,520**
Additions	**794**	**48,065**	**6,696**	**7,510**	**4,941,571**	**5,004,636**
Transfers	**359,737**	**3,187,701**	**—**	**6,853**	**(3,554,291)**	**—**
Disposals	**(3,603)**	**(156,754)**	**(2,343)**	**(13)**	**—**	**(162,713)**
Disposals of subsidiaries	**(36,821)**	**(580,823)**	**—**	**(321)**	**—**	**(617,965)**
Depreciation charge	**(124,905)**	**(632,960)**	**(5,238)**	**(14,969)**	**—**	**(778,072)**
Closing net book value	**3,231,375**	**8,797,465**	**31,528**	**44,145**	**4,399,893**	**16,504,406**
As of 31 December 2018						
Cost	**3,817,239**	**11,339,757**	**51,521**	**91,725**	**4,399,893**	**19,700,135**
Accumulated depreciation	**(585,864)**	**(2,516,392)**	**(19,984)**	**(47,443)**	**—**	**(3,169,683)**
Accumulated impairment provisions	**—**	**(25,900)**	**(10)**	**(136)**	**—**	**(26,046)**
Net book value	**3,231,375**	**8,797,465**	**31,527**	**44,146**	**4,399,893**	**16,504,406**

6 Property, plant and equipment (continued)

The depreciation expense has been charged as below:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**707,202**	555,616
Selling and marketing expenses	**397**	469
General and administrative expenses	**58,406**	70,315
Capitalised in inventories	**12,067**	29,489
	778,072	655,889

For the year ended 31 December 2018, interest expenses of RMB76,840,000 (2017: RMB82,166,000) were capitalised in property, plant and equipment at average interest rate of 5.08% (2017: 4.96%).

As of 31 December 2018, the Group's buildings, machinery and equipment and construction in progress with original book value of RMB14,863,338,000 is pledged as securities for Group's borrowings (31 December 2017:RMB12,518,793,000) (Note 21).

7 Land use rights

	RMB'000
As of 1 January 2017	
Cost	598,103
Accumulated amortisation	(51,368)
Net book value	546,735
Year ended 31 December 2017	
Opening net book value	546,735
Additions	28,160
Amortisation charge	(17,056)
Closing net book value	557,839
As of 31 December 2017	
Cost	626,263
Accumulated amortisation	(68,424)
Net book value	557,839
Year ended 31 December 2018	
Opening net book value	**557,839**
Additions	**17,643**
Amortisation charge	**(16,727)**
Closing net book value	**558,755**
As of 31 December 2018	
Cost	**643,906**
Accumulated amortisation	**(85,151)**
Net book value	**558,755**

Amortisation of RMB8,148,000(2017: RMB6,998,000) is included in "general and administrative expenses", RMB8,089,000 (2017: RMB8,429,000) is included in "cost of sale" and RMB490,000 (2017: RMB1,629,000) is included in "construction in progress" of the Group for the year ended 31 December 2018.

As of 31 December 2018, the Group's land use rights with the original book value of RMB375,811,000 (31 December 2017: RMB361,703,000) were pledged as security for long-term borrowings (Note 21).

8 Intangible assets

	Patent and proprietary technologies RMB'000	Software RMB'000	Total RMB'000
As of 1 January 2017			
Cost	125,348	19,513	144,861
Accumulated amortisation	(83,511)	(10,024)	(93,535)
Impairment	(2,696)	(50)	(2,746)
Net book value	39,141	9,439	48,580
Year ended 31 December 2017			
Opening net book value	39,141	9,439	48,580
Additions	—	12,248	12,248
Disposals	—	(85)	(85)
Amortisation charge	(11,395)	(2,838)	(14,233)
Closing net book value	27,746	18,764	46,510
As of 31 December 2017			
Cost	125,348	31,612	156,960
Accumulated amortisation	(94,906)	(12,798)	(107,704)
Impairment	(2,696)	(50)	(2,746)
Net book value	27,746	18,764	46,510
Year ended 31 December 2018			
Opening net book value	27,746	18,764	46,510
Additions	60,586	15,384	75,970
Disposals	(4)	—	(4)
Amortisation charge	(11,388)	(4,225)	(15,613)
Closing net book value	76,940	29,923	106,863
As of 31 December 2018			
Cost	185,927	43,618	229,545
Accumulated amortisation	(106,291)	(13,645)	(119,936)
Impairment	(2,696)	(50)	(2,746)
Net book value	76,940	29,923	106,863

The Group's patent and proprietary technologies represent solar energy, monocrystalline silicon, silicon dioxide and polycrystalline silicon related proprietary technologies that were mainly purchased from third parties and transmission technology that were developed by the Group.

8 Intangible assets (continued)

The amortisation expense has been charged as below:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**10,086**	9,600
General and administrative expenses	**5,527**	4,633
	15,613	14,233

9 Financial instruments by category

	Year ended 31 December	
	2018	2017
Financial assets	**RMB'000**	RMB'000
Financial assets at amortised cost		
— Trade and notes receivable held to collect (Note 15)	**2,921,281**	4,244,084
— Other receivables (Note 17)	**415,969**	404,101
— Cash and bank balances (Note 18)	**6,166,595**	3,816,910
Available-for-sale financial assets	**—**	1,000
Financial assets at FVOCI		
— unlisted equity investment	**1,000**	—
— notes receivable held to collect and sale (Note 15)	**719,652**	—
	10,224,497	8,466,095

	Year ended 31 December	
	2018	2017
Financial liabilities	**RMB'000**	RMB'000
Financial liabilities at amortised cost		
— Trade and notes payable (Note 23)	**7,788,493**	7,276,778
— Provisions and other payables	**1,877,664**	1,273,282
— Borrowings (Note 21)	**12,948,460**	11,282,442
	22,614,617	19,832,502

10 Subsidiaries

The following is a list of the principal subsidiaries, all of which are incorporated and operated in the PRC:

