新特能源

XINTE ENERGY CO., LTD.

新 特 能 源 股 份 有 限 公 司

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

(Stock Code: 1799)

Interim Results Announcement
For The Six Months Ended 30 June 2017

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2017, revenue amounted to RMB5,165.27 million, representing an increase of 7.09% over the corresponding period of last year.
- For the six months ended 30 June 2017, profit before taxation amounted to RMB881.66 million, representing an increase of 56.14% over the corresponding period of last year.
- For the six months ended 30 June 2017, profit attributable to owners of the Company amounted to RMB750.98 million, representing an increase of 58.67% over the corresponding period of last year.
- For the six months ended 30 June 2017, the basic earnings per share amounted to RMB0.72, representing an increase of RMB0.27 over the corresponding period of last year.

The board of directors (the "**Board**") of Xinte Energy Co., Ltd. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2016. The results were prepared in accordance with the International Accounting Standard (the "**IAS**") 34, "Interim Financial Reporting".

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As of 30 June 2017** *RMB'000* **(Unaudited)**	As of 31 December 2016 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**12,033,018**	11,984,258
Land use rights		**563,963**	546,735
Intangible assets		**46,265**	48,580
Investments accounted for using the equity method		**123,296**	94,441
Available-for-sale financial assets		**1,000**	1,000
Deferred income tax assets		**158,802**	136,394
Other non-current assets		**1,355,504**	1,091,667
Total non-current assets		**14,281,848**	13,903,075
Current assets			
Inventories		**4,484,008**	4,401,280
Amounts due from customers for contract work		**2,661,003**	2,387,570
Other current assets		**258,263**	269,586
Trade and notes receivable	5	**3,509,756**	3,247,106
Prepayments and other receivables		**1,276,809**	755,465
Restricted cash		**1,177,537**	950,525
Cash and cash equivalents		**2,968,778**	1,897,947
Total current assets		**16,336,154**	13,909,479
Total assets		**30,618,002**	27,812,554

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Note	**As of 30 June 2017** *RMB'000* **(Unaudited)**	As of 31 December 2016 *RMB'000* (Audited)
EQUITY			
Equity attribute to owners of the Company			
Share capital		**1,045,005**	1,045,005
Share premium		**5,030,375**	5,030,375
Other reserves		**354,098**	353,024
Retained earnings		**2,457,480**	1,831,898
		8,886,958	8,260,302
Non-controlling interests		**54,768**	51,442
Total equity		**8,941,726**	8,311,744
LIABILITIES			
Non-current liabilities			
Borrowings		**6,501,173**	6,336,601
Deferred government grants		**366,931**	361,680
Deferred income tax liabilities		**28,000**	—
Total non-current liabilities		**6,896,104**	6,698,281
Current liabilities			
Trade and notes payable	6	**6,955,092**	6,935,441
Provisions and other payables		**3,037,133**	2,253,427
Amounts due to customers for contract work		**251,702**	144,563
Current income tax liabilities		**30,149**	36,865
Borrowings		**4,506,096**	3,432,233
Total current liabilities		**14,780,172**	12,802,529
Total liabilities		**21,676,276**	19,500,810
Total equity and liabilities		**30,618,002**	27,812,554

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	4	**5,165,270**	4,823,225
Cost of sales		**(3,730,583)**	(3,795,660)
Gross profit		**1,434,687**	1,027,565
Selling and marketing expenses		**(148,336)**	(146,045)
General and administrative expenses		**(287,603)**	(259,653)
Other income		**22,596**	29,389
Other (losses)/gains — net		**(10,065)**	9,708
Operating profit		**1,011,279**	660,964
Interest income		**9,545**	11,389
Finance expenses		**(142,831)**	(107,819)
Financial expenses — net		**(133,286)**	(96,430)
Share of profit of investments accounted for using the equity method		**3,671**	146
Profit before income tax		**881,664**	564,680
Income tax expense	7	**(126,787)**	(90,307)
Profit for the period		**754,877**	474,373

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Note	Six months ended 30 June 2017 RMB'000 (Unaudited)	Six months ended 30 June 2016 RMB'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**750,983**	473,286
Non-controlling interests		**3,894**	1,087
		754,877	474,373
Other comprehensive income			
Items that may be reclassified to profit and loss			
Currency transaction differences		**20**	122
Total comprehensive income for the period		**754,897**	474,495
Total comprehensive income for the period attributable to:			
Owners of the Company		**751,003**	473,408
Non-controlling interests		**3,894**	1,087
		754,897	474,495
Earnings per share for profit attribute to owners of the Company			
Basic earnings per share (RMB)	8	**0.72**	0.45
Diluted earnings per share (RMB)	8	**0.72**	0.45

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 and rendering of engineering and construction contracting ("**ECC**") service for solar and wind power plants and systems.

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

This condensed consolidated interim financial information is presented in RMB, unless otherwise stated.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3 ACCOUNTING POLICIES

The accounting policies applied in this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ended 31 December 2016.

(a) Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group.

IFRS 9, 'Financial instruments'

IFRS 9 Financial instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the reason:

- The equity instruments that are currently classified as available-for-sale (AFS) financial assets appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. If the Group were to adopt the new rules from 1 January 2017, it estimates that it would have no significant impact on the consolidated financial statements.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15, 'Revenue from contracts with customers'

A new standard for the recognition of revenue has been issued. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The group will adopt the new standard from 1 January 2018.

Had the standard had been adopted from 1 January 2017, the Group estimates that it would have no significant impact of the new rules on the Group's financial statements.

IFRS 16, 'Leases'

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments of RMB20,524,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

4 SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") have been identified as the chief executive officer, deputy general manager and directors of the Company (the "**Directors**") 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, PV wafer and module manufacturing and build-own-operate of power plants ("**BOO**") as reportable operating segments. Others segment mainly comprises of businesses including inverter manufacturing, design services and logistics services.

During the six months ended 30 June 2017, the portion of sales from the self-owned coal-fired power plant to supply electricity to the polysilicon production segment continued to increase, the CODM does not consider the sales of electricity to be a business that should be separately reviewed. Therefore, the Group has combined the sales of electricity with polysilicon production segment; the comparatives have been restated.

In addition, since the inverter manufacturing segment does not meet the quantitative thresholds required by IFRS 8 for reportable segments, the CODM has combined the inverter manufacturing with others segment; the comparatives have also been restated.

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

The segment results for the six months ended 30 June 2017 are as follows:

	Polysilicon production	ECC	PV wafer and module manufacturing	BOO	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)							
For the six months ended 30 June 2017:							
Segment revenue and results							
Total segment revenue	**1,822,993**	**2,810,332**	**33,536**	**158,383**	**489,756**	**(149,730)**	**5,165,270**
Inter-segment revenue	**(9,255)**	**(81,029)**	**(9,482)**	**—**	**(49,964)**	**149,730**	**—**
Revenue from external customers	**1,813,738**	**2,729,303**	**24,054**	**158,383**	**439,792**	**—**	**5,165,270**
Segment results	**832,260**	**442,672**	**(41,366)**	**106,945**	**94,176**	**—**	**1,434,687**
Amortisation	**7,771**	**1,423**	**413**	**4,875**	**1,514**	**—**	**15,996**
Depreciation	**238,152**	**1,516**	**8,724**	**42,127**	**12,414**	**—**	**302,933**
Provisions of impairment:							
— trade and other receivables	**1,028**	**55,809**	**102**	**—**	**4,302**	**—**	**61,241**
— property, plant and equipment	**—**	**—**	**49,106**	**—**	**—**	**—**	**49,106**
— inventory	**—**	**6,775**	**—**	**—**	**—**	**—**	**6,775**
— construction contracts	**—**	**2,191**	**—**	**—**	**—**	**—**	**2,191**
Share of profit of investments accounted for using the equity method	**—**	**3,671**	**—**	**—**	**—**	**—**	**3,671**

	Polysilicon production RMB'000	ECC RMB'000	PV wafer and module manufacturing RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
(Unaudited)							
For the six months ended 30 June 2016 (restated):							
Segment revenue and results							
Total segment revenue	1,499,333	3,155,842	129,159	11,171	514,161	(486,441)	4,823,225
Inter-segment revenue	(17,401)	(364,085)	—	—	(104,955)	486,441	—
Revenue from external customers	1,481,932	2,791,757	129,159	11,171	409,206	—	4,823,225
Segment results	536,601	378,706	14,298	6,910	91,050	—	1,027,565
Other segment items							
Amortisation	8,050	867	413	3,155	1,679	—	14,164
Depreciation	248,190	2,388	15,216	3,408	5,446	—	274,648
Provisions of impairment:							
— trade and other receivables	1,715	12,710	1,037	—	2,710	—	18,172
— construction contracts	—	2	—	—	—	—	2
Share of profit of investments accounted for using the equity method	—	146	—	—	—	—	146

A reconciliation of segment gross profit to total profit before income tax is provided as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Polysilicon production	**832,260**	536,601
ECC	**442,672**	378,706
PV wafer and module manufacturing	**(41,366)**	14,298
BOO	**106,945**	6,910
Others	**94,176**	91,050
Total gross profit for reportable segments	**1,434,687**	1,027,565
Selling and marketing expenses	**(148,336)**	(146,045)
General and administrative expenses	**(287,603)**	(259,653)
Other income	**22,596**	29,389
Other (losses)/gains — net	**(10,065)**	9,708
Finance expenses — net	**(133,286)**	(96,430)
Share of profit of investments accounted for using the equity method	**3,671**	146
Profit before income tax	**881,664**	564,680
Income tax expense	**(126,787)**	(90,307)
Profit for the period	**754,877**	474,373

The segment assets as of 30 June 2017 are as follows:

	Polysilicon production *RMB'000*	ECC *RMB'000*	PV wafer and module manufacturing *RMB'000*	BOO *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
(Unaudited)							
As of 30 June 2017							
Segment assets	**12,739,079**	**14,684,555**	**175,664**	**5,312,536**	**2,545,123**	**(5,121,053)**	**30,335,904**
Investments accounted for using equity method	**—**	**123,296**	**—**	**—**	**—**	**—**	**123,296**
	12,739,079	**14,807,851**	**175,664**	**5,312,536**	**2,545,123**	**(5,121,053)**	**30,459,200**
Unallocated assets							**158,802**
Total assets							**30,618,002**
Additions to non-current assets	**423,012**	**81,550**	**71**	**112,101**	**52,442**	**—**	**669,176**
(Audited)							
As of 31 December 2016							
Segment assets	12,434,237	12,709,552	287,379	5,199,155	2,152,268	(5,200,872)	27,581,719
Investments accounted for using the equity method	—	94,441	—	—	—	—	94,441
	12,434,237	12,803,993	287,379	5,199,155	2,152,268	(5,200,872)	27,676,160
Unallocated assets							136,394
Total assets							27,812,554
Additions to non-current assets	490,699	479,429	859	1,641,110	273,300	—	2,885,397

Entity-wide information

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Provision of ECC services	**2,729,303**	2,791,757
Sales of goods	**2,333,637**	1,917,892
Provision of services other than ECC	**102,330**	113,576
	5,165,270	4,823,225

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**5,085,805**	4,514,864
Other countries	**79,465**	308,361
	5,165,270	4,823,225

There was no single external customer contributed more than 10% of the total revenue for the six months ended 30 June 2017 and 2016.

As of 30 June 2017 and 31 December 2016, all the Group's non-current assets, other than financial instruments and deferred income tax assets, are primarily located in the PRC.

5 TRADE AND NOTES RECEIVABLE

	As of 30 June	As of 31 December
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**2,089,290**	1,642,990
Notes receivable	**1,556,473**	1,686,716
	3,645,763	3,329,706
Less: provision for impairment	**(136,007)**	(82,600)
	3,509,756	3,247,106

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

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

	As of 30 June 2017	As of 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**938,344**	307,968
3 to 6 months	**190,997**	387,417
6 months to 1 year	**235,803**	432,432
1 to 2 years	**437,956**	395,020
2 to 3 years	**233,756**	87,576
Over 3 years	**52,434**	32,577
	2,089,290	1,642,990

Most of the Group's trade receivables are due upon the issuance of the invoices, except for retention money which would normally be collected one or two years after the completion of the sales.

6 TRADE AND NOTES PAYABLE

	As of 30 June 2017	As of 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**3,708,388**	3,434,521
Notes payable	**3,246,704**	3,500,920
	6,955,092	6,935,441

The ageing analysis of trade payables is as follows:

	As of 30 June 2017	As of 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**3,033,805**	2,943,005
1 to 2 years	**565,263**	437,115
2 to 3 years	**64,854**	34,738
Over 3 years	**44,466**	19,663
	3,708,388	3,434,521

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax expense	**121,195**	122,689
Deferred income tax expense/(benefit)	**5,592**	(32,382)
	126,787	90,307

Most of the subsidiaries of 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 period 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%.

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2017 and 2016.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(RMB'000)*	**750,983**	473,286
Weighted average number of ordinary shares in issue (thousands)	**1,045,005**	1,042,257
Basic earnings per share (RMB)	**0.72**	0.45

(b) Diluted

No dilutive effect on earnings per share for the six months ended 30 June 2017 and 2016, as the Group had no dilutive potential ordinary shares.

9 DIVIDENDS

On 16 June 2017, the 2016 final dividend of RMB0.12 per share (2015: RMB0.1) totaling RMB125,401,000 (2015: RMB104,501,000) has been approved at the annual general meeting, but has not been paid as of 30 June 2017.

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2017.

Management Discussion and Analysis

I. Review of Industry Development Trends

2017 is a significant year in the full implementation of China's "13th Five-Year Plan" (「十三五」規劃) for energy. It is the year for the deepening of supply side structural reform. In the first half of 2017, China's renewable energy industry continued to maintain a strong growth momentum, as the country installed 24.40GW of new photovoltaic ("**PV**") capacity and 6.01GW of wind power capacity. In its strong efforts to advance the clean development and usage of energy and to achieve the mid and long-term energy consumption targets of 15% and 20% in the non-fossil fuel share of primary energy consumption by 2020 and 2030 respectively, the PRC government has rolled out supporting policies in areas such as improving trading mechanisms, raising resource utilization rates, and promoting grid parity in the first half of 2017.

1. Review of Major Policies

(1) Improving the trading mechanisms of wind and PV power generation

On 8 January 2017, the National Development and Reform Commission of the PRC ("**NDRC**"), the Ministry of Finance of the PRC and the National Energy Administration of the PRC ("**NEA**") issued the Notice on the Pilot Scheme for Certification and Subscription and Trading System of Renewable Green Power Certificates (《關於試行可再生能源綠色電力證書核發及自願認購交易制度的通知》) ("**Renewable Power Notice**"), intending to nationally implement a pilot renewable green power certificate scheme and build a voluntary subscription system. Subscription of green power certificates formally commenced on 1 July 2017, with subscription prices to be determined either by independent negotiations between the buying and selling parties or through bidding, on the basis that the subscription price be no higher than the amount of subsidy provided by the national renewable energy electricity tariff fund for the corresponding quantity of power. Upon the sale of renewable green power certificates by wind and PV power generation enterprises, the corresponding quantity of power will no longer enjoy subsidy from the national renewable energy electricity tariff fund.

The introduction of the policy set out in this Renewable Power Notice will be beneficial in encouraging marketisation in the development of renewable energy, as well as stimulating growth in renewable power demand, spurring investment and promoting consumption of renewable power, promoting the sustained healthy development of the renewable energy industry.

(2) Raising the usage efficiency of dispersed wind power

On 27 May 2017, the NEA issued the Notice on Relevant Requirements in the Accelerated Push for Construction of Dispersed Wind Power Projects with Grid Access (《關於加快推進分散式接入風電項目建設有關要求的通知》), aiming to promote local utilisation and consumption of dispersed wind power projects in order to raise the utilisation efficiency of dispersed wind resources, optimise the usage of dispersed wind power resources in the mid-eastern and southern regions, raise wind power utilisation efficiency as appropriate with local conditions, and promote the integrated development of wind power and other forms of dispersed energy generation.

(3) Promoting grid parity for new energies

On 16 May 2017, the General Secretary of the NEA published the Letter of Thoughts on the Notice on the Relevant Requirements for the Construction of PV Generation Advanced Technology Application Bases for 2017 (《關於2017年建設光伏發電先進技術應用基地有關要求的通知〉意見的函》). The letter pointed out that the construction of a total of 8–10GW capacity for PV generation advanced technology application bases for 2017 would accelerate the development of industrialisation of frontier PV generation technology, raising the PV fore-runner (領跑者) technology index, stimulating technological advancement and industrial upgrade, reducing PV generation costs and prices, thus further promoting the pace of grid parity for PV.

On 17 May 2017, the General Secretary of the NEA issued the Notice on Showcase Work for Developing Grid Parity for Wind Power (《關於開展風電平價上網示範工作的通知》). The notice asked all provinces (including regions and municipalities) to analyse and consolidate local wind power development experiences, integrate local wind power resource conditions and application conditions of new technologies in the wind power industry, and organise the various wind power generation enterprises to tender showcase projects for grid parity, actively promote grid parity for wind power, lead and stimulate the sustained healthy development of the renewable energy industry, in order to ensure the successful implementation of the "13th Five-Year Plan" for energy.

2. *Review of Polysilicon Industrial Development Trends*

According to statistical data from the China Nonferrous Metals Industry Association Silicon Industry Branch (中國有色金屬工業協會硅業分會), in the first half of 2017, global polysilicon production was 212,000 tons, representing a growth of 14.1% over the same period last year, while consumption was 211,000 tons, representing a growth of 8.2% over the same period last year, indicating that global polysilicon supply and demand is generally balanced. In the first half of 2017, polysilicon production in China was 118,000 tons, with net import of 68,000 tons for a total supply of 186,000 tons, while polysilicon consumption was 185,500 tons, indicating that polysilicon supply and demand in China is also generally balanced.

In the first half of 2017, the average price of polysilicon in China was RMB126,600/ton, representing a decrease of 1.6% over the same period last year. The price of polysilicon fluctuated, and the price changes again exhibited an "N" trend similar to that for the whole of 2016, with the highest and lowest price points being RMB142,700/ton at the end of February 2017 and RMB108,500/ton at mid-April 2017 respectively, and the steepest drop being at 24.0%. Since the end of April 2017, end demand has been stimulated by the impact of policy adjustment on the benchmark price for PV grid access, and polysilicon prices has steadily risen to RMB121,000/ton at the end of June 2017, with a rise of 11.52%.

3. *Review of PV Generation Industry Development Trends*

According to statistical data from the NEA, in the first half of 2017, the market size of China's PV power generation market has expanded rapidly, with newly installed PV power generation capacity of 24.40GW, representing a growth of 9% over the same period last year. Among the newly installed PV power generation capacity, ground-based PV installations amounted to 17.29GW, representing a decline of 16% over the same period last year; distributed PV installations was 7.11GW, representing a growth of 2.9 times that as compared to the same period last year. This brings China's total installed PV capacity to 102GW. In the first half of 2017, China's PV generated power was 51.8 billion kWh, representing a growth of 75% over the same period last year, with 3.7 billion kWh of PV curtailment, representing a fall of 4.5% over the same period last year, of which Xinjiang and Gansu showed the biggest improvements of 26% and 22% respectively, reducing PV curtailment rate by 6% and 10% over the same period last year respectively.

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

According to the NEA's statistical data, wind power in China continued to maintain a steady growth momentum for the first half of 2017. Wind power capacity increased by 6.01GW. At the end of June 2017, total on-grid capacity has reached 154GW, representing a growth of 12% over the same period last year. In the first half of 2017, China's wind power generated power was 149 billion kWh, representing a growth of 21% over the same period last year; average utilisation hours was 984 hours, representing a growth of 67 hours over the same period last year; wind power curtailment was 23.5 billion kWh, representing a fall of 7% over the same period last year, indicating a clear improvement in wind power curtailment and limitation of power generation development, of which the wind power curtailment rate in Xinjiang, Gansu, Liaoning, Jilin, and Ningxia all dropped by more than 10% over the same period last year.

II. Main Business Operations of The Group

Demand for polysilicon was vigorous during the first half of 2017 and the installed capacity of PV and wind power continued to grow. Through its mastery of industry conditions, grasping of market opportunities, and deepening of reforms and innovation, the Group has achieved good results. During the Reporting Period, the Group realized a revenue of RMB5,165.27 million, with profit attributable to owners being RMB750.98 million, representing a growth of 7.09% and 58.67% respectively over the same period last year.

1. Polysilicon Production and Sales

During the first half of 2017, through technological research and development ("**R&D**") and thorough organization, the Group successfully completed a technological transformation project for polysilicon production of 30,000 tons/year, which has fully realized its expected output. The Group realized polysilicon output of 15,800 tons, representing a growth of 24.12% over the same period last year. At the same time, the Group has achieved higher efficiency by reducing production costs of polysilicon through strengthening cost control. For the first half of 2017, gross profits from polysilicon production was RMB832.26 million, representing a growth of 55.10% over the same period last year.

2. Development and Reserve of Domestic PV and Wind Power Resources

In the first half of 2017, against the backdrop of changes led by national policy and diversification of business forms in the market, the Group assessed the situation and made adjustments to its resource development strategy, promoting PV and wind power simultaneously and taking wind power as the leading factor, taking the direction of market development beyond Xinjiang and towards the entire country. At the same time, we have managed to wrestle for project resources in regions without PV and wind power curtailment, such as Jiangxi and Yunnan, reserving strength for future development. Additionally, based on market changes and conditions of public policy, we have studied in-depth the business models of distributed PV and dispersed wind power, as well as strengthening development in solar-fishery and solar-agriculture PV plants.

During the Reporting Period, the Group has successfully connected to the grid a total of 20 projects, including a 20MW solar-fishery PV project in Fangjiahu of Huaining county, a 20MW solar-fishery PV project in Phase I of the Donggang Modern Fishery Farm, and a 100MW solar-agriculture PV project in Zhongning County. The successful connection to the grid of these projects not only provides reference cases and experience for the Group's future solar-fishery PV and solar-agriculture PV projects, but also has an active role in stimulating the local fishing industry, tourism and sightseeing, and energy saving and emissions reduction, thus doubly benefitting economic and social efficiency.

In May 2017, the China General Certification Center (北京鑒衡認證中心) awarded the Group China's first EPC AAA rating certificate based on an integrated evaluation of specifications, implementations and points. This award further cements the Group's status as the world's first PV EPC supplier.

During the first half of 2017, the Group has completed and confirmed 636.17MW of installations of EPC and BT projects of PV and wind power plants. As at 30 June 2017, the Group has a total of 619.5MW of BT projects constructed and under construction and pending for transfer, and over 2GW of total installed capacity of advanced pipeline projects, securing a solid foundation for the development of the Group.

3. *Construction of BOO Projects*

The Group is accelerating the construction of BOO projects in its bid to strategically transform from a wind and PV power plant builder into an operator in order to diversify the Group's revenue channels, further increasing profitability. By the end of the first half of 2017, the Group had a total of 520MW BOO projects completed, and 200MW of BOO projects under construction.

In the first half of 2017, BOO projects of the Group generated a cumulative electricity output of 285 million kWh, with 282 million kWh of on-grid electricity generation, realising power generation revenue of RMB158.38 million.

4. *International Market*

With the developing of the international market, the Group is gradually strategizing to advance its coverage of global major PV and wind power markets.

Leveraging on unique political, economic, and technological characteristics of different countries, and closely following China's "One Belt, One Road" (「一帶一路」) policy to draw China's foreign policy and financing support, the Group is furthering its development in markets such as Pakistan, Bangladesh, Egypt, Chile, and India, grasping opportunities to drive the implementation of current projects while also actively developing new projects at the same time.

5. *Power Electronics Business*

The Group is focused on its position in new energy manufacturing, accelerating the upgrade of high-end manufacturing, expanding its development in areas of power electronics such as PV inverters, flexible direct current ("**DC**"), static VAR generators ("**SVG**"), and electric power routers, and has utilised eCloud intelligence operating platforms developed by technological structures such as Industrial Internet of Things and cloud computing in realising centralised operations of PV plants and full chain management of PV operations, advancing the transformative upgrade from a traditional manufacturer to a high end manufacturer.

In June 2017, the Group and China Southern Power Grid Limited (中國南方電網有限責任公司) jointly and successfully researched and developed the world's first Ultra High Voltage ("**UHV**") flexible DC converter valve, which passed technical verifications in July 2017. The successful development of the UHV flexible DC converter valve allows the power transmission capacity to be raised from the current cap of 1 million kW to 5 million kW, beginning a new era in DC transmission, solving the current bottlenecking issue of the inability of new energies in long distance, large scale transmission and having to piggyback on thermally generated power for transmission or rely on local consumption, and will be effective in promoting the large scale consumption of electricity generated by new energies.

In July 2017, the Group independently researched and developed an integrated equipment for direct high voltage PV grid connection based on electric power routers, which has passed product technical verification by the Chinese Society for Electrical Engineering. Through integrating electrical energy routing technology with PV generation grid connection technology, the Group has innovatively filled in the gap in the relevant area of energy technology. The successful R&D of the product will stimulate the development of flexible DC transmission and the new energy industry, providing a solid technological safeguard for the development of an intelligent power grid for China, and perhaps even for the global energy internet.

6. Promoting Continued Deepening of Production Safety

The Group is deepening the implementation of safety management starting at the production stage, fully implementing preventive management of equipment, sustaining the strengthening of production safety supervision, striving to raise the management and control capacity of production safety, and sustaining the deepening of production safety. We have established a systematic safety management flow and standard, realizing precision management. In the area of construction operations, the Group is comprehensively strengthening safety management and risk control of construction projects, perfecting a standardized management system for work safety, striving to raise the general safety management capacity, in order to achieve zero blind spots in safety management.

III. Operating Results and Analysis

Financial Review:

Business Performance Table

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**5,165,270**	4,823,225
Cost of sales	**(3,730,583)**	(3,795,660)
Gross profit	**1,434,687**	1,027,565
Other income	**22,596**	29,389
Other (losses)/gains – net	**(10,065)**	9,708
Selling and marketing expenses	**(148,336)**	(146,045)
General and administrative expenses	**(287,603)**	(259,653)
Finance expenses – net	**(133,286)**	(96,430)
Share of profit of investments accounted for using the equity method	**3,671**	146
Profit before income tax	**881,664**	564,680
Income tax expenses	**(126,787)**	(90,307)
Profit attributable to the owners of the Company	**750,983**	473,286
Profit attributable to the non-controlling interests	**3,894**	1,087

Revenue

The Group generates revenue mainly from three business segments, including polysilicon production, ECC, and BOO. For the six months ended 30 June 2017, the revenue of the Group was RMB5,165.27 million, representing an increase of RMB342.05 million or 7.09% over RMB4,823.23 million in the corresponding period of last year, which was mainly due to an increase in the sale of polysilicon and increase in the generated power of BOO projects.

	For the six months ended 30 June	
	2017	2016
Business Segments	***RMB'000***	*RMB'000*
Polysilicon Production	**1,813,738**	1,481,932
ECC	**2,729,303**	2,791,757
PV Wafer and Module Manufacturing	**24,054**	129,159
BOO	**158,383**	11,171
Others	**439,792**	409,206
Total Revenue	**5,165,270**	4,823,225

For the six months ended 30 June 2017, the revenue of the polysilicon production segment was RMB1,813.74 million, representing an increase of RMB331.81 million or 22.39% over RMB1,481.93 million in the corresponding period of last year, which was mainly due to the completion of the polysilicon technological transformation project during the Reporting Period raising production capacity and sales.

For the six months ended 30 June 2017, the revenue of ECC segment was RMB2,729.30 million, representing a decrease of RMB62.45 million or 2.24% over RMB2,791.76 million in the corresponding period of last year.

For the six months ended 30 June 2017, the revenue of PV wafer and module manufacturing segment was RMB24.05 million, representing a decrease of RMB105.11 million or 81.38% over RMB129.16 million in the corresponding period of last year, which was mainly due to the Group reducing PV wafer production during the Reporting Period.

For the six months ended 30 June 2017, the revenue of BOO segment was RMB158.38 million, representing an increase of RMB147.21 million or 1,317.81% over RMB11.17 million in the corresponding period of last year, which was mainly due to an increase in the generated power of BOO projects during the Reporting Period.

Cost of sales

For the six months ended 30 June 2017, the cost of sales incurred by the Group was RMB3,730.58 million, representing a decrease of RMB65.08 million or 1.71% over RMB3,795.66 million in the corresponding period of last year, which was mainly due to the Group's strengthening of cost supervision during the Reporting Period.

	For the six months ended 30 June	
	2017	2016
Business Segments	***RMB'000***	*RMB'000*
Polysilicon production	**981,478**	945,331
ECC	**2,286,631**	2,413,051
PV wafer and module manufacturing	**65,420**	114,861
BOO	**51,438**	4,261
Others	**345,616**	318,156
Total Costs	**3,730,583**	3,795,660

For the six months ended 30 June 2017, the cost of sales incurred by polysilicon production segment was RMB981.48 million, representing an increase of RMB36.15 million or 3.82% over RMB945.33 million in the corresponding period of last year, the increase was mainly due to the completion of the polysilicon technological transformation and the reflection of the scale effect. At the same time, the Group strengthened its technology promotion and cost supervision, leading to the further decrease in the production cost.

For the six months ended 30 June 2017, the cost of sales incurred by ECC segment was RMB2,286.63 million, representing a decrease of RMB126.42 million or 5.24% over RMB2,413.05 million in the corresponding period of last year, mainly due to the Group's strengthening costs control of the ECC business during the Reporting Period.

For the six months ended 30 June 2017, the cost of sales incurred by PV wafer and module manufacturing segment was RMB65.42 million, representing a decrease of RMB49.44 million or 43.04% over RMB114.86 million in the corresponding period of last year, mainly due to the Group reducing PV wafer production.

For the six months ended 30 June 2017, the cost of sales incurred by BOO segment was RMB51.44 million, representing an increase of RMB47.18 million or 1,107.18% over RMB4.26 million in the corresponding period of last year, mainly due to an increase in the generated power of the Group's BOO projects during the Reporting Period increasing corresponding costs.

Gross profit and gross profit margin

For the six months ended 30 June 2017, the gross profit of the Group was RMB1,434.69 million, representing an increase of RMB407.12 million or 39.62% over RMB1,027.57 million in the corresponding period of last year. Comprehensive gross margin was 27.78%, representing an increase of 6.48 percentage points over the same period of last year. During the Reporting Period, the main reasons for the increase in the Group's gross profits were the completion of the polysilicon technological transformation project increasing production and sales, increase in the average sales prices of polysilicon, increase in the generated power of BOO projects, and the Group strengthening costs management at the same time.

Other income

For the six months ended 30 June 2017, the other income of the Group was RMB22.60 million, representing a decrease of RMB6.79 million or 23.11% over RMB29.39 million in the corresponding period of last year. The decrease was mainly because the reduction of government grants during the Reporting Period compared with that in the corresponding period of last year.

Other (losses)/gains — net

For the six months ended 30 June 2017, the net other losses of the Group amounted to RMB10.07 million, representing a decrease of RMB19.77 million from net gain of RMB9.71 million in the corresponding period of last year, which was mainly due to an increase in the Group's currency exchange losses during the Reporting Period.

Selling and marketing expenses

For the six months ended 30 June 2017, the selling and marketing expenses of the Group were RMB148.34 million, representing an increase of RMB2.29 million or 1.57% over RMB146.05 million in the corresponding period of last year, mainly due to the Group's intensification of market development efforts increasing selling and marketing expenses during the Reporting Period.

General and administrative expenses

For the six months ended 30 June 2017, the general and administrative expenses of the Group were RMB287.60 million, representing an increase of RMB27.95 million or 10.76% over RMB259.65 million in the corresponding period of last year, mainly due to the expansion of the business scale of the Group, and increased staff costs during the Reporting Period.

Finance expenses — net

For the six months ended 30 June 2017, the net finance expenses of the Group was RMB133.29 million, representing an increase of RMB36.86 million or 38.22% from RMB96.43 million in the corresponding period of last year, which was mainly due to the Group's expansion of borrowings size, and increased interest expenses during the Reporting Period.

Share of profit of investments accounted for using the equity method

For the six months ended 30 June 2017, the share of profit of investments accounted for using the equity method of the Group was RMB3.67 million, representing an increase of RMB3.53 million or 2,414.38% from RMB0.15 million in the corresponding period of last year, which was mainly due to the increase of the profit of its associates during the Reporting Period.

Income tax expense

For the six months ended 30 June 2017, the income tax expense of the Group was RMB126.79 million, representing an increase of RMB36.48 million or 40.40% over RMB90.31 million in the corresponding period of last year, which was mainly due to the increase in the Group's profit before income tax for the period over the same period of last year.

Profit attributable to the owners of the Company

For the six months ended 30 June 2017, profit attributable to the owners of the Company was RMB750.98 million, representing an increase of RMB277.70 million or 58.67% over RMB473.29 million in the corresponding period of last year.

Profit attributable to the non-controlling interests

For the six months ended 30 June 2017, profit attributable to the non-controlling interests of the Group was RMB3.89 million, representing an increase of RMB2.81 million or 258.23% over RMB1.09 million in the corresponding period of last year. The increase was mainly because the Group's subsidiary Xi'an TBEA Electric Power Design Co., Ltd. was profitable.

Cash Flows

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Net cash used in operating activities	**(177,606)**	(1,155,017)
Net cash used in investing activities	**(916,454)**	(1,492,229)
Net cash generated from financing activities	**2,168,544**	1,690,209
Net increase/(decrease) in cash and cash equivalents	**1,074,484**	(957,037)

Net cash used in operating activities

For the six months ended 30 June 2017, the net cash used in operating activities of the Group was RMB177.61 million, representing a decrease of RMB977.41 million or 84.62% from RMB1,155.02 million over the same period last year, which was mainly due to the strengthening of the Group's management of collections of receivables during the Reporting Period.

Net cash used in investing activities

For the six months ended 30 June 2017, the net cash used in investing activities of the Group was RMB916.45 million, representing a decrease of RMB575.78 million or 38.58% from RMB1,492.23 million over the same period of last year, which was mainly due to a decrease in construction expenditure of the Group's BOO projects during the Reporting Period.

Net cash generated from financing activities

For the six months ended 30 June 2017, the net cash generated from financing activities of the Group was RMB2,168.54 million, representing an increase of RMB478.34 million or 28.30% over RMB1,690.21 million over the same period of last year, which was mainly due to a decrease in the Group's repayment of borrowings over the same period last year.

Operation Fund

	30 June 2017	31 December 2016
Closing cash and cash equivalents *(RMB'000)*	**2,968,778**	1,897,947
Gearing ratio	**76.73%**	83.26%
Inventory turnover rate (times)	**0.84**	2.28
Inventory turnover days (days)	**214.36**	158.04

On 30 June 2017, the cash and cash equivalents of the Group were RMB2,968.78 million (31 December 2016: RMB1,897.95 million).

The capital requirements of the Group's BT and BOO businesses generally take up 20%–30% of total project investment, with the rest being mostly bank borrowings, which has a larger impact on the Group's gearing ratio. As of 30 June 2017, the Group's gearing ratio was 76.73%. As of 31 December 2016, the Group's gearing ratio was 83.26%. Gearing ratio was calculated based on its net liabilities dividing total equity, of which net liabilities was calculated based on total interest-bearing liabilities less restricted bank balances and cash bank balances.

The Group's completed and under construction BT projects to be transferred were included in the calculation of inventory items, with the timely transfer of BT projects having a larger impact on the Group's inventory turnover rate and turnover days. As of 30 June 2017, the Group's inventory turnover rate and inventory turnover days was 0.84 times and 214.36 days respectively. As of 31 December 2016 the Group's inventory turnover rate and inventory turnover days was 2.28 times and 158.04 days respectively.

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

Capital expenditure

For the six months ended 30 June 2017, the major capital expenditure of the Group included: RMB683.45 million for the purchase of property, plant and equipment, and RMB4.73 million for the purchase of intangible assets and RMB5.95 million for the purchase of land use right.

Contingent liabilities

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司) ("**Jiangsu Zhongneng**") filed a claim with the Jiangsu Province People's Court against the Company for certain patent infringement and commercial secrets, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed the Company, the Supreme People's Court of the PRC ruled to the case should be under the jurisdiction of the Xinjiang Province People's Court. Before the date of this condensed consolidated interim financial information is approved for issue, the aforementioned litigation is 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 are of the opinion that the contingent obligation cannot be measured with sufficient reliability. Accordingly, no provision is made with respect to the aforementioned claim as at 30 June 2017.

Apart from the above, the Group has contingent liabilities in respect of claims or other legal procedures arising in their ordinary course of business from time to time. As of 30 June 2017, the Directors did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the condensed consolidated interim financial information.

Assets mortgage

As of 30 June 2017, secured short-term bank borrowings of RMB84,195,000 were pledged with some of the Group's properties, plants, equipment and land use rights. As of 30 June 2017, secured short-term bank borrowings of RMB970,000,000 represented proceeds received under trade receivables factoring agreements with recourse with the banks. As of 30 June 2017, secured long-term bank borrowings of RMB6,945,870,000 were pledged with some of the Group's properties, plants, equipment, land use rights, inventories, and trade receivables collection right. As of 30 June 2017, secured short-term other borrowings of RMB157,458,000 were pledged with some of the Group's properties, plants, equipment and guarantee deposits amounting to RMB15,000,000. As of 30 June 2017, secured long-term other borrowing with amount of RMB143,000,000 and RMB36,000,000 were guaranteed by the Company and TBEA Xinjiang New Energy Co., Ltd., the Company's subsidiary, respectively. As of 30 June 2017, guaranteed long-term other borrowings of RMB199,500,000 were guaranteed by the bank.

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 major investments other than investment on the construction of BOO projects.

Foreign exchange risks

Most of the Group's businesses are located in China and are 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 to the foreign exchange risk is minimal, and said risk 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 arises from long-term borrowings. Most of the borrowings are obtained at variable rates and expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. It will have no material adverse impact on the financial position of the Group.

Capital liquidity

As of 30 June 2017, current assets of the Group amounted to RMB16,336.15 million, among which, RMB2,968.78 million was cash and cash equivalents; RMB3,509.76 million was trade and notes receivable primarily consisted of receivables from ECC and sales of inverter; RMB1,535.07 million was prepayments and other receivable and other current assets primarily consisted of deductible value-added tax and advances of modules, wind turbine.

As of 30 June 2017, current liabilities of the Group amounted to RMB14,780.17 million, including RMB6,955.09 million of trade and notes payable (primarily consisting of payables for procurement of PV and wind power projects equipment, labour, materials procurement, coal fuels and spare parts of polysilicon), RMB3,037.13 million of provisions and other payables (primarily consisting of payables for project construction funds and engineering retention funds of PV and wind power projects), and RMB4,506.10 million of short-term borrowings.

As of 30 June 2017, net current assets of the Group amounted to RMB1,555.98 million, representing an increase of RMB449.03 million as compared with net current assets amounted to RMB1,106.95 million as of 31 December 2016. The current ratio was 110.53% on 30 June 2017, representing an increase of 1.88 percentage points as compared with the current ratio of 108.65% on 31 December 2016. Restricted deposits amounted to RMB1,177.54 million, mainly including deposits for bills and issuance of letter of credit.

The liquidity risks of the Group are controlled by its ample cash and available funds, which have been committed to credit financing. The Group satisfies its operating capital demand through funds from operation and bank borrowings.

Borrowing and notes payable

As of 30 June 2017, the Group's balance of the borrowings and notes payable amounted to RMB14,253.97 million, representing an increase of RMB984.22 million as compared with the balance of the borrowings and notes payable amounted to RMB13,269.75 million as of 31 December 2016. As of 30 June 2017, the Group's outstanding borrowings and notes included short-term borrowings and notes payable of RMB7,752.80 million (including long-term borrowings due within one year of RMB823.20 million and notes payable of RMB3,246.70 million) and long-term borrowings amounting to RMB6,501.17 million.

Credit risk

Credit risk is managed on a group basis, except for credit risk relating to accounts receivable balances. Each of the local entities 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. 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 our customers taking into account various factors including their financial position, past experience and other factors. Our management does not expect any losses from non-performance by these counterparties, except for those recognised.

Events after the balance sheet date

The Group had no significant events after the balance sheet date.

IV. Prospects

- ***Market Prospects***

2017 is a significant year for China's deepening of energy supply side structural reform and power system reform. The NEA has raised the need for the establishment and implementation of a new development concept of "Innovate, Coordinate, Greenify, Open, Sharing", taking the promotion of energy supply side structural reform as the main line to strive for the promotion of development and utilisation of clean energy, indicating that the prospects of the industry remain bright.

In July 2017, the NEA issued 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》). The document issued in a single stroke guided scales for China's new PV and wind power installation of 86.5GW and 110.4GW respectively for 2017–2020. For PV, by the end of 2016, total installed capacity was 77.42GW, and with annual new installations of about 10GW per year for distributed projects and the PV poverty relief project for 2017–2020 the PV poverty relief project, it is estimated that by the end of 2020, China's total PV installed capacity will reach 200GW. For wind power, by the end of 2016, total installed capacity was 149GW, and it is estimated that by the end of 2020, China's total installed capacity will reach 259GW. The enormous market demand will further speed up development of the new energy industry.

In future, the new energy industry will continue to exhibit a strong growth momentum. The Group will continue to take the national energy policy as a guide, maintaining a strong footing in the stable development of domestic operations, while setting our eyes on the international market, sustaining its efforts to becoming a leading global green intelligent energy supplier.

- ***Business Plan in the Second Half of 2017***

In the face of a new situation, the Group will maintain its confidence, strengthen security, grasp market opportunity, deepen streamlined production, thus continuing to maintain a core of quality and economic efficiency, accurately analysing industrial policy and trends, further raising the Group's profitability, competitiveness, risk resistance and sustainability.

1. *Deepening the Implementation of Safety Responsibility, Striving to Raise Production Management Levels*

   The Group further strengthens its safety supervision and safeguard systems by implementing safety management responsibilities at all levels, developing and raising safety awareness of employees, solidifying the foundation of production safety. We will maintain the strengthening of operations management, efficiently manage and control potential risks, further raising production management quality and efficiency.

2. *Sustaining Precision Management, Ensuring Quality and Quantity Completion of Maintenance Work*

   During the first half of 2017, in order to realise optimum efficiency and grasp market opportunities, the Group determined that the annual maintenance scheme will commence in the second half of 2017. Based on the formulated maintenance scheme, the management principle of "scientific coordination, rigour and meticulousness, safety and organisation, complete control", and integrated with the market conditions of polysilicon, the Group will determine the schedule for maintenance in order to ensure the successful completion of maintenance work.

3. *Improving the Quality of Polysilicon and Elevating the Production Automation Level*

   The Group will further lower the unit cost of products and enhance production efficiency by means of technological transformation and innovation, and will keep eyes on any updated development of polysilicon production technology to mitigate new risks arising from potential technological innovation in the industry. Meanwhile, the Group will conduct focused elevation of the production automation level of polysilicon production lines in stages through systematic planning in order to narrow the gap between quality overseas enterprises and the Group.

4. *Track Policy Directions in the Wind power and PV Industry, Competing for Wind power and PV Resources in Prominent Focus Types and Regions*

   In anticipation of the "fore-runner" and "super fore-runner" project tenders that will be issued in the second half of 2017, the Group will maintain its goal of "optimal efficiency" as it commences work on bidding and wrestling for the projects. The Group will focus on cultivation works around regions such as Jiangxi, Jiangsu, Guangxi, and Hunan, increasing the allocated wind power resources, actively promoting the implementation of wind power projects in the mid-Eastern and Southern regions, in order to provide security for future growth.

5. *Competing for Quality International Wind power and PV Resources, Accelerating the Implementation of Shortlisted Projects*

   The Group will utilise the market opportunities and financing conditions brought about by China's "One Belt, One Road" policy, expanding development of its international wind power and PV resource businesses, raising its international competitiveness, wrestling for focus projects by efficiently coordinating and consolidating the entire Group's advantages and resources in its overseas business development, accelerating the implementation of shortlisted projects.

6. *Accelerating the Development of High-End Manufacturing in New Energies, Raising Product Integration Abilities*

   The Group is strengthening integration among its eCloud platform and equipment such as PV inverters, SVG, flexible DC transmitters, electric power routers, and charging piles, consolidating various innovative new technological products, forming a holistic and complete intelligent power grid solution based on cloud computing and big data, raising streamlined production levels of manufacturing operations and integrating abilities of its products.

V. Risk Factors and Risk Management

(1) Risks associated with falling price of polysilicon

Fluctuations in polysilicon prices are fundamentally determined by supply and demand. In the first half of 2017, prices managed to rebound after experiencing a short clifflike fall, mainly due to the impacts of the "630" policy, as the wave of construction and grid connection of end substations supported polysilicon demand in the first half of 2017. It is expected that as end demand gradually shrinks in the second half of 2017, demand for polysilicon will fall, which will in turn impact the Group's revenue operating results.

The Group will strengthen technological R&D, and reduce costs and improve quality by expanding production and enhancing production efficiency so that risks associated with falling prices of polysilicon will be mitigated.

(2) Risks associated with market competition

In the first half of 2017, the PV and wind power industries of China continued to maintain a strong growth momentum. The technology level of manufacturers has gradually improved as the industry developed, and the number of polysilicon manufacturers and PV and wind power project contractors increased continuously, which has led to increasingly fierce market competition. As the scale of the PV and wind power markets are affected greatly by government planning of the installed capacity, the competition will be intensified if the government reduces the planned installed capacity. The above factors may impose certain impact on the market share of the Group.

The Group will actively respond to challenges in the market, and exercise its own advantages through providing high quality products and rendering professional services, so as to further consolidate and enhance its position in the industry.

(3) *Risks associated with grid connection and consumption of PV and wind power*

During the Reporting Period, grid connection and absorption problems of PV and wind power has lessened to a certain extent, although the problem of curtailment of wind and PV power still existed in certain regions, as problems such as low local consumption capacity, grid stability, and control and management have not been fundamentally resolved. At the same time, the rushed installation triggered by on-grid tariff cut will also cause pressure to the grid connection and absorption of PV and wind power.

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

(4) *Risks associated with tariff cuts*

According to the Notice Regarding the Adjustment to Benchmark On-Grid Tariffs of PV and Onshore Wind Power Generation (《關於調整光伏發電陸上風電標杆上網電價的通知》) issued by the NDRC in December 2016, the on-grid benchmark tariffs of PV and wind power plants had been appropriately reduced in order to reasonably guide and bring about new energy investments, which meant the PV and wind power generation sectors had taken another big step toward achieving the stated objective of "grid parity" in 2020. However, to achieve the goal of "grid parity" as soon as possible, the PV and wind power on-grid tariffs are still faced with reduction pressure.

The Group will increase investments in R&D to further reduce the costs of power generation and improve the generating hours through technical upgrading, which will partially offset the risks of tariff cut.

EMPLOYEES

As of 30 June 2017, there were 3,638 employees in total in the Group. The employees' remuneration comprises of basic salary and performance-based salary, and the performance-based salary is determined based on the results of the Group and performance assessment results of the employees.

INTERIM DIVIDEND

The Board does not recommend the declaration of any interim dividend for the six months ended 30 June 2017.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a listed company on the Hong Kong Stock Exchange, the Company has been committed to improving its corporate governance, which is considered as an ingredient essential to the creation of values for shareholders of the Company. The Company has established a modern corporate governance structure, which comprises a number of independently-operated and effectively balanced bodies, including general meetings of the Company, the Board, the Company's supervisory board and senior management, by referring to the code provisions as set out in Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

For the six months ended on 30 June 2017, the Company had fully complied with the code provisions as set out in the CG Code.

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2017.

AUDIT COMMITTEE

The audit committee of the Company has reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2017. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 is prepared in accordance with IAS 34, "Interim Financial Reporting".

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk and on the website of the Company at http://www.xtnysolar.com. The 2017 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company in due course and will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited.

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

Xinjiang, the PRC
23 August 2017

As of the date of this announcement, the Board consists of Mr. Zhang Jianxin, Mr. Ma Xuping and Mr. Yin Bo as executive directors; Mr. Zhang Xin, Ms. Guo Junxiang and Mr. Tao Tao as non-executive directors; Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus as independent non-executive directors.