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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 2016

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2016, revenue amounted to RMB4,823.23 million, representing an increase of 22.09% over the corresponding period of last year.
- For the six months ended 30 June 2016, profit before taxation amounted to RMB564.68 million, representing an increase of 82.88% over the corresponding period of last year.
- For the six months ended 30 June 2016, net profit attributable to owners of the Company amounted to RMB473.29 million, representing an increase of 76.12% over the corresponding period of last year.
- For the six months ended 30 June 2016, the basic earnings per share amounted to RMB0.45, representing an increase of RMB0.08 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 2016 (the “**Reporting Period**”), together with comparative figures for the corresponding period in 2015. The results were prepared in accordance with the International Accounting Standard (the “**IAS**”) 34, “Interim Financial Reporting”.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As of 30 June 2016 <i>RMB'000</i> (Unaudited)	As of 31 December 2015 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		10,602,408	9,831,693
Land use rights		506,574	503,946
Intangible assets		51,153	54,431
Investments accounted for using the equity method		74,667	102,640
Available-for-sale financial assets		1,000	1,000
Deferred income tax assets		115,026	82,644
Other non-current assets		467,449	351,864
		<hr/>	<hr/>
Total non-current assets		11,818,277	10,928,218
Current assets			
Inventories		6,056,462	4,383,438
Amounts due from customers for contract work		1,853,526	1,342,701
Other current assets		594,269	292,664
Trade and notes receivable	5	3,584,068	3,036,457
Prepayments and other receivables		1,903,717	1,097,419
Restricted cash		1,612,127	1,285,993
Cash and cash equivalents		1,905,814	2,862,403
		<hr/>	<hr/>
Total current assets		17,509,983	14,301,075
		<hr/>	<hr/>
Total assets		29,328,260	25,229,293
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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	As of 30 June 2016 <i>RMB'000</i> (Unaudited)	As of 31 December 2015 <i>RMB'000</i> (Audited)
EQUITY			
Equity attribute to owners of the Company			
Share capital		1,045,005	1,024,228
Share premium		5,030,375	4,902,097
Other reserves		308,024	295,378
Retained earnings		1,551,776	1,182,991
		<u>7,935,180</u>	<u>7,404,694</u>
Non-controlling interests		47,329	46,242
		<u>7,982,509</u>	<u>7,450,936</u>
LIABILITIES			
Non-current liabilities			
Borrowings		4,711,213	3,326,500
Deferred government grants		350,535	353,666
		<u>5,061,748</u>	<u>3,680,166</u>
Current liabilities			
Trade and notes payable	6	9,216,728	7,667,365
Provisions and other payables		1,831,339	1,625,719
Amounts due to customers for contract work		308,046	257,551
Current income tax liabilities		61,909	45,928
Borrowings		4,865,981	4,501,628
		<u>16,284,003</u>	<u>14,098,191</u>
Total current liabilities		16,284,003	14,098,191
		<u>21,345,751</u>	<u>17,778,357</u>
Total liabilities		21,345,751	17,778,357
		<u>29,328,260</u>	<u>25,229,293</u>
Total equity and liabilities		29,328,260	25,229,293

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Six months ended 30 June	
		2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Audited)
Revenue	4	4,823,225	3,950,590
Cost of sales		<u>(3,795,660)</u>	<u>(3,297,588)</u>
Gross profit		1,027,565	653,002
Selling and marketing expenses		(146,045)	(86,261)
General and administrative expenses		(259,653)	(202,916)
Other income		29,389	105,243
Other gains/(losses) — net		<u>9,708</u>	<u>(2,962)</u>
Operating profit		<u>660,964</u>	<u>466,106</u>
Interest income		11,389	15,604
Finance expenses		<u>(107,819)</u>	<u>(172,882)</u>
Finance expenses — net		<u>(96,430)</u>	<u>(157,278)</u>
Share of profit/(loss) of investments accounted for using the equity method		<u>146</u>	<u>(50)</u>
Profit before income tax		564,680	308,778
Income tax expense	7	<u>(90,307)</u>	<u>(37,906)</u>
Profit for the period		<u>474,373</u>	<u>270,872</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Six months ended 30 June	
	<i>Note</i>	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Audited)
Profit for the period attributable to:			
Owners of the Company		473,286	268,723
Non-controlling interests		1,087	2,149
		<u>474,373</u>	<u>270,872</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit and loss</i>			
Currency translation differences		122	(322)
		<u>474,495</u>	<u>270,550</u>
Total comprehensive income for the period			
Total comprehensive income for the period attributable to:			
Owners of the Company		473,408	268,401
Non-controlling interests		1,087	2,149
		<u>474,495</u>	<u>270,550</u>
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (RMB)	8	<u>0.45</u>	<u>0.37</u>
Diluted earnings per share (RMB)	8	<u>0.45</u>	<u>0.34</u>

1 GENERAL INFORMATION

Xinte Energy Co., Ltd. (新特能源股份有限公司) was established in the People's Republic of China (the "PRC" or "China") 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 in the PRC.

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").

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016.

Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4 SEGMENT INFORMATION

The Chief Operating Decision-Maker ("CODM") has been identified as the chief executive officer, deputy general manager and directors of the Company (the "Director(s)") 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, inverter manufacturing, sales of electricity, PV wafer and module manufacturing and build-own-operate of power plants ("BOO") as reportable operating segments. Others segment mainly comprises of businesses including trading, design services and logistics services.

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 CODM evaluates the performance of the reportable segments based on gross profit margin. 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.

The segment results for the six months ended 30 June 2016 are as follows:

	Polysilicon production <i>RMB'000</i>	ECC <i>RMB'000</i>	Inverter manufacturing <i>RMB'000</i>	Sales of electricity <i>RMB'000</i>	PV wafer and module manufacturing <i>RMB'000</i>	BOO <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)									
For the six months ended 30 June 2016:									
Segment revenue and results									
Total segment revenue	1,384,111	3,155,842	295,630	339,937	129,159	11,171	218,531	(711,156)	4,823,225
Inter-segment revenue	(16,606)	(364,085)	—	(225,510)	—	—	(104,955)	711,156	—
Revenue from external customers	<u>1,367,505</u>	<u>2,791,757</u>	<u>295,630</u>	<u>114,427</u>	<u>129,159</u>	<u>11,171</u>	<u>113,576</u>	<u>—</u>	<u>4,823,225</u>
Segment results	<u>536,181</u>	<u>378,706</u>	<u>76,601</u>	<u>420</u>	<u>14,298</u>	<u>6,910</u>	<u>14,449</u>	<u>—</u>	<u>1,027,565</u>
Other segment items									
Amortisation	8,050	867	987	—	413	3,155	692	—	14,164
Depreciation	223,797	2,388	1,495	24,393	15,216	3,408	3,951	—	274,648
Provisions of impairment:									
— trade and other receivables	1,273	12,710	1,197	442	1,037	—	1,513	—	18,172
— construction contracts	—	2	—	—	—	—	—	—	2
Share of profit of investments accounted for using the equity method	—	146	—	—	—	—	—	—	146

	Polysilicon production RMB'000	ECC RMB'000	Inverter manufacturing RMB'000	Sales of electricity RMB'000	PV wafer and module manufacturing RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
(Audited)									
For the six months ended									
30 June 2015:									
Segment revenue and results									
Total segment revenue	999,228	2,467,996	208,042	386,363	122,251	—	164,450	(397,740)	3,950,590
Inter-segment revenue	(10,532)	(96,157)	(157)	(173,404)	(567)	—	(116,923)	397,740	—
Revenue from external customers	<u>988,696</u>	<u>2,371,839</u>	<u>207,885</u>	<u>212,959</u>	<u>121,684</u>	<u>—</u>	<u>47,527</u>	<u>—</u>	<u>3,950,590</u>
Segment results	<u>320,569</u>	<u>250,172</u>	<u>46,663</u>	<u>53,890</u>	<u>(22,195)</u>	<u>—</u>	<u>3,903</u>	<u>—</u>	<u>653,002</u>
Other segment items									
Amortisation	7,377	1,247	987	—	417	—	90	—	10,118
Depreciation	199,233	2,120	2,208	30,735	20,617	—	1,873	—	256,786
Provisions/(Reversals) of impairment:									
— trade and other receivables	2,239	(245)	1,329	968	1,770	—	(1,718)	—	4,343
— inventories	—	—	—	—	19,196	—	—	—	19,196
— construction contracts	—	(201)	—	—	—	—	—	—	(201)
Share of loss of investments accounted for using the equity method	<u>—</u>	<u>(50)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(50)</u>

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Polysilicon production	536,181	320,569
ECC	378,706	250,172
Inverter manufacturing	76,601	46,663
Sales of electricity	420	53,890
PV wafer and module manufacturing	14,298	(22,195)
BOO	6,910	—
Others	14,449	3,903
	<hr/>	<hr/>
Total gross profit for reportable segments	1,027,565	653,002
Selling and marketing expenses	(146,045)	(86,261)
General and administrative expenses	(259,653)	(202,916)
Other income	29,389	105,243
Other gains/(losses) — net	9,708	(2,962)
Finance expenses — net	(96,430)	(157,278)
Share of profit/(loss) of investments accounted for using the equity method	146	(50)
	<hr/>	<hr/>
Profit before income tax	564,680	308,778
Income tax expense	(90,307)	(37,906)
	<hr/>	<hr/>
Profit for the period	474,373	270,872
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The segment assets as of 30 June 2016 are as follows:

	Polysilicon production <i>RMB'000</i>	ECC <i>RMB'000</i>	Inverter manufacturing <i>RMB'000</i>	Sales of electricity <i>RMB'000</i>	PV wafer and module manufacturing <i>RMB'000</i>	BOO <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)									
As of 30 June 2016									
Segment assets	9,573,005	16,782,347	997,361	2,545,762	855,812	4,447,011	801,171	(6,863,902)	29,138,567
Investments accounted for using the equity method	—	74,667	—	—	—	—	—	—	74,667
Unallocated assets	9,573,005	16,857,014	997,361	2,545,762	855,812	4,447,011	801,171	(6,863,902)	29,213,234 115,026
Total assets									<u>29,328,260</u>
Additions to non-current assets	<u>95,295</u>	<u>30,804</u>	<u>54,188</u>	<u>691</u>	<u>43</u>	<u>876,456</u>	<u>5,156</u>	<u>—</u>	<u>1,062,633</u>
(Audited)									
As of 31 December 2015									
Segment assets	9,786,264	11,609,998	964,877	2,396,187	584,007	3,596,431	600,248	(4,494,003)	25,044,009
Investments accounted for using the equity method	—	102,640	—	—	—	—	—	—	102,640
Unallocated assets	9,786,264	11,712,638	964,877	2,396,187	584,007	3,596,431	600,248	(4,494,003)	25,146,649 82,644
Total assets									<u>25,229,293</u>
Additions to non-current assets	<u>185,188</u>	<u>58,091</u>	<u>76,583</u>	<u>1,051</u>	<u>2,921</u>	<u>1,935,088</u>	<u>16,995</u>	<u>—</u>	<u>2,275,917</u>

Entity-wide information

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

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Provision of ECC services	2,791,757	2,371,839
Sales of goods	1,917,892	1,531,224
Provision of services other than ECC	113,576	47,527
	<u>4,823,225</u>	<u>3,950,590</u>

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

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
The PRC	4,514,864	3,330,646
Other countries	308,361	619,944
	<u>4,823,225</u>	<u>3,950,590</u>

There was no single external customer contributed more than 10% of the total revenue for the six months ended 30 June 2016 (for the six months ended 30 June 2015, there was one external customer individually contributed 16% of the total revenue and attributable to ECC services segment).

As of 30 June 2016 and 31 December 2015, all the Group's non-current assets, other than deferred income tax assets, are located in the PRC.

5 TRADE AND NOTES RECEIVABLE

	As of	As of
	30 June	31 December
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	2,498,934	2,068,937
Notes receivable	1,170,891	1,036,894
	<u>3,669,825</u>	<u>3,105,831</u>
Less: provision for impairment	(85,757)	(69,374)
	<u>3,584,068</u>	<u>3,036,457</u>

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 2016 <i>RMB'000</i> (Unaudited)	As of 31 December 2015 <i>RMB'000</i> (Audited)
Within 3 months	1,083,234	923,229
3 to 6 months	307,983	407,570
6 months to 1 year	640,374	381,409
1 to 2 years	378,916	305,829
2 to 3 years	54,808	34,513
Over 3 years	33,619	16,387
	<u>2,498,934</u>	<u>2,068,937</u>

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 2016 <i>RMB'000</i> (Unaudited)	As of 31 December 2015 <i>RMB'000</i> (Audited)
Trade payables	4,383,630	3,385,869
Notes payable	4,833,098	4,281,496
	<u>9,216,728</u>	<u>7,667,365</u>

The ageing analysis of trade payables is as follows:

	As of 30 June 2016 <i>RMB'000</i> (Unaudited)	As of 31 December 2015 <i>RMB'000</i> (Audited)
Within 1 year	4,026,117	3,087,267
1 to 2 years	294,913	258,517
2 to 3 years	31,420	27,123
Over 3 years	31,180	12,962
	<u>4,383,630</u>	<u>3,385,869</u>

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Audited)
Current income tax expense	122,689	39,135
Deferred income tax benefit	(32,382)	(1,229)
	<u>90,307</u>	<u>37,906</u>

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 period as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries were exempted or taxed at a 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 2016 and 2015, respectively.

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Profit attributable to owners of the Company (RMB'000)	473,286	268,723
Weighted average number of ordinary shares in issue (thousands)	<u>1,042,257</u>	<u>731,772</u>
Basic earnings per share (RMB)	<u>0.45</u>	<u>0.37</u>

(b) Diluted

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

Diluted earnings per share for the six months ended 30 June 2015 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had contingency in issuance of shares, whereby pursuant to the pre-IPO share subscription agreements, the Company would need to issue additional shares to certain shareholders if the Company cannot complete the IPO prior to the end of 2015 nor meet the net profit target for the year ended 31 December 2015. A calculation is done to determine the number of shares that would have been issues, based on the year to date position at the end of the interim period, i.e. the net profit for the six months ended 30 June 2015. The resulting number of shares would be issued is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Six months ended 30 June 2015 (Audited)
Profit attributable to owners of the Company (RMB'000)	268,723
Weighted average number of ordinary shares in issue (thousands)	731,772
Adjustments for contingent issuance of shares (thousands)	<u>50,966</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>782,738</u>
Diluted earnings per share (RMB)	<u>0.34</u>

9 DIVIDENDS

On 16 June 2016, upon approval from the annual general meeting of shareholders, the Company declared 2015 final dividend of RMB0.1 per share, totalled approximately RMB104,500,516, which had not been paid out as of 30 June 2016. The Company did not declare or pay any dividends for the six months ended 30 June 2015.

The Board does not recommend the declaration of any interim dividend for the six months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Industry trend review

1. *Policies on the promotion of wind and PV power development*

According to the statistics of the National Energy Administration, part of the northwest region of the PRC saw phenomenon of relatively serious wind and PV power curtailment in 2015. In order to resolve this problem, the Chinese government constantly issued relevant policies in 2016 to promote the effective solution to the problem of wind and PV power development:

- (1) In February 2016, the National Energy Administration issued the Notice on Proper Arrangement of Renewable Energy Absorption in the “North China, Northeast and Northwest” Regions (Guo Neng Jian Guan [2016] No. 39), aiming at promoting the absorption of wind power, PV power and other renewable energy in the North China, Northeast, and Northwest regions.
- (2) In March 2016, the National Development and Reform Commission (the “NDRC”) issued the Notice on Measures for the Administration of the Fully Capacity Guaranteed Purchase of Power Generated by Renewable Energy (Fa Gai Neng Yuan [2016] No. 625). The notice clearly provides that annual generating capacity of grid-connected renewable energy generation projects is divided into guaranteed purchase capacity and market transaction capacity. The part of the guaranteed purchase capacity is given priority to annual generation plan and the guaranteed full capacity is purchased at the benchmark on-grid tariff.
- (3) In May 2016, the Notice of the National Development and Reform Commission and the National Energy Administration on the Proper Management of Full Capacity Guaranteed Purchase of Wind Power and PV Power Generation was issued. The notice approved and announced the annual utilization hours required for guaranteed purchase of wind and PV power generated in the regions of wind and PV power curtailment, and related settlement and regulatory requirements. No new projects shall be built in regions where the guaranteed hours are not met. Grid corporations and trading organizations shall implement the compensation for power rationing. Without the approval of the NDRC and the National Energy Administration, annual utilization hours required for minimum guaranteed purchase shall not arbitrarily set.

2. *Review of development trends of polysilicon industry*

In the first half of 2016, affected by the adjustment of benchmark on-grid tariff policy of PV power generation, the downstream terminal market witnessed a rush installation. Domestic demand for polysilicon surged sharply and the inventory by the end of 2015 was rapidly used up since the beginning of 2016. Domestic polysilicon market suffered short supply. Almost all the front-line enterprises were operating in an overload manner and some shutdown and overhauling enterprises also resumed production. The polysilicon industry generally presented an upward trend in price. Polysilicon supply in China and abroad climbed with rising demand.

According to the statistics of China Nonferrous Metals Industry Association Silicon Industry Branch (“**Silicon Industry Branch**”), in the first half of 2016, global polysilicon production amounted to 194,000 tons, representing a year-on-year increase of 14.1%. Consumption was 205,000 tons, representing a year-on-year increase of 27.6%. Inventory digestion arrived at 11,000 tons. In the first half of 2016, China produced 100,000 tons of polysilicon and imported approximately 70,000 tons. Apart from export of 6,000 tons, total supply amounted to 164,000 tons, representing a year-on-year increase of 22.2%. In the first half of 2016, polysilicon consumption was 171,500 tons, representing a year-on-year increase of 41.6%. In the first half of 2016, the supply of polysilicon was slightly less than the demand by 7,500 tons. Polysilicon supply in China and abroad climbed with rising demand in the first half of 2016. In the first half of 2016, domestic polysilicon prices rebounded and transaction prices increased from the lowest record of RMB105,400/ton in early January 2016 to RMB146,700/ton by the end of June 2016, representing an increase of 39.2%. In the first half of 2016, the average price was RMB128,700/ton, representing a year-on-year decrease of 0.54% and a month-on-month increase of 15.12%.

3. Review of development trends of the PV power generation industry

According to the Notice of the National Development and Reform Commission on Improving the Policy of On-grid Benchmark Tariff of Onshore Wind Power and PV Generation issued by the NDRC on 22 December 2015 (Fa Gai Jia Ge [2015] No. 3044), PV plants filed in 2015 can still perform the 2015 on-grid tariff if such plants are connected to the grid before 30 June 2016. However, for PV plants which are connected to the grid after 30 June 2016, the on-grid tariff will be around RMB0.02 to RMB0.1 lower respectively based on different resource regions. Due to the adjustment of the tariff policy, the PV industry saw the change of the original pattern of rush installation at the year end to the pattern of rush installation before 30 June.

On 13 June 2016, the National Energy Administration issued the Notice of the National Energy Administration on Issuing the Construction and Implementation Plan of PV Generation for 2016 (Guo Neng Xin Neng [2016] No. 166). The notice pointed out that the construction target of national new PV plants for 2016 will be 18.1GW, including 12.6GW generated by the ordinary PV plants.

According to the statistic data of China Electricity Council, in the first half of 2016, new production of the solar energy installed generating capacity of China amounted to 17.60GW, representing a double increase on a year-on-year basis, China’s grid-connected solar energy installed generating capacity amounted to 63.04GW as at the end of June.

4. Review of development trends of the wind power generation industry

On 17 March 2016, the National Energy Administration issued the Notice of the National Energy Administration on Issuing the National Development and Construction Plan of Wind Power for 2016 (Guo Neng Xin Neng [2016] No. 84). The notice pointed out that the total target for national wind power development and construction will reach 30.83GW in 2016.

According to the statistics of the National Energy Administration, in the first half of 2016, China's new grid-connection capacity for wind power amounted to 7.74GW. As at the end of June 2016, the accumulated grid-connected capacity was 137GW, representing an increase of 30% on a year-on-year basis. In the first half of 2016, China's on-grid electricity generation for wind power amounted to approximately 120 billion kWh, representing an increase of 23% on a year-on-year basis; the average utilization hours were 917 hours, declining 85 hours on a year-on-year basis; curtailed wind power generation amounted to 32.3 billion kWh, representing an increase of 14.8 billion kWh on a year-on-year basis; the average curtailed rate was 21%, representing an increase of 6 percentage points on a year-on-year basis.

II. Main business operation of the Company

In the first half of 2016, affected by the rush installation before 30 June, polysilicon witnessed vigorous demand and the installed capacities of PV and wind power continued to rise. The Company achieved better results through expanding market share, innovation and changes, and efficiency upgrading through quality and production improvement and cost reduction. During the Reporting Period, revenues of the Company amounted to RMB4,823.23 million, and profit attributable to owners amounted to RMB473.29 million, representing an increase of 22.09% and 76.12% respectively over the same period of last year.

1. Polysilicon production and sale

In the first half of 2016, the Company saw overcapacity for polysilicon through research and development of technologies, process optimization, and tapping productivity potentials and sales of polysilicon amounted to 13,788.35 tons, representing an increase of 47.54% over the same period of last year. In the first half of 2016, the gross profit of polysilicon production came in at RMB536.18 million, representing an increase of 67.26% over the same period of last year.

2. Power generation and sales by self-owned power plant

In the first half of 2016, due to rapid growth in installed generating capacity of Xinjiang, negative growth in social electricity consumption, and decrease in external power transmission in Xinjiang in 2015, as well as the impact of grid corporations being forced to execute peak load regulation and the policy on alternative energy to replace thermal power, the utilization hours of the self-owned power plant of the Company dropped, with the average utilization hours arriving at 3,063 hours; total electricity generation amounted to 2.144 billion kWh and on-grid electricity generation was 1.894 billion kWh, representing a decrease of 7.46% as compared with the first half of 2015. Specifically, the capacity used for polysilicon production amounted to 917 million kWh, representing an increase of 12.53% as compared with the first half of 2015. The surplus electricity sold to the local grid came in at 977 million kWh, representing a decrease of 20.67% as compared with the first half of 2015.

3. *Development and reserve of domestic PV and wind power resources*

In the first half of 2016, in order to against the backdrop national policy guiding changes and pluralistic differentiation of market forms, the Company adjusted the strategy of resources development based on the actual situation, developed wind and PV power simultaneously and promoted the dominant position of the wind power, and expanded market from Xinjiang to the entire country of China. In the meantime, the Company strengthened efforts in acquiring projects in regions without power rationing such as Jiangxi and Yunnan Provinces, laying a solid foundation for the subsequent development. In addition, the Company actively explored the resources development of new businesses according to market changes and government policies, including distributed PV power, decentralized wind power and micro-grid energy storage.

In the first half of 2016, the installed capacity of EPC and BT projects for PV and wind power plants which have been completed by the Company with recognised revenues amounted to 659.45MW. As at 30 June 2016, the installed capacity of BT projects which are under construction and have been completed and are to be transferred amounted to 727.5MW. The advanced pipeline projects with total installed capacity are about 3GW, laying a solid foundation for the development of BT and BOO projects.

4. *Construction of BOO projects*

Relying on the competitive advantage in the project construction contracting services, abundant wind and PV resources reserves and experienced management and operation teams, the Company began to engage in the field of PV and wind power generation project operator in 2015. Currently, Hami Jingxia 200MW Wind Power Project and Guyang 100MW Wind Power Project have not been completed due to the construction of external power transmission substations, external lines, and collecting power lines of the grid. The Company accordingly adjusted the construction and grid connection schedule and it is expected that these projects will be connected to grid in the second half of 2016. Guyang 20MW PV Project and Mulei 49.5MW Wind Power Project have been connected to grid and achieved operating revenues in succession. Hami Southeast 150MW PV Project has been connected to grid and completed debugging partially, which is expected to generate operating revenue in the second half of 2016.

As a power plant operator, the Company will have long-term stable income, which will promote the diversified sources of revenue and further improve the profitability of the Company.

5. *Safe production and technological innovation*

The Company adhered to the management principle of “Safety Priority and Strict Operation” (“安全為天，嚴字當頭”) and firmly established the safety management philosophy of “Zero Tolerance” (“零容忍”). The Company adhered to the philosophy of efficiency deriving from strict management and constantly improved the management system and standard specifications. The Company carried out in-depth exploration and conducted intensive cultivation, laying a foundation for production improvement and cost reduction.

In the first half of 2016, the Company carried out technological innovation mainly in relation to cost reduction per kWh electricity, generation capacity improvement technologies, design of high-voltage large power generating units, and flexible substation technologies. The Company applied the advanced new technologies in the new projects, which further improved the engineering quality and generation efficiency of projects.

The Company developed PV eCloud which is the first intelligent operation and maintenance platform based on the big data cloud computing. It allows to have a comprehensive understanding of the power plant without going to the site and manage the power plant more conveniently and friendly.

III. Operating results and analysis

Financial Review:

Business Performance Table

	For the six months ended 30 June	
	2016	2015
	RMB'000	<i>RMB'000</i>
Revenue	4,823,225	3,950,590
Cost of sales	(3,795,660)	(3,297,588)
Gross profit	1,027,565	653,002
Other income	29,389	105,243
Other gains/(losses) — net	9,708	(2,962)
Selling and marketing expenses	(146,045)	(86,261)
General and administrative expenses	(259,653)	(202,916)
Finance expenses — net	(96,430)	(157,278)
Share of profit/(loss) of investments accounted for using the equity method	146	(50)
Profit before income tax	564,680	308,778
Income tax expense	(90,307)	(37,906)
Profit attributable to the owners of the Company	473,286	268,723
Profit attributable to the non-controlling interests	1,087	2,149

Revenue

The Group generates revenue mainly from six business segments, including polysilicon production, Engineering Construction and Contracting (“ECC”), inverter manufacturing, sales of electricity, PV wafer and module manufacturing and BOO. For the six months ended 30 June 2016, the revenue of the Group was RMB4,823.23 million, representing an increase of RMB872.64 million or 22.09% over RMB3,950.59 million in the corresponding period of last year. The increase was mainly due to an increase in the sale of polysilicon and the expansion of ECC and inverter manufacturing business scales of the Company.

Business Segments	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Polysilicon Production	1,367,505	988,696
ECC	2,791,757	2,371,839
Inverter Manufacturing	295,630	207,885
Sales of Electricity	114,427	212,959
PV Wafer and Module Manufacturing	129,159	121,684
BOO	11,171	—
Others	113,576	47,527
Total Revenue	<u>4,823,225</u>	<u>3,950,590</u>

For the six months ended 30 June 2016, the revenue of polysilicon production segment was RMB1,367.51 million, representing an increase of RMB378.81 million or 38.31% over RMB988.70 million in the corresponding period of last year. The increase was mainly due to an increase in the sale of polysilicon during the Reporting Period compared with that in the corresponding period of last year.

For the six months ended 30 June 2016, the revenue of ECC segment was RMB2,791.76 million, representing an increase of RMB419.92 million or 17.70% over RMB2,371.84 million in the corresponding period of last year. The increase was mainly because China PV and wind power industries developed steadily during the Reporting Period, and at the same time, with the external stimulation rush installation before 30 June in the industry, the Company strengthened efforts in market development, which led to the expansion of ECC business scales.

For the six months ended 30 June 2016, the revenue of inverter manufacturing segment was RMB295.63 million, representing an increase of RMB87.75 million or 42.21% over RMB207.89 million in the corresponding period of last year. The increase was mainly because the demand of inverter increased resulting from the steady development of China PV industry and rush installation of PV plant before 30 June, increased sales for products of inverters by virtue of the Company's intensified efforts in market expansion.

For the six months ended 30 June 2016, the revenue of the electricity sales segment was RMB114.43 million, representing a decrease of RMB98.53 million or 46.27% from RMB212.96 million in the corresponding period of last year. The decrease was mainly because the gross power generation from our self-owned power plants decreased compared with that in the corresponding period of last year, and internal consumption of electricity in polysilicon manufacturing increased, which led to the decrease of external sales of electricity and thus reduced the revenue of sales.

For the six months ended 30 June 2016, the revenue of PV wafer and module manufacturing segment was RMB129.16 million, representing an increase of RMB7.48 million or 6.14% over RMB121.68 million in the corresponding period of last year. The increase was mainly due to the steady development of China PV industry due to the rush installation of PV plant before 30 June and accordingly led to the increase of the price of PV wafer.

For the six months ended 30 June 2016, the revenue of BOO segment was RMB11.17 million, while no revenue of BOO segment in the corresponding period of last year, which mainly due to BOO project of the Company electricity generation after connecting to grid in succession which generated revenue during the Reporting Period.

Cost of sales

For the six months ended 30 June 2016, the cost of sales incurred by the Group was RMB3,795.66 million, representing an increase of RMB498.07 million or 15.10% over RMB3,297.59 million in the corresponding period of last year, which was mainly due to soaring revenue for the Reporting Period and the Company strengthened the supervision of cost.

Business Segments	For the six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Polysilicon production	831,324	668,127
ECC	2,413,051	2,121,667
Inverter manufacturing	219,029	161,222
Sales of electricity	114,007	159,069
PV wafer and module manufacturing	114,861	143,879
BOO	4,261	—
Others	99,127	43,624
	<hr/>	<hr/>
Total cost	<u>3,795,660</u>	<u>3,297,588</u>

For the six months ended 30 June 2016, the cost of sales incurred by polysilicon production segment was RMB831.32 million, representing an increase of RMB163.20 million or 24.43% over RMB668.13 million in the corresponding period of last year. The increase was mainly because the sales of polysilicon increased during the Reporting Period compared with the corresponding period of the last year. At the same time, the Company increased the technology promotion, strengthened the supervision of cost, leading to the further decrease in the production cost.

For the six months ended 30 June 2016, the cost of sales incurred by ECC segment was RMB2,413.05 million, representing an increase of RMB291.38 million or 13.73% over RMB2,121.67 million in the corresponding period of last year. The increase was mainly due to the expansion of the ECC business scale and revenue during the Reporting Period.

For the six months ended 30 June 2016, the cost of sales incurred by inverter manufacturing segment was RMB219.03 million, representing an increase of RMB57.81 million or 35.86% over RMB161.22 million in the corresponding period of last year. The increase was mainly because the sales of inverter manufacturing and revenue increased during the Reporting Period.

For the six months ended 30 June 2016, the cost of sales incurred by electricity sales segment was RMB114.01 million, representing a decrease of RMB45.06 million or 28.33% from RMB159.07 million in the corresponding period of last year. The decrease was mainly because during the Reporting Period, the gross power generation from our self-owned power plants decreased compared with that in the corresponding period of the last year, and internal consumption of electricity in polysilicon manufacturing increased, which led to the decrease of external sales of electricity.

For the six months ended 30 June 2016, the cost of sales incurred by PV wafer and module manufacturing segment was RMB114.86 million, representing a decrease of RMB29.02 million or 20.17% from RMB143.88 million in the corresponding period of last year. The decrease was mainly because the Company increased the technology promotion of polysilicon products, and strengthened the supervision of cost, leading to the decrease in the production cost during the Reporting Period.

For the six months ended 30 June 2016, the cost of sales incurred by BOO segment was RMB4.26 million, while no sale cost of BOO segment in the corresponding period of last year, which mainly due to BOO project of the Company grid-connected energy generation in succession which generated revenue and increased the cost correspondingly during the Reporting Period.

Gross profit and gross profit margin

For the six months ended 30 June 2016, the gross profit of the Group was RMB1,027.57 million, representing an increase of RMB374.56 million or 57.36% over RMB653.00 million in the corresponding period of last year. The comprehensive gross profit margin rose from 16.53% to 21.30%. The increase in gross profit was mainly because the ECC business scale of the Company were expanded, and the sales of polysilicon increased while the Company strengthened the supervision of cost which resulted in the overall increase in gross profit margin.

Other income

For the six months ended 30 June 2016, the other income of the Group was RMB29.39 million, representing a decrease of RMB75.85 million or 72.08% from RMB105.24 million in the corresponding period of last year. The decrease was mainly because the Company received government grants decreased during the Reporting Period compared with that in the corresponding period of last year.

Other gains/(losses) — net

For the six months ended 30 June 2016, the other gains of the Group were RMB9.71 million, as compared to losses of RMB2.96 million in the corresponding period of last year, which was mainly because the donation expenditure of the Company decreased during the Reporting Period.

Selling and marketing expenses

For the six months ended 30 June 2016, the selling and marketing expenses of the Group were RMB146.05 million, representing an increase of RMB59.78 million or 69.31% over RMB86.26 million in the corresponding period of last year. The increase was mainly due to the increase of the sales staff's wages, warranty cost and freight during the Reporting Period.

General and administrative expenses

For the six months ended 30 June 2016, the general and administrative expenses of the Group were RMB259.65 million, representing an increase of RMB56.74 million or 27.96% over RMB202.92 million in the corresponding period of last year. The increase was mainly because the business scale of the Company was expanded, staff costs and research and development investment of new products increased.

Finance expenses — net

For the six months ended 30 June 2016, the net finance expenses of the Group was RMB96.43 million, representing a decrease of RMB60.85 million or 38.69% from RMB157.28 million in the corresponding period of last year. The decrease was mainly due to the decrease of the overall interest rate of the Group.

Share of profit of investments accounted for using the equity method

For the six months ended 30 June 2016, the share of profit of investments accounted for using the equity method of the Group was RMB146,000, as compared to a loss of RMB50,000 in the corresponding period of last year which was mainly because of the increase of the profit of the associate.

Income tax expense

For the six months ended 30 June 2016, the income tax expense of the Group was RMB90.31 million, representing an increase of RMB52.40 million or 138.24% over RMB37.91 million in the corresponding period of last year. The increase was mainly because the income tax deductions based on the national policy in the previous year was relative significant but it was substantially reduced during the Reporting Period and the profit before income tax increased.

Profit attributable to the owners of the Company

For the six months ended 30 June 2016, profit attributable to the owners of the Company was RMB473.29 million, representing an increase of RMB204.56 million or 76.12% over RMB268.72 million in the corresponding period of last year.

Profit attributable to the non-controlling interests

For the six months ended 30 June 2016, the profit attributable to the non-controlling interests of the Group was RMB1.09 million, representing a decrease of RMB1.06 million or 49.42% from RMB2.15 million in the corresponding period of last year. The decrease was mainly due to the loss of Xi'an TBEA Electric Power Design Co., Ltd., the holding subsidiary of TBEA Xinjiang New Energy Co., Ltd. ("**Xinjiang New Energy**"), a subsidiary of the Group.

Cash Flows

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(1,155,017)	1,035,790
Net cash (used in)/generated from investing activities	(1,492,229)	84,879
Net cash generated from financing activities	1,690,209	751,842
Net (decrease)/increase in cash and cash equivalents	<u>(957,037)</u>	<u>1,872,511</u>

Net cash (used in)/generated from operating activities

For the six months ended 30 June 2016, the net cash outflow used in operating activities of the Group was RMB1,155.02 million, representing a decrease of RMB2,190.81 million from RMB1,035.79 million of the net cash inflow in the corresponding period of last year. The decrease was mainly because the Company's enlarged business scale and rush installation of power station in the industry before 30 June during the Reporting Period, which resulted in the substantial increase in the purchase in the first half of 2016 compared with the corresponding period of last year and the increase in the expenses of operating activities.

Net cash (used in)/generated from investing activities

For the six months ended 30 June 2016, the net cash outflow used in investing activities of the Group was RMB1,492.23 million, representing a decrease of RMB1,577.11 million from RMB84.88 million of the net cash inflow in the corresponding period of last year. The decrease was mainly because construction of BOO projects of the Company which cost a large amount of funds during the Reporting Period.

Net cash generated from financing activities

For the six months ended 30 June 2016, the net cash inflow generated from financing activities of the Group was RMB1,690.21 million, representing an increase of RMB938.37 million over RMB751.84 million in the corresponding period of last year. The increase was mainly due to repayment of borrowing by the Company decreased during the Reporting Period compared with the corresponding period of last year, and the increase of borrowing facilities.

Operation Fund

	30 June 2016	31 December 2015
Closing cash and cash equivalents (RMB'000)	1,905,814	2,862,403
Current ratio	107.53%	101.44%
Gearing ratio	75.91%	49.39%

On 30 June 2016, the cash and cash equivalents of the Group were RMB1,905.81 million, while on 31 December 2015, the cash and cash equivalents of the Group were RMB2,862.40 million.

On 30 June 2016, the current ratio of the Group (calculated by dividing total current assets by total current liabilities) was 107.53%, while on 31 December 2015, the current ratio of the Group was 101.44%. The increase in the current ratio was mainly because the increase in the amount receivable from the customer contract projects as a result of the expanded scale of the ECC of the Company.

On 30 June 2016, the gearing ratio of the Group was 75.91%, while on 31 December 2015, the gearing ratio of the Group was 49.39%. The gearing ratio was calculated by dividing its net liabilities by total equity, of which net liabilities was the part with restricted bank balances and bank balances and cash subtracted from total interest-bearing liabilities.

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 2016, the major capital expenditure of the Group included: RMB1,155.15 million for the purchase of property, plant and equipment, RMB3.80 million for the purchase of intangible assets and RMB9.71 million for the purchase of land use right.

Contingent liabilities

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (江蘇中能矽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. As of the date of this interim results announcement are 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 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 30 June 2016.

Apart from the above, the Group and the Company have contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As of 30 June 2016, 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 2016, the pledge of assets of the Company were the secured short-term bank borrowings with an amount of RMB663,760,000, and such secured short-term bank borrowings represented proceeds received under trade receivable factoring agreements with recourse with banks. As of 30 June 2016, secured short-term bank borrowings with an amount of RMB60,000,000 were guaranteed by the pledge of approximately 33% of equity interest in Xinjiang New Energy. As of 30 June 2016, secured long-term bank borrowings with an amount of RMB4,850,600,000 were pledged with certain property, plant and equipment and land use rights of polysilicon production. As of 30 June 2016, secured short-term other borrowings with amount of RMB430,719,000 were pledged with certain property, plant and equipment of polysilicon production and guarantee deposit. As of 30 June 2016, secured long-term other borrowings with amount of RMB361,115,000 were pledged with the Group’s certain inventory and guarantee deposit; secured long-term other borrowings with amount of RMB143,000,000 and RMB36,000,000 were pledged by the guarantee of the Company and Xinjing New Energy respectively.

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 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 is minimal, and the 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. All 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 2016, current assets of the Group amounted to RMB17,509.98 million, among which, RMB1,905.81 million was cash and cash equivalents; RMB3,584.07 million was trade and notes receivable primarily consisted of receivables from ECC and sales of inverter; RMB2,497.99 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 2016, current liabilities of the Group amounted to RMB16,284.00 million, including RMB9,216.73 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), RMB1,831.34 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 RMB4,865.98 million of short-term borrowings.

As of 30 June 2016, net current assets of the Group amounted to RMB1,225.98 million, representing an increase of RMB1,023.10 million as compared with net current assets amounted to RMB202.88 million as of 31 December 2015. The liquidity ratio was 107.53% for the six months ended 30 June 2016, representing an increase of 6.09 percentage points as compared with the liquidity ratio of 101.44% for the year ended 31 December 2015. Restricted deposits amounted to RMB1,612.13 million, mainly including deposits for bills and issuance of the letter of credit.

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

Borrowings and notes payable

As of 30 June 2016, the Group's balance of the borrowings and notes payable amounted to RMB14,410.29 million, representing an increase of RMB2,300.67 million as compared with the balance of the borrowings and notes payable amounted to RMB12,109.62 million as of 31 December 2015. As of 30 June 2016, the Group's outstanding borrowings and notes included short-term borrowings and notes payable of RMB9,699.08 million (including long-term borrowings due within one year of RMB679.50 million and notes payable of RMB4,833.10 million) and long-term borrowings amounting to RMB4,711.21 million. The above mentioned borrowings were all borrowings denominated in RMB.

Credit risk

Credit risk is managed on a group basis, except for credit risk relating to accounts receivable balances. Each of local entities is responsible for managing and analyzing 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

During the Reporting Period, the Group had no events after the balance sheet date.

IV. Outlook

- *Market outlook*

Given another round of rush installation in the PV industry has completed in the first half of 2016, the robust situation of the PV market is bound to be weakened, while the Chinese government's support for the PV industry continues to strengthen. In June 2016, the National Energy Administration announced the Notice of the National Energy Administration on Issuing the Construction and Implementation Plan of PV Generation for 2016 (Guo Neng Xin Neng [2016] No. 166). The notice pointed out that the construction target of national new PV plants for 2016 will be 18.1GW, including 12.6GW generated by the ordinary photovoltaic plants. It is noteworthy that in addition to setting the new installed capacity target of 18.1GW for 2016, the notice also pointed out that the "new PV poverty alleviation target will be issued later", which means that the new installed capacity for 2016 issued by the National Energy Administration this time does not include the PV poverty alleviation target this year. According to the industry speculation, the capacity for PV poverty alleviation of China over the next five years will be around 15GW, which means that the new capacity per year will arrive at 2GW–5GW. Accordingly, China's total new installed capacity of PV will reach at least 20.1GW in 2016, including the new installed capacity target of 18.1GW per year and the new installed capacity of 2GW–5GW for PV poverty alleviation.

With regard to wind power, the National Energy Administration issued the Notice of the National Energy Administration on Issuing the National Development and Construction Plan of Wind Power for 2016 (Guo Neng Xin Neng [2016] No. 84) in March 2016. The notice pointed out that the total target for national wind power development and construction will reach 30.83GW in 2016.

According to the plan of the National Energy Administration, China's total installed capacity of the wind and PV power will reach 250GW and 150GW respectively in 2020. During the "13th Five-Year Plan" period, the new installed wind power capacity will exceed 30GW per year and the new installed PV capacity will exceed 20GW per year. The huge market demand will further promote the rapid development of the alternative energy industries.

- ***Business plan in the second half of 2016***

Faced with the new opportunities and challenges, the Company will strictly control costs and quality internally and expand domestic and international markets externally. The Company will constantly improve market competitiveness and profitability through management and technology innovation.

(1) With small investment and large output, to carry out the polysilicon technological transformation project to further increase production and reduce costs

In the second half of 2016, the Company began construction of the technological transformation project of silicon tetrachloride recycling 180,000 tons per year by advanced hydrochlorination and high purity crystalline silicon upgrading (the “**Project**”) and a total investment of approximately RMB658 million for a duration of 1.5 years. The Project will add a new hydrochlorination production line. Meanwhile, it will optimize and supplement original hydrochlorination production line and bottleneck process to achieve the optimal allocation of production capability, and after which, the total production capacity of polysilicon will amount to 30,000 tons per year. By making rigorous working plans and performing in strict accordance with the plans, the Company will designate specific persons to take overall responsibility for the project schedule, quality, production and acceptance to ensure that the technological transformation project will be effectively completed according to the specified quality and quantity.

(2) Strict control and proper safety management during the period of overhaul

In the first half of 2016, polysilicon prices continued to rise due to the impact of supply and demand. In order to seize market opportunities and achieve maximum benefits, the Company will carry out annual equipment overhaul program in the second half of 2016. To ensure the quality and duration of the overhaul, the Company will ensure the overhaul to be completed according to the specified quality and quantity in accordance with the management principles of “scientific planning, strict and meticulous attitude, safety specification, and full-process control”.

(3) To adhere to the business philosophy of “safety priority” (“安全為天”) to ensure safe production, by giving consideration to both technical transformation and overhaul

In the second half of 2016, polysilicon production will face double test of technological transformation and overhaul. The Company will continue to strengthen safety production management and supervision, establish the long-term safety production mechanism, implement the security management liability mechanism among all employees, and comprehensively execute the preventive management of equipment to ensure safe operation of equipment.

The Company will attach great importance to the implementation and emergency management of control programs for major sources of danger, continue to optimize process, control the discharge of three wastes (waste gas, waste water and industrial residue) in compliance with standards, increase investment in safety, strengthen the implementation of security systems to ensure the safe operation and zero accident.

(4) To proactively explore new resources to further improve wind power and PV market share

The Company will accelerate the development of resources which have been acquired and actively explore the development of new form of resources based on market changes and policies. The Company will proactively develop distributed PV power and try to exploit the development pilot of decentralized wind resources in the surrounding area of the city. It will constantly follow the policy orientation of government, continue to promote the feasibility study on the development of PV power and thermal energy.

(5) To constantly expand international business under “One Belt and One Road” (“一帶一路”) Policy

Leveraging on the market opportunities and financing conditions brought about by the national policy of “One Belt and One Road”, the Company will continue to build PV plants in countries along the “One Belt and One Road” such as Pakistan and Kazakhstan as well as other regions with optional PV resources through investment, EPC, to constantly expand the international market share.

(6) To promote technological innovation and accelerate achievement transformation

With regard to polysilicon production, the Company will continue to carry out scientific and technological innovation of projects through focusing on improving the quality of polysilicon, production, and reducing energy consumption, and further enhance the competitiveness of products.

With regard to the development of wind power and PV resources, the Company will strengthen research and development, continue to promote the technical research of intelligent PV power plants, wind farms, substations, flexible AC transmission technologies, establish the strategic thinking of App Internet energy, such as big data, cloud computing, create platforms, provide value-added services, and diversify product means of technical services.

V. Risk factors and management

(1) Risks associated with falling price of polysilicon

The root cause of polysilicon price changes depends on the supply and demand. In the first half of 2016, prices of polysilicon constantly moved up driven by soaring demand for polysilicon. It is expected that in the second half of 2016, polysilicon prices may decline on lowering demand for polysilicon resulting from gradually reducing terminal demand, thus affecting the revenues and operating results of the Company. The Company will strengthen research and development of technologies, and reduce costs and improve quality through expanding production capacity and enhancing efficiency, thereby reducing the risks caused by lower prices of polysilicon.

(2) Risks associated with market competition

In the first half of 2016, China's PV and wind power industry continued to maintain strong level of growth and manufacturing enterprises gradually improved their technologies along with the development of industry. The number of polysilicon manufacturers and PV and wind power project contractors persistently increased, leading to increasingly intensified market competition. The above factors may have an impact on the Group's market share. The Company will actively respond to market challenges, exert our advantages and provide quality products for the market as well as professional services for customers to further consolidate and enhance the 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 continued to deteriorate. The problem of suspended operation of wind turbines and solar panels persisted in some areas and the absorptive capacity suffered deficiency in some local areas. The problems of grid stability and control and management have not been fundamentally resolved. At the same time, the rush installation triggered by on-grid tariff cut will also cause pressure to the grid connection and absorption of PV and wind power. The Company will make reasonable planning during the development of wind and solar resources and strengthen development efforts in the areas with favorable grid connection and absorption conditions to ensure generation efficiency and effectiveness of power plants.

(4) Risks associated with tariff cut

According to the Notice Regarding the Improvement of Onshore Wind and PV Power Generation Benchmark Price Policy issued by the NDRC (Fa Gai Jia Ge [2015] No. 3044), the benchmark on-grid tariffs of PV and wind power plants in the first-class, the second-class, and the third-class resource areas were cut appropriately and this means the first step of PV and wind power generation which is entitled subsidies for many years developing towards the target of “grid connection with fair value” (“平價入網”). To achieve the target of “grid connection with fair value” (“平價入網”) as soon as possible, the on-grid tariffs of PV and wind power still witnessed reduction pressure. The Company will increase investment in research and development and further reduce power generation costs and increase power generation hours through technological upgrading to partially offset the risks of tariff cut.

EMPLOYEES

As of 30 June 2016, there are 4,070 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 2016.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a listed company on the Hong Kong Stock Exchange, the Company has been committed to improving our 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 shareholders 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 2016, the Company had fully complied with the code provisions in CG Code set out in the Appendix 14 of the Listing Rules.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the code 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 Directors 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 2016.

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 2016, the unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 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 2016 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
26 August 2016

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. Wang Jian, Mr. Zhang Xin and Ms. Guo Junxiang as non-executive Directors; Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus as independent non-executive Directors.