Name	Principal activities	As of 31 December 2018 Registered capital RMB'000	As of 31 December 2018 Equity interests held by the Group (%)	As of 31 December 2017 Registered capital RMB'000	As of 31 December 2017 Equity interests held by the Group (%)
TBEA Xinjiang New Energy Co., Ltd. (特變電工新疆新能源股份有限公司) ("Xinjiang New Energy")	ECC	2,999,477	78.53%	2,381,878	98.89%
TBEA Xi'an Electrical Technology Co., Ltd. (特變電工西安電氣科技有限公司)	Production of invertor products	150,000	100.00%	150,000	100.00%
Shanxi TBEA New Energy Co., Ltd. (陝西特變電工新能源有限公司)	ECC	42,230	100.00%	42,230	100.00%
Xi'an TBEA Electric Power Design Co., Ltd. (西安特變電工電力設計有限責任公司)	Consulting, design, research and development	20,999	66.09%	20,999	66.09%
TBEA Xi'an Flexible Power Transmission & Distribution Co., Ltd. (特變電工西安柔性輸配電有限公司)	Production of static var generator products	50,000	100.00%	50,000	100.00%
TBEA Hami Photovoltaic Technology Co., Ltd. (特變電工哈密光伏科技有限公司)	Production of invertor products	10,000	100.00%	10,000	100.00%
Hami Fengshang Power Generation Co.,Ltd. (哈密風尚發電有限責任公司)	Power generation	384,577	100.00%	384,577	100.00%
Hami Huafeng New Energy Power Generation Co., Ltd. (哈密華風新能源發電有限公司)	Power generation	301,624	100.00%	301,624	100.00%
Guyang Country Power Generation Co., Ltd. (固陽縣風源發電有限責任公司)	Power generation	194,650	100.00%	194,650	100.00%
Xinjiang Xinte Crystal Silicon Hightech Co., Ltd. (新疆新特晶體硅高科技有限公司) ("Xinte Crystal")	Production of polysilicon	1,333,300	90.00%	–	–

All English names represent the Company's directors' best effort of translations and are for reference only. The official names of these entities are in Chinese.

10 Subsidiaries (continued)

Material non-controlling interests

The balance of total non-controlling interests as of 31 December 2018 is RMB1,268,816,000 (31 December 2017: RMB53,015,000), of which RMB1,125,617,000 (31 December 2017: RMB42,703,000) is for Xinjiang New Energy. The non-controlling interests in respect of other subsidiaries are not material.

Set out below are the summarised financial information for the subsidiary that has non- controlling interests that are material to the Group.

Summarised balance sheet

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Current		
Assets	**13,219,889**	13,794,438
Liabilities	**(9,622,077)**	(11,937,839)
Total current net assets	**3,597,812**	1,856,599
Non-current		
Assets	**7,612,026**	7,645,510
Liabilities	**(5,958,604)**	(5,645,433)
Total non-current net assets	**1,653,422**	2,000,077
Net assets	**5,251,234**	3,856,676
Net assets allocated to non-controlling interests	**1,125,617**	42,703

10 Subsidiaries (continued)

Material non-controlling interests (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	8,481,331	7,997,550
Profit before income tax	423,382	93,301
Income tax (expense)/benefit	(9,500)	11,081
Profit for the year	413,882	104,382
Total comprehensive income allocated to non-controlling interests	4,606	1,138

Summarised cash flows

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	730,726	341,468
Income tax paid	(19,927)	(78,943)
Net cash generated from operating activities	710,799	262,525
Net cash used in investing activities	(553,396)	(1,892,019)
Net cash generated from financing activities	1,418,394	2,031,921
Net increase in cash and cash equivalents	1,575,797	402,427
Cash and cash equivalents at beginning of the year	2,030,506	1,639,324
Exchange gains/(losses) on cash and cash equivalents	16,147	(11,245)
Cash and cash equivalents at end of the year	3,622,450	2,030,506

11 Investments accounted for using the equity method

The Group's investments accounted for using the equity method represent investment in associates, all of which are incorporated and operated in the PRC. These companies are private companies and there is no quoted price available for its shares.

As of 31 December 2018 and 2017, in the opinion of the directors of the Company, no associates are considered individually material to the Group. Movements of investments in associates are set out as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	**113,593**	94,441
Transfer from project companies to associates (Note (b))	**54,425**	61,457
Additional capital injections	**17,701**	7,220
Share of profit/(loss)	**14,243**	(2,368)
(Elimination)/reversal of transactions with associates, net of tax (Note (c))	**(15,802)**	10,027
Disposal (Note (d))	**(43,191)**	(57,184)
At end of the year	**140,969**	113,593

(a) There are no contingent liabilities relating to the Group's interests in the associates.

(b) Under normal operation of the ECC service business, the Group establishes various subsidiaries as the owner of solar power plant projects to be disposed in future (these entities refer to the "Project Companies" thereafter). Before a buyer is identified, all construction costs in progress pertaining to these projects are recognised as inventories in the consolidated balance sheet. These ECC projects will be sold to third-party customers by way of transferring the equity interests in these Project Companies. These subsidiaries have no commercial operation other than the holding of the relevant ECC projects. In the opinion of the directors of the Company, the disposal of equity interests in these Project Companies is in substance the sales of inventories held by the Group.

The Group sold ECC projects to third party customers by way of transferring equity interests in the relevant Project Companies. The Group retained equity interests ranging from 20% to 50% in some of these disposed Project Companies and continue to exercise significant influence or joint control by virtue of its contractual right to appoint at least one director to the board of directors and has power to participate in the financial and operating policy decisions. Accordingly, these relevant Project Companies are accounted for as associates or joint venture after the disposal.

During the year ended 31 December 2018, initial investments amounting to RMB54,425,000 represented the proportionate share of the estimated value of the relevant Project Companies at the date of the disposal.

11 Investments accounted for using the equity method (continued)

(c) Since the Group sold inventories and provided construction services to its associates ("Downstream Transactions"), the unrealised profits resulting from such transactions are eliminated against the carrying amount of its investment in associates. As a result, the deferred income tax arising from the elimination are charged to the carrying amount of the investment in associates, with corresponding adjustments in statement of comprehensive income within "Share of profit of investments accounted for using the equity method". When the related assets are disposed of or consumed by the associate, or the associates are disposed by the Group, the unrealised profit, as well as the corresponding tax adjustment, will be reversed. The table blow summarised the financial impact arising from the Downstream Transactions in the year ended 31 December 2018 and 2017.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
(Elimination)/reversal effect arising from Downstream Transactions with associates	**(18,591)**	11,797
Relevant tax effect	**2,789**	(1,770)
(Elimination)/reversal of transactions with associates, net of tax	**(15,802)**	10,027

(d) During the year ended December 31, 2018, the Group sold certain equity investments in ECC projects to third party. Total consideration received was RMB42,500,000.

Summarised financial information for associates

Set out below are the summarised financial information in aggregate for all individually immaterial associates, which are accounted for using the equity method.

Summarised statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**273,367**	233,963
Operating profit/(loss)	**42,589**	(5,424)
Income tax expense	**(1,793)**	(16)
Profit/(loss) for the year	**40,796**	(5,440)
Total comprehensive income/(loss)	**40,796**	(5,440)

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

12 Deferred income tax

(a) Deferred tax assets

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Deferred tax assets:		
Deferred income tax assets to be recovered within 12 months	126,666	96,780
Deferred income tax assets to be recovered after more than 12 months	51,311	82,883
	177,977	179,663

The gross movement of the Group's deferred income tax account is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning of the year	179,663	136,394
(Debited)/credited to the consolidated statements of comprehensive income (Note 30)	(1,686)	43,269
End of the year	177,977	179,663

The movements in deferred income tax assets of the Group during the year ended 31 December 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Impairment provision of assets	Government grants	Taxable losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of 1 January 2017	66,816	35,913	12,149	21,516	136,394
Credited to the consolidated statement of comprehensive income	14,865	9,593	10,071	8,740	43,269
As of 31 December 2017	81,681	45,506	22,220	30,256	179,663
(Debited)/credited to the consolidated statement of comprehensive income	(39,730)	5,286	46,243	(13,485)	(1,686)
As of 31 December 2018	41,951	50,792	68,463	16,771	177,977

12 Deferred income tax (continued)

(a) Deferred tax assets (continued)

Others mainly represent unrealised profit of inter-group transactions, accrued warranty provision and unpaid salary.

As of 31 December 2018, the Group did not recognise deferred tax assets as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Taxable losses	**33,082**	20,016
Other temporary differences	**360**	360
	33,442	20,376

Deferred income tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As of 31 December 2018, the Group did not recognise deferred tax assets of RMB33,082,000 (31 December 2017: RMB20,016,000) in respect of tax losses amounting to RMB149,933,000 (31 December 2017: RMB101,998,000), as the directors of the Company believe it is more likely than not that such tax losses would not be utilised before they expire.

	As of 31 December	
	2018	2017
Year of expiry	**RMB'000**	RMB'000
2018	**—**	3,302
2019	**839**	839
2020	**9,073**	9,151
2021	**11,891**	11,891
2022	**62,144**	76,815
2023	**65,986**	—
	149,933	101,998

12 Deferred income tax (continued)

(b) Deferred tax liabilities

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning of the year	**78,742**	—
Charged to the consolidated statements of comprehensive income (Note 30)	**44,755**	78,742
End of the year	**123,497**	78,742

The movements in deferred income tax liabilities of the Group during the year ended 31 December 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated depreciation of fixed assets
	RMB'000
As of 1 January 2017	—
Charged to the consolidated statement of comprehensive income	78,742
As of 31 December 2017	78,742
Charged to the consolidated statement of comprehensive income	44,755
As of 31 December 2018	**123,497**

13 Inventories

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Raw materials	**443,567**	414,184
Finished goods	**118,792**	184,135
Work in progress	**191,065**	394,364
Power plants under development and held for sale	**2,263,176**	2,930,939
Spare parts	**11,951**	15,339
	3,028,551	3,938,961
Less: provision for impairment	**(113,430)**	(64,260)
	2,915,121	3,874,701

Movements of Group's provision for inventories are analysed as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning of the year	**64,260**	53,385
Additions	**78,390**	11,784
Write-off	**(29,220)**	(909)
End of the year	**113,430**	64,260

As of 31 December 2018, the Group's inventories with the original book value of RMB1,063,139,000 (31 December 2017: RMB1,458,522,000) were pledged as security for long-term borrowings (Note 21).

For the year ended 31 December 2018, the Group's total cost of inventories recognised in profit or loss was RMB5,566,001,000 (2017: RMB5,534,130,000).

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14 Amounts due from/(to) customers for contract work

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Contract cost incurred plus recognised profit less recognised losses	**–**	3,837,774
Less: Progress billings	**–**	(1,948,506)
Net balance sheet position for ongoing contracts	**–**	1,889,268
Representing:		
Amounts due from customers for contract work	**–**	2,378,952
Amounts due to customers for contract work	**–**	(489,684)
	–	1,889,268

15 Trade and notes receivable

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables	**2,428,942**	2,308,610
Notes receivable	**1,282,442**	2,063,138
	3,711,384	4,371,748
Less: provision for impairment	**(70,451)**	(127,664)
	3,640,933	4,244,084

15 Trade and notes receivable (continued)

Notes receivable of the Group are mainly bank acceptance notes and trade acceptance notes with maturity dates within six months to one year. The measurement category of notes receivable were as follows:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Notes receivable at amortised cost	**562,790**	2,063,138
Notes receivable at FVOCI	**719,652**	—
	1,282,442	2,063,138

As of 31 December 2018, the Group's trade receivables with the original book value of 304,765,000 (31 December 2017: RMB30,196,000) were pledged as security for long-term bank borrowings (Note 21).

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

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Within 3 months	**1,134,036**	1,050,363
3 months to 6 months	**260,277**	302,559
6 months to 1 year	**367,179**	296,875
1 year to 2 years	**542,777**	356,940
2 years to 3 years	**41,561**	232,477
Over 3 years	**83,112**	69,396
	2,428,942	2,308,610

As of 31 December 2018, no retention money included in trade receivables (31 December 2017: RMB255,077,000) was neither past due nor impaired.

As of 31 December 2018, no trade receivables was past due but not impaired (31 December 2017: RMB18,949,000).

15 Trade and notes receivable (continued)

The aging analysis of these receivables are as follows:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**–**	18,949

As of 31 December 2018, trade receivables of RMB2,428,942,000 (31 December 2017: RMB2,034,584,000) was partially impaired. The amount of the related provisions for impairment pertaining to these receivables was RMB70,451,000 as of 31 December 2018 (31 December 2017: RMB127,664,000).

The aging analysis of these receivables are as follows:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**1,761,492**	1,538,515
1 year to 2 years	**542,777**	299,381
2 years to 3 years	**41,561**	156,096
Over 3 years	**83,112**	40,592
	2,428,942	2,034,584

15 Trade and notes receivable (continued)

Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning of the year	**127,664**	82,600
Additions	**57,250**	78,239
Reversal	**(108,069)**	(33,175)
Write-off	**(6,394)**	—
End of the year	**70,451**	127,664

As of 31 December 2018 and 2017, the carrying amounts of trade and notes receivable approximated their fair values.

The carrying amounts of the Group's trade and notes receivable are denominated in the following:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
currencies:		
RMB	**3,554,740**	4,225,879
USD	**81,997**	9,638
PKR	**4,196**	8,567
	3,640,933	4,244,084

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16 Other current/non-current assets

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Prepayments to suppliers	**405,809**	—
Prepayments for purchase of property, plant and equipment	**408,202**	364,486
Value-added tax recoverable (Note (a))	**1,151,916**	890,591
Prepaid income tax	**80,762**	61,302
Tariff adjustment receivables (Note (b))	**714,083**	672,845
Guarantee deposit for other borrowings (Note 21(b))	**15,000**	15,000
Others	**40,664**	12,240
	2,816,436	2,016,464
Less: current portion of		
— Prepayments to suppliers	**(405,809)**	—
— Value-added tax recoverable (Note (a))	**(546,427)**	(184,414)
— Prepaid income tax	**(80,762)**	(61,302)
— Guarantee deposit for other borrowings (Note 21(b))	**(15,000)**	(15,000)
	(1,047,998)	(260,716)
	1,768,438	1,755,748

(a) Value-added tax ("VAT") recoverable represents the input VAT relating to purchase of property, plant and equipment, which can be deducted from the output VAT arising from future sales.

(b) Tariff adjustment receivables represented the subsidies from the PRC government on renewable energy projects in China based on nationwide government policies.

17 Other receivables

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Staff advances	**45,389**	54,816
Project development cost receivables	**161,661**	105,004
Deposits as guarantee for contract execution	**63,530**	110,789
Receivables from TBEA	**67,737**	93,530
Others	**83,551**	53,380
Total other receivables	**421,868**	417,519
Less: provision for impairment	**(5,899)**	(13,418)
	415,969	404,101
Prepayments to suppliers	**—**	972,526
Less: provision for impairment	**—**	—
	—	972,526
	415,969	1,376,627

As of 31 December 2018 and 2017, the carrying amounts of the Group's other receivables approximated their fair values due to short maturity.

Movements on the Group's allowance for impairment of other receivables are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning of the year	**13,418**	7,338
Addition	**13,540**	9,819
Reversal	**(20,263)**	(3,739)
Write-off	**(796)**	—
End of the year	**5,899**	13,418

18 Cash and bank balances

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Restricted cash:		
Bank deposits	**2,310,187**	1,500,300
Cash and cash equivalents:		
Cash in bank	**3,856,408**	2,316,610
Total cash and bank balances	**6,166,595**	3,816,910

The restricted bank deposits were held as security for letter of credit, letter of guarantee, and bank acceptance notes.

Cash and bank were denominated in the following currencies:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**5,563,196**	3,544,156
HKD	**166**	3,791
USD	**501,904**	248,208
PKR	**72,213**	18,943
Others	**29,116**	1,812
	6,166,595	3,816,910

19 Share capital and share premium

Ordinary shares, issued and fully paid:

	Number of ordinary shares (thousands)	Nominal value RMB'000	Share premium RMB'000
At December 31, 2016 and 2017	1,045,005	1,045,005	5,030,375
Transactions with non-controlling interests (Note (a))	—	—	(84,869)
At 31 December 2018	1,045,005	1,045,005	4,945,506

(a) In December 2018, ABC Financial Asset Investment Co., Ltd. ("ABC Financial") injected cash amounting to RMB1,000,000,000 to Xinjiang New Energy, a subsidiary of which the Company holds 98.89% interests. Pursuant to the capital injection, the Company's interests over Xinjiang New Energy decreased from 98.89% to 78.53%, while ABC Financial increased its interests of Xinjiang New Energy up to 20.59%. The Group recognised the difference between its shares of the net assets of Xinjiang New Energy before and after ABC Financial's investment as a decrease in equity attributable to owners of the Company of RMB80,339,000.

In October 2018, Xinjiang Socus Silicon Co., Ltd. ("Xinjiang Socus") injected cash amounting to RMB128,300,000 to Xinte Crystal, a subsidiary of which the Company holds 100.00% interests. Pursuant to the capital injection, the Company's interests over Xinte Crystal decreased from 100.00% to 90.00%, while Xinjiang Socus increased its interests of Xinte Crystal up to 10.00%. The Group recognised the difference between its share of the net assets of Xinte Crystal before and after Xinjiang Socus's investment as a decrease in equity attributable to owners of the Company of RMB4,530,000.

20 Other reserves

	Surplus reserve RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2017	130,141	222,883	353,024
Appropriation of surplus reserve (Note (a))	102,461	—	102,461
Share-based payments (Note (b))	—	1,856	1,856
Currency translation differences	—	(31)	(31)
At 31 December 2017	232,602	224,708	457,310
Appropriation of surplus reserve (Note (a))	67,739	—	67,739
Currency translation differences	—	(84)	(84)
At 31 December 2018	300,341	224,624	524,965

(a) In accordance with the Company Law of the PRC and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. For the year ended 31 December 2018, according to a resolution of the board of directors, the Company made appropriation of statutory surplus reserve amounting to RMB67,739,000 (2017: RMB102,461,000).

(b) Restricted share incentive plan

The Group's directors and selected employees participated in a restricted share incentive plan operated by its parent company TBEA in 2014.

During the year ended 31 December 2014, 12,802,000 restricted shares of TBEA ("first batch restricted shares") were granted to certain Group's directors and employees at a price of RMB5.65 per share for their services rendered to the Company. These restricted shares would vest at the rate of 20%, 30% and 50% respectively for each 12-month period commencing from the 12 months after the grant date, subject to TBEA achieving its target growth in profit over the vesting period.

20 Other reserves (continued)

(b) Restricted share incentive plan (continued)

During the year ended 31 December 2015, 1,720,000 restricted shares of TBEA ("second batch restricted shares") were granted to certain Group's directors and employees at a price of RMB7.87 per share for their services rendered to the Company. These restricted shares would vest at the rate of 50%, and 50% respectively for each 12-month period commencing from the 12 months after the grant date, subject to TBEA achieving its target growth in profit over the vesting period.

During the year ended 31 December 2016, 30% and 50% of first batch restricted shares and second batch restricted shares, respectively, were unlocked and transferred to the grantees.

During the year ended 31 December 2017, 50% and 50% of the first batch restricted shares and second batch restricted shares, respectively, were unlocked and transferred to the grantees.

Movements in the number of restricted shares granted and related fair value are as follows:

	Number of restricted shares granted (thousands)
As of 1 January 2017	6,676
Vested	(5,804)
Forfeited	(872)
As of 31 December 2017 and 2018	—

The fair value of restricted shares granted was determined by reference to the market price of TBEA on the date of grant. For the year ended 31 December 2018, no share-based compensation expense was recognised in the consolidated statement of comprehensive income as employee benefits expenses (2017: RMB1,856,000).

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21 Borrowings

	As of 31 December 2018 RMB'000	2017 RMB'000
Long-term borrowings		
Bank borrowings:		
— Secured (Note (a))	**7,372,870**	6,685,570
— Unsecured	**768,500**	300,000
Other borrowings:		
— Secured (Note (b))	**920,900**	378,000
Less: current portion of long-term borrowings	**(963,270)**	(875,600)
Total non-current borrowings	**8,099,000**	6,487,970
Short-term borrowings		
Bank borrowings:		
— Secured (Note (a))	**62,910**	1,107,919
— Unsecured	**3,415,198**	2,691,451
	3,478,108	3,799,370
Other borrowings:		
— Secured (Note (b))	**308,082**	119,502
— Debentures (Note (c))	**100,000**	—
	408,082	119,502
Current portion of long-term borrowings	**963,270**	875,600
Total current borrowings	**4,849,460**	4,794,472
Total borrowings	**12,948,460**	11,282,442

21 Borrowings (continued)

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

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**4,849,460**	4,794,472
1 year to 2 years	**1,364,532**	1,100,900
2 years to 5 years	**2,847,843**	1,420,300
Over 5 years	**3,886,625**	3,966,770
	12,948,460	11,282,442

The currency of the borrowings at the balance sheet date:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**12,680,525**	11,272,641
USD	**267,935**	9,801
	12,948,460	11,282,442

(a) As of 31 December 2017, secured short-term bank borrowings with amount of RMB1,010,000,000 and RMB19,529,000 represented proceeds received from subsidiaries and third parties respectively under trade receivables factoring agreements with recourse with banks.

As of 31 December 2018, secured short-term bank borrowings with amount of RMB62,910,000(2017: RMB78,390,000) were pledged with the Group's certain land use rights(Note 7) and, property, plant and equipment (Note 6).

As of 31 December 2018, secured long-term bank borrowings with amount of RMB7,372,870,000 (2017: RMB6,685,570,000) were pledged with the Group's certain inventory (Note 13), land use rights (Note 7), property, plant and equipment (Note 6) and receivable collection right.

21 Borrowings (continued)

(b) As of 31 December 2018, secured short-term other borrowings with amount of RMB308,082,000 (2017: RMB119,502,000) were pledged with the Group's certain property, plant and equipment (Note 6) and guarantee deposit of cash amounting to RMB15,000,000(2017:RMB15,000,000) (Note 16).

As of 31 December 2018, secured long-term other borrowings with amount of RMB488,500,000 (2017: RMB199,000,000) were guaranteed by the bank credit.

As of 31 December 2017, secured long-term other borrowings with amount of RMB143,000,000 were guaranteed by the Company.

As of 31 December 2018, secured long-term other borrowings with amount of RMB32,400,000 (2017:RMB36,000,000) were guarantee by Xinjiang New Energy.

As of 31 December 2018, secured long-term other borrowings with amount of RM400,000,000 were pledged with Group's certain inventory (Note 13).

(c) The Group has issued green debentures in April 2018 at par value of RMB100,000,000 with a maturity of 1 year from issuance and interest rate of 5.50% per annum.

(d) For the year ended 31 December 2018, the average interest rates of borrowings ranged from 1.20% to 5.92% (2017: from 1.20% to 5.39%).

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

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Expiring within 1 year	**5,567,582**	6,057,816
Expiring beyond 1 year	**1,624,820**	88,849
	7,192,402	6,146,665

22 Deferred government grants

As of 31 December 2018 and 2017, deferred government grants mainly represented cost-related government grants received with respect to encouraging the research and development activities and asset-related grants in connection with the infrastructure construction of solar power projects and production of polysilicon.

23 Trade and notes payable

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables	**3,650,785**	3,379,730
Notes payable	**4,137,708**	3,897,048
	7,788,493	7,276,778

The aging analysis of trade payables is as follows:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**2,714,555**	2,515,194
1 year to 2 years	**510,710**	555,856
2 years to 3 years	**277,454**	269,548
Over 3 years	**148,066**	39,132
	3,650,785	3,379,730

As of 31 December 2018 and 2017, the carrying amounts of trade and notes payable approximated their fair values due to short maturity.

The carrying amounts of the Group's trade and notes payable are denominated in the following currencies:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**7,754,812**	7,262,709
USD	**29,861**	7,697
Others	**3,820**	6,372
	7,788,493	7,276,778

24 Provisions and other payables

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Payables relating to purchase of property, plant and equipment	**1,392,789**	916,561
Deposits	**142,068**	121,368
Advances from customers	**—**	1,458,670
Warranty provisions (Note (a))	**32,223**	50,581
Accrued wages and other benefits	**98,369**	145,133
Tax payable other than income taxes	**94,833**	13,219
Dividends payable	**264,363**	138,586
Others	**52,428**	50,452
	2,077,073	2,894,570

(a) Movements on the Group's provision for warranty expenses are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning of the year	**50,581**	70,894
Additional provisions	**77,740**	57,145
Utilisation	**(87,000)**	(75,178)
Reversal	**(9,098)**	(2,280)
End of the year	**32,223**	50,581

25 Expense by nature

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	946,582	1,748,398
Raw materials, equipment and consumables	5,246,620	4,531,656
Subcontract costs	1,132,136	1,080,050
Depreciation and amortisation (Notes 6, 7 and 8)	797,855	656,060
Employee benefit expenses (Note 28)	679,061	690,999
Repair and maintenance	276,193	191,390
Transportation	271,011	160,210
Utilities	242,178	137,188
Rental expenses	42,268	36,008
Warranty expenses (Note 24)	68,642	54,865
Impairment of assets (Notes 6 and 13)	78,390	128,651
Travelling expenses	52,631	45,823
Taxation	38,944	43,078
Auditor's remuneration	4,668	6,181
— audit and related services	4,200	4,200
— non-audit services	468	1,981
Others	779,250	474,578
	10,656,429	9,985,135

26 Other income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Government grants	79,769	65,459
Sales of raw materials	12,965	9,885
Others	3,867	13,867
	96,601	89,211

For the year ended 31 December 2018, the Group's government grant income included amortisation of asset-related government grants with amount of RMB40,207,000 (2017: RMB28,259,000).

27 Other gains/(losses) — net

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
(Losses)/Gains on disposal of property, plant and equipment	**(770)**	1,177
Gains on compensations and penalties	**9,476**	3
Donations	**(30)**	(3,451)
Net exchange losses arising from other than borrowings	**(5,898)**	(23,883)
Gains/(Losses) on disposal of subsidiaries and associates	**46,596**	(12,132)
Others	**(10,618)**	5,275
	38,756	(33,011)

28 Employee benefit expenses

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages and salaries	**583,951**	590,664
Social insurance costs	**72,681**	66,162
Welfare benefits	**22,429**	32,317
Share-based payment (Note 20(b))	**—**	1,856
	679,061	690,999

28 Employee benefit expenses (continued)

(a) Five highest paid individuals

For the year ended 31 December 2018, the five individuals whose emoluments were the highest in the Group were as follows:

	Number of individuals Year ended 31 December	
	2018	2017
Directors	**3**	2
Non-director individuals	**2**	3
	5	5

The Directors' emoluments are disclosed in Note 39. The emoluments of the remaining individuals were as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Basic salaries and allowances	**2,220**	1,827
Discretionary bonuses	**475**	2,209
Share-based compensation	**–**	27
	2,695	4,063

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2018	2017
Emolument bands		
HKD 1,000,000 and below	**–**	–
HKD1,000,001 to HKD1,500,000	**–**	1
HKD1,500,001 to HKD2,000,000	**2**	2
	2	3

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For the year ended 31 December 2018

29 Finance expenses — net

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest expenses on borrowing	**630,918**	498,889
— Bank borrowings	**607,821**	472,558
— Other borrowings	**23,097**	26,331
Less: amounts capitalised	**(255,498)**	(202,773)
— in property, plant and equipment	**(76,840)**	(82,166)
— in inventories and contract assets	**(178,658)**	(120,607)
Net exchange losses/(gains)	**6,653**	(436)
Finance expenses	**382,073**	295,680
Interest income	**(27,220)**	(25,789)
	354,853	269,891

30 Income tax expense

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current income tax expense	**51,412**	108,817
Deferred income tax expense (Note 12)	**46,441**	35,473
	97,853	144,290

30 Income tax expense (continued)

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**1,208,495**	1,217,987
Tax expense calculated at statutory tax rate of 25%	**302,124**	304,497
Effect of difference between applicable preferential tax rate and statutory tax rate	**(186,793)**	(95,060)
Tax losses and other temporary differences for which no deferred income tax assets were recognised	**16,496**	19,294
Utilisation of previously unrecognised temporary differences and tax losses	**(938)**	(2,898)
Elimination/(reversal) of transactions with associates (Note 11)	**3,951**	(2,507)
Expenses not deductible for taxation purposes	**5,947**	5,730
Tax credits and additional deduction entitlements	**(42,934)**	(84,766)
	97,853	144,290

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

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

31 Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2018.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**1,107,797**	1,070,671
Weighted average number of ordinary shares in issue (thousands)	**1,045,005**	1,045,005
Basic earnings per share (RMB)	**1.06**	1.02

(b) Diluted

No dilutive effect on earnings per share for the years ended 31 December 2018 and 2017, as the Group had no dilutive potential ordinary shares.

32 Dividends

On the board meeting held on 27 March 2019, the Board proposed, based on the latest total of 1,200 million shares in issue, payment of a final dividend of RMB0.15 per share for the year ended 31 December 2018, totalling RMB180,000,000. Such dividend is subject to the approval of the shareholders of the Company on the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements.

Final dividend of RMB0.20 per share for the year ended 31 December 2017, totalling RMB209,001,000 was approved in the annual general meeting of shareholders of the Company on 15 June 2018, and RMB83,216,000 has been paid as of 31 December 2018 (as of 31 December 2017 RMB49,930,000).

33 Notes to the consolidated statements of cash flows

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cash generated from operations		
Profit before income tax	**1,208,495**	1,217,987
Adjustments for:		
— Provision for impairment of inventories	**78,390**	11,784
— Depreciation of property, plant and equipment	**766,005**	626,400
— Amortisation of land use rights	**16,237**	15,427
— Amortisation of intangible assets	**15,613**	14,233
— Provision for impairment of property, plant and equipment	**—**	55,777
— (Reversal)/allowance for impairment of trade and other receivables	**(57,542)**	51,144
— Provision for impairment of contract assets	**43,896**	9,946
— Share of (profit)/loss from investments accounted for using the equity method	**(17,032)**	4,138
— Share-based payment	**—**	1,856
— Losses/(gains) on disposal of property, plant and equipment	**770**	(1,177)
— Amortisation of asset-related deferred government grants	**(40,207)**	(28,259)
— Finance expenses — net	**354,853**	269,891
— Elimination/(reversal) effect arising from downstream transactions with associates	**18,591**	(11,797)
— Losses on disposal of investments accounted for using the equity method	**691**	12,132
— Gains on disposal of a subsidiary	**(47,287)**	—
Changes in working capital:		
— Inventories	**85,311**	490,944
— Trade and notes receivable	**62,998**	(907,232)
— Prepayments, other receivables and other current assets	**(138,153)**	(1,800,449)
— Trade and notes payable	**(621,861)**	848,169
— Provisions and other payables	**(445,743)**	725,480
— Amounts due from/(to) customers for contract work	**—**	343,792
— Contract assets/liabilities	**635,122**	—
Cash generated from operations	**1,919,147**	1,950,186

33 Notes to the consolidated statements of cash flows (continued)

(b) In the statement of cash flows, proceeds from sale of property, plant and equipment and intangible assets comprise:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net book amount of property, plant and equipment and intangible assets disposed (Note 6 and 8)	**162,717**	20,809
(Losses)/Gains on disposal of property, plant and equipment and intangible assets (Note 27)	**(770)**	1,177
Proceeds from disposal of property, plant and equipment and intangible assets	**161,947**	21,986

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2018	2017
Net debt	**RMB'000**	RMB'000
Cash and cash equivalents	**3,856,408**	2,316,610
Borrowings — repayable within one year (Note 21)	**(4,849,460)**	(4,794,472)
Borrowings — repayable after one year (Note 21)	**(8,099,000)**	(6,487,970)
Net debt	**(9,092,052)**	(8,965,832)
Cash and cash equivalents	**3,856,408**	2,316,610
Gross debt — variable and fixed interest rates	**(12,948,460)**	(11,282,442)
Net debt	**(9,092,052)**	(8,965,832)

33 Notes to the consolidated statements of cash flows (continued)

(c) Net debt reconciliation (continued)

		Liabilities from financing activities		
	Cash and cash equivalents RMB'000	Borrow due within 1 year RMB'000	Borrow due after 1 year RMB'000	Total RMB'000
Net debt as of 1 January 2017	1,897,947	(3,432,233)	(6,336,601)	(7,870,887)
Cash flows	441,949	(1,362,675)	(151,369)	(1,072,095)
Foreign exchange differences	(23,286)	436	—	(22,850)
Net debt as of 31 December 2017	2,316,610	(4,794,472)	(6,487,970)	(8,965,832)
Cash flows	1,523,497	(86,336)	(2,469,077)	(1,031,916)
Other changes	—	38,001	858,047	896,048
Foreign exchange differences	16,301	(6,653)	—	9,648
Net debt as of 31 December 2018	**3,856,408**	**(4,849,460)**	**(8,099,000)**	**(9,092,052)**

34 Contingency and litigation

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司, "Jiangsu Zhongneng") filed a claim with the Jiangsu Province People's Court against the Company for certain patent infringement and commercial secrets, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed the Company, the Supreme People's Court of the People's Republic of China ruled to the case should be under the jurisdiction of the Xinjiang Province People's Court. As of the date of these consolidated financial statements are approved for issue, the aforementioned litigation is still in the process of transfer therefore no trial session has been conducted by Xinjiang Province People's Court yet. After considering the opinion of an independent legal counsel, the directors of the Company are of the opinion that this litigation is still at a very early stage with the outcome and the contingent obligation cannot be measured with sufficient reliability. Accordingly, no provision is made with respect to the aforementioned claim at 31 December 2018.

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 31 December 2018, 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 consolidated financial statements.

35 Commitments

(a) Capital commitments

At 31 December 2018, capital commitments with respect to capital expenditures of property, plant and equipment are as follows:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Contractual but not yet incurred	**2,174,754**	1,084,687

(b) Operating lease commitments

The Group leases various offices and warehouses under operating lease agreements. The future minimum lease payable under operating leases contracted for at the balance sheet dates but not recognised as liabilities, are as follows:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**1,752**	7,701
Between 1 to 5 years	**309**	1,138
	2,061	8,839

36 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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
With parent company:		
— Sales of goods or services	**4,311**	10,423
— Rental expenses	**9,952**	8,790
— Procurement deposits	**270**	200
— Purchases of goods or services	**291,184**	9,671
With fellow subsidiaries:		
— Sales of goods or services	**5,264**	7,154
— Rental expenses	**114**	—
— Procurement deposits	**256**	100
— Purchases of goods or services	**595,227**	526,451
With associates of parent company:		
— Sales of goods or services	**20,058**	20,399
— Purchases of goods or services	**48,655**	51,597
With associates:		
— ECC services provided	**464,070**	475,905
— Advances provided for project development	**1,400**	—
— Purchases of goods or services	**9,634**	48
With associates of a director of the Company:		
— Sales of goods	**309**	369
— Procurement deposits	**—**	80
— Purchases of goods or services	**251,820**	57,014

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

36 Related party transactions (continued)

(b) Key management compensation

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries and bonuses	**17,631**	11,702
Pension and others	**718**	556
Share-based payments	**—**	119
	18,349	12,377

36 Related party transactions (continued)

(c) Balances with related parties

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Included in "trade and notes receivable"		
Receivable from:		
— parent company	**578**	647
— fellow subsidiaries	**1,302**	288
— associates of parent company	**411**	721
— associates	**105,163**	117,976
— associates of a director of the Company	**43**	26
	107,497	119,658
Included in "other current/non-current assets and other receivables"		
Prepaid to or receivable from:		
— parent company	**94,739**	93,564
— fellow subsidiaries	**1,513**	207,657
— associates of parent company	**7**	—
— associates	**4,578**	9,284
— associates of a director of the Company	**39,313**	1,248
	140,150	311,753
Included in "trade and notes payable"		
Payable to:		
— parent company	**8,097**	485
— fellow subsidiaries	**71,300**	167,711
— associates of parent company	**4,772**	12,918
— associates	**6,818**	—
— associates of a director of the Company	**27,325**	12,055
	118,312	193,169
Included in "provisions and other payables"		
Advances received from:		
— parent company	**17**	479
— fellow subsidiaries	**8**	—
— associates of parent company	**30**	70
— associates	**40,517**	92,825
— associates of a director of the Company	**11**	3
	40,583	93,377

37 Events after the balance sheet date

On the board meeting held on 27 March 2019, the board of directors proposed a final dividend of RMB0.15 per share for the year ended 31 December 2018 (Note 32).

At the general meeting of the Company held on 11 January 2019, the Company was approved by the shareholders to conditionally issue 154,994,838 domestic shares of the Company directionally to TBEA Co., Ltd. at the price of RMB7.78 per share amounting to a total of approximately RMB1,205,859,839. The directional issue was completed on 15 February 2019. After the completion, the total issued share capital of the Company is 1,200,000,000 shares.

38 Balance sheet and reserve movement of the company

(a) Balance sheet

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**7,322,584**	7,662,284
Land use rights	**195,467**	200,169
Intangible assets	**11,372**	19,868
Investments in subsidiaries	**4,160,538**	2,952,938
Deferred income tax assets	**42,762**	41,857
Other non-current assets	**77,251**	79,746
Total non-current assets	**11,809,974**	10,956,862
Current assets		
Inventories	**335,296**	370,638
Other current assets	**145,001**	54,239
Trade and notes receivable	**378,462**	981,452
Other receivables	**1,465,015**	—
Prepayments and other receivables	**—**	169,226
Restricted cash	**375,734**	315,928
Cash and cash equivalents	**122,302**	222,491
Total current assets	**2,821,810**	2,113,974
Total assets	**14,631,784**	13,070,836

38 Balance sheet and reserve movement of the company (continued)

(a) Balance sheet (continued)

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
EQUITY		
Share capital	**1,045,005**	1,045,005
Share premium	**5,030,375**	5,030,375
Other reserves	**398,315**	330,578
Retained earnings	**2,249,610**	1,848,959
Total equity	**8,723,305**	8,254,917
LIABILITIES		
Non-current liabilities		
Borrowings	**1,615,938**	987,500
Deferred income tax liabilities	**123,497**	78,742
Deferred government grants	**270,910**	227,414
Total non-current liabilities	**2,010,345**	1,293,656
Current liabilities		
Trade and notes payable	**1,306,000**	1,071,503
Provisions and other payables	**1,038,489**	1,036,258
Borrowings	**1,553,645**	1,414,502
Total current liabilities	**3,898,134**	3,522,263
Total liabilities	**5,908,479**	4,815,919
Total equity and liabilities	**14,631,784**	13,070,836

The balance sheet of the Company was approved by the Board of Directors on 27 March 2019 and was signed on its behalf.

Zhang Jianxin	Yin Bo
Chairman	*Executive Director*

38 Balance sheet and reserve movement of the company (continued)

(b) Reserve movement of the Company

	Surplus reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	128,523	98,578	1,052,216	1,279,317
Dividends	—	—	(125,401)	(125,401)
Profit for the year	—	—	1,024,605	1,024,605
Share-based payments	—	1,014	—	1,014
Appropriation of surplus reserve	102,461	—	(102,461)	—
At 31 December 2017	230,984	99,592	1,848,959	2,179,535
Dividends	—	—	(209,001)	(209,001)
Profit for the year	—	—	677,391	677,391
Appropriation of surplus reserve	67,739	—	(67,739)	—
At 31 December 2018	**298,723**	**99,592**	**2,249,610**	**2,647,925**

39 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of the directors and the chief executive is set out below:

For the year ended 31 December 2018:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive Directors							
Zhang Jianxin (Note(i))	–	992	50	37	94	–	1,173
Ma Xuping (Note(iii))	–	–	–	–	–	–	–
Yin Bo	–	4,000	–	18	19		4,037
Xia Jinjing (Note(ii))		1,800	–	18	16		1,834
Non-executive Directors							
Zhang Xin	–	–	–	–	–	–	–
Guo Junxiang	–	–	–	–	–	–	–
Tao Tao (Note(iii))	–	–	–	–	–	–	–
Yang Deren	120	–	–	–	–	–	120
Qin Haiyan	120	–	–	–	–	–	120
Wong Yui Keung Marcellus	120	–	–	–	–	–	120
Lin Chengfei (Note(ii))	–	–	–	–	–	–	–

(i) Zhang Jianxin is a director and also the chief executive of the Company.

(ii) Xia Jinjing was appointed on 15 June 2018. Lin Chengfei was appointed on 12 December 2018.

(iii) Tao Tao was resigned on 28 June 2018. Ma Xuping was retired on 15 June 2018.

For the year ended 31 December 2017:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive Directors							
Zhang Jianxin (Note(i))	–	1,040	1,650	21	50	–	2,761
Ma Xuping	–	–	–	–	–	–	–
Yin Bo	–	792	1,378	26	47	–	2,243
Non-executive Directors							
Zhang Xin	–	–	–	–	–	–	–
Guo Junxiang	–	–	–	–	–	–	–
TaoTao (Note(ii))	–	–	–	–	–	–	–
Wang Jian (Note(iii))	–	–	–	–	–	–	–
Yang Deren	120	–	–	–	–	–	120
Qin Haiyan	120	–	–	–	–	–	120
Wong Yui Keung Marcellus	120	–	–	–	–	–	120

(i) Zhang Jianxin is a director and also the chief executive of the Company.

(ii) Tao Tao was appointed on 16 June 2017.

(iii) Wang Jian was resigned on 8 March 2017.

39 Benefits and interests of directors (continued)

(a) Directors' and chief executive's emoluments (continued)

In addition to the directors' emoluments disclosed above, certain directors of the Company receive emoluments from other companies they are employed to. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the other companies.

(b) Directors' retirement benefits

During the year ended 31 December 2018 and 2017, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) Directors' termination benefits

During the year ended 31 December 2018 and 2017, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable.

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2018 and 2017, no consideration was provided to or receivable by third parties for making available directors' services.

新特能源股份有限公司

Xinte Energy Co., Ltd